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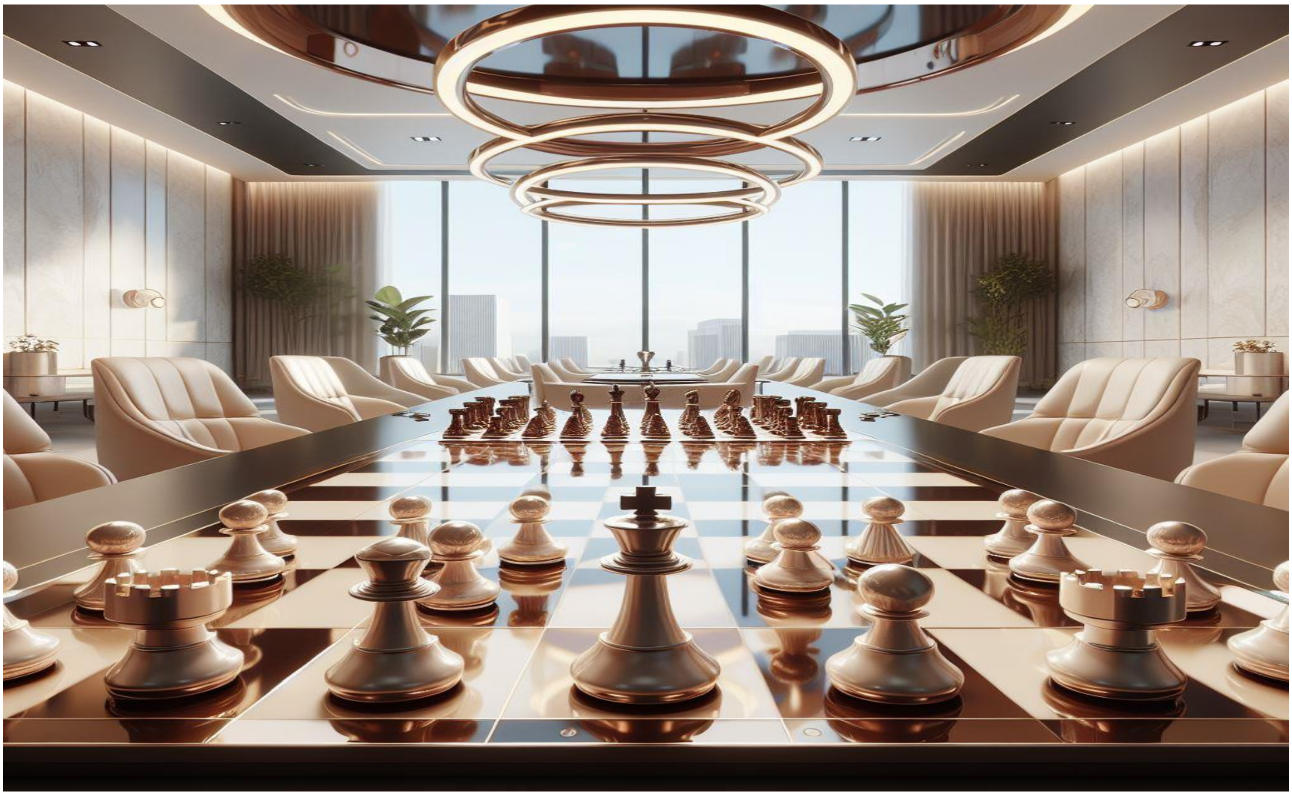

On Corporate Strategy

Your Headquarters Needs a Strategy

Ten Golden Rules of Internal Corporate Strategy

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The AI-empowered, digitally enabled, and sustainable purpose revolution of the 2020 decade gives the first industrial revolution an Ancient Times flavor very few could have anticipated at the beginning of the 21st century.

Indeed, since then, the dynamics, landscape, and soul of competition have dramatically changed with a competitive shift from products and services to business models, a 90-degree rotation from closed vertical industries to open horizontal ecosystems, and CEOs' mandate extension beyond business respectively.

So, if these major shifts have jointly led to a business strategy revolution, their overarching purpose revolution is marking an equally important turning point in corporate strategy history by making corporations' strategic purpose the ultimate level of strategy in which corporate strategy must now inscribe itself after six decades at the top of the strategy pyramid as the most integrative part of strategy as a management discipline.

In this newly redesigned context, what are the cornerstones of the corporate strategy of the 21st century aka *corporate strategy 21.0*? Put differently, when it comes to corporate strategy, what distinguishes the poor from the average, the good, the brilliant, and the mastermind?

