THE ROLE OF CORPORATE PARENTING STRATEGY: MANAGING COMPLEXITY AND FOSTERING PERFORMANCE IN THE MULTI-BUSINESS UNIT

Dyah Suskandari *, Mukti Wibowo *, Suyoko **, Sari Wahyuni ***

* Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia
** *Corresponding author*, Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia
Contact details: Faculty of Economics and Business, Universitas Indonesia, Jl. Prof. Dr. Sumitro Djojohadikusumo, Depok 16424, West Java, Indonesia
*** Faculty of Economics and Business, Universitas Indonesia, Depok, Indonesia; Indonesia Strategic Management Society, Jakarta, Indonesia

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Abstract

This literature review explores the integrated propulsion strategy, a comprehensive corporate parenting model that reconciles industrial organization (IO) theory, resource-based view (RBV), and dynamic capabilities (DCs) in strategic management. The framework, encapsulated through positioning, picking, and propulsion, seamlessly integrates external threats, internal resource combinations, and perpetual capability renewal. It accentuates the strategic significance of resource redeployment, primarily through mergers and acquisitions (M&As), as a dynamic response mechanism to external pressures, contributing to sustained competitive advantage (CA). The study advocates for supra-dynamic managerial capabilities in the post-pandemic landscape, surpassing traditional skills vital for navigating perpetual change, fostering stakeholder engagement, and driving innovation. Within the multi-business unit paradigm, the research proposes a framework elucidating the intricate relationships between business units and business models, providing insights for effective complexity management. The research integrates performance management metrics, encompassing sales growth, product quality, innovativeness, environmental, financial considerations, and practical guidance for corporations to formulate adaptive corporate parenting strategies, ensuring sustained growth in the dynamic business environment. The research seeks to provide a holistic corporate parenting strategy development to assist organizations in navigating complexity, responding to external pressures, and enhancing performance across their diverse business units, thereby contributing to the broader discourse on strategic management.

Keywords: Corporate Parenting Strategy, Integrated Propulsion Strategy, Supra Dynamic Managerial Capabilities, Mergers and Acquisitions, Multi-Business Unit

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1. INTRODUCTION

The scope of strategy in companies is divided into corporate and business-level strategies (Hitt et al., 2020). Business strategy concerns how a business enterprise or individual business units of a larger company compete in a particular sector or market. Corporate strategy relates to the methods used by corporations in managing a group of companies (Grant, 1995). The parent company is a management level above the business unit, excluding direct involvement with buyers and competitors (Johnson & Scholes, 2002). Corporate parenting is not limited to giant conglomerate organizations but also to small businesses with many business divisions.

The role of corporate strategy in the business sphere is currently under increasing pressure. Internal and external pressures on the company have created tremendous pressure, including corporate companies. External pressures attached to corporations include competition, technological change, globalization, privatization, and deregulation, and currently, the environment has significant pressure on corporate business. The level of industry competition is known as competitive pressure (Soewarno & Tjahjadi, 2020). Competition intensity refers to market variables that affect the amount of competition, as shown by similar businesses in the same sector and product competitiveness in the marketplace, affecting competition, market share, and pricing levels.

Technological change has an impact on increasing competition, in addition to other factors such as globalization, privatization, and deregulation, which also put more pressure on competition (Grimm et al., 2005). This competition occurs when companies try to establish a competitive advantage (CA) to seize an excellent and different position in the market (Porter, 2008a; Gnyawali et al., 2016). Kim (2020) stated that the competitive paradigm emphasizes that CA can provide better advantages than competitors. This is the primary key to success in business competition. At the same time, the COVID-19 pandemic stimulated the development of digital transformation technology itself. Amankwah-Amoah et al. (2021) stated that COVID-19 is "the great catalyst" for accelerating the current worldwide trend toward embracing cutting-edge developing technology in changes to company strategies, lifestyles, and employment patterns. Thus, COVID-19 has progressed to become "the accelerator" for digitalization in daily life and work. The competition map from disruption and technological developments is increasingly tight, changing the business competition landscape.

Another pressure is increasing public awareness about ecology and environmental control by regulators, which pressures companies to act through environmentally friendly activities (Banerjee et al., 2002). Companies that successfully carry out environmentally oriented activities are believed to get increased company performance. The concept related to environmental orientation refers to a company's management's recognition of the importance of environmental issues in a company's operational activities (Banerjee et al., 2003). External orientation refers to the importance of a company in overcoming the environment to suit the demands of stakeholders (Banerjee et al., 2002).

Environmental orientation refers to the demands of stakeholders that present a dynamic environment and influence company performance. A dynamic environment refers to the uncertainty and instability of changes occurring in the company's external environment (Zhang et al., 2020). This unstable and unpredictable environmental change affects a company's entrepreneurial behavior and innovation, especially related to the exchange of resources related to corporate networks (Zhang et al., 2020). Companies must build self-awareness of environmental dynamics (Do et al., 2022). An analysis of the dynamics of this environment is needed to determine the company's competitive strategy by providing insight into threats and opportunities related to the environment (Widjaja & Sugiarto, 2022).

