CORPORATE STRATEGY: PAST, PRESENT, AND FUTURE

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Abstract

This essay reflects on the development of corporate strategy as a field of research, seeking to accomplish three main objectives. First, I position corporate strategy within the broader field of strategy research. I argue that because corporate strategy addresses the conceptually distinct question of how managers set and oversee the scope of their firms, scholars in this domain require a unique organizing framework for analyzing it. Second, I offer such a framework, which disaggregates the different topics and phenomena that corporate strategy scholars study into three categories: intra-organizational, inter-organizational, and extra-organizational. Third, I use this framework to lay out an agenda for future research in corporate strategy, as well as some ideas for linking research more closely to practice and policy-making. Given the significance of corporate strategy from academic, practical, and regulatory standpoints, my hope is that this essay will chart a productive course forward for scholars, practitioners, and policy-makers alike.

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INTRODUCTION

Corporate strategy is a subject of major academic significance and practitioner importance in the modern business environment. From an academic standpoint, one of Rumelt, Schendel, and Teece's (1991, 1994) four canonical questions in strategy research gets at the heart of this topic: "What is the function of or value added by the headquarters unit in a multi-business firm?...Or, what limits the scope of the firm?" (Rumelt *et al.*, 1994: 44). These questions date back at least to Chandler's (1962) seminal work, in which he argued that the administrative structures within four large corporations (General Motors, Sears, Standard Oil of New Jersey, and DuPont) adapted to accommodate and promote the growth and development of these multi-business organizations. Since then, scholars in strategy and corporate finance have spent decades seeking to understand how corporate structures and the managers that oversee them can add value to or destroy value in their constituent businesses. However, as Rumelt *et al.* (1994: 3) note, the multi-business firm is a research topic that belongs more to strategy than to any other field of study, since "in such organizations there is a level of management activity that deals with integrating the various divisions or businesses that make up the firm."

From a practitioner perspective, moreover, corporate scope decisions, such as mergers and acquisitions, alliances, and divestitures, have the potential to create or destroy enormous amounts of shareholder value, to significantly impact operating performance for better or for worse, and to impose major organizational consequences on companies. As such, these kinds of decisions are often key discussion points in top management team meetings and in corporate boardrooms. Oftentimes, however, the outcomes of the corporate strategy decisions that companies make fall far short of expectations,[1] or worse, fail to solve the underlying problems that motivated them in

[1] One well-cited piece of conventional wisdom that supports this point is the remark that two-thirds of M&A fail to create value for the companies that undertake those deals.

the first place, at least in part because those underlying "wicked" problems are poorly-structured, if they are even articulated at all (Camillus, 2008; Baer, Dirks, and Nickerson, 2013; Nickerson and Argyres, 2018; Csaszar, 2018). Perhaps in consequence, entire industries, such as management consulting and investment banking, have been built around demand for advice on whether, when, and how to execute corporate strategy transactions, as well as how to manage their financial and organizational implementation and consequences. Additionally, most business schools offer at least one (and very often more than one) course on corporate strategy, mergers and acquisitions, or both. This suggests that there is clearly demand for research insights and content on corporate strategy among the current and next generations of strategy and management practitioners.

The clear importance of corporate strategy to researchers and practitioners alike is reflected in the prevalence of publications on this topic. Figure 1 and Table 1 present a *Web of Science* analysis of the relative share of publications in the *Strategic Management Journal*, the top journal in the field of strategy, whose titles contain at least one keyword (or variant thereof) relating to corporate strategy.[2] While there is much year-to-year cyclicality in the relative prevalence of publications on corporate strategy topics, overall, there is a clear upwards trend in the research attention that is paid to them. Indeed, the average percentage of corporate strategy-related articles went from about 10% in the 1980-1989 decade to nearly 40% in the years since then.

-----Figure 1 and Table 1 here-----

Drawing on the foregoing discussion and analysis, this essay seeks to accomplish three main goals. First, given Rumelt *et al.*'s (1994) arguments about the importance of corporate strategy as a research topic, I seek to provide some insights about how corporate strategy fits into the field of strategy. Second, given the unique features that I am able to surface in the core

[2] These keywords (presented with their variants) are the following: diversifi*, merg*, acqui*, M&A, divest*, asset sale, spinoff, spin-off, selloff, sell-off, scope, firm boundar*, corporate strategy, corporate scope, ally, or alliance*.

questions that animate research in corporate strategy, I present a three-part framework aimed at organizing the different topics and phenomena that corporate strategy scholars study. This framework is especially important in view of the consistently strong and growing representation of corporate strategy as a domain for research inquiry, as well as the need to add greater structure to the problems that corporate strategy seeks to address and more rigor to the decision-making processes that guide the selection and implementation of solutions to these problems. Third, and further to the previous points, I use my framework to lay out an agenda for some productive directions that research in corporate strategy might take, as well as some ideas for linking corporate strategy research more closely to practice and policy-making.

WHAT IS CORPORATE STRATEGY?

Research in strategy is fundamentally concerned with explaining what enables firms to enjoy sustainable performance advantages over their competitors. One of the most important debates in this field emerged between scholars rooted in the tradition of industrial organization economics (IO) and scholars involved in the development of the resource-based view of the firm (RBV). For the IO-oriented scholars, Bain's structure-conduct-performance paradigm (Bain, 1956) informed the idea that industry structure and firms' (or businesses') positions therein are key determinants of their relative performance (Porter, 1979, 1980). By comparison, for scholars coming from the RBV tradition, differences in performance are driven by the idiosyncratic and inimitable resources and capabilities that companies have at their disposal (Penrose, 1959; Rumelt, 1974, 1982; Wernerfelt, 1984; Barney, 1986; Dierickx and Cool, 1989). The tension between these two perspectives was reflected in a series of variance decomposition studies, in which scholars from the IO tradition tended to find evidence of a more significant industry effect than a business unit effect on firm performance (Schmalensee, 1985; Wernerfelt and Montgomery, 1988;

McGahan and Porter, 1997), while scholars from the RBV tradition tended to find evidence of a more significant business unit effect than an industry effect on firm performance (Rumelt, 1991; Bowman and Helfat, 2001; Adner and Helfat, 2003).