In other words, what are the golden rules of corporate strategy excellence?

As intriguing as it may seem, the question of the golden rules raises the more fundamental question of what corporate strategy actually is.

In essence, corporate strategy is a dual strategy consisting of a portfolio strategy and its headquarters-level support strategy.

In this framework, the portfolio strategy pursues a triple objective. First, it defines and manages the firm's multidimensional business scope at the rhythm of growth and divestment operations. In other words, it defines the firm's dynamic portfolio of industries, businesses, markets segments, value chains, and geographies to invest in or to divest. Second, on top of these dimensions, the portfolio strategy also defines the firm's business ecosystems strategy articulating the ecosystems to participate in and those to withdraw from. Third, it ensures the fit between the firm's business portfolio and strategic purpose.

The headquarters (HQ) strategy supports the portfolio strategy by architecting the HQ business model providing internal services supporting the businesses of the firm's portfolio in a way that creates corporate-level value beyond business units' value creation and competitive advantage.

Altogether, this framework highlights the distinct yet complementary natures of the portfolio strategy as corporate strategy cornerstone and of the HQ strategy as support strategy while contrasting their respective outward and inward focus.

That said, if this framework equips CEOs and senior executives to better apprehend the complexity of corporate strategy, the question of the golden rules of corporate strategy excellence remains.

Considering HQ strategy the blind spot of corporate strategy —in the light of the disproportionately wider coverage of growth and divestiture—, we will deliberately focus on that side of the corporate strategy equation in this article.

Ultimately, the question becomes what are the golden rules of HQ Strategy? Or, in other words, what are the principles to take your internal corporate strategy to its next level of excellence?

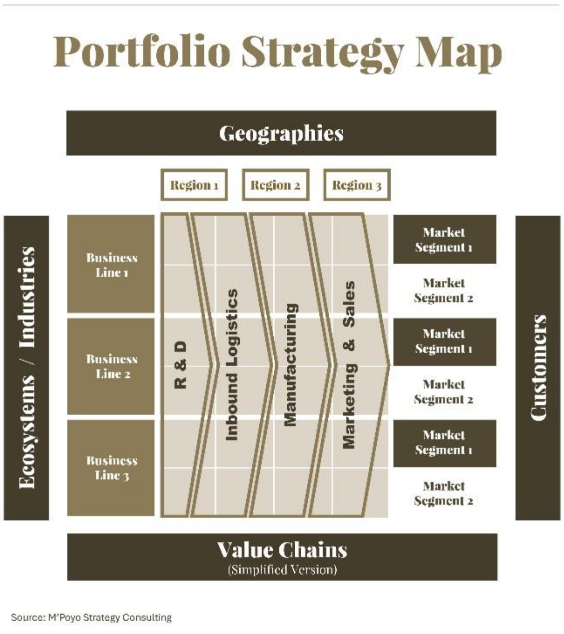
We will address this challenging yet highly structuring question through a ten-lens prism reflecting the ten dimensions —and their corresponding questions— we view as fundamental to achieve HQ strategy excellence and advance the practice of corporate strategy.

HQ Strategy Foundation[i]

① Do you have a clear, holistic, and dynamic portfolio strategy?

First things first, the raison d'être of any support strategy is to have a clear strategy to support and to align with, and HQ strategy makes no exception. Secondly, a firm's portfolio strategy should be holistic i.e., its portfolio composition should be coherent and comprehensive in the light of its corporate goals. Finally, as strategy is a never-ending story whose wavelength is permanently moving, HQ strategy is expected to be as dynamic as the portfolio strategy it supports and aligns with.

Therefore, to set in stone this portfolio strategy clarity, C-suites and boards may rely on frameworks such as the *Portfolio Strategy Map* highlighting the web of their businesses and their interdependencies.



Golden Rule #1: Have a clear, living, and holistic portfolio strategy… and adjust it whenever necessary.

② Does your Portfolio Fit your Strategic Purpose?

In the purpose economy century marked by CEO's mandate extension as strategic and societal architect of the firm and an equally meaningful corporation's purpose extension beyond business, corporate strategy has no other choice but to follow and align with this heavyweight trend.

In this context, it is paramount that the businesses of the portfolio —both individually and collectively— not only align with but also amplify the firm's strategic purpose i.e., the synthesis between the firm's strategic ambitions and societal aspirations.