In high turbulence and uncertain times, the organization must develop its resilience capability to cope and avoid the possibility of a crisis in its organization and foster future success (Duchek, 2020). In facing pressures originating from the company's internal and the dynamics that occur in the company's external environment, companies need a dynamic capability (DC) that provides solid organizational resilience. DCs are directly correlated with a company's capacity to integrate, develop, and restructure internal skills in response to or to bring about changes in the business environment (Teece, 2007). The company's response must be able to change and maintain the pressure that occurs into an opportunity. Internally, the company's response is to make changes in the business model closely related to the resource-based view (RBV) and DC (Teece, 2018). The resources and capabilities that are owned must support the company's CA (Barney, 1991). Strong DC are critical in maintaining long-term profits (Teece, 2018). With good DC, the company will have strong resilience.

Leveraging RBV as explained by Teece (2018) in corporate parenting strategy involves how the parent's company identifies and fosters the fundamental strengths of each subsidiary within the corporate structure. This includes strategically allocating resources in order to enhance synergies among units and ensuring that the portfolio aligns with the broader corporate strategy. Through the implementation of RBV principles, corporate entities can optimize their portfolio by making informed decisions regarding divestment, acquisition, or restructuring. Furthermore, RBV highlights the importance of developing adaptive capabilities to respond to external changes, empowering firms to proactively manage their portfolio and sustain their competitive capabilities. Integrating RBV into corporate parenting strategy helps organizations to effectively optimize their internal resources and competencies to drive overall corporate performance and competitiveness.

Corporate strategy is closely related to how all the business units under it are managed. The bigger a corporation, and the more companies under it, the more it requires to manage them. Corporate parenting patterns are divided into regulated and exempted companies, which are not highly regulated (Feldman, 2021). In today's business world, the role of corporations in corporate strategy is being questioned (Bowman & Helfat, 2001). This statement emphasizes the role of corporate strategy in its subsidiaries so that they can produce maximum performance. The corporate strategy needs to choose the correct parenting pattern to be applied to all business units to encourage corporate performance that responds to demands from external and all related stakeholders.

The degree to which a corporate organization assists a corporation in achieving its goals can be used to assess the quality of that organization. The corporation's role in all its multi-businesses is the key to its success. Corporate strategy must ensure that all its resources, including its business units, can adapt to problems and changes in the environment while avoiding complexity, inertia, and organizational entrenchment. A robust corporate strategy must be able to push its business into the long term through all business units under it.

The increasing internal and external pressures in the contemporary dynamic business landscape, such as competition, technological change, globalization, deregulation, and environmental concerns, reveal significant research gaps in the current exploration of corporate parenting strategy. This study seeks to address these gaps by integrating industrial organization (IO) theory, RBV, and DC to scrutinize the pivotal role of corporate parenting strategy in enhancing overall company performance. While the existing literature review extensively explains the corporate strategy, there must be a gap in how external pressure affects supra-DC and strategic propulsion, which will produce a robust corporate parenting strategy. This paper fills the gap by conducting a literature review, emphasizing the implementation of corporate strategy and offering valuable insights applicable to all multi-business units within the company.

This paper is structured as follows. Section 2 reviews the relevant literature. Section 3 analyzes the methodology employed for conducting qualitative research. Section 4 elucidates the results and discussions, and finally, Section 5 presents the research conclusions.

2. LITERATURE REVIEW

2.1. The logic strategy: The role of corporate strategy

The corporate parenting pattern for its business units is likened to a parent's parenting pattern for all their children. Parents may apply the same parenting pattern to all their children, educating, nurturing, and raising them until they can become independent. This is following the business life cycle itself. The business life cycle is divided into four things: 1) introduction, 2) growth, 3) maturity, and 4) decline (James, 1974). Business units in corporate Parenting itself, based on participation factors, are divided into three categories: "naturally born children" (subsidiaries formed by the parent's greenfield investments), "voluntarily adopted children" (subsidiaries formed by the parent's acquisition of previously independently owned companies or the acquisition of other multi-business corporations), and "foundlings" (subsidiaries formed by the parent's acquisition of other corporations' assets) (Gurkov, 2015). These inclusion factors then become the basis for corporate companies in viewing and mapping all business units within their corporation in which phase of the life cycle they are. It is essential to know the parenting patterns that will be applied to the business units and become the basis for strategic decisions regarding the future of each business unit in the corporation.

Parenting patterns for regulated companies have an essential role in their subsidiaries. Too much autonomy may cause subsidiaries to become uncontrollable and, as a result, engage in opportunistic conduct. In contrast, solid parental supervision for exempted companies would inhibit subsidiaries' creativity and entrepreneurship and jeopardize their integration into the local economic environment. Subsidiary autonomy compromises global corporate integration and local environmental response (Gurkov, 2015). In applying parenting patterns to all its subsidiaries, the corporate strategy must pay attention to appropriate parenting patterns so that subsidiaries have performance that impacts corporate performance.

