

Introduction

- A business is a unit providing a product or service in a market. A corporation is a family of businesses - i.e. a set of units under a single corporate umbrella.
- For business strategy we analyze a unit with four questions: (1) where do we compete? (2) What unique value do we offer to customers? (3) How do we deliver that value, and (4) how do we sustain our ability to deliver that value?

JDawgs – A case study

- **JDawgs** is a fast food restaurant close to the Brigham Young University campus, founded by a former student. Customers choose JDawgs due to its convenience, connection to BYU, quality and taste. JDawgs delivers value through a unique history with a BYU student founder, intellectual property in its special sauce, a unique brand and relationships with high quality vendors. This is a single business unit.
- In contrast, **corporate strategy** considers the set of businesses we have in our corporation and how they may (or may not) work together. Let's imagine a corporation [JCorp] that owned JDawgs along with a hot dog manufacturer [JMan] and an event planning company [JPlan].
- **The hot dog manufacturer** is likely a supplier of the JDawgs restaurant. You can tell these are different businesses by looking at who their buyers are. End consumers buy JDawgs when they are hungry, but restaurants buy from a hot dog manufacturer when they need hot dogs to sell. One business focuses on preparing food for consumers and the other focuses on food logistics and storage. These businesses deal with hot dogs, but they have different customers with different needs, and are different business units. That the manufacturer is a supplier to JDawgs makes this a form of vertical integration (i.e. a company owns more than one stage in a product's value chain).
- **The event planning company** also targets a different customer than JDawgs. It helps individuals and organizations plan large events that may include catering food. If the events are casual, JDawgs might be an ideal vendor. If the events are formal (i.e. weddings), event planners may prefer more formal meal services that JDawgs cannot provide. They are unrelated businesses in a diversified corporate portfolio.
- **These three businesses need very different business strategies in order to serve different customers who demand unique value in different external environments.** We would perform business strategy audits for each of these businesses separately. From a corporate strategy perspective, we would ask: what resources do we share across these businesses and what resources do we NOT share? How, if at all, do these units work together? Do we want each business to maximize its own performance, or do we want them to work together as a team to maximize overall corporate performance, at the cost of one or more of these businesses being less effective than it could be?
- Let's complicate things. What if JDawgs opened JBurgers, a hamburger joint? JBurgers likely targets hungry end consumers like JDawgs. JDawgs and JBurgers might consider sharing serving space, kitchen space, and/or employees. Are these different businesses with different strategies, or are they the same business with two different product lines?
- We think **the answer depends on the extent of resource sharing between the two businesses.** If we share 100% of our resources, then these are almost certainly the same business, and we likely have a single strategy. If we share 0% of our resources, then these are almost certainly different businesses and we likely have a different strategy for each. When we are in the middle

things get a bit messy. Maybe 50% of our strategy is shared across units, and the other 50% is customized to our specific unit. Or maybe there is a different ideal configuration. **Managing different configurations is the realm of corporate strategy.**

Conclusion

- It is critical to understand how many businesses you are in and how those businesses relate to each other in order to figure out how many strategies you need, and how much of your strategy to share across business units.