
ANALYSIS OF THE EFFECTS OF THE CORPORATE STRATEGY TO PERFORMANCE IN BUSINESS

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Abstract

The main task of this article represents different strategic approaches and illustrates the benefits of a clear strategy for tracking business. The benefits and the relationship will be illustrated by the example of a company operating in practice. The company in this case is a qualification service provider.

The fundament of this paper is the literature on the subject "Strategy". Furthermore, in the empirical part of this article, it will be analysed how successful and targeted the strategic implementation of the qualification service is.

The aim of this work is to make a statement on how successful a clearly defined strategy for a company is.

Keywords

Corporate strategy, business goal, performance in business, value chain

JEL Classification

L10

Introduction

The demand for a strategic orientation of the company is lately increasingly charged. Corporate strategy has always been important and developing a good strategy was always a difficult task. However, good corporate strategy has never been so important as now, just because so many things cannot be predicted, because the development is not transparent and because we are going through a fundamental changing phase (Malik 2007).

It is more and more recognized that the real problems of a company cannot be countered by an arbitrary direction of the company, but only with a clear corporate strategy of the proliferation of perceived problems and the increased difficulty of their solution (Heinemann, 2005).

Companies need strategies to compete on their markets. However, it will never be a strategy that could be applied as a panacea for all companies. Each provider has to find its best solution for the given situation, the given possibilities and its resources in order to

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fulfill its goals (Kotler, Armstrong, Wong, Saunders, 2011). Considering the currently successful companies, a common orientation can be easily identified: each company has a corporate strategy and a consistent orientation. With the right strategy, the successful company stands out from the less successful concurrence.

Strategic skills are nowadays so important, because there are not many competitors, who don't follow any strategy and don't work efficient. All companies strive for their strategy (Malik, 2007). Thus strategy means to take clear decisions based on which the companies plan is, in order to be competitive on their market (Welch, 2005).

Definition of the strategy

At a closer examination of the strategy concept it is important not to get around with the strategists of the past century. All so-called strategists of the past centuries were "war heroes" in the broadest sense. These included, inter alia General Sun Tzu, Hannibal, Alexander the Great, Carl von Clausewitz, to name just some of the most known. Based on the military history the concept of strategy has positive connotations. Strategists are winners (Bürkel, 2010).

If we let the myths of war heroes at side, we can find the core of the strategy, and we can relate it to the economy. In classic business (mostly on long term) under strategy it is understood a planned corporate behavior in order to achieve their goals (Seifert, 2016). In this sense, the company's strategy shows in corporate management, in which way a medium-term (2-4 years) or long term (4-8 years) corporate objective is to be achieved (eg. a new product development, increased market share or develop new markets). The most important instruments of the strategic objectives are portfolio analysis, potential analysis, ROI analysis or the product life cycle (Restuccia, Brentani, Legoux, 2015).

The corporate strategy sets the long-term development of the company as a unit. The vision and mission are the foundation for formulating a qualitative corporate strategy.

The vision is the origin and the guideline of entrepreneurial activity. The vision is an idea of how a company should develop in the future. Through the vision, the meaning of a company is described and the basic orientation of the proposed business development dictated (Hungenberg, 2004).

The vision is a landmark (lighthouse) for a company's employees. In this sense to the vision are usually assigned three functions:

- Identity function: the vision should describe a future image of the company that makes this unique and distinctive;
- Identification function: the vision is to show the employees in the company the deeper meaning and the value of their work and make it easier for them by identifying with the company;
- Mobilizing function: the vision should encourage the employees in the company to pursue the desired image of the future as a common goal.

A written implementation of the vision is the so-called mission. The mission includes the principles, the purpose of the company and the company's values. Each mission must then be converted into measurable strategic objectives. These should be available for each manager, so that he can take responsibility for the achievement of objectives (Kotler, Armstrong, Wong, Saunders, 2011).



Fig. no. 1: Overview Vision, Mission, Strategy

Source: authors

Research objectives and methodology

The aim of this study is to show the influence of different strategic approaches to enterprise development.

The authors find one approach for the study in the analysis of the value chain of Porter. Based on this examination, medium primary research, the business development training services are analyzed in connection. As measures of corporate development the key figures in sales and EBIT development are used.

Research results

Value Chain

The analysis of the strategy of the company is based on the analysis of the tool “Value Chain”. The author chose this tool because it matches best for the service companies and reflects best the company alignment and operating (Amara, Halilem, Traore, 2016).

If the Value Chain is applied on the strategy of the Company, it becomes obvious that the Company’s strategy is focused on profit improvement. Particularly the focus on the EBIT rate of return and the revenue target, which is supposed to ensure Companies continuous growth, is to be emphasized.

