“Effectively adapting to the dramatic pace of change brought by the internet is now a necessary condition for survival and future business success, but the best strategic judgment will need to draw also on experience. In an intensively competitive and challenging environment, business decision-takers cannot afford to disregard the lessons of the past, including mistakes that have been made before. This book *Strategy for the Corporate Level*, based on research into business experience over 25 years, gives authoritative guidance on how strategic decision-taking processes can be value-additive but also value-destructive. It is a rich quarry and ‘must read’ for those involved in the formation of strategy at both business unit and corporate level.”

**Sir David Walker, Chairman, Barclays**

“One of the most influential books I read as head of strategy for Clorox in 1994 was *Corporate-Level Strategy: Creating Value in the Multibusiness Company*. The entire concept of Parenting Advantage was a simple yet very compelling way to think about how the center adds value. With twenty more years of experience under my belt, I still have not found anything better – until this updated version.”

**Dan Simpson, Chief Strategy Officer (retired), The Clorox Company**

“As one who followed the authors’ corporate strategy journey over the past 30 years I found in this book, which is sure to become a classic, the most comprehensive, practical and balanced approach to corporate-level strategy. By combining added value logic with business logic and capital markets logic, the authors offer concrete and tested guidance for those corporate and business managers willing to invest time in clarifying the main sources of added value and building them into their decisions and focus.”

**Philippe Haspeslagh, Dean Vlerick Business School**

“Too many companies still hang on to businesses they should sell to better owners. Too many companies still diversify unwisely in the name of growth, and make themselves unmanageable in the process. The authors have a deep understanding of these issues, and their book provides help and advice.”

**Martin Taylor, Vice Chairman RTL Group, Member Bank of England Financial Policy Committee, previously Adviser to Goldman Sachs International and CEO, Barclays**

“Campbell and Goold’s *Corporate Level Strategy* introduced us to Parenting Advantage, one of the most useful business insights of recent years. Parenting Advantage is still one of the most important and least understood areas of strategy. In this excellent update they not only bring new examples and explanations on how corporate parents can add ... and subtract ... value but also they integrate Parenting Advantage with the better understood sources of value from business unit strategy and capital markets strategy. I highly recommend this book.”

**Robin Buchanan, Chairman, Michael Page, previously Dean of London Business School and Senior Partner of Bain & Company**

“Goold, Campbell and Alexander have been the thought leaders on *Corporate-Level Strategy* since they introduced the concept of ‘parenting advantage’ in 1994. We have used their recommendations and tools extensively and successfully over the years. The ideas helped us make important portfolio decisions and changed the way we manage the group. Now, with Whitehead, they have not only developed their work on parenting advantage, but have integrated this thinking with the more traditional concepts of business attractiveness and capital markets valuations. The new framework is a further step forward. I am sure it will impact our thinking and practice as much as their original ground breaking work.”

**Paulo Azevedo, CEO, Sonae**
“Corporate strategy is a subject often misunderstood by Boards around the world. While there is a plethora of books on business level strategy there are in my opinion very few that address the fundamentals of corporate-level strategy. Campbell and his co-authors are leading thinkers in this field and explain the concepts in a clear and practical way in this book – how the centre can really add value and also (importantly) how to avoid it destroying value! We derived immense benefit from applying these principles to our businesses in Africa.”

Dr Graham Edwards, Chief Executive, AECI (retired 2013)

“The authors have been pioneers in the field of corporate level strategy. With this book they share with us their rich experience gained in countless projects over more than two decades, and they give us new tools, which can help to conceptualize corporate-level work. This book is important reading not only for the top management team, but also for strategy officers and leaders of corporate functions.”

Prof. Dr Guenter Mueller-Stewens, IFB Institute of Management, University of St. Gallen

“Strategy for the Corporate Level is a particularly useful book for the many Asian companies that are now moving from an incoherent portfolio of unrelated businesses to creating an effective corporate strategy.”

George S. Yip, Professor of Strategy and Co-Director, Centre on China Innovation, China Europe International Business School

“Strategy for the Corporate Level highlights the challenge managers face when responsible for multiple activities. Strategy is as relevant for those in government as for those in business. In both areas, strategy can make things worse – subtract value, or make things better – add value. If you aspire to add value, please buy and read this book.”

William Dartmouth (The Earl of Dartmouth), Member of the European Parliament

“This book is concerned with a key issue in most developed economies; how best to manage large multi business businesses. It is based, not only on the authors’ scholarly understanding of the field, but also the experience they have gained in working over three decades with executives in large corporations. The authors pose questions and challenges fundamental to corporate-level strategy and provide invaluable guidance to those who have to deal with such challenges. As such it is a book that all managers charged with managing multiple businesses, or those who aspire to do so, should read. The ground they cover is, however, significant not just to the executives who run such businesses but to all who work in them, invest in them or analyze and study them.”