The corporate parenting pattern aims at two main objectives: value-adding and value-destroying (Kruhler et al., 2012; Pidun, 2019). Companies carry out value-adding activities to add value and create the right environment to facilitate business growth. On the other hand, destroying activities are carried out by the company as a form of creating and adapting value to the business environment. This parenting pattern is challenging, especially related to multiple business units. Parenting patterns are also adjusted to the life cycle of each business unit. Kruhler et al. (2012), in their research on 150 respondents, noted that corporate companies mainly carry out the value creation process for their business units, mostly on financing advantages, strategy development, and corporate resources and functions. The value creation process still needs to improve in operational engagement and business strategy. The need for more expertise, skills, and efficient processes dominates value-destroying activities. The cost of complexity and resource shortage is average, and conflict of goals is the lowest value-destroying activity of the corporate parent.

2.2. Typology of corporate styles and the influence of multi-business units

The typology of corporate styles is divided into five styles based on adding value or extracting/destroying value (Gurkov, 2015). The model represents the combination of adding and extracting value in the business unit and can describe the corporate-style typology quadrants that can be applied. This parenting typology is sometimes different for all subsidiaries. This follows the results of the corporate parent's analysis and mapping. Each business unit can experience a shift from one quadrant to another according to the constant changes that occur in that business unit.

There are four approaches to providing corporate parenting for business units: independent influence, linked influence, independent influence for functions and services, and independent influence for corporate development (Feldman, 2021). Selection, appointment, and development of crucial subsidiary executives, acceptance or rejection of subsidiary budgets, strategic plans, and capital expenditure requests, and providing guidance and policy direction to their subsidiaries are examples of stand-alone influence. Increasing the links between their enterprises through sharing operations, taking advantage of synergies, sharing resources and expertise, or implementing transfer pricing between subsidiaries are the four topics that impact the corporate world. Cost-sharing through centralizing operations (like finance, marketing, or human resources) and services (like management, catering, or security). Choosing which firms to enter or leave, when, and how to do so, as well as growing new businesses or integrating acquired organizations, are all parts of corporate development.

2.3. Company parenting strategy process development

Various parenting strategies from the parent company towards its subsidiaries are carried out through hands-off ownership, financial sponsorship, synergy creation, functional leadership, direct management, and strategic guidelines (Pidun, 2019). Hands-off owners want to refrain from exerting centralized control over strategic or operational activities. Instead, they concentrate on producing profits by buying new businesses and selling old ones. Financial sponsors provide funding and organize financial oversight to improve business performance. Financial sponsors and family builders are the types of parents who greatly emphasize financial management. Strategic guidelines emphasize CA. Holding companies offer value by providing clear strategic direction for the business and using superior strategic insight and experience. Functional leaders concentrate on increasing the value of companies in their portfolio through shared company resources, centralized services, and functional excellence. Practical manager: actively involved in managing business units through influencing operational choices.

A corporate parenting strategy can be prepared through diagnostics, identification, and honest assessment (Pidun, 2019). The goal of parenting diagnostics is to comprehend the variety of parenting activities the business engages in and the degree to which these actions provide value or detract from it. To learn about the parenting practices the firm is now using, it is critical to identify the organization's current parenting strategy. This needs to be done to find out whether there are gaps or deficiencies that the company must fill or whether the current parenting patterns are optimal, so what needs to be done is boosting existing performance, an honest assessment of the specific nurturing needs and opportunities of business units within the company's portfolio. It is essential to know this independently and in detail and be able to produce a portrait of the actual conditions currently.

The parenting approach pattern in selecting parenting patterns that companies can carry out: developing value maps, identifying existing parenting strategies, understanding business needs, selecting target parenting strategies, and determining pathways to realize target strategies (Pidun, 2019).

2.4. Resources based view

Strategic management now considers the RBV to be a fundamental idea. It emphasizes managing an organization's resources and capabilities to achieve a CA. RBV strategy primarily focuses on the internal aspects of an organization. This emphasis is not unexpected, considering that RBV originated in response to the external IO approach, exemplified by Porter's (2008b) "five forces model" that focuses on market output. According to Barney (1991), the RBV that considers market input focuses on how the firm can leverage its strengths and mitigate its weaknesses to gain a CA. Furthermore, as interest in RBV grows, the evolution of RBV theory is divided into three stages (Barney et al., 2011).

Firstly, the *introduction phase* refers to early economic ideas like the Ricardian theory (Ricardo, 1817), emphasizing resource management for economic rent and the efficient use of assets like land, labor, and capital. Penrose (1959) focused on how innovative resource combinations create economic value. RBV of the firm began to take its more structured and recognizable shape in the 1980s. Wernerfelt (1984) highlighted the significance of having attractive resources and being a first mover to gain CA. Barney (1991) states that organizational resources, including tangible and intangible, can help increase organizational performance's efficiency and effectiveness. According to Barney (1991), to have the potential to create a CA, organizational resources must have four characteristics: valuable, rare, inimitable, and non-substitutable.