In some sense, this early debate between scholars rooted in the IO and RBV perspectives divided the field of strategy into two parts, competitive strategy and corporate strategy, which focus on distinct core questions. On the one hand, research in competitive strategy is animated around analyzing how markets, resources, technologies, and organization might explain differences in firm performance. Various theories were applied and frameworks were developed to address how these kinds of factors influence firm performance (Caves and Porter, 1977; Porter, 1980; Ghemawat, 1991, 1997; Brandenburger and Stuart, 1996, 2007; Lippman and Rumelt, 2003). On the other hand, however, research in corporate strategy seeks to address a different core question: *how do managers set and oversee the scope of their firms*—that is, how do managers determine which businesses belong within their firms and which do not, what transactions (like M&A, alliances, or divestitures) do they undertake to achieve that scope, how do they allocate resources among their constituent businesses, and how do they coordinate or promote interdependencies across those businesses? Differences in firm performance are important to corporate strategy inasmuch as they serve as an outcome—ideally, the decisions that the manager of a firm makes in response to the above-mentioned questions lead that company to enjoy better performance than its competitors. But, ultimately, answering questions around how managers set and oversee the scope of their firms is the core objective of corporate strategy research. Interestingly, despite the wealth of research that has sought to answer this question, as well as the multiplicity of theories that have been invoked to conceptualize those answers, no framework yet

exists to organize and add structure to the different topics and phenomena that scholars in this field study. I take up the task of offering such a framework in the next subsection of this essay.

A FRAMEWORK FOR CORPORATE STRATEGY

The answer to the question of "how do managers set and oversee the scope of their firms?" can be broken down into three key components: the first is that managers coordinate resources within the boundaries of their firms, the second is that managers coordinate relationships with other companies across the boundaries of their firms, and the third is that managers decide which businesses belong within the boundaries of their firms and which ones do not. Thus, this framework of how managers set and oversee firm scope can be viewed as telescoping, in that these actions range from intra-organizational to inter-organizational to extra-organizational. Figure 2 depicts these three levels of managerial action visually, emphasizing the point that each of them offers a distinct locus of engagement vis-à-vis the focal firm. Additionally, Table 2 presents the theories that are commonly used to elucidate these three categories of managerial action. I will now describe the components of this framework in greater detail.

-----Figure 2 and Table 2 here-----

Intra-Organizational Actions

Starting with the intra-organizational standpoint, the first answer to the question of "how do managers set and oversee the scope of their firms?" is that they must coordinate how resources are utilized and deployed within the boundaries of their firms. This can encompass a number of different actions, including deciding how to allocate resources to productive uses (Chandler, 1962; Bower, 1970; Christensen and Bower, 1996; Sull, 1999; Gilbert, 2001; Bardolet, Lovallo, and Rumelt, 2010; Arrfelt, Wiseman, and Hult, 2013; Arrfelt *et al.*, 2015), determining how to leverage certain resources across multiple business units to promote synergies and interdependencies

(Penrose, 1959; Leonard-Barton, 1992; Teece *et al.*, 1994; Chang, 1996; Capron, Dussauge, and Mitchell, 1998; Helfat and Eisenhardt, 2004; Levinthal and Wu, 2010; Wu, 2013; Sakhartov and Folta, 2014), and choosing whether and how to pursue cross-subsidization in internal capital markets (Jensen, 1986; Stein, 1997; Scharfstein and Stein, 2000; Khanna and Tice, 2001; Billett and Mauer, 2003; Ozbas and Scharfstein, 2009). Given the nature of these actions, two theoretical perspectives that are informative in depicting how managers make these kinds of decisions are dynamic capabilities and resource redeployment. Notably, because managers can choose to advance their own self-interests in making intra-organizational resource allocation decisions, agency theory can also provide useful theoretical grounding for these issues.

Dynamic capabilities are defined as “a firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano, and Shuen, 1997). Diversified firms are fertile ground in which to study dynamic capabilities because managers must decide whether and how to apply key capabilities across their component businesses, and determine what the consequences of doing so (or not) might be. For example, Levinthal and Wu (2010) distinguish between scale-free (Anand and Singh, 1997; Teece, 1982; Winter and Szulanski, 2001) and non-scale-free (Capron, 1999; Helfat and Eisenhardt, 2004; Teece, 1980) capabilities, arguing that the latter impose opportunity costs when managers try to leverage them across businesses within diversified firms (Wu, 2013). Similarly, both Feldman (2014) and Natividad and Rawley (2016) find evidence that legacy divestitures are associated with a decline in the operating performance of the divesting firms, attributable to the dissipation of core capabilities that were accumulated over time in those companies’ original (legacy) businesses.

In a similar vein, the literature on resource redeployment seeks to understand the value of managers having the flexibility to internally redistribute non-financial resources across the

component businesses of multi-business firms (Anand and Singh, 1997; Belderbos, Tong, and Wu, 2014; Lieberman, Lee, and Folta, 2017; Miller and Yang, 2016; O'Brien and Folta, 2009; Sakhartov and Folta, 2014; Wu, 2013). Diversified firms are again a critical context in which to investigate this issue, since business units are the locus of redistribution. This stream of research raises an important distinction between intra-temporal economies of scope (also known as synergies), in which managers contemporaneously share key resources across their businesses, and inter-temporal economies of scope, in which managers choose how to reallocate resources across their business units over time (Helfat and Eisenhardt, 2004; Levinthal and Wu, 2010; Sakhartov and Folta, 2014, 2015). This literature therefore introduces a dynamic rather than a static view of firm scope.

