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The Synergistic-Strategy as an Effective Management tool for Corporate Growth and Development

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Abstract: *Corporate synergy often occurs sequentially to merger and acquisition of firms or harmonizing the organization's component strategic units for value adding creation. Hence, the sum total of individual units becomes larger than the total individual sum, i.e. 2 + 2 =5, in order to take advantages accruable from finance, market, revenue and other attendant benefits. On the other hand, strategy in the context of organizational behaviour refers to the overall scope and direction of the company that form pathway through which component parts work in harmony to achieve the envisage goals in pursuance of its corporate vision and mission. The synchronization of these management concepts becomes imperative in the contemporary complex economic activities and intense competitions. The hackling tasks of discerning corporate growth through the process of planning and executing a wide range of strategies to meet the specific organizational objectives call for synergistic-strategy to downplay the pitfall associated with the intricacies of corporate development. The study conceptually highlights the use of inter looping of finance, marketing, information technology, business, human, resources and operational strategic units to achieve the overall corporate objectives.*

Keywords: *Corporate development; mission; planning; strategy; synergy*

I. Introduction

The need for corporate development, inter alia, with new product development helps to match pace with ever changing consumer taste, intense competition and legislative requirements (Elko 2004[1]). It entails the managerial functions of planning and execution of corporate development strategies, and Ron & Henk (1997[2]) view it as an interdependency between organizational units with the aim of spreading the stakeholders' risk by creating and managing value adding linkages between the various business units with the overall aim of achieving corporate innovation, growth, and stability. However, the complexities of modern economy, intense competition and increasing legal requirements spur firms to synergize its various strategic units for maximum benefits.

According to Syan (2007[3]) synergy is a value creating process that stems from an opportunity to utilize specialized resources to reduce cost or charge high price or both. It connotes interaction of multiple elements in a given system working together to produce an output greater than the sum of their individual combine. Hence, the axiom of synergy posits that 2+2=5. In view of the above, the simultaneous application of synergistic and strategic management principles will help in overcoming the continuous increase in corporate adversaries in pursuance of its mission.

II. Corporate Development

Central to the concept of corporate existence is its perpetual life and adding value to shareholders' wealth which is often referred to as the going concern concept. The stakeholders like the owners, creditors, employees, suppliers and customers alike upheld these concepts and assumptions which imbue hope, assimilation and confidence. Perpetuity of life connotes sustainable growth and development of an entity in their bid to attain and be above the thresh hold of life. Similarly, Urike & Eko (2004[4]) view corporate development in the light of a continuous process of new product/services development as this will help to curtail the threats pose by the competitors, changing in consumers' trust and legislation requirements. However, to be able to do this, it requires an effective combination of the marketing mix, and quality service delivery mechanism. Corporate development, therefore, is an integral part of management function that deals with the planning and execution of varieties of strategies in meeting a specific objective of an organization.
Marcel (2002[5]) observes that evolutionary development always followed by an irreversible increase in differentiation and integration, and its complexity which occurs in logical and chronological order that culminate in a unify whole.

It implies that corporate developments serve as a beacon for the top management concerning finance, legal and products/service issues. Corporate development entails essentially the provision of products or services to fill a new gap in the market or expansion of the existing product or service to break into a new market.