Secondly, during the transition from the introduction to the *growth phase* in 1992, RBV theory has advanced from theoretical formulation to significant recognition and application in strategic management. RBV had matured to the point where it played a central role in academic debates by 1996. Third, between 2001 and 2011, the resource-based theory (RBT), widely used by academics in place of RBV, reached a mature stage in its development. The transition from "view" to "theory," the emergence of spin-off perspectives like the knowledge-based view and DC, integration with other theories, and the publication of evaluations of RBT's body of work all point to a higher level of precision and sophistication in its application and conceptualization. DC is the development of RBV that focuses on updating resources by reconfiguring old resources and continuously updating existing operational capabilities into new capabilities that are more by changing environments (Pavlou & El Sawy, 2011). Teece et al. (1997) develop sensing, seizing, and reconfiguring as critical components of DC. DC refer to an organization's ability to alter essential resources in response to environmental conditions purposefully.

2.5. The integrated propulsion strategy

While there is a clear potential for synergy between IO theory, RBV, and DC in strategic management, IO theory is sometimes portrayed as a rival to the other two theories (Teece, 2007). Wilson (2012) proposed an integrated framework known as the integrated propulsion strategy through the 3Ps (positioning, picking, and propulsion) to harmonize these fundamental pillars of strategic thought. This approach combines elements of the IO approach for positioning, focusing on industry threats and opportunities related to new products, with RBV's emphasis on picking diverse internal resource combinations and implementing a propulsion strategy to move to the new product. It also incorporates DCs, which continually renew capabilities over time, elevating them from foundational operational capabilities to temporary CA and, ultimately, to the essential sustainment of CA, forming a cyclical process over time.

As mentioned by Wilson (2012), the integrated propulsion approach combines the IO approach, which emphasizes threats and opportunities in the industry, with the RBV approach, which emphasizes internal capabilities, picking heterogeneous resource bundles and implementing a propulsion strategy with a DC approach to continue renewing capabilities over time to improve the level of capabilities from operational capabilities in zero level as the foundation for CA by using DC improve to temporary the emerging theory of corporate adaptability through resource reallocation, emphasizing that a firm's value is intricately linked to its ability to selectively withdraw and redirect resources from one area of operation to another.

A coherent corporate strategy elucidates how multiple businesses within a firm coexist to establish a corporate advantage, including efficiently reallocating capital (Dickler & Folta, 2020). This concept, often referred to as inter-temporal economies of scope (Helfat & Eisenhardt, 2004) or re-deployability (Sakhartov & Folta, 2014), comes into play when resources possess the potential for internal redistribution across various aspects of the business, including different business units, products, or even distinct business models. Resource redeployment theory is a strategic management concept that focuses on the reallocation of a firm's resources, both financial and non-financial, to capitalize on new opportunities or address changing market conditions. Such discretion allows firms to navigate away from underperforming ventures, mainly when alternative opportunities offer significantly different returns. It is noteworthy that resource redeployment is just one of several strategic choices available when a resource is underutilized. Alternatives include expanding current usage, resource-sharing, external resource transfer through mechanisms like acquisitions, or discontinuing resource use. Consequently, evaluating resource redeployment against these alternative reconfiguration methods is crucial.

2.6. Supra dynamic managerial capabilities

In the post-pandemic, organizations face persistent complexity and uncertainty in the "new normal" era, necessitating a shift in strategic thinking. This dynamic environment calls for a departure from rigid, resource-specific approaches to the agility of resource orchestration. Moreover, cultivating substantial relational capital with stakeholders is a cornerstone for encouraging calculated risk-taking and entrepreneurial strategies. Organizations may need to adopt organizational hybridity to navigate this ever-evolving landscape effectively, allowing them to flexibly integrate diverse strategies and structures. Agility is essential in operations and strategy, demanding quick responses to new conditions and cultivating innovative paradigms. Therefore, managers must develop supra-dynamic managerial capabilities, transcending traditional skills to encompass cognitive and emotional proficiencies, enabling them to thrive in a world where stakeholder dynamics and competitive landscapes are in perpetual flux (Hitt et al., 2001).

The development of supra-dynamic managerial capabilities might influence the corporate strategy. These advanced skills, encompassing cognitive and emotional proficiencies, empower managers to navigate this evolving landscape's complexity and uncertainty. They facilitate strategic adaptability, allowing swift adjustments in response to changing circumstances, a vital component for an organization's survival and success. Moreover, these capabilities enhance stakeholder engagement, enabling managers to foster meaningful relationships and integrate stakeholder feedback into strategic decision-making. They also foster innovative mindsets, encouraging entrepreneurial strategies that drive corporate growth. With the ability to efficiently allocate resources and inspire teams, managers with these capabilities become essential in effectively implementing and evolving corporate strategies within the context of ongoing change and ambiguity. In essence, supra-dynamic managerial capabilities serve as a linchpin, connecting managerial skills with the formulation and execution of successful corporate strategies in the post-pandemic era.

