Focused Renewal: Reflections on Berry and Kaul, and Corredor and Mahoney

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The topic of strategic renewal, which "includes the process, content, and outcome of refreshment or replacement of attributes of an organization that have the potential to substantially affect its long-term prospects" (Agarwal & Helfat, 2009; p.282) is, in my opinion, one of the more important and yet underappreciated topics in strategy literature. However, the tide may be about to turn. The two papers that I recently discussed at the Strategic Management Review Conference on Corporate Renewal not only represent strategy scholars' recently reinvigorated efforts to shed light on the topic of strategic renewal itself, they also demonstrate the plethora of opportunities and unanswered questions making for abundant research opportunities in this area (Berry & Kaul, 2019; Corredor & Mahoney, 2019). These two papers exemplify distinct, yet complementary ways to think about one of the more prominent organizational "attributes" of strategic renewal that Agarwal and Helfat (2009) mention, that of a firm's resources, and the way those resources may be optimally redeployed, reshaped, and put to best use as internal and external conditions change over time.

Berry and Kaul consider corporate renewal and resource dynamics in the context of what is perhaps the core overarching question of international business – that of how a multinational portfolio of businesses and resources should be managed. The authors borrow from both corporate strategy and international business literatures to develop a theoretical framework that explains how multinational firms may shift, replace, or refresh their resource portfolio across markets in response to change in market conditions. The key insight that this paper provides is that firms rely on two fundamentally different resource redeployment mechanisms in response to changes in what the authors refer to as *output* and *input* market conditions. Berry and Kaul propose that on one hand, as conditions in output markets, that is the markets where firms serve their customers, change, firms will adapt through *resource exploitation* and may redeploy and reorient their resources to better serve faster growing or more promising markets. If a firm sees potentially attractive growth in customer demand in one market, it may shift its resources there to take advantage of the new opportunities. On the other hand, when conditions in input markets, that is markets where firms access inputs such as labor or raw materials, change, firms will adapt through *resource augmentation*, and may retire, redevelop, or renew their resources as they shift from one market and one source of inputs to another. For example, if a firm finds attractive labor conditions in some market, it may restructure and augment its resources accordingly by choosing to source some of its labor needs there.

Berry and Kaul elaborate dynamic strategic renewal mechanisms that are intuitively logical, and their work speaks broadly to other types of corporate diversification as well. A firm may strategically arbitrage across geographic and other types of markets, and between resource strategies, in an attempt to adapt to, and to exploit ever-changing opportunities when it comes both to markets for its products and services, as well as input and strategic factor markets. One of the intriguing opportunities for future research in this area is to continue to explore and to elaborate the potential interdependence of resource exploitation and resource augmentation, and to consider other contingencies related to how firms may concurrently engage in both resource exploitation and resource augmentation across geographies and product markets, as well as through time.

Corredor and Mahoney also consider corporate renewal and resource redeployment in the context of another "big" and related question, in this case the core question of corporate strategy, that of the scope and management of a multi-business firm. The authors focus their attention on divestitures, which represent one of the key ways firms may engage in resource redeployment and corporate renewal, and remind us that not all divestitures are the same, and that there is much to be learned by thinking more carefully about what may drive a firm's strategic decision to engage in one type of a divestiture over another, as well as what effect that decision may have on firm performance. Integrating insights from transaction cost economics and real options theory, Corredor and Mahoney develop a framework that elaborates factors influencing when firms are more likely to benefit from a divestiture of a stand-alone unit executed as a *corporate spin-off* compared to a divestiture that is executed as an *equity carve-out*. They frame this choice in the context of considering the goal of a divestiture from the parent firm's perspective, where they present five distinct motivations to spin off or to carve out a standalone unit, and then incorporate two important boundary conditions.

Corredor and Mahoney remind us of the importance of considering heterogeneity of strategic actions such as divestitures in the context of a firm's own strategic position, its goals, and governance tradeoffs. The authors also prompt strategy scholars to carefully consider the relationships between distinct theoretical lenses used to explain firms' strategic choices, motivations behind those choices, and their respective performance outcomes. This work provides an outstanding example for future studies and scholars who may want to explore the complexity and interdependence of strategic choices and tradeoffs that firms make by engaging with multiple complementary theoretical perspectives.

There are important parallels between these two seemingly different yet complementary studies. Both papers contribute to answering some of the core questions in strategy research by highlighting heterogeneous ways in which firms may engage in corporate renewal by using focused and dynamic resource redeployment strategies. Both papers also contribute to corporate strategy literature specifically by reemphasizing the importance of considering the corporate effect, albeit in different contexts, as both works accentuate the importance of decision making at the corporate level. Relatedly, both papers hint at the importance of considering the interdependence of strategic choices facing the firm, and how changes in one market or with respect to one business may influence firms' strategic choices with respect to other businesses and markets, or when it comes to other scope and boundary decisions.

Although both papers focus only on a select set of factors influencing firms' decisions with respect to resource redeployment in each specific context, both also suggest the existence of strategic interdependence at an even higher level, whether with respect to a multinational firm's entire portfolio of activities, and how it evolves over time, or when considering a diversified firm's entire governance mode portfolio, as well as its current and future strategic choices and options. Finally, these two papers considered jointly also remind us that in order for the broader field of strategy to benefit and to learn from reinvigorated scholarly activity in renewal and redeployment literatures, much work remains to be done to reconcile frameworks, theoretical conceptualizations, and even the language of strategic renewal and resource redeployment.

Yet aside from the theoretical implications, perhaps one the most exciting things about these two papers taken together is that they represent only two of many distinct opportunities for impactful work along a vast spectrum of research that could be undertaken to understand different aspects of corporate renewal, and at a broader level, corporate strategy. Possibilities for future research are both exciting and plentiful. PhD students, take note.

Agarwal, R., & Helfat, C. E. (2009). Strategic renewal of organizations. *Organization science*, *20*(2), 281-293.