In 2016, AXA Group, the global leading insurer, announced the full divestment of its €1.8 billion tobacco industry assets[ii] in a move recognizing the human, economic, and societal cost of that industry; anticipating the rising importance of prevention in healthcare patient value propositions globally; and acknowledging the societal contradiction of such a financial position with its role of protection as health insurer. Ambitioning to be a responsible insurer redefining the industry standards and to act as a societal economic agent, AXA decided to put the long-term human and societal sides of this costs-benefits equation above its shorter-term financial gains.

AXA's strategic, purpose-driven move is a case in point of how growth, divestment, and restructuring operations can act as societal regulators of a firm's portfolio composition beyond their classic strategic role, and how such operations can amplify a firm's higher purpose by aligning it with its corporate and business strategies.

Golden Rule #2: Align your portfolio with your purpose strategy.

HQ Business Model Strategy

Throughout our 60-year global history of strategy as a management discipline, HQs have been under value creation scrutiny, be it as internal portfolio managers designing the business composition of the firm through resource allocation, as cost centers charging their cost through internal indirect cost mechanisms, or as anything in between.

Today, HQ intrinsic value creation is more than a strategic imperative. It has become a justification for existence. In essence, HQs need value-creating strategies beyond business units' value creation and competitive advantage, which raises an existential question: **How can HQs create business value beyond BUs as non-business entities?**

In our view, such a newly assigned higher calling recommends reframing HQ's role as an internal business. In particular, enterprises need to move away from the traditional *HQ-as-a-Cost-Center* model to the more strategic *HQ-as-an-Internal-Business-Model* perspective where HQ is a corporate-level services provider to the firm's businesses aka its internal clients.

In this *HQ-as-a-Service (HQaaS)* framework, HQ plays internally by the rules of business model strategy i.e., following the logic of value creation and strategic advantage, but without the competitive dimension business units traditionally face in their industries. So, by design, that HQ-level value creation will elevate above that of business units (BUs).

Ultimately, HQaaS calls for a three-fold clarity on HQs' strategic advantage, and on its underlying services and business model to achieve HQs' newly reframed value creation ambitions.

③ WHAT HQ-LEVEL STRATEGIC ADVANTAGE DO YOU PURSUE?

Fundamentally, HQ's strategic advantage lies in HQ's four roles in the architecture of the firm i.e., strategic leadership, operational orchestration, functional expertise, and financial allocation.

HQs pursuing a **strategic leadership advantage** aim to harness their superior strategic wisdom, guidance, and skills to craft strategies leading their businesses to substantially higher performance levels than those they could have achieved in stand-alone mode.

HQs seeking **synergistic advantages** ambition to create superior value by leveraging their corporate-level position to identify and unlock enterprise-wide, cross-business synergies notably through HQ-led initiatives enhancing cooperation and results beyond individual BUs.

HQs looking for a **functional expertise advantage** strive to create superior value through cost-effective, excellent service delivery throughout the organization.

HQs playing the **resource allocation advantage** act as internal portfolio managers i.e., managing the portfolio of businesses as a portfolio of financial assets. In this corporate strategy configuration, HQs may also create superior value through greater control on the businesses' financial trajectory.

Obviously, these four notes of strategic advantage can be played in concert according to the firm's corporate strategy. That said, they highlight the potential complexity of internal corporate strategy excellence as well as the need for super corporate strategists able to think beyond conventional wisdom and beyond BUs.

Golden Rule #3: Articulate HQ strategic advantages ambitions according to HQ strengths and BUs' requirements.

④ Does your HQ provide the Highest Value Proposition?

To fully apprehend the notion of HQ-level value proposition requires temporarily stepping down one level on the strategy pyramid from the corporate to the business level because, at the origin, any value proposition inscribes itself in the context of a business model.

Today, in a context where firms compete on business models beyond products and services, corporate strategists should be aware of the four types of value creation at the core of the strategic relevance of their business model.

At its most fundamental level, the **functional value** measures the extent to which your offering does the job. Simply put, do your products and services deliver on their promises?

One level higher on the value augmentation ladder, the **emotional value** highlights customers' emotional bond with a firm's brand beyond the product.

Yet one level further from the core, the **experiential value** indicates the degree of excellence of firms' customer experience.

Eventually, the **societal value** informs on customers' degree of alignment —not to say identification— with a firm's strategic purpose.

The more comprehensive the value proposition, the more robust the business model.