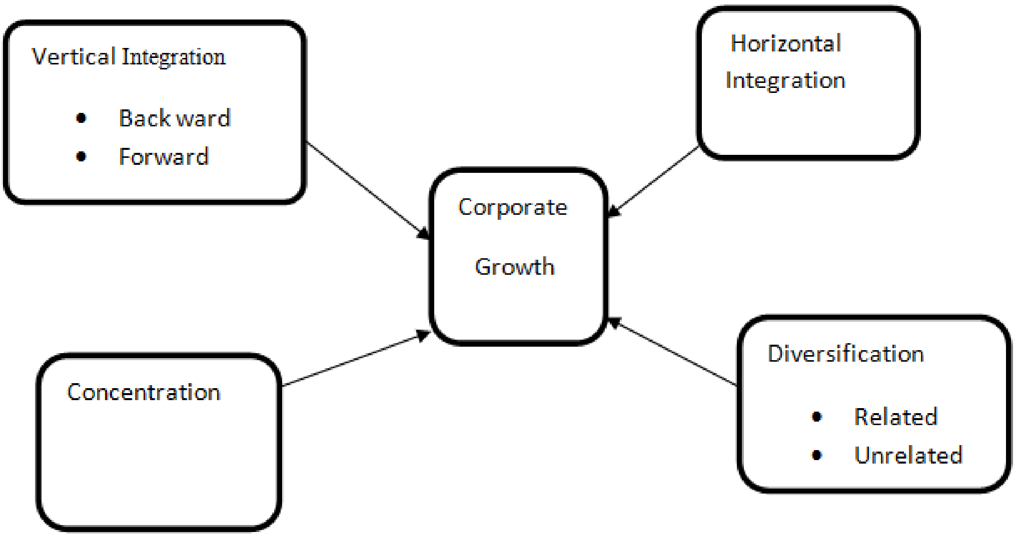
2.1. Corporate strategies and its objectives

The aim of corporate strategy is to map out the overall long term scope and direction of the company. It shows the pathway by which component parts work together to achieve a particular goal. Jens (2002 [6]) views it as how an organization profile is structured to manage innovation and technology for value creation base on the overall dynamic of the company. Also, Ron & Henk (1997) observe that articulate interdependence between organizational units of a firm or between organizations will result into stakeholders spreading investment risks and synergy between the units would only ensue if the strategy is designed to create and manage value adding linkages between the business units/organizations. It could be therefore be inferred that the core objectives of corporate strategy anchor on the following:

2.1.1 Growth Strategy

A good growth strategy is undertaken when an organization expands the number of markets for its products/services it offer through its current business type or venture into the production of new products/services to plug the hole identify in the market. The aim of corporate growth may hinge upon increase revenue, to hire the right employees, and expand the market share either through Vertical, horizontal, concentration, or diversification process as show below.

Table 1 Corporate growth



- The Vertical integration is undertaken by an organization who sought to gain control of its output (forward) chain. That is, its distribution channel and the input sources, especially the supply route (backward) with the aim of minimizing acquisition cost and enhancing operation efficiency akin to operational synergy. However, this method may involve heavy start off capital outlay.
- Horizontal integration involves expansion of the firm's operation by combining with competitors that are operating at the same level of business design to gain competitive and growth strategy within the framework of legal and regulative settings with the aim of gaining collusive synergy.
- Concentration strategy involves the use of a firm's primary business to meet its growth objective without combining with another firm. The strategy takes the form of product/service market expansion option in which firm create new product for its new customers. Though, the company may become skilful in its specialize area of the business line, but it tends to face a disadvantage of possible industrial and environmental change.
- Moreover, unlike other corporate growth strategies, diversification strategy involve moving into different industries, which may not be related (concentric or conglomeration). This strategy may embark upon with the aim of boosting profitability, corporate image, and knowledge and skills resulting from the new venture and above all, Sharing of resources and facilities to gain a competitive edge resulting financial synergy.

2.1.2 Stability.

This is a corporate strategic adopted by a going concern involving a continuous improvement on its current undertakings. That is, serving the same clients with the existing products/services while maintaining its market share and sustaining the business operation tempo. Thus, it neither grows nor falter.

2.1.3. Renewal Strategy

This type of strategic edifice is called into operation when a company is going through a problem due to declining performances. The measure adopted may take the form of retrenchment or combine with turnaround strategies to revive the company. From the above, it could be seen that the core objectives of corporate strategy are centred on the above three distinct areas of growth, stability and for renewal purposes. Michael (1988 [8]) opine that a successful corporate strategy should be built on the premises of attractiveness of the chosen industry, the industry should be structurally attractive or amenable to attract, have low cost of entry, the future profits should not be capitalized and pass the better - off test hinge on the premises that the combine units would result into competitive advantages from their accord.