The common theme that emerges from the literatures on dynamic capabilities and resource redeployment is that the key intra-organizational action that managers must take is to deliberately and proactively leverage the stocks of resources and capabilities that exist within their firms, both over time and especially in the face of rapidly changing environmental conditions. Importantly, though, managers may not always pursue the best interests of their firms in making these kinds of decisions, at times instead seeking to advance their own priorities and pet projects. For example, managers may inefficiently cross-subsidize or over-invest in certain preferred businesses at the expense of other ones (Berger and Ofek, 1995; Lamont, 1997; Scharfstein and Stein, 2000; Rajan, Servaes, and Zingales, 2000; Ozbas and Scharfstein, 2009). Nevertheless, despite the more negative outcomes that may occur in these kinds of circumstances, the underlying intra-organizational function of managers coordinating how resources are utilized and deployed within the boundaries of their firm remains the same.

Inter-Organizational Actions

Turning next to the intra-organizational standpoint, a second answer to the question of "how do managers set and oversee the scope of their firms?" is that they must coordinate relationships with other companies across the boundaries of their firms. This, too, can encompass a number of different actions, especially developing inter-organizational routines with (Dyer and Singh, 1998; Kale, Dyer, and Singh, 2002; Lavie, 2006) and learning from other firms (Cohen and Levinthal, 1990; March, 1991; Lane and Lubatkin, 1998). As such, the two theoretical perspectives that are useful in conceptualizing how managers make these kinds of decisions are the relational view and network theory.

The relational view holds that unique combinations of resources or capabilities that are brought together by transaction partners, especially alliance partners, can lead to supra-normal profits (Dyer and Singh, 1998). These combinations are often called relational capabilities, and they can serve as important sources of learning and knowledge accumulation, especially as it pertains to future interactions between managers (Rosenkopf and Nerkar, 2001; Kale *et al.*, 2002; Lavie, 2006; Kale and Singh, 2007; Gulati, Lavie, and Singh, 2009). By emphasizing the dyadic nature of *inter*-firm relationships (Dyer and Singh, 1998), the relational view therefore stands in contrast to both the IO paradigm (which, as described earlier, holds that firms derive supra-normal profits from the industries in which they operate and their positions in them (Porter, 1979, 1980)) and the RBV perspective (which holds that firms derive supra-normal profits from their idiosyncratic resource positions (Penrose, 1959; Rumelt, 1974, 1982; Wernerfelt, 1984; Barney, 1986; Dierickx and Cool, 1989)).

Extending these points, network theory reveals that ties between companies, especially their alliance partners, can be a key source of strategic knowledge and learning, and therefore,

value creation (Gulati and Singh, 1998; Gulati, Nohria, and Zaheer, 2000). Accordingly, not only do organizations learn from their managers' accumulated experiences, but they also learn from their repeated interactions with their counterparties (Gulati, 1999; Kale, Singh, and Perlmutter, 2000; Inkpen and Tsang, 2005). For example, acquiring firms that have a prior alliance relationship with the target they are buying tend to outperform those that do not (Porrini, 2004), especially in international contexts (Zaheer, Hernandez, and Banerjee, 2010), and firms that accumulate more acquisition experience tend to outperform those that have less experience (Barkema and Schijven, 2008; Haleblian and Finkelstein, 1999; Finkelstein and Haleblian, 2002; Haspeslagh and Jemison, 1991). Furthermore, a recent stream of research in this domain suggests that acquisitions can be conceptualized as "shocks" that collapse nodes within and therefore fundamentally reshape the networks in which firms are embedded (Hernandez and Menon, 2018). This results in a shift in the locus of knowledge from *intra*-organizational to *inter*-organizational, with implications for the future interactions among the firms in a given network or relationship.

In sum, therefore, the key point that emerges from the relational view and network theory is that interactions between firms, which are often accomplished through transactions like alliances (but also perhaps acquisitions and divestitures), matter a great deal for both the development of capabilities and the accumulation of knowledge within a focal organization. These ideas underscore the importance of understanding how managers set and oversee firm scope from an inter-organizational standpoint, since their learning, knowledge, and capabilities are shared across firm boundaries.

Extra-Organizational Actions

Finally, taking an extra-organizational view, a third answer to the question of "how do managers set and oversee the scope of their firms?" is that they must decide which businesses

belong within the boundaries of their firms and which ones do not. The primary actions that this encompasses are undertaking and then implementing M&A (Walter and Barney, 1990; Chatterjee, 1986; Haspeslagh and Jemison, 1991; Marks and Mirvis, 2001; Capron and Pistre, 2002; Capron and Shen, 2007; Zollo and Singh, 2004; Chakrabarti and Mitchell, 2013) and divestitures (Comment and Jarrell, 1995; John and Ofek, 1995; Markides, 1995; Seward and Walsh, 1996; Berger and Ofek, 1999; Capron, Mitchell, and Swaminathan, 2001; Dranikoff, Koller, and Schneider, 2002; Berry, 2010; Semadeni and Cannella, 2011; Feldman, 2014; Weidner and Mantere, 2018). In performing these actions, managers can again choose whether or not to prioritize their own interests above those of their firms. As a result, both resource reconfiguration theory and agency theory are quite salient in conceptualizing extra-organizational actions.