2.7. The implementation of corporate strategy: Nature of corporate strategy

The process through which a firm combines other businesses, including consolidating the company's assets and stock, is known as mergers and acquisitions (M&As). M&As are essential vehicles and vital strategic tools for the growth of corporate performance, especially in terms of business strategy, products, and corporate geography, and have long-term consequences for the company (Hitt et al., 2001).

Companies use M&A strategies to increase efficiency and effectiveness (Hitt et al., 2001), which are expected to positively impact company performance and improve each firm's competitive ability (Chatterjee et al., 1992). M&A is a process in which a company consolidates against other companies through acquisitions or mergers. A merger is a strategy of integrating two companies' operations relatively equally. In contrast, acquisition is a strategy in which one company buys part or all the shares to exercise control over the acquired company and make the acquired company a subsidiary in its portfolio.

The success of corporate strategy in managing DC that accommodates pressure from external companies encourages corporate strategy to modify its ownership and existence in the business (Hernandez & Menon, 2021) or create an ownership process from the start through a greenfield process. This modification process is done through nodes: acquisitions as "collapse" nodes, divestitures as "split" nodes, industry entries as "create" nodes, and industry exits as "remove" nodes. This modification is carried out by the corporation or, in practice, is mainly carried out by the business units within it. Adding value and destroying value carried out by corporations result in adding nodes or networks or releasing nodes or networks within them. The pattern of business unit ownership by this corporate strategy can be adjusted to the results of the corporate strategy analysis. It can also grow due to developments resulting from the corporate parenting pattern.

Business ownership through ownership from the beginning or "naturally born children" subsidiaries formed by the parent's greenfield investments is carried out by the company concerning the strategy in the host country. There is a consequence that multinationals may prefer M&A over greenfield investment and reduce the price that multinationals offer to acquire local companies if greenfield investment is more profitable than exporting. Multinationals prefer a merger over greenfield investment if the fixed cost is high. If local businesses decline to join a joint venture, the multinational may choose between M&A and exporting if greenfield investment is less lucrative than exporting (Raff et al., 2009). Companies are more likely to choose cross-border M&A with a higher tendency than outward foreign direct investment's greenfield investment mode when economic policy uncertainty decreases (Zhou et al., 2021).

The following business ownership is obtained from the "voluntarily adopted children" process or subsidiaries formed by the parent's acquisition of previously independently owned companies or other multi-business corporations. Hitt et al. (2020), explain the reasons for the acquisition: increased market power, overcoming entry barriers, less cost of new product development, increased speed to market, lower risk compared to developing new product, increased diversification, reshaping the firm's competitive scope, and learning and developing new capabilities.

The acquisition is described into three types: horizontal acquisitions, vertical acquisitions, and related acquisitions (Hitt et al., 2020). Horizontal acquisitions against competing companies in the same industry will increase the company's market power by using both synergies at cost, resulting in increased revenue. Vertical acquisition is an acquisition of one or more of its products from a supplier or distributor company. Vertical acquisitions lead to increased market power. Related acquisition is an acquisition made by a supplier or distributor company of one or more products.

The company obtained from this acquisition process certainly needs to comply directly with the standards held by the acquiring company. The potential emergence of problems from the acquired company certainly encourages the value addition or value destruction process implemented by corporate strategy. Problems in achieving success in the acquisition company are explained in the context. Establishing effective working relationships (significantly when management styles differ), connecting various financial systems and controls, and determining leadership structures and those who will fill them for an integrated company are some of the integration difficulties listed. Inadequate target evaluation is linked to the acquisition process. An effective due diligence process is necessary by paying attention to hundreds of items examined. Large or extraordinary debt is a current company that has the certainty that the acquisition strategy does not create a debt burden that defeats its ability to remain solvent and vibrant as competitors. The inability to achieve synergy is when assets are used in tandem with each other, which results in synergy compared to when assets are used separately. Synergy can be in the form of revenue, cost, and overall financial synergy. More diversification will be an effective strategy. The company can only manage some of the diversification in its business unit. Managers who are overly focused on acquisitions will be problematic because it requires a significant amount of managerial time and energy to manage the acquisition and integration process completion. Too large companies require extensive use of bureaucracy and strategic control.

Companies acquired by this corporation still need to diagnose, identify, and assess appropriate parenting patterns to be applied to them. This process is fundamental to positioning the company, which, through this ownership process, will be included in the appropriate life cycle following the lens of corporate strategy.

