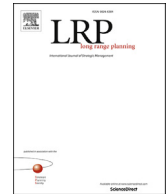




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### Comments on 'Parenting strategies for multibusiness companies', Michael Goold. Long Range Planning, Volume 29, Issue 3, June 1996, Pages 419–421

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"Parenting Strategies for Multibusiness Companies" appeared in 1996 as a summary of the work to that date by the Ashridge Strategic Management Centre (ASMC) and as a proposed agenda for future research. Given that Michael Goold and Andrew Campbell had already published their classic books "Strategies and Styles" (Goold and Campbell, 1987), and, with Marcus Alexander "Corporate-level Strategy" (Goold et al., 1994), this brief piece was primarily a reflection on the managerial issues that motivated the ASMC, rather than an introduction of novel ideas. Nevertheless, it is an important contribution as it illustrates how the authors approached the topic of corporate strategy.

First, it is clear that they worked in a field that was sparsely investigated at the time. Academic research was stuck in the Industrial Organisation model of the diversification - performance relationship with its implicit belief that there was an optimal level of diversification. From the very beginning, ASMC, given their consulting experience with companies pursuing different levels of diversification, recognized that there was not one right corporate strategy. Rather, if there was a fit between the strategy (the extent of diversification) and the management style (structure, systems and processes), there were several value creating types of corporate strategy.

To their credit, this paper recognizes the impact that the Resource Based View of the Firm was beginning to have on the field, and does, I think for the first time, acknowledge the potential in the line of research that became the dominant framework for academic research on corporate strategy. Conversely, they avoided the trap of adopting the "core competence" perspective that was so pervasive at the time.

Second, the article illustrates how ASMC was motivated by the real problems and concerns of executives in multibusiness companies. Some of this interest came from the unique funding structure of ASMC in which corporations paid a subscription in return for shaping the research agenda. But mostly it came from the backgrounds of the three primary authors, each of whom had years of experience in strategy consulting and who actually applied the ideas proposed in their publications in their continuing roles as advisors to corporate managements. That ASMC worked back from real world managerial concerns to choose research topics and methodologies comes through powerfully in this article, and stands in stark contrast to so much academic research which applies a methodology with which the author is comfortable to any conceivable topic in order to produce a publishable academic paper without regard to its relevance for management practice. Here we see the value of phenomenon driven research and its ability to influence executive behavior.

In this regard, we have to acknowledge the contribution of the term "parenting advantage" to the managerial vocabulary. Few managers today are unfamiliar with the phrase (I found over 400,000 Google search references to "Parenting Advantage + Corporate Strategy") and it is one legacy that ASMC will leave to stock analysts and corporate strategists in their analyses, presentations and annual reports.

Third, this piece highlights, as does much of the ASMC work – most notably Andrew Campbell's "Breakup" (Campbell et al., 1997) – the negative aspects of corporate ownership. It is clear the authors understand the drawbacks and penalties of being part of a corporate bureaucracy and are always seeking to identify how the parent can contribute more value than the costs it imposes on operating units. ASMC was well aware of the objections that business unit heads had to the intervention of corporate staff in their activities – how could those removed from frontline operations and only occasionally spending time

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on a business, know more than those working 24/7 on optimizing performance in the business? Their work has always been seeking to examine the net effect of corporate ownership – not just the potential benefits – and this concern adds credibility to the normative implications of their research.

Fourth, is the clear statement of the objective of corporate strategy to be “adding more value than any other corporate parent”. This is a harsh test of optimal ownership which, while aspirational, is not likely to be true for most corporations. Perhaps today we are finally seeing the application of this objective as pharmaceutical giants and FMCG firms rearrange their portfolios in massive swaps so that each may have a nicely aligned Rubik’s cube of businesses, but the truth for many corporations is that they struggle to have a parenting advantage and so fail to justify ownership of some businesses in the portfolio. At least that leaves the opportunity for interesting consulting projects!

Research has continued along many of the paths identified in the paper (much of it by ASMC itself) and has hopefully improved not just our understanding of those issues, but also the practice of corporate strategy. If there was one of the streams that could most benefit from further work it is perhaps the measures of corporate added and subtracted value. We are still left to rely on financial measures (and investment bankers) with all their limitations, if we are to try to quantify parenting advantage. Perhaps regular surveys of business units, similar to employee engagement surveys, could generate alternative data on levels and changes in corporate value added. These would in turn help evaluate any alterations in aspects of the corporate strategy, such as the design of corporate headquarters or the effectiveness of new corporate initiatives.

As the bullet point in the article suggests, and as the epitaph for the entire body of ASMC research might support, “corporate planners and consultants with practical experience .... could make major contributions on this topic”. The practical experience of ASMC’s lead researchers has certainly made its contribution to the corporate strategy field.

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