Resource reconfiguration theory treats acquisitions as a means through which managers can access and incorporate valuable new resources and capabilities into their organizations, while divestitures allow managers to remove obsolete or less useful resources in order to improve both the composition of businesses in their portfolios and their overall strategy (Capron *et al.*, 2001; Helfat and Eisenhardt, 2004; Vidal and Mitchell, 2015; Karim and Capron, 2016; Folta, Helfat, and Karim, 2016). Thus, corporate scope is treated dynamically within this paradigm, with divestitures in particular being viewed as a positive part of the reconfiguration process (Meyer, Milgrom, and Roberts, 1992; Teece *et al.*, 1994; Chang, 1996; Capron *et al.*, 2001; Matsusaka, 2001; Kaul, 2012; Feldman, 2014; Vidal and Mitchell, 2015) rather than as a reactive response to acquisition or management failures (Porter, 1987; Kaplan and Weisbach, 1992; Markides, 1992, 1995; Shimizu and Hitt, 2005; Hayward and Shimizu, 2006; Shimizu, 2007). Thus, in this theoretical perspective, the key extra-organizational actions that managers must take are to buy

businesses from other companies that will be valuable for the focal firm and to sell businesses to other companies that no longer add value to the focal firm.

With this being said, it is important to note that the assumption inherent in research on resource reconfiguration—that managers act in the best interests of their firms—may not always hold. Thus, agency theory, which assumes that managers instead pursue their own self-interests in their decision-making (Berle and Means, 1932; Jensen and Meckling, 1976; Fama and Jensen, 1983; Hoskisson, Hill, and Kim, 1993; Hoskisson, Hitt, and Hill, 1993; Yermack, 2006), is also informative in answering this question. Under this perspective, mergers and acquisitions are viewed as agency-driven decisions that managers make to enhance their own personal utility or wealth (Amihud and Lev, 1981; Jensen, 1986; Shleifer and Vishny, 1986; Lang and Stulz, 1994; Berger and Ofek, 1995), especially because compensation is strongly correlated with firm scope and size (Jensen and Murphy, 1990; Hall and Liebman, 1998; Gabaix and Landier, 2008). In a similar vein, divestitures are viewed as solutions to the conflicts that resulted from agency-driven scope expansions, such as over-diversification, inefficient cross-subsidization, diluted managerial focus, or information asymmetries (Markides, 1992, 1995; Comment and Jarrell, 1995; John and Ofek, 1995; Daley, Mehrotra, and Sivakumar, 1997; Desai and Jain, 1999; Berger and Ofek, 1999; Ferris and Sarin, 2000; Gilson *et al.*, 2001; Krishnaswami and Subramaniam, 1999; Nanda and Narayanan, 1999; Zuckerman, 1999, 2000; Litov, Moreton, and Zenger, 2012). Again, though, despite the more negative outcomes that may occur in an agency-driven view of extra-organizational action, the underlying function of managers needing to decide which businesses do and do not belong within the boundaries of their firm remains the same.

FUTURE DIRECTIONS IN CORPORATE STRATEGY

Having situated corporate strategy within the field of strategy, and having developed a framework for making sense of corporate strategy, it now becomes possible to lay out an agenda for productive directions that future research in corporate strategy might take. I present such an agenda, linking some ideas for research to the intra-organizational, inter-organizational, and extra-organizational loci of managerial action that are contemplated by my framework for corporate strategy.

Intra-Organizational Actions

From an intra-organizational perspective, corporate strategy research could continue to address questions of how managers might make and implement decisions to best leverage resources and capabilities within their portfolios. One recent stream of research has approached this question by considering how the structure and composition of top management teams (Shi *et al.*, 2017; Chen, Meyer-Doyle, and Shi, 2018) and the human capital and experience of corporate executives and board members (de Figueiredo, Meyer-Doyle, and Rawley, 2013; Zhu and Chen, 2014; Feldman and Montgomery, 2015; Chatain and Meyer-Doyle, 2017; Wang, Zhao, and Chen, 2017) might achieve these goals. Another stream has considered how managerial cognition, biases, and heuristics might shape strategic decision-making and outcomes (Gavetti and Levinthal, 2000; Tripsas and Gavetti, 2000; Kaplan and Henderson, 2005; Gavetti, Levinthal, and Rivkin, 2005; Menon and Yao, 2017; Menon, 2018; Posen, Leiblein, and Chen, 2018; Csaszar, 2018). Future exploration of these kinds of questions, perhaps with an eye towards more explicitly linking behavioral strategy research with traditional research on corporate strategy content, has the potential to shed light on how companies can develop and deploy valuable dynamic capabilities within the context of scope-altering transactions.

On a related note, another recent stream of research has begun considering the effects of different kinds of owners (rather than managers) on firms' corporate strategies and performance, lending a different perspective to the question of how firms might optimally leverage their internal resources and capabilities. For example, several studies have considered how different types of owners might affect the quality of governance within firms, and hence, the corporate strategies they undertake and the implications of those strategies for shareholder value (Bethel and Liebeskind, 1998; Hoskisson, Hitt, Johnson, and Grossman, 2002; Connelly, Hoskisson, Tihanyi, and Certo, 2010; Goranova, Dharwadkar, and Brandes, 2010). Even among institutional owners, differences have been uncovered between, for instance, long-term and short-term oriented investors or dedicated and transient investors (Bushee, 2004; Connelly, Tihanyi, Certo, and Hitt, 2010). Given the increasing prevalence of private equity and hedge funds in large and small companies alike (Kaul, Nary, and Singh, 2018; Chen and Feldman, 2018), future research could dig deeper into how different types of corporate owners, including debt-holders (Jensen, 1986), influence resource allocation decisions. In this regard, future work could start to conceptualize not only the scope of a multi-business firm, but also its density of its ownership and control.[3] More specifically, a firm that had concentrated ownership and tight control (corresponding, for example, to a family-owned and -controlled company (Anderson and Reeb, 2003; Villalonga and Amit, 2006, 2009)) would be very dense, whereas a firm that had dispersed ownership and loose control (such as a traditional, publicly-traded company in the Berle and Means (1932) sense) would be very sparse. Of course, ownership and control need not vary together, meaning that firms could have intermediate densities as well, some of which might correspond to the different kinds of owners mentioned above (e.g., various kinds of institutional investors, hedge funds, private equity