However, the following types of corporate strategies are available of which two or more of them may be synergize to achieve a desire corporate goal. They include human resource, financial, business, operation, information, marketing and technological strategies as show on table 2.

III. Synergy

Synergy is derived from the Greek word "synergos" meaning working together, it is the interaction of multiple elements within a given system to produce an enhance effects different or greater than the sum of their individual (Roz et al, 2001[9]). In the context of an organizational behaviour, cohesive group is more than the sum of their parts. Thus, synergy is the ability of the group to outperform far and above the individual member. Cyan (2007 [10]) opine that synergy's value creation ability stem from an opportunity to utilize specialized resources to reduce costs or create ability or charge high price or both. In essence, it is a system created to constitute a set of interacting component working together with a common objective to achieve a designated goal.

Also, Shabir (2012[11]) views organizational restructuring for instance involve a major change in the organizational structure to enhance efficiency and effectiveness through the reorientation of business units in order to rearrange firm's business for better performances. Moreover, Roz et al (2001[12]) opine that synergy is based on the premise collaboration, enhance the capacity of an organization in achieving a greater height far and above individual's ability. It is a process through which parties who see different aspect of the problem or units involve in different aspect of tasks, explore constructively their differences and search for solutions that is above their individual purview. Peter (1996[13]) contends that instead of assuming a zero sum relationship between different units, there is the possibility of two or more units synergizing their efforts to achieve greater feats. Corporate synergy can be realized when a company acquire or merge with another with another company/unit.

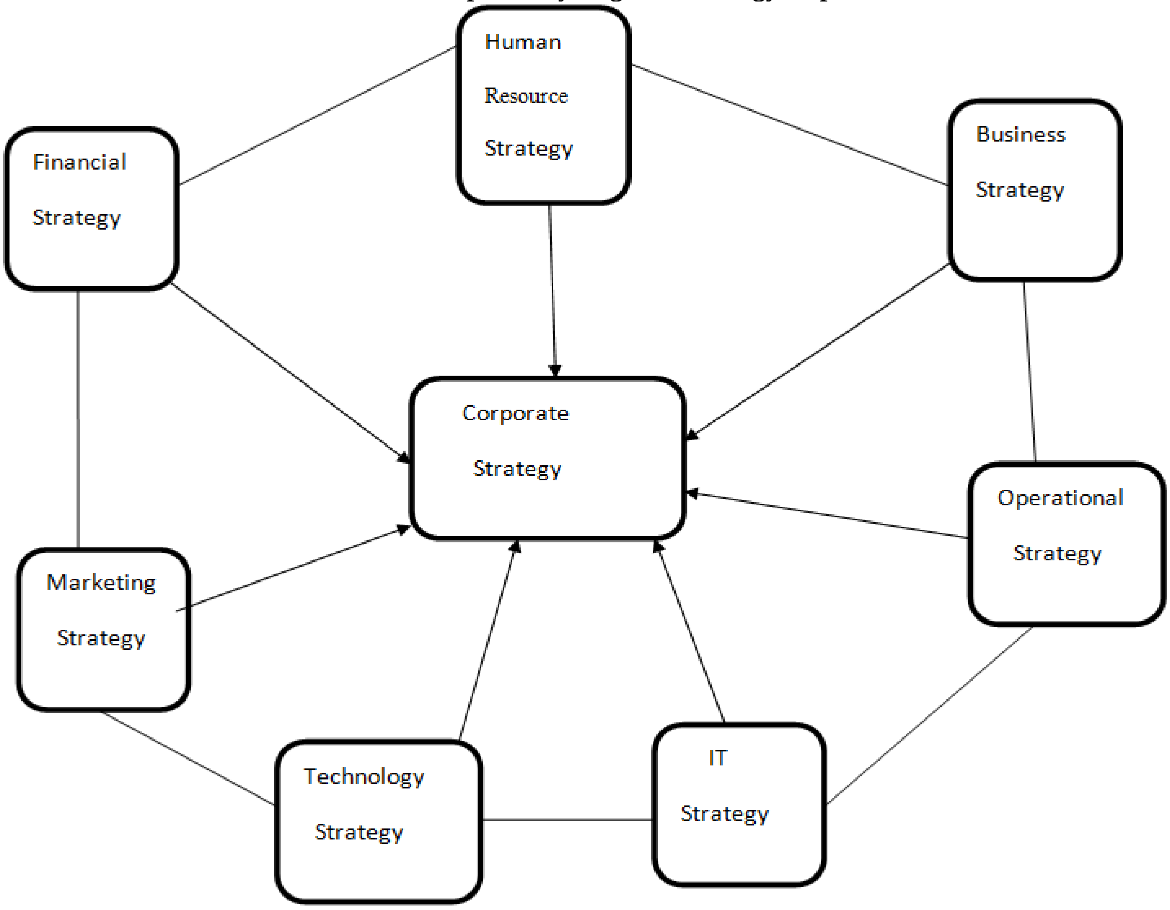
The entire process revolves around a combination of corporate entities to create more income, increase cash flows, cash slack, debt capacity by combining with cash extensive project firm with cash rich firm with little or no debt, tax benefits by the utilizing the unused tax benefits, management and cost synergy involving joining efforts that produce greater output than acting alone, resulting into appreciable cost reduction. Michael & Andrew (1999 [14]) observe that combine values created by a synergistic strategy may be due to efficient management; improve production technique, economies of scale, complimentary resources, exploitation of market power or value creating mechanism. Suffice to infer from the concept of group cohesion which stated that the property that is inferred from the members and the strength of mutual positive attitudes among members of the group is far greater than their individual component sum. Thus, when units interact with each other synergy will ensue if the sum of the whole system is greater than the sum of its parts, i.e. 2+2 =5, thereby adding further their peculiar characteristics and complexities.