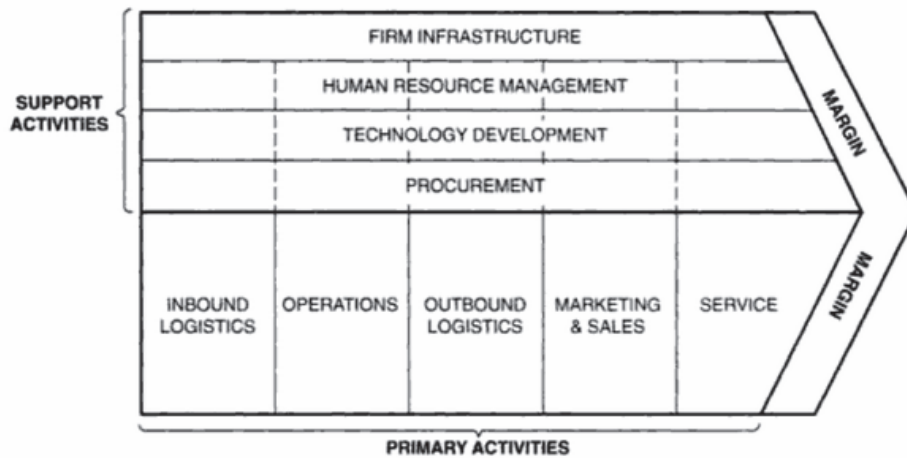


Fig. no. 2: The generic Porter Value Chain

Source: Barnes D., 2001 Understanding business: processes, London: Open University in assoc. with Routledge, pp. 52

In order to create a high value for the client, the US-author Michael Porter suggests the Value Chain as the suitable analysis. Any company consists of a set of activities that are carried out in order to design, produce, sell and deliver the products. The tool of the value chain divides the company into new value-added activities in order to analyze the individual areas and their costs more accurately and at the same time, to discover potential for differentiation over the competition (Porter, 1980).

These nine value-creating activities are divided into five primary and four cross-functional supporting activities.

Porter says that the primary activities are:

- the introduction of materials and parts (inbound logistics)
- the handling and processing of material and share (production)
- distribution of goods and shipping (outbound logistics)
- the marketing of manufactured goods (marketing and sales)
- customer services around the product (service)

Over a long period of time companies considered only the product itself as a means of generating value for customers. The customer satisfaction however is also based on the other stages of the value chain. The supporting activities are relevant in each of the five primary functional areas.

Under the concept of the value chain the company should examine costs and value-added performances in each functional area and seek for possible improvements. The success of a company however depends not only on how well individual departments do their jobs, but also on how the activities of the departments are aligned and coordinated. This requires a clear strategy, which is also clearly defined through each sector.

As described by the author, the various activities of the value chain reflect the commercial strategy.

Commercial strategy of the Company

If one takes a closer look on the commercial strategy of Company until 2015 (EBIT > 10 % and revenue > 60 million €) and compares the strategy with the revenue and EBIT development, it becomes obvious, that the Company 123 is very strong aligned on increasing the profits.

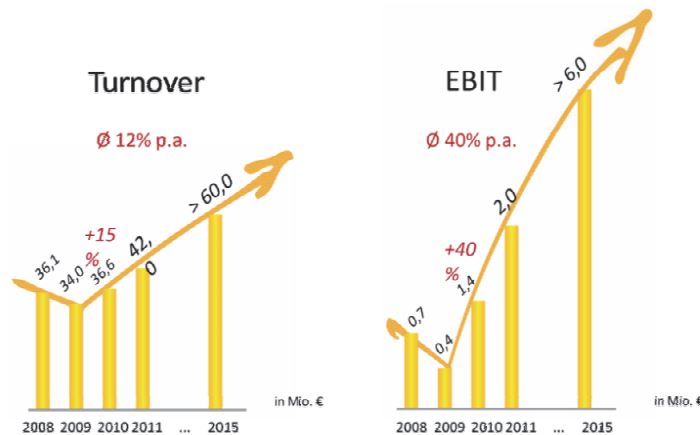


Fig. no. 3: Turnover and EBIT development of Company 123

Source: authors

To track this commercial strategy it is necessary that the strategy is prioritized and focused. This is possible, for instance, with the sub-objects:

- higher profit margins
- improved customer retention
- intensive investigation of the consumer

Based on this strategy it is clear to see, that as well as in the value chain of Porter, profit stands at the end of all activities and that this is what all activities are aligned to.

In the following Illustration two strategic alignments/ activities are highlighted, that underpin the representation of the value chain according to Porter.

Marketing- and sales strategy of the company

In the last five years the market for training has changed. The customers are choosing customized training solutions and send fewer employers in open seminars.