[3] I am grateful to the anonymous reviewer for pointing out this idea to me.

owners, etc…). Accordingly, investigating the variance in firm density as well as firm scope, and perhaps how these two concepts are connected, could yield a more nuanced understanding how owners as well as managers might contribute to the intra-organizational deployment of resources.

Inter-Organizational Actions

From an inter-organizational standpoint, the insight that relationships between firms (as opposed to the resources and capabilities that exist within a focal firm) also opens several potential opportunities for future research. One of these might be to consider how firms might accumulate and employ experience with corporate strategic decision-making. Linking back to the earlier discussion of intra-organizational actions, firms have clearly been shown to accumulate valuable experience and capabilities internally by repeatedly engaging in acquisitions and divestitures; that accumulated experience, in turn, has been shown to be correlated with both firm and transaction performance (Haleblian and Finkelstein, 1999; Bergh and Lim, 2008). With this being said, the inter-organizational paradigms clearly suggest that learning and experience may accumulate due to interactions and relationships between firms. Thus, a question that arises very naturally is whether the accumulation of experience might generate spillovers across transaction types—for example, might firms that have a greater amount of accumulated acquisition experience perform better when they undertake divestitures, and vice versa? Addressing these kinds of questions would add nuance to our understanding of the benefits of inter-organizational relationships for corporate strategic decision-making.

Another type of inter-organizational relationship might arise from firms' interactions with their external intermediaries, such as investment bankers, lawyers, and consultants. For example, a few studies have shown that investment banks' accumulated experience with acquisitions correlates positively with both the success of future acquisitions (Sleptsov, Anand, and Vasudeva,

2013) and future engagements with those intermediaries (Hayward, 2003). Even further, in an unpublished dissertation, McGrath (2016) argued that firms could "rent" divestiture capabilities from the investment banks and law firms they engaged to advise them on those deals, in an idea that is similar in spirit to Capron and Mitchell's (2012) concept of "borrowing" in their "Build, Borrow, Buy" framework. These initial ideas raise intriguing questions about how inter-organizational relationships between firms and their intermediaries might influence decision-making and performance in corporate strategy deals.

A third possible type of inter-organizational relationship might arise from firms' interactions with their counterparties within specific corporate strategy transactions. Deals like acquisitions and divestitures (and even alliances, as has been amply recognized) are inherently dyadic, in that one company buys an asset or a business from another company that is selling that asset or that business. While this point may seem fairly obvious, it is noteworthy how little the corporate strategy literature has recognized and even exploited it (Zajac and Olsen, 1993). For example, a few recent studies have a examined how the characteristics of divested entities might affect the performance of the companies that acquire them (Capron and Shen, 2007; Laamanen, Brauer, and Junna, 2014; Kaul *et al.*, 2018), and Wang and Zajac (2007) address the question of what factors might motivate two specific firms to choose to engage in an alliance versus an acquisition with one another, starting to reflect the idea that *the pairing* of companies involved in a corporate strategy transaction matters for the performance of those deals. Moreover, Feldman, Amit, and Villalonga (2019) explicitly conceptualize the acquiring and divesting firms in a given transaction as a dyad, finding that the identities of both counterparties together matter more for a focal firm's performance in a given deal than the focal firm's individual identity. In addition to conceptualizing transactions dyadically, one additional research opportunity that could be pursued

might be to conceptualize corporate strategy transactions triadically, in that they involve an acquiring firm, divesting firm, and business unit that is being bought or sold. Scholars could fruitfully exploit the dyads or triads that naturally arise in acquisitions and divestitures to generate novel insights into how inter-organizational relationships might help (or hinder) companies and their performance.

Extra-Organizational Actions

Last but not least, taking an extra-organizational perspective, researchers could further consider the insight that corporate strategic transactions can fundamentally change the composition of resources and capabilities within firms. A key direction for further research that emerges from this point is that managers may be able to use corporate strategy transactions sequentially, rather than as one-off events, to renew and reconfigure the resources and capabilities within their firms. In some sense, the idea of using corporate strategy transactions sequentially is not new. For example, alliances are well known to precede acquisitions as a means for firms to promote learning and to maintain optionality in the face of major environmental or competitive changes. Alternatively, acquisitions frequently precede divestitures, sometimes as a reflection of acquisition failure (Porter, 1987; Kaplan and Weisbach, 1992; Shimizu and Hitt, 2005; Hayward and Shimizu, 2006; Shimizu, 2007) and other times as a reflection of changed strategic direction or resource reconfiguration (Teece *et al.*, 1994; Chang, 1996; Matsusaka, 2001; Capron, Mitchell, and Swaminathan, 2001; Feldman, 2014). And, divestitures may even precede acquisitions, often as a means of generating cash that firms can then use in other endeavors (Lang, Poulsen, and Stulz, 1995; Nanda and Narayanan, 1999; Dranikoff *et al.*, 2002).