IV. Synergistic- Strategy For Corporate Development

This cannot synergizing the various corporate strategy areas to maximize the outputs in pursuance of a specific corporate objective. It is quite obvious that operational challenges exist for firms in both developed and developing economies. According to Roz et al (2001[15]) synergistic strategy entails units/organizations supporting each other by leveraging their complimentary strength to attain a maximum output far and above individual's capacity. That is, it is a collaborative process through which parties which see different aspect of the problem constructively explore their differences and proffer solutions that span wider than their limited individual vision by combining their human and material resources in pursuance of a goal which is far beyond individual's reach.

This assertion is as depicted in the table 2 below.

Table 2 Corporate synergistic–Strategy loop



Available to a firm is the above strategic units depicted by the arrow which can be synergistically combined to achieve the desired corporate objective as explain below.

4.1 Human Resources Strategy

The significance of human strategy as opine by Chase & Stanley (1990 [16]) lies in the institutional ownership as it is capable of modifying top management behaviour since the composition of investors convey a strong signal to all the units, and the public are likely to favourably view the firm that has a fairly spread and reputable members as its core investors. Mark (1995 [17]) observes that human resources management practice plays significant role in firm's productivities and turnover. Thus, a firm can scale up a competitive edge by using its reputation status in the institutional field by using their salient advantage of their stakeholders to enhance their image.

The importance in the application of human strategy lies in the managerial expertise and renown unique skills and ingenuities of the employees as perceived by the clients and the communities in which the firm operate in general.

4.2 Financial Strategy

According to Arindam et al (2012[18]) the success of corporate strategy does not rest solely on leadership traits and workforce efficiency but on careful financial planning and effective evaluation and control. Hence, financial strategy entails incisive explanation of assets and liabilities, constructing a detailed financial plan tailored to the chosen investment under the aegis that their implication on overall organizational growth and development would be enhanced with valid expected returns. While it is arguable that the choice of capital structure have a great influence on corporate financial strategy, it is required that a firm should chose a capital structure that minimize its weighted average cost of capital (WACC) and maximize shareholders' returns.