2.8. The structure value: Managing complexity in the multi-business unit

2.8.1. Multi-business-firms

According to Dickler et al. (2022), multi-business firms have more advantages in flexibility than single-business firms. Multi-business firms can reallocate firm resources from one business unit to another depending on the needs (Giarratana & Santalo, 2020; Dickler & Folta, 2020). Traditional corporate strategy has primarily revolved around the strategic choices confronting business units' organizations in their pursuit of gaining competitive and corporate advantages (Snihur & Tarzijan, 2018). Each business unit typically focuses on a specific product line, market segment, business area, or geographical market and has its own goals, strategies, and operational structure. However, the role of corporate strategy can also be seen as addressing the strategic decisions that multi-business model organizations face today (Casadesus-Masanell & Zhu, 2013). A business model can be defined as a system of interrelated activities that extends beyond and outside the boundaries of the focal firm. The activity system enables organizations to generate more benefits through stakeholder collaboration while appropriating a portion of that gain (Zott & Amit, 2010).

Organizations can manage a business unit with multiple multiple business models or business units on the same business model. This indicates no strict one-to-one relations between business units and business models as units of analysis. Additionally, some organizations structure their operations around business models rather than business units. The connection between business units and business models holds significant implications for corporate strategy. This relationship becomes especially pertinent when considering the complexity when a new business model is added to the organization's portfolio. It also affects how the organizational structure is designed to manage this complexity and the impact on the organization's ability to maintain a CA by creating barriers to imitation.

2.8.2. Managing complexity

These decisions are mainly centered on selecting specific business models to operate and effectively managing multiple business models within the organization's business model portfolio. When firms expand into new markets and optimize fixed assets and resources to enhance firm performance, it is crucial to effectively manage complexity within a business model organization (Snihur & Tarzijan, 2018). Firms should evaluate the potential for sharing activities, resources, and partners across different business models and explore opportunities for their redeployment. Business model portfolio complexity affects the firm's organizational structure and imitation barriers. An integrated business model portfolio management approach is recommended if business models have everyday activities or redeployment opportunities.

Conversely, dissimilar business models or those lacking such possibilities should be managed independently. Balancing between separating and integrating activities and partners in a business model portfolio requires innovative decision-making. Managers can design a decentralized organizational structure for a more independent business model portfolio, mainly when it contains interacting and non-interacting elements. This entails centralization for elements with interdependencies and decentralization for those without, emphasizing the importance of establishing knowledge-sharing mechanisms to facilitate learning from shared activities and partners. Furthermore, competitors' imitation barriers will rise as business models become more complex. Understanding how to manage complexity from the perspective of multiple business models within a company, potentially strengthening CA through business model interconnections.

Harren et al. (2022) found no one-size-fits-all strategy for managing multi-business models in the same organization. Instead, the effectiveness of a strategy depends on factors like how closely the models are linked and how decisions align between them. Keeping business models separate, often seen as the best approach, works well only when the models are weakly connected, decisions align, and interdependencies are visible. The study suggests that a phased integration approach is generally better, especially when interdependencies are not visible or when they complement each other. It also highlights the importance of maximizing shared opportunities rather than avoiding conflicts when business models have complementary activities.

According to Porter (2008b), corporate strategy encompasses four key concepts: at the level of corporate function is portfolio management and restructuring, and at the level of corporate strategy is activity sharing and skill transfer. Porter (2008a) explains that horizontal strategy primarily focuses on coordinating business units, emphasizing activity sharing and skill transfer rather than portfolio management and restructuring. The strategy fosters collaboration among existing and new business units based on their interconnectedness with existing units. Empirical research on the horizontal strategy implementation on firms that own and operate multiple unrelated businesses in various industries (Verma et al., 2020). They found that the successful execution of this strategy relies on the advanced capabilities of the organization, particularly the type of leadership and interactive control systems that promote collaboration and communication throughout the organization.

In managing multiple business units and business model businesses in various industries, having an interactive control system with open channels for communication and free information flow is crucial. This facilitates greater interactivity and identifying opportunities across different business units. Moreover, drawing from the work of Takaoka (2011) and Verma et al. (2020), strong leadership with democratic, transformational, and collective characteristics is essential for implementing a horizontal strategy effectively. This type of leadership helps in unifying different business units and ensures consistency in their actions. Key elements of such leadership include fostering a sense of shared activities, teamwork, adaptability, open communication between leaders and subordinates, empowerment and development of employees, and encouraging participation at all levels.

3. RESEARCH METHODOLOGY

This research employs a qualitative methodology, initiating an extensive literature review to identify relevant studies on corporate parenting strategy and associated theories such as IO, RBV, and DC theories. The subsequent synthesis of these theories culminates in developing a comprehensive framework, focusing on their applications and implications for corporate parenting strategy amid external pressures. By integrating these theories, the study offers a unified perspective applicable to all business units within a company, aiming to identify commonalities, potential synergies, and areas of convergence while addressing contradictions for a nuanced understanding. This study explored the relationship between external pressures, supra-DC, strategic propulsion, and the subsequent development of a robust corporate parenting strategy. The paper critically appraises its contributions to the existing literature, providing scholars and practitioners with a robust foundation for future empirical research and practical applications in corporate strategy.