With all of this being said, however, numerous opportunities remain available to investigate how different sequences of corporate strategy transactions might have different

implications for the accumulation and deployment of capabilities within firms. For example, Bennett and Feldman (2017) show that the sequence of corporate spinoffs followed by acquisitions typically reflects a process of refocusing, whereby firms rid themselves of more unrelated businesses and redeploy non-financial resources into businesses that are more closely related to their core operations. Alternately, Nary (2017) establishes that functional alliances undertaken in conjunction with technological acquisitions in core businesses serve as strategic complements, whereas technological alliances undertaken in conjunction with technological acquisitions instead serve as strategic substitutes. Opportunities abound to consider the relationships that might exist among various configurations of corporate development strategies, including acquisitions, alliances, divestitures, joint ventures, and even organic growth (Capron and Mitchell, 2012; Cassiman and Veugelers, 2006; Puranam and Vanneste, 2016).

Further to these points, it is apparent that executives think about corporate strategy much more holistically than academics do, with corporate strategy involving a series of transactions as opposed to single events. In practice, strategy unfolds dynamically across time, rather than as the mythical single strategic plan that is often portrayed in research. Interspersed, firms get feedback on the strategies they have undertaken and may (or may not) make changes in response. Also, firms and their environments are endogenous to such decisions, adding a further layer of complexity to this intertemporal process. Accordingly, it is important for strategy scholars to overcome the complexity of modeling longer-term sequences of corporate strategy transactions (*e.g.*, Chang, 1996; Matsusaka, 2001), perhaps by embracing time series research has a methodological tool, and to begin developing more comprehensive insights about the sequential and intertemporal nature of corporate strategy transactions. Doing so will enable research to understand corporate strategy as a proactive and planned agenda as opposed to a series of rare

events. One could even extend this line of thinking by considering the interesting and important boundary condition of whether different kinds of companies—small versus mid-sized versus large, or publicly-traded versus privately held—use sequences of corporate strategy in the same ways? Different kinds of firms are likely to exhibit significant differences in the patterns of transactions that they undertake and in the overall performance of their holistic corporate strategies, potentially yielding important insights into how these different kinds of firms function and grow.

CORPORATE STRATEGY IN PRACTICE AND POLICY

Beyond the abundant research opportunities that appear to exist in the field of corporate strategy, there are also important opportunities to connect our work more closely to and make our work more relevant to practitioners and policy makers.

From a practitioner standpoint, there are two significant advances that corporate strategy research could make. The first would be to conduct more large-scale, rigorous, empirical research into how corporate strategy transactions are actually executed in practice. To provide one example, academic research investigating the key process considerations that go into undertaking mergers and acquisitions, such as strategic and financial due diligence, bidding and negotiation, and post-merger integration (Trichterborn *et al.*, 2016; Chakrabarti and Mitchell, 2013; Marks and Mirvis, 2001; Puranam, Singh, and Chaudhuri, 2009), could be expanded by connecting more closely to real-world practice. Further to this point, research updating ideas about certain key concepts would also be welcome. For example, in a recent working paper, Feldman and Hernandez (2018) develop a new typology of synergies that explicitly incorporates insights from the relational view, the networks literature, and research on stakeholders to update traditional insights that arose from the original IO- and RBV-based conceptualizations of synergies. Thus, future research could continue

updating and advancing key concepts and ideas in the corporate strategy literature, especially with an eye towards linking those ideas to practice.

The second advance that corporate strategy scholars could offer to practitioners would be to conduct research that helps managers add greater structure and avoid decision biases in selecting and implementing their corporate strategies. As mentioned previously, corporate strategy decisions are often ill-structured and poorly suited towards addressing the underlying problems (Camillus, 2008), to the extent that those problems are even articulated in the first place (Baer et al., 2013; Nickerson and Argyres, 2018). For example, a company may decide to embark on an acquisition program to enhance its growth without exploring which factors may be hindering that growth in the first place, much less whether the acquisition program would actually resolve those limitations. Within the field of behavioral strategy, scholars have begun to contemplate how managerial cognition, heuristics, and representations may limit appropriate decision-making, and from a practitioner standpoint, explore how managers and companies might put certain stopgaps and measures in place to limit the ill-effects of these potential biases (Lovallo and Sibony, 2010, 2018; Kahneman, Lovallo, and Sibony, 2011). Corporate strategy scholars could start to incorporate some of these behaviorally-oriented insights into their research into the core question of how managers set and oversee the scope of their firms. To take just one example, scholars could apply the framework advanced by Lovallo and Sibony (2018), which categorizes decisions according to their framing (whether a decision is a one-off or part of a series) and salience (whether a decision is labeled as strategic or not), to some the intra-, inter-, and extra-organizational decisions that companies make, such as transformative versus programmatic acquisitions or continuous versus episodic approaches to evaluating firm scope. To this end, it may also be useful for corporate strategy scholars to conduct more research that systematically categorizes and compares firms'

approaches to corporate strategic decision-making across industries or geographic markets. This could help promote best practices for structuring the problems that drive firms to select and implement appropriate corporate strategies in the various different contexts in which they may find themselves.

Turning to a policy-making standpoint, significantly more research could be conducted with an eye towards understanding the policy implications and regulation of corporate strategy, as well as how firms can manage regulation strategically. Examples abound of interesting regulatory shifts and policy changes that have significant implications for how managers conduct and implement their corporate strategies. To name but a few, first, the Brokaw Act of 2016 regulated shareholder activism, with potentially significant implications for how managers and boards of directors should think about the demands of activist investors. Second, the Sarbanes-Oxley Act of 2002 changed the costs of being publicly-traded versus privately-held, with potential implications for decision-making about corporate ownership structures. Third, the Committee on Foreign Investment in the United States (CFIUS) regulates inbound M&A activity by foreign companies, with significant implications for whether companies from certain nations (like China) are even allowed to buy U.S.-based firms. Fourth, the spate of tax inversion-impelled acquisitions that occurred from 2014 to 2016, especially in the pharmaceuticals industry, further underscores the point that policy decisions can have significant implications for the corporate strategy transactions that firms choose to undertake. The policy decisions that are currently being made in such areas as taxes, trade, and interest rates are likely to have significant and lasting implications for the corporate strategy decisions that managers make, opening fruitful research opportunities for strategy scholars.