Gerry Johnson, Emeritus Professor of Strategic Management, Lancaster University Management School and co-author of Exploring Strategy

“This work, the latest contribution to business strategy from the Ashridge Strategic Management Centre, distils the knowledge and insights from more than 20 years of research. It addresses two key questions – what businesses should a company invest in and how should they be managed. It is particularly relevant to managers of multi-divisional businesses, but it has much to offer for students of management and, indeed, all those who have to deal with questions of organisation design – in the public as well as the private sector. Reading this could save many thousands of pounds in consultants' fees.”

Philip Sadler CBE, Tomorrow’s Company
STRATEGY FOR THE CORPORATE LEVEL

Where to Invest, What to Cut Back and How to Grow Organisations with Multiple Divisions

Andrew Campbell
With Jo Whitehead, Marcus Alexander, and Michael Goold
## Contents

**Preface**  vii  
**Acknowledgements**  xi  

**PART I – INTRODUCTION AND HISTORY**  

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strategy for the Corporate Level: Summary of the Main Messages</td>
<td>3</td>
</tr>
<tr>
<td>2</td>
<td>Some History: From Boston Box to Three Logics that Drive Corporate Action</td>
<td>31</td>
</tr>
</tbody>
</table>

**PART II – PORTFOLIO STRATEGY: WHERE TO INVEST AND WHAT TO AVOID**  

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>How to Find Good Businesses and Avoid Bad Businesses</td>
<td>75</td>
</tr>
<tr>
<td></td>
<td>The Business Attractiveness matrix</td>
<td>83</td>
</tr>
<tr>
<td>4</td>
<td>How to Make Businesses More Successful</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>The Heartland matrix</td>
<td>104</td>
</tr>
<tr>
<td>5</td>
<td>How to Buy Low and Sell High</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>Fair Value matrix</td>
<td>133</td>
</tr>
<tr>
<td>6</td>
<td>Making Decisions about Where to Invest and What to Avoid</td>
<td>139</td>
</tr>
</tbody>
</table>
PART III – WAYS OF ADDING AND SUBTRACTING VALUE FROM CORPORATE HEADQUARTERS

Chapter 7 Ten Sources of Value from Direct Influence

Chapter 8 Nine Sources of Value from Coordinating across Business Divisions

Chapter 9 Eight Ways Headquarters can Destroy Value

Chapter 10 How to Identify Sources of Added Value for Your Company

PART IV – MANAGEMENT STRATEGY: HOW TO STRUCTURE, HOW MUCH TO CENTRALISE AND HOW TO GROW THE BUSINESS DIVISIONS

Chapter 11 Structuring the Organisation into Businesses and Divisions

Chapter 12 Corporate-level Strategy in Integrated Companies – The Apple Example

Chapter 13 How Much to Centralise: Designing Corporate Headquarters

Chapter 14 Developing New Capabilities at Corporate Headquarters

Chapter 15 Encouraging Synergy and Cooperation across Business Divisions

PART V – RETROSPECTIVE

Chapter 16 Lessons from 20 Years of Consulting Experience

Appendix The Links between International Strategy and Corporate-level Strategy

INDEX
This book is the end of a long journey – one that started in 1983, when Michael Goold joined London Business School (LBS) from the Boston Consulting Group. As a member of the LBS faculty, Michael started research work on decision making in hierarchies. In 1984, Andrew Campbell joined Michael from McKinsey. At the time, the Centre for Business Strategy was led by Professor John Stopford and contained such modern-day luminaries as Gary Hamel and Rob Grant. It was a stimulating place to work.

Michael was trying to understand “strategic management” in multi-business companies: how do strategically managed companies make decisions and how different are companies that are not strategically managed? The work resulted in a book, Strategies and Styles, published in 1987, that categorised companies into strategically driven (Strategic Planning Style), financially driven (Financial Control Style) and somewhere in between (Strategic Control Style).

More important, looking back, was the discovery that the involvement of top managers can be positive, leading to better decisions, or negative, leading to worse decisions. Their influence, the research exposed, was significant and rarely neutral. Of course, in academic circles, it can take some years to discover
something that every manager knows well: “your boss is influential, and his or her influence is not always positive”!

The research also resulted in a new contingency theory. The influence of top managers was more likely to be beneficial if the style matched the challenge facing the business. If the business was long term, like oil or pharmaceuticals, a Strategic Planning Style seemed to be more successful. If the business was short term, like bricks or rubber belting, a Financial Control Style seemed to be more successful.