4. RESULTS AND DISCUSSION

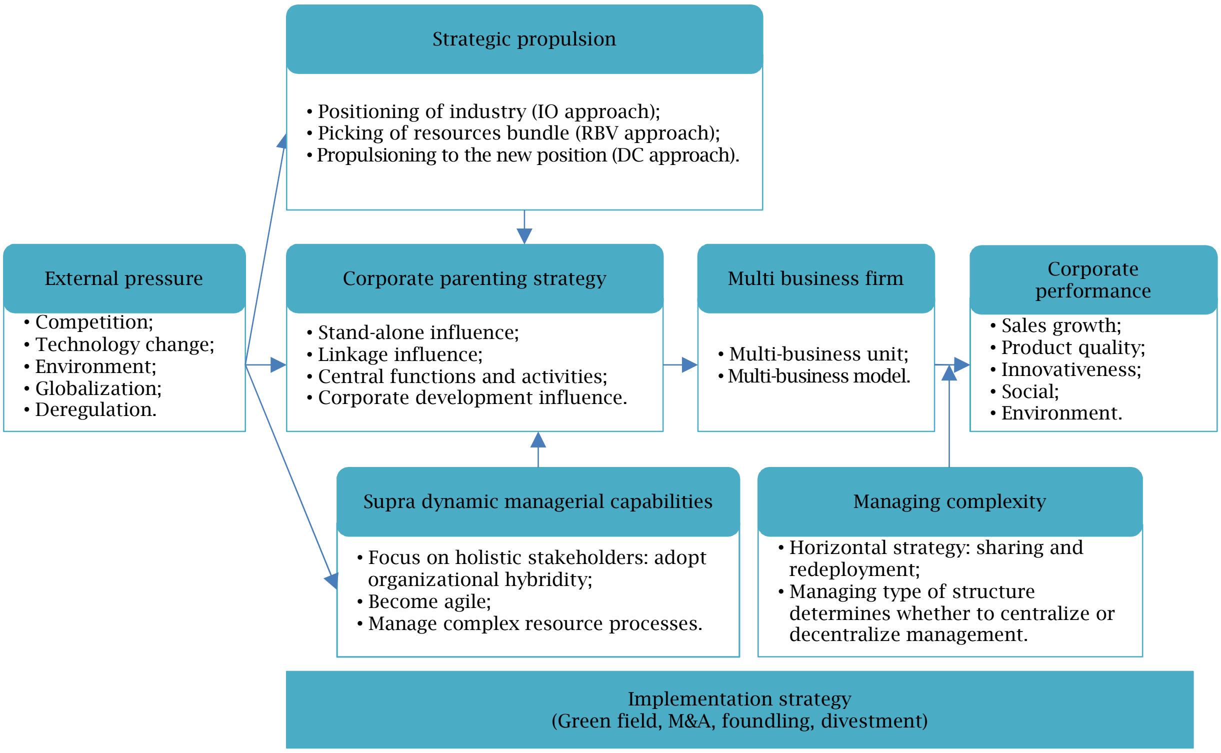
Developing a successful corporate parenting strategy is a multifaceted endeavor that requires a rigorous and systematic approach. This study proposed using an integrated framework that integrates insights from various theoretical paradigms and established concepts in strategic management. This research aims to select an optimal corporate parenting strategy that effectively addresses the escalating pressures in today's business landscapes. This synthesis of diverse theoretical perspectives is poised to aid in developing a corporate parenting strategy that mitigates current challenges, strengthens the organization, and fosters long-term growth amid the constant flux of the modern business environment. Responding to the impact of external and internal pressures on an organization exerts significant pressure on companies to innovate and adapt.

As Wilson (2012) mentions, adopting an integrated propulsion strategy is critical to effectively address the array of external pressures confronting organizations, such as increased market competition, rapid technological advancements, the pervasive forces of globalization, and ever-changing regulations. This strategy serves as a dynamic response mechanism, combining elements from IO theory, RBV, and DC. In response to external pressures, it drives organizations to develop innovative products, enter global markets, harness emerging technologies, and align with environmental sustainability goals. It addresses resource constraints, capability deficiencies, underperforming business units, and the critical need for internal adaptability. Wilson (2012) describes the integrated propulsion strategy that combines the strengths of these theoretical foundations. It combines IO's emphasis on industry threats and opportunities, RBV's emphasis on selecting diverse internal resource combinations, and DC's continuous renewal of capabilities. This integration raises operational capabilities to temporary CA, culminating in long-term CA maintenance, forming a cyclical and adaptive process over time.

Moreover, external pressures significantly impact the development of a corporate parenting strategy. To navigate the multifaceted challenges the business environment poses, corporations must adapt their corporate parenting strategy, just as parents tailor their parenting patterns to their children's needs. Four ways corporate parenting for business units can be implemented include: stand-alone influence, linkage influence, functional and services influence, and corporate development influence (Feldman, 2021). According to (Pidun, 2019), the identification step to prepare a corporate parenting strategy can be done through diagnostics, identification, and honest assessment.