CONCLUSION

This essay has argued that although the field of strategy fundamentally seeks to address the core question of what factors drive firms to enjoy sustainable competitive advantage, the question of "how do managers set and oversee the scope of their firms?", along with its potential performance implications, instead lies at the heart of the field of corporate strategy. I have presented a three-part framework aimed at answering this key question, conceptualizing a telescoping set of scope-related actions and decisions that range from intra-organizational to inter-organizational to extra-organizational. I have used this framework to advance an agenda for future research in corporate strategy, and, given the importance of corporate strategy to both corporate and regulatory decision-making, I have offered several ideas for linking future research in corporate strategy more closely to practice and policy.

The field of corporate strategy appears to have reached an important inflection point: even though it is animated by a conceptually distinctive core question, corporate strategy has established itself as an independent and valuable domain of research inquiry, accounting for nearly half of all of the publications in the top journal in the field. Researchers in corporate strategy now have the potential to take the next step forward to maintain and even enhance the prominence that corporate strategy's role in corporate and regulatory decision-making should afford it. My hope is that scholars will take up the task of doing this in the coming years.

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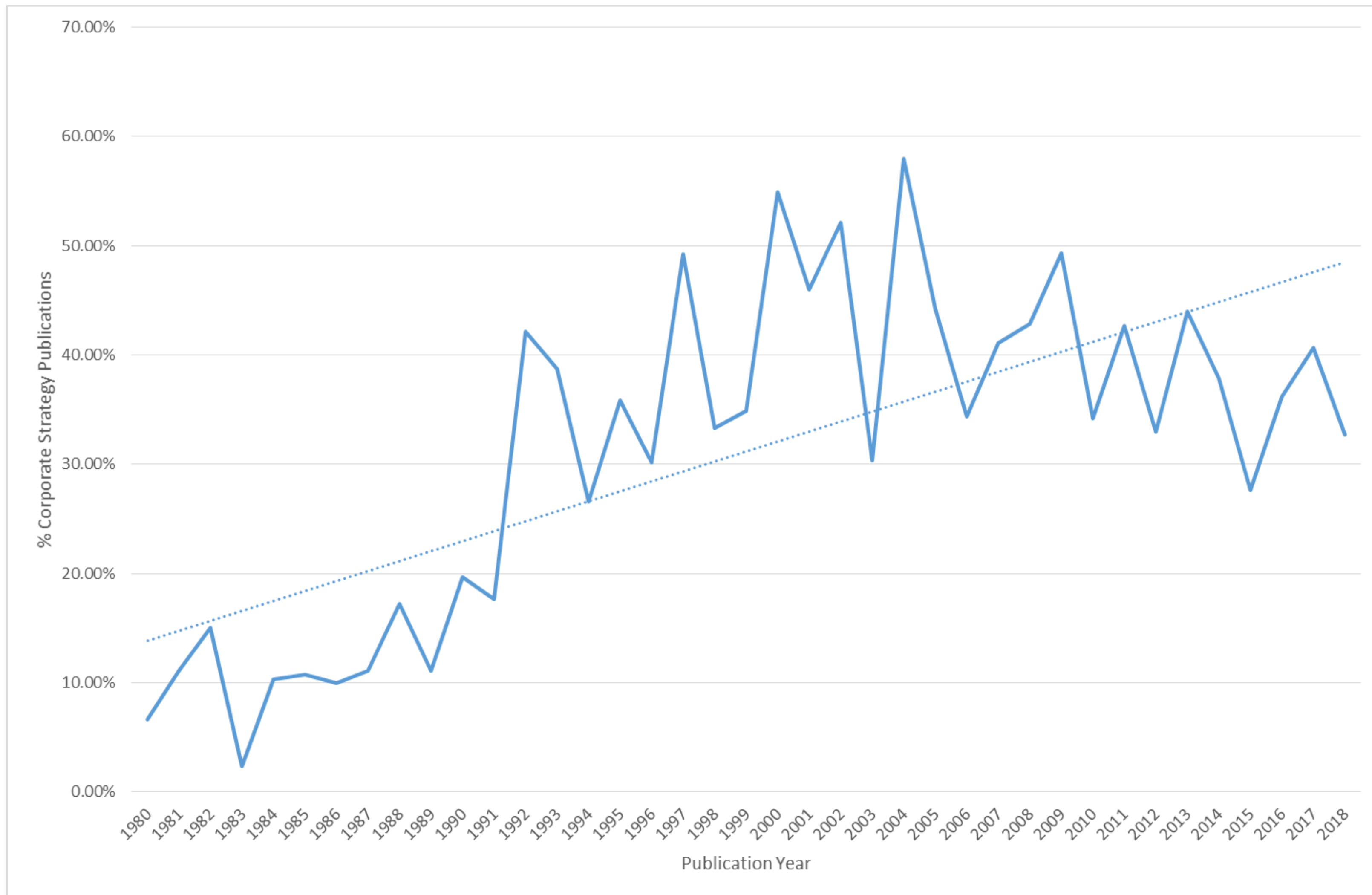
Figure 1. Percentage of publications about corporate strategy in the *Strategic Management Journal*



The following keywords (and variants) were used to identify publications about corporate strategy: diversifi*, merg*, acqui*, M&A, divest*, asset sale, spinoff, spin-off, selloff, sell-off, scope, firm boundar*, corporate strategy, corporate scope, ally, or alliance*.