Now, what do the four value proposition dimensions imply for HQ-level value proposition in an HQaaS framework?

In the light of the HQ's and businesses' belonging to the same company, one may assume they align on both the emotional and societal dimensions of value proposition.

In this context, the question comes down to determine whether HQs provide the highest functional and experiential value to their internal clients i.e., the businesses of the firm's portfolio.

This stresses the importance of not only outstanding corporate-level expertise and capabilities but also HQ service delivery excellence to all portfolio businesses and their support functions.

Golden Rule #4: Maximize the functional and experiential dimensions of your HQ's internal value proposition.

⑤ IS YOUR HQ BUSINESS MODEL PURPOSE-ALIGNED?

In the purpose economy, knowledge about HQs' quest for strategic advantage provides CEOs with only half of the purpose-driven equation of the firm's internal corporate strategy. One still needs the HQs' societal dimension to complete the equation.

This is paramount considering the firm's strategic purpose i.e., its purpose-driven strategy, should not only cascade down throughout the organization but also consistently align with the operations.

Consequently, it raises the question of the mental models, policies, standards, and mechanisms HQ will rely upon to diffuse the purpose across the firm's businesses beyond HQ-level strategic advantage.

Golden Rule #5: Align HQ internal business model and purpose strategy by reflecting the firm's strategic purpose in corporate procedures and standards.

⑥ Is your HQ's Internal Client Segmentation Clear & Does your HQ Engage Accordingly?

The question of HQ clarity vis-à-vis the distinct nature of its internal clients, i.e., the group's business lines, might seem as basic as the question of BU clarity vis-à-vis its external clients.

Similarly, reframing it as a question of HQ awareness about the different needs of the group's various entities might even make this question look straightforward —not to say brutally direct— for corporate strategists.

Nevertheless, our extensive corporate-level advisory work led us to observe HQs' widespread practice of undifferentiated, one-size-fits-all engagement towards BUs regardless of the industry.

For instance, in the context of a three-year profitability improvement strategy, the global financial conglomerate's enforcement of a 10% cost-cutting goal to all its business lines irrespective of their specific needs, stage of development, market positioning and industry requirements provided us with an almost classic example of HQ's undifferentiated internal client engagement approach.

Finally, when it comes to internal client orientation, engagement and satisfaction, firms' customer feedback culture might be crucial to unlock hidden gems of internal value creation able to either convert internal customer unsatisfaction into satisfaction or satisfaction into delight.

Golden Rule #6: Gain HQ clarity on the distinct nature of the firm's businesses and engage with them accordingly.

⑦ How Effective & Efficient Is your HQ Dual Value Chain?

As the operational backbone of business models i.e., primary vehicles of strategy implementation, the value chain depicts the value-creating processes and projects underlying products and services delivery to the customer expected to translate into top- and bottom-line value for the firm.

In an HQaaS corporate strategy setting, the quality of your HQ value chain boils down to its effectiveness and efficiency where effectiveness paints HQ's capacity to create value and realize its strategic advantage ambition while efficiency refers to HQ's process efficiency as corporate center and orchestrator of business units.

Now, as soon as one raises the issues of effectiveness and efficiency, the question of their maximization follows. That said, while each HQ has its unique strategic context, our advisory experience for financial services, transportation and logistics, and energy HQs led us to identify three critical success factors or enablers of HQ value chain maximization.

On the effectiveness side, constructive HQ-BUs dialogues aimed at finding an optimal equilibrium between corporate objectives, governance requirements, and compliances standards on one hand, and BUs' needs on the other hand can be powerful to agree on the terms and conditions of HQ value creation.

On the efficiency side, HQ internal processes are natural candidates for value chain maximization. On top of that, clarity of HQ procedures, quality assurance, or decision-making accountability can be a tremendous enabler of HQ value chain. The importance of clarity could not be overstated, especially in stakeholder multiplicity contexts that may increase complexity and hinder efficiency.

For example, the European HQ of a global financial services firm reduced the timeline of its annual strategic planning by 33% by aggressively streamlining its end-to-end processes and selectively decentralizing decision-making, thereby empowering BUs with greater autonomy, flexibility, and reactivity. Concretely, that allowed the firm to focus all its strategic planning effort in Q4 —instead of launching it Q3— at a time when senior executives have a greater year-end visibility and are in better position to envision the future. This positively impacted both the quality of strategic conversations and the perceived quality of the pluriannual plan and first-year budget. More importantly, from an internal client standpoint, it led to a 20% increase in senior executives' satisfaction rate with the overall process.