Furthermore, the pressure of a dynamic environment calls for a departure from rigid, resource-specific approaches to the agility of resource orchestration. Moreover, cultivating substantial relational capital with stakeholders is a cornerstone for encouraging calculated risk-taking and entrepreneurial strategies. Organizations may need to adopt organizational hybridity to navigate this ever-evolving landscape effectively, allowing them to flexibly integrate diverse strategies and structures. Supra dynamic managerial capabilities, transcending traditional skills to encompass cognitive and emotional proficiencies, must be developed to enable them to thrive in a world where stakeholder dynamics and competitive landscapes are in perpetual flux (Hitt et al., 2020).

Figure 1. Corporate strategy parenting framework



Source: Authors' elaboration.

The integrated propulsion strategy and supra dynamic managerial capabilities will influence how corporate strategic parenting strategy is implemented, regardless of whether the strategy is implemented through greenfield, M&A, foundling, or divestment. Parenting corporate strategy will affect the organization's flexibility in managing the complexity of managing many business models based on several business models or management strategies for corporate strategy. When firms expand into multiple business units on the same business model. The connection between business units and business models holds significant implications for markets and optimizes the use of resources and capabilities to enhance firm performance. It is crucial to manage complexity effectively within a business model organization (Snihur & Tarzijan, 2018). Firms should reduce silos, evaluate the potential for collaborating and sharing activities, resources, and partners across different business models, and explore opportunities for redeployment. The business model portfolio complexity impacts the organizational structure of the company and the imitation barriers. The integration framework proposes to improve corporate performance, including sales growth, product quality, innovativeness, and social and environmental (Piyawongwathana & Onkvisit, 2021).

Numerous firms' management needs to increase performance while dealing with a shifting competitive landscape (Hitt et al., 1998). Performance is determined by how effectively and efficiently managers use organizational resources to meet objectives and satisfy stakeholders, according to Harrison et al. (2009). A company's effectiveness reflects how well it understands the needs and expectations of its customers (Otto et al., 2020). Performance measurement in the corporate strategy is divided into three measurements: 1) sales growth, 2) product quality, and 3) innovativeness (Adim & Emumena, 2023). Based on the context of environmental pressure, the impact of company performance on the environment can be carried out through two measurements: 1) environmental performance and 2) financial performance (Xie et al., 2022). Environmental performance refers to the company's strategies to help fulfill stakeholders' requirements in ways that go beyond rule compliance (Chen et al., 2015) and environmental law requirements (Dubey et al., 2015). Environmental performance is determined by the characteristics of sustainable products, green processes, innovations, and the incorporation of environmental conservation into business operations (Oliva et al., 2019). Corporate strategy should help manage the business to cope with external pressure in the context of financial, operational, and environmental performance.

5. CONCLUSION

This paper examines the relationship between external pressure and corporate strategy and how it broadly relates to corporate performance. In the context of corporate strategy, a business's life cycle is closely related to the parenting style that will be applied to it. This study is important to contribute valuable insights for both scholars and industry practitioners, facilitating a deeper understanding of effective corporate strategy implementation and its impact on corporate performance. The correct parenting pattern will result in value addition or value destruction in corporate businesses and business units, both organic from the corporation itself and the results of the M&A process and the founding of business units. This parenting pattern must be based on the resources and capabilities possessed by the organization. The company's ability to embrace changes that occur both resource-based and market-based must be captured by the company and can be classified as opportunities or threats, which, in the end, can provide an increase in the DC that the organization must have so that it can become an integrated strategic propulsion. In practice, supra-DCs are essential to link managerial skills with the formulation and successful execution of corporate strategy parenting patterns for all business units.

The larger the corporation, the higher the organizational complexity it will face. Companies must effectively manage the complexity of multi-business groups in their groups. Building synergy between each business unit so that corporate strategy for parenting will impact how flexible an organization can manage the complexities of managing many business models on multiple business models or business units on the same business model.

In the end, this paper sees the need for a corporate strategy to look at performance achievements through four dimensions that are measured simultaneously and simultaneously: 1) sales growth, 2) product quality, 3) innovativeness, and don't forget about 4) environmental performance.

An issue that we have yet to discuss in this paper but needs to be considered is how this form of corporate strategy is applied to multi-level corporations, where within the leading corporation, there are other sub-corporations. As discussed, corporate strategy produces different parenting patterns for all business units. However, we have yet to discuss how tiered corporations carry out this tiered parenting pattern in this paper.

Apart from that, the limitation of the research is its reliance on qualitative analysis based solely on literature review rather than empirical research to understand real-case implementation of parenting strategy. While the literature review provides valuable theoretical insights, empirical research will give a comprehensive understanding of how these strategies are implemented and their actual impact on corporate performance. We see a research gap and the need for further empirical investigations to validate its effectiveness and understand the practical implementation of the proposed framework in real business contexts. Future research must combine holistically between scholars and industry practitioners to gain valuable insights. Through a combination of theoretical frameworks with practical insights, researchers can generate more valuable and actionable knowledge for both academia and industry.

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