Figure 2. A framework for making sense of corporate strategy

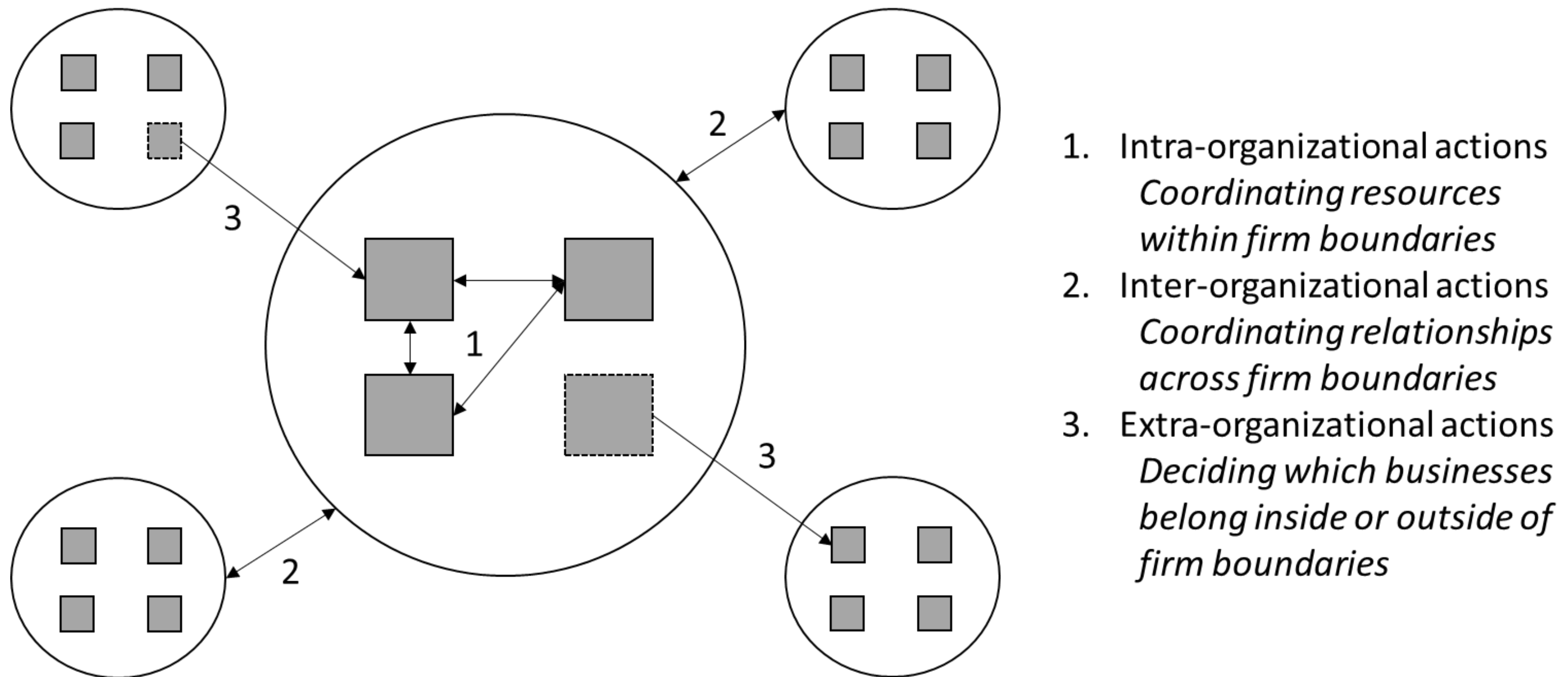


Table 1. Publications about corporate strategy in the *Strategic Management Journal*

Publication Year	Corporate Strategy Publications	Total Publications	% Corporate Strategy Publications
1980	2	30	6.67%
1981	4	36	11.11%
1982	6	40	15.00%
1983	1	42	2.38%
1984	3	29	10.34%
1985	3	28	10.71%
1986	4	40	10.00%
1987	5	45	11.11%
1988	10	58	17.24%
1989	6	54	11.11%
1990	11	56	19.64%
1991	12	68	17.65%
1992	27	64	42.19%
1993	24	62	38.71%
1994	17	64	26.56%
1995	19	53	35.85%
1996	22	73	30.14%
1997	33	67	49.25%
1998	24	72	33.33%
1999	22	63	34.92%
2000	39	71	54.93%
2001	29	63	46.03%
2002	37	71	52.11%
2003	24	79	30.38%
2004	40	69	57.97%
2005	31	70	44.29%
2006	22	64	34.38%
2007	30	73	41.10%
2008	33	77	42.86%
2009	35	71	49.30%
2010	26	76	34.21%
2011	32	75	42.67%
2012	27	82	32.93%
2013	40	91	43.96%
2014	47	124	37.90%
2015	34	123	27.64%
2016	59	163	36.20%
2017	59	145	40.69%
2018	34	104	32.69%

The following keywords (and variants) were used to identify publications about corporate strategy: diversifi*, merg*, acqui*, M&A, divest*, asset sale, spinoff, spin-off, selloff, sell-off, scope, firm boundar*, corporate strategy, corporate scope, ally, or alliance*.

Table 2. Theoretical underpinnings of corporate strategy framework

Locus of Managerial Action	Description of Action	Applicable Theories
Intra-organizational	Coordinate resources within firm boundaries	Dynamic capabilities Resource redeployment Agency theory
Inter-organizational	Coordinate relationships with other companies across firm boundaries	Relational view Network theory
Extra-organizational	Decide which businesses belong within firm boundaries and which ones do not	Resource reconfiguration theory Agency theory