Golden Rule #7: Maximize your HQ value chain effectiveness and efficiency.

⑧ Does your HQ Organization Design & Value Chain Align?

As a matter of fact, a firm's operations and organization are two sides of the same coin. Similarly, at corporate level, HQ's value chain and the underlying organization supporting it are two complementary dimensions of the HQ's business architecture.

Hence, the HQaaS organization design should align with and serve the HQ's value chain as well as its business model and strategic advantage, be it strategic, synergistic, expert, or financial (see *HQaaS: Embracing HQ-as-a-Service as your Internal Corporate Strategy Business Models* matrix, next page).

Golden Rule #8: Align your HQ organization design with your HQaaS strategic advantages and value chain.

HQaaS:

Embracing HQ-as-a-Service as your Corporate Strategy Business Model

Business models have become the primary vehicle of business strategy implementation. Likewise, in an HQ-as-a-Service framework, they depict the five vehicles of internal corporate strategy implementation firms can architect according to their HQ strategic advantage ambitions. In essence, HQaaS Business Models are the cornerstones of support of the firm's portfolio strategy.

KEY DIMENSIONS		HQ TYPES	Strategic Leader	Synergy Orchestrator	Functional Expert	Portfolio Manager	Multi-Tasking
Value Proposition	Functional Value *HQ-as-a-Service*		• Strategic wisdom & guidance	• Cross-business synergies management	• Cost-effective functional excellence	• Resource Allocation	• Combination of HQ models, Function of the targeted strategic advantages
Value Proposition	Experiential Value		• Degree of excellence of internal customer experience				
Client	HQ – BUs (Internal Clients) Relationship / Engagement		**Hierarchy, Direction Setting** • HQ top-down, strategy-setting	**BU Coordination & Empowerment** • HQ fosters cross-business cooperation	**Expert, Servant Leadership** • HQ as Business Partner for businesses	**Finance, Minimal Influence** • HQ may intervene in key appointments	
Infrastructure	Value Chain Enablers	Leadership & Governance	**Strategy Governance** • Driven by HQ strategy-making process	**Operational Governance** • Driven by HQ guidelines, cross-BUs Incentives & rewards system	**Service Governance** • Driven by reporting and balance 'Centralized vs. Decentralized Services'	**Financial Governance** • Driven by HQ financial management of portfolio	
Infrastructure	Value Chain Enablers	Dialogue	• Constructive HQ-BUs dialogues aimed at finding an optimal equilibrium between HQ and BUs respective needs				
Infrastructure	Assets	Capabilities	• Strategy thinking planning, and monitoring	• Operations, synergy, and project management	• Support functions expertise	• Financial skills & HR-alignment	
Infrastructure	Assets	Organization	• Made-to-measure according to the strategic advantages ambitions				

Source: M'Poyo Strategy Consulting

⑨ Do you have the capabilities of your HQaaS Business Model Strategy?

While human capital is the lifeblood of excellence at any level of the company, corporate strategy excellence requires a three-fold alignment of capabilities that is unique to that level.

Upstream, HQ strategists must align with the firm's strategic purpose and be able to reflect it in all corporate strategy dimensions such as in the HQ procedures or compliance requirements.

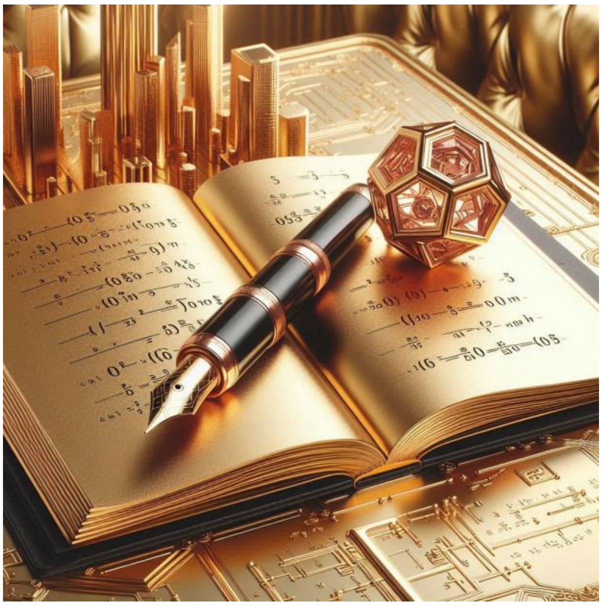
At corporate level, HQ strategists should ideally be able to operate across the full spectrum of HQaaS business models to achieve their *HQ value-beyond-BUs* goals. In the absence of such a strategic versatility, HQ strategists and executives should, at the very least, hone and align their skills with their specific HQ strategic advantage ambitions.