Through, some empirical evidences abound that some company operates with sub optimal capital structure as a result of behavioural influences against debt and market fluctuation which may rob them of the envisage strategic goal. Therefore, Ron & Henk (1997 [19]) view financial strategy as an optimal financial resource allocation whereby cash inflows are carefully apportioned to prospective business units with high expected returns over a long period of time.

4.3. Information Technology Strategy (IT)

The effectiveness of information and technology as a corporate strategy depend on the structure of the telecommunication media like the internet and other information system with global infrastructure such as computers and various communication system interconnects (Mika, 2012[20]); Heather (2007[21]) view it as the strategy that support the overall strategic business value in the face of rapidly changing business environment and dynamism in the information technology environment.

It is so central to the firm, David (2012[22]) opine that it should be incorporated in the management process to improve accountability, suitable infrastructure base, flexible access to information. This is crucial as IT (Tim, 2008 [23]) help in achieving the ultimate goal of supporting the organization in the provision of efficient and effective production process anchored on well designed integrated system.

4.4 Technology Strategy

According to Soul & Jeff (2006[24]) technology serves as an input rather than after the fact enabler. Most of the successful companies keenly employ technology driven business approach by uniquely applying an existing integrating set of technology rather than a new technological breakthrough. However, Williams (1994[25]) contends that Sharp Corporation's relative 80 years success was base on expansion of business volume using innovative technology to contribute to the culture, benefits and welfare of the people throughout the world using technological inputs that produce goods that competitors would not want to copy .Spencer (2010 [26]) view technology as an intrinsic content of delivery, which spur creative industry to be efficient, effective and adaptable.

To maximize the strategic advantage of technology, Rogerio (1997[27]) observes the strategy should have the elasticity of application whereby one technology can be applied in different market segments either through the traditional base, where a new technology is used to maintain a market or by the competence base by using the existing technology to service new operation or market in order to gain competitive advantage.

4.5 Operational Strategy

The operational functions of any corporate organization occupy the central hub on which the corporate strategic design interact with other functional units to steer the organization towards its overall goal. According to Ted (2011[28]) it is a road map that shows how major organization's resources could be configured to achieve the envisaged corporate objectives. It spells out the decision making centres, while ensuring consistency of actions over time necessary to achieve the overall corporate goals over a span of time. But, Edson et al (2011[29]) view it as a way companies conceive and integrate sustainable models and concepts into their business strategy.

However, Robert & David (2005 [30]) opinion that operational strategy is necessary for constructing an attack and defence tactics for the entire company and failure to do so may undermine its attacking prowess thereby making it vulnerable to competitor's exploits. Therefore, operational strategy should be synergistically aligned vertically with corporate and business strategy, and horizontally with other functional strategic units which may take the form of top-bottom down or bottom-up approach. In view of corporate synergistic-strategy, Daniel (2003[31]) contends that operational strategy entails the development of articulate long term plan for the usage of firm's major resources to achieve high degree of compatibility between these resources and the entire corporate strategies.

4.6 Business Strategy

Corporate business operation always seeks to differentiate itself through superior flexible dependability and speedy response to innovativeness. Ted (20011 [32]) views it as a fundamental rethinking and radical redesigning and improvement in critical areas of costs, quality, service and speed. Deloitte & Touche (1992[33]) define it as a process adjusting to reflect the prevailing circumstances, knowing where the strength and weakness lies and making possible adjustment to execute the strategy. It is a consistently excellent preparation, planning, and execution of lofty business ideas that meet unmet needs in the market that drive transaction, enabling the producer to produce goods/services, involving continuous creation, implementing and evaluation of corporate strategy to meet the long run goals.

However, David (2010[34]) also opines that business strategy is linked to a business model which study the manner by which an enterprise delivers value to customer, inducing the customer to pay for the value in order to generate profits, and how the management on the other hand identify the customer's want, how the client want it and organize the resources to best meet those needs.