However, it was the observation that top management’s influence could be and frequently was negative that spurred further work. At the time, in the late 1980s, a new phenomenon was occurring. Conglomerates were failing, and some large companies, like ICI and Courtaulds in the UK, were voluntarily getting smaller and breaking themselves up. What is more, this was creating value. The negative impact of some corporate groups was being fully exposed for the first time.

Michael and Andrew, by then joined by Marcus Alexander, and installed at Ashridge Business School, dug deeper into the conditions that caused added value and the conditions that caused subtracted value. We looked globally for the best managed corporate groups and uncovered a much finer grained contingency theory: corporate groups add value when the activities and influences from headquarters address the specific needs of each business division. They subtract value in pretty much all other circumstances.

This research made another significant contribution: the idea of “parenting advantage”. Corporate groups are competing with each other for the right to own businesses. They, therefore, need to add more value (or subtract less value) than rival parent companies to be sure of winning the competition. In other words, a parent company needs to have advantage over its rivals in just the same way that a business division needs to have advantage over its competitors.
The parenting advantage concept, published in *Corporate Level Strategy* in 1994, felt like the end of the journey. Michael, Andrew and Marcus began to turn their attention to related topics – how to create synergies between business divisions, the size of corporate centres, organisation design, growth into new businesses, international strategy, the role of headquarters functions, collaborating with business partners, and why capable people sometimes make stupid decisions.

At the same time, however, we continued to teach corporate-level strategy and to do consulting projects with companies all over the world. Nearly 20 years on, we now realise that 1994 was not the end of the journey. Our own thinking had moved forward without us fully realising it.

In 1994, we were reacting against Boston Consulting Group’s matrix. We wanted to replace it with our “Ashridge Portfolio Display”. But over the years, we have realised that the two ideas are not in conflict. Corporate groups need good businesses and an ability to add value. Both are important. Both should be part of corporate-level strategy.

Jo Whitehead joined Ashridge more recently, bringing a different perspective partly from his 20 years in management consulting and partly from research he led on why companies appear to give less attention to “parenting advantage” thinking than seems appropriate. He noted that there are other legitimate drivers of corporate-level decisions. In addition to a desire to own “good businesses”, managers are also affected by the state of the capital markets. Seemingly sound strategies can become impossible to execute because capital markets are overvaluing or undervaluing some businesses. New strategies open up because certain types of businesses are available at good prices. Of course, capital market influences were always evident in our consulting work, but we had not previously tried to formalise this element into the way we developed corporate-level strategies.
This book, therefore, contains the current state of our collective thinking. It feels less like a call to arms and more like a description of the sensible path all companies need to follow. For sure, it will not be the end of the journey, but it feels like the journey will be smoother in the future than it has been in the past.

One part of the journey still to be completed is the synthesis of corporate-level strategy and international strategy. Many of the issues are the same, but the tools and language used are different. In the appendix, we (mainly Marcus) have made a stab at linking the two, with a particular desire to show where one discipline may be able to help the other. We have made a start but more work is needed.

We have enjoyed our journey and believe that we are now much closer to understanding how to help companies with multiple business divisions be more successful. We hope you will find our conclusions helpful.

Andrew, Jo, Marcus, Michael
Acknowledgements

This book is derived from 30 years of research, teaching and discussion. Along the way many, many people have contributed their stories and comments – far too many to list or even to remember!

We have, however, had particular support with case studies for this book, which we would like to acknowledge. Unfortunately, a few of the people who have helped us have chosen to be anonymous or their companies preferred not to be named, making it hard for us to thank them publicly. However, we can mention Henry Elkington, Chris Floyd, Paul Marsh, Phil Renshaw, Ian Weston and Sven Kunisch.

We would also like to acknowledge the support of our fellow directors at the Ashridge Strategic Management Centre – Felix Barber, Stephen Bungay, Anthony Freeling and Neil Monnery – and the contributions made over the years by the heads of strategy of the Centre’s member companies. We also recognise the broader support provided by Ashridge Business School, led by Kai Peters.

But this book has more unacknowledged contributors than acknowledged. So we dedicate it to all those who have, over the years, provided their insights and anecdotes, in the belief
that their contributions would help future generations. We might particularly mention Sir Christopher Hogg, Sir David Walker and Philip Sadler, who were instrumental in helping launch the Ashridge Strategic Management Centre in 1987. We hope this book justifies the faith they showed in us.
PART I

INTRODUCTION AND HISTORY