Downstream, HQ strategists' skills should be relevant to and align with the BUs' guidance, orchestration, and expertise needs to enhance their performance beyond the level they would have reached in stand-alone mode.

Ultimately, internal corporate strategy excellence boils down to accurately framing HQ strategists' three-level role and calibrating HQ human capital strategy to put people in the conditions to best support the portfolio strategy.

Golden Rule #9: Align your HQ-level human capital strategy with your HQaaS business model strategy.

HQ Value Creation



⑩ What Does your HQ Profitability Equation Tell You?

At business level, the ultimate success measure of strategic advantage —be it competitive or cooperative— resides in a firm's highly superior economic value resulting from a significantly greater and more sustained differential between its clients' willingness-to-pay and its costs than that of its competitors.

In other words, competitive advantage should translate into greater bottom-line over a sustained period of time.

So, how does this imperative to convert strategic advantage into a richer profitability equation play at HQ level?

That imperative plays at two levels.

First, the HQaaS business model aspires to lead BUs to a much higher economic value than in stand-alone mode, be it through increased revenue, cost-savings, cost avoidance, or asset efficiency.

Second, this economic value surplus should exceed HQ operating costs to positively impact the firm's profits at HQ level, on top of the BU-level value creation, and thereby nurture the bottom-line.

Ultimately, the undisputable proof of HQ-level value creation one should go after is HQaaS' significantly positive *Before/After effect* on BU- and HQ-level profits. The absence of such a positive impact might be a warning sign of unmet golden rules of internal corporate strategy excellence, and an even stronger warning sign of the need for a corporate strategy renewal.

Golden Rule #10: Craft an HQ strategy generating superior economic value outweighing both the profits BUs would have achieved in stand-alone and HQ operating costs.

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Eventually, while direct competitiveness does not apply to headquarters as it does to business units, the logic of strategic advantage and business model provide C-level executives and corporate strategists with a ten-rule playbook of internal corporate strategy excellence and a framework of support of their portfolio strategy.

That said, more than a static framework, HQaaS is a dual instrument of strategic alignment between purpose-driven and corporate strategies on one hand, and between HQs and BUs on the other hand.

Finally, embracing HQ-as-a-Service is an endeavor allowing C-Suite executives and HQ strategists to ensure the whole of the firm is always greater than the sum of its parts. By so doing, they not only act as guardians of the corporate strategy universal inequation, but they also set in stone their status of *Mathematicians of Corporate Strategy 21.0*.

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To see how we can help you and your HQ achieve corporate strategy excellence, let's engage in a strategic conversation @ contact@mpoyostrategy.com.

HQaaS:
The Ten Golden Rules of Internal Corporate Strategy

HQ Strategy Foundation	Portfolio Strategy	1	Have a clear, living, and holistic portfolio strategy… and adjust it whenever necessary.
	Portfolio & Purpose FIT	2	Align your portfolio with your purpose strategy.
HQ Business Model Strategy	Strategic Advantage	3	Articulate HQ strategic advantages ambitions according to HQ strengths and BUs' requirements.
	Value Proposition	4	Maximize the functional and experiential dimensions of your HQ's internal value proposition.
	Business Model & Purpose Alignment	5	Align HQ internal business model and purpose strategy by reflecting the firm's strategic purpose in corporate procedures and standards.
	Internal Client Engagement	6	Gain HQ clarity on the distinct nature of the firm's businesses and engage with them accordingly.
	Value Chain	7	Maximize your HQ value chain effectiveness and efficiency.
	Org. Design & Value Chain Alignment	8	Align your HQ organization design with your HQaaS strategic advantages and value chain.
	Human Capital	9	Align your HQ-level human capital strategy with your HQaaS business model strategy.
HQ Value Creation	Profitability Equation	10	Craft an HQ strategy generating superior economic value outweighing both the profits BUs would have achieved in stand-alone and HQ operating costs.

Source: M'Poyo Strategy Consulting

[i] All illustrative photos have been powered by DALL·E 3, generated with AI
[ii] AXA Press Release, AXA Group divests tobacco industry assets, Paris, May 23, 2016