4.7. Marketing Strategy

In resume, according to Hong-Wei & John (2012[35]) marketing strategy is a comprehensive plan that is customers and stakeholders focus. It connotes corporate identity, communication, branding, culture and reputation of an organization weld together to respond effectively to perceived opportunities and challenges in the market. It must precisely define its mission, and entrench continuous assessment of threats and opportunities and respond to them in line with its mission using strength, weakness, opportunity and threat (SWOT) analysis in the assessment of the environment in which it operates.

Fig. 3 SWOT analysis table

Strengths Match	**pportunities** match
Convert **Weakness**	convert **Threats**

Sources: Modified Castle's (2005**)**

Therefore, Allison & Mary (2005[36]) views marketing strategy as an articulate summary and categorization of strength or advantage, weakness, that is, disadvantage, opportunity, and potential threats that may impede the success of an organization. Marketing strategy tries to match opportunities to firm's resources and its objectives. Corporate Success starts when a creative firm spots an attractive market opportunity where it has a chance to explore, given its resources and objectives by using its marketing mix effectively. The key objective of a marketing strategy is to identify the needs of a group of customers that the firm serves, differentiate its marketing mix (essentially; price, product, place and promotion) to command customers' loyalty.

V. Findings

It is an axiomatic fact that operational changes do occur at a stage in the life of a firm operating in either a development or developing economy that result in mapping out strategies to enable it weather through the existing or anticipated threats or to strengthen the existing opportunities. Synergy entails collaborative efforts of different units or organization to create value far and above individual unit with different kind of inputs to produce more outputs efficiently through complementary and the embodiment of efforts that yield more rather than producing them on their own with aggregate individual outputs far less than combine the outputs of the combine efforts.

It's become obvious that in the contemporary competitive business environment synergistic-strategy could create values greater than the sum of the individual components as a result of accrued efficient management; improve production technique, economies of scale, complimentary resources, exploitation of market power or value creating mechanism. Hence, according to the concept of group cohesion property that can be derived from group members and the strength of their mutual positive attitudes is far greater than the individual component sum.

However, the myths of synergistic-strategy lies in the facts that attention deficit disorder may occur as a result of cost minimization and since not every combine units/organization may result in an envisage complementarities and necessary impediment, resulting in a knock-on-effects, failure to achieve the anticipated management expertise, brand and marketing expansion, economies of scale leading to non realization of overall anticipated corporate objectives. Albeit, in a contemporary globalized market; any company that desire to survive the intense tide of competition with the ever changing methods of production and delivery systems, synergistic- strategy management tool remains sin qua non veritable tool.

VI. Conclusion

Corporate development entails the task of growing through acquisition and merger, and combination of the component parts to achieve desired corporate goals. Michael (1988[37]) views corporate strategies as the overall plan for diversifying a company that will make the outputs add up to be more than the sum of its component units. It connotes component parts that will result into desired corporate goal direction in pursuance of its mission. Marcel (2002 [38]) describes corporate strategy as an evolutionary development resulting into increase differentiation and integration of an organization and its complexity in a logical and chronological order.

However, Jens (2002[39]) contends that strategy is the way the organizational profile is structured to manage innovation and technology based on the overall dynamic of the company by creating and managing value adding linkages between various business units for long run sustainability. These feats could only be successful through a well design synergy of the firm's strategic units. Synergy on the other hand (Ruth, 2002 [40]) is the way firm create value for its stakeholders. Instead of assuming a zero sum relationship between different units firm should explore synergy to scale up the whole system up and above their component part i.e 2+2=5. On the whole, synergistic-strategy connotes a seamless process that transforms the corporate whole add up to be more than the sum of the business units. However, Charce & Mark (1990[41]) affirm that firms compete for reputation status and attempt to influence stakeholders' assessment by signalling firm's salient advantage.

It is recommended that it is worthy to note, that strategy has its opportunity cost draw back (Teresa & Steven 2012 [42]) as it may backfire thereby eroding customer relationship, brand damage, and dampen employees' morale. Therefore, well articulate synergistic-strategy dynamic will synchronize the benefits of the two management concepts to minimize the obvious drawbacks associated with the two concepts.

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