There are about 180.000 IT professionals in Germany, who need to invest at least 5 to 10 days a year in their further education in order to maintain their market value. Here, the market of certification is not excluded, since in Germany, the evidence of a successfully completed qualification is still very valuable. The personal market value increases. The customer pays higher hourly rates. The professionals usually want to carry out the training programs on weekends to minimize the loss fee. This would allow a more efficient use of resources at the company.

The company has been able to build new businesses but the structure is still mainly focused on standardized business seminars.

In order to identify the customer's individual requirements at an early stage, the establishment of an appropriate and highly qualified sales team in the offices is required. The new sales structure supports this sales activity and is focused on the key customers.

Due to these facts, the customer strategy consists of the following aspects:

- focus on the individual and profitable projects
- prioritization on the activities of distribution/ optimal use of resources

- structured market development on the size and needs of customers target training of sales staff
- multichannel distribution

Service strategy of the Company 123

The current target market is by addressing the customer considered a pure B2B market approach. Communication with businesses and winning the customers, starting with the top 100 companies in Germany up to the middle class, has been the clear focus.

Due to the intensified form of independence and freelancing for the IT professionals, results another target group, which at least partially can be addressed with the instruments of B2C marketing. Furthermore they have a significant purchasing power and are willing to invest in their own marketing capability. The offer could be an interesting complement to the efficient utilization of existing resources on weekends.

In addition, by addressing the potential customers via the Internet the selectivity of the target groups no longer exists. The participants of the week, which are sponsored by a company, visiting a from the company perspective necessary qualification measure, are potential participants over the weekend who consider their personal further education as a key fact in order to remain successful in the market.

In order to facilitate internationalization, a suitable platform on the internet has to be provided for the entry into social communities. The areas of different language are more important than national boundaries.

The Company 123 operates with four divisions on the training market, in order to provide their customers a full service (see appendix: divisions of the Company 123).

SWOT Analysis of the Company 123

Summarizing the results of the external and internal analysis in a SWOT – analysis (see “SWOT-Analyses) leads to the following result.

Table no. 1: SWOT analysis

Strengths	Weakness
<ul style="list-style-type: none"> • great client base in Germany • brand name • strong portfolio management • independent company • service orientated • many different topics • Sustainable growth is ensured • Strong customer orientation 	<ul style="list-style-type: none"> • profit orientated • one sided strategic alignment • Contributed hard structures within the companylack of need of matchin • strong hierarchy little innovation
Opportunities	Risks
<ul style="list-style-type: none"> • Developing new portfolio elements such IT topics • Tapping new markets (international) • Increase in international activities • Further development of the target markets 	<ul style="list-style-type: none"> • dependency on suppliers • price dumping by the buyers • new competitors enter the markets • reduce training budget

Source: authors

After a closer look at the SWOT analysis and considering the strengths and opportunities, it becomes obvious that the company is pretty well positioned on the market. Also a clear and permanent successful company development has to be noticed. The commercial target of the Company 123 also reflects this development (Riekhoff, H. C., 2001).

However weaknesses and risks of the Company 123 are not to be overseen or underestimated, since they can affect the company's success significantly. It is the job of the management, to take care that an appropriate strategy ensures that appropriate strategies are implemented as countermeasures for the prevention in the company. A major focus should also be the already mentioned support activities (value chain), because it is only possible to align the main activities in a way that they operate profit maximizing, with the optimal support.

To sum up, it can be outlined that the strategic orientation of the Company 123 is based on the foundation of a sustainable corporate success and is therefore able to meet the conditions for sustainable profit maximization. The currently implemented strategy provides an important competitive advantage and at the same time ensures that all company activities are matched and realized to the appropriate claims of the strategic alignment. So the strategy is driven by the (business) environment surrounding the organization. Therefore the firm tries to create a strategic "fit" or "match" between the firm's capabilities and market opportunities (=Outside-in). The Strategy is so called emergent.

Conclusion

The training business underlies is a cyclical business condition. Particularly in times of shortage of specialized professionals and especially with the growing markets, training is used to train and qualify staff and to motivate the employees to a certain extend. In difficult economic times, a decline in the public seminar business can be compensated by customer individual qualification projects. In addition, large organizations, such as TÜV and DEKRA consider how they could improve the management and the outsourcing of their qualification projects in the future.

The demand for a strategic orientation of the enterprise is conducted recently with increasing frequency. Corporate management has always been important to develop a good strategy and was always a difficult task. A good corporate strategy, however, was never as important as now. So many things cannot be predicted, because the development is so opaque, and we are going through a fundamental phase of change.

Finally, we would like to underline that the vision and the mission of a company are the foundation for formulating the strategy of a company. Nowadays all companies develop corporate strategies and a consistent orientation in order to be competitive on their market.

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