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Review of Firm Strategy: Relate to Firm Development

Duanning Lyu[1,a,*]
[1]Shanghai United International School Jiaoke BC, Shanghai, 201100, China
a. Sammy15821160764@163.com
**corresponding author*

Abstract: The effective implementation of firm strategies plays an essential role in the achievement and sustained viability of businesses. This review study provides a comprehensive exploration of various dimensions of firm strategies, encompassing both their internal and external determinants of impact. The examination extends to an analysis of positive and negative ramifications that engender at the firm level and lists a practical example illustrating the application of these strategies, shedding light on their real-world relevance. The paper underscores the critical role of well-crafted firm strategies in shaping the fate of organizations. It emphasizes the need for continuous adaptation in response to evolving business environments, thereby providing a roadmap for firms aiming to secure their position and thrive in the contemporary marketplace.

Keywords: Firm strategy, future development, internal and external impact

1. Introduction

The successful execution of corporate strategies plays a crucial role in the achievement and enduring viability of enterprises. This comprehensive review paper examines the complex domain of firm strategies, which includes both internal and external factors, and the various effects, both advantageous and disadvantageous, that they have on the organization's operations. Furthermore, this research critically examines a concrete case study that serves as an illustrative illustration of the implementation of business strategy. It becomes apparent that the development of a carefully crafted strategy, which is in line with a company's specific capabilities and the dynamics of its industry, can provide a noticeable edge in competition. Furthermore, we emphasize the utmost need to maintain constant alertness and agility in order to modify tactics in accordance with the perpetually changing business environment.

In contemporary markets, companies encounter the necessity to achieve a balanced state between their long-term goals and their ability to promptly respond to short-term variations in order to thrive. In the context of the constantly evolving field of commerce, it becomes increasingly clear that a well-designed and efficiently implemented strategy plays a crucial role in achieving success inside any organization.

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2. Literature Review

2.1. Definition of Firm Strategy

As the mainstream literature, the definition of firm strategies commonly agree with Kenneth R. Maccrimmo's [1] explanation of the meaning of firm strategies to exist and for strategies to change. This work elucidates the notion that strategy undergoes a steady evolution characterized by a sequence of coordinated and far-reaching actions that are influenced by environmental factors and other external occurrences. Strategies can be categorized as either organized or unstructured and are derived from the deliberations and choices made by senior executives. The framework examines the process of strategic change. Sandeep D. Pillai et al. [2] have chased the origin of firm strategies and aim to investigate the efficacy of economic experimentation as a pedagogical tool by conducting a historical analysis of the nascent automobile industry. The authors of this study concentrate their attention on a specific kind of economic experiment known as strategic pivots, which involve hard promises that cannot be reversed. The findings of their quantitative study indicate a positive correlation between strategic pivoting and achieving success. Subsequently, historical methodologies are employed to ascertain the extent to which this correlation can be reasonably construed as a causal relationship. The authors define lessons that can only be realistically acquired through strategic pivoting and provide evidence that organizations that were able to learn from these strategic pivots were more likely to achieve success. The authors engage in a discussion regarding the extent to which our findings can be applied to a broader context in order to formulate the premise that company strategy is influenced by strategic pivots and economic experiments.

2.2. The Firm-Level Consequence

2.2.1. Bright Side

First of all, Christian Homburg et al. [3] have found that marketing as a firm strategy influences in the firm. The authors examine the following question by drawing upon contingency and institutional theories of intra-organizational power. Under what conditions does the marketing component exhibit greater degrees of influence? The findings derived from a survey conducted among companies in the United States and Germany reveal several noteworthy observations. Firstly, it is evident that the marketing subunit continues to possess a significant level of influence. Secondly, the extent of marketing's influence is found to be systematically associated with factors beyond the individual characteristics of managers. Lastly, institutional factors play a role in explaining variances that are not accounted for by the determinant. This suggests that the dimensions of an organization are shaped not just by its ability to adapt to its external environment but also by the specific historical factors that get ingrained within the firm's institutional framework. Moreover, Laurie Hunter has listed an example of the positive influence of firm strategy's usage in a company called "Flexible Firm" [4]. The findings indicate a significant lack of strategic planning in this domain, and the underlying factors contributing to this deficiency are examined, along with the potential consequences for gender dynamics and labor market segmentation.

From another perspective, Ozer Asdemir et al. [5] have announced the findings according to the analysis, it has been observed that the market perception of company strategy plays a significant role. The findings of the study suggest that organizations that successfully execute either a cost leadership or a differentiation strategy are highly esteemed by markets. Furthermore, it has been observed that the value attributed to enterprises pursuing differentiation strategies is comparatively higher. Research on abnormal returns suggests that the market is unable to accurately value the superior performance attained through a differentiation strategy. Consequently, portfolios that exhibit a higher degree of difference tend to generate abnormal returns. J. L. Morrow Jr. [6], investigates the

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utilization of the implementation of firm strategy can provide an opportunity for a firm to navigate through challenging circumstances. By employing resource-based arguments, it has been determined that the adoption of valuable and intricate strategies, which involve the recombination of a firm's pre-existing reservoir of resources to create innovative goods, processes, or technologies can yield positive outcomes for the organization's recovery, as shown by investors' anticipations. The findings indicate that strategic initiatives that are both beneficial and challenging to replicate and include the utilization of existing resources in novel ways have the greatest impact on organizational recovery.

2.2.2. Dark Side

Bad firm strategy decisions can have a bad effect on the future development of the company. Jason W. Ridge et al. [7] have investigated the effects of temporal and spatial myopia on the endurance and adherence of business strategy. The findings suggest that the formulation of strategy is impacted by both temporal and spatial myopia. Temporal myopia refers to a phenomenon wherein firms tend to prioritize their current strategy, resulting in a tendency to maintain the same strategy over an extended period. On the other hand, spatial myopia refers to a situation where decision-makers inside firms primarily focus on familiar technologies and competitors, leading to a tendency to adhere to the strategic profiles prevalent throughout their industry. Additionally, to support this idea, Xinsheng et al. [8] investigate the impact of managerial myopia on business productivity by analyzing a representative sample of Chinese public enterprises. The researchers employ a text-based metric to assess managerial myopia and observe that organizations characterized by managers with a greater inclination towards short-term goals exhibit diminished total factor production as a consequence of decreased engagement in innovative endeavors. The robustness of the finding remains intact even after employing local gambling preference as an instrumental variable to address the issue of managerial myopia. Furthermore, the influence of myopia on productivity is mostly observed in organizations that have limited monitoring capabilities, a heightened reliance on external financing, and face increased levels of environmental uncertainty. The findings suggest that the presence of management myopia has a negative impact on the actual performance of a company.

2.3. The Influencing Factor of Firm Strategies

2.3.1. Internal Factors

Christian Lechner et al. [9] propose the notion that several characteristics of individual entrepreneurial orientation have an impact on the association between competitive strategy and business success. The analysis reveals a negative correlation between differentiation and cost leadership strategies and risk-taking and competitive aggression. The implementation of differentiation and cost leadership strategies has been found to enhance organizational performance. This research elucidates the relationship between entrepreneurial orientation and the success of small firms.

However, in Kevin Hendry, and Geoffrey C. Kiel s' research [10], they found that the role of the board in a firm also affects their decision of strategies, which can be separated into two constructs: this discussion pertains to the concepts of strategic control and financial control. The degree to which either model is preferred is contingent upon contextual circumstances, including board power, environmental unpredictability, and knowledge asymmetry. Christophe Volonté et al. [11] have further supported the link between directors' human capital and firm strategies. In an ideal scenario, organizations are governed by boards comprising directors who possess valuable human capital that aligns with the strategic objectives of the firms. The study examines the impact of directors' human capital, specifically their international experience, industrial know-how, CEO experience, and financial know-how, on firm performance. This includes analyzing the influence of human capital on

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the firm's strategic decisions, such as diversification and internationalization. Additionally, the study explores the relationship between directors' human capital and their acquisition strategies, specifically non-diversifying and international acquisition The dataset utilized in their study comprises a total of 560 observations, representing firm-year data from Switzerland. Empirical research suggests a significant association between the human capital of directors and business performance, with the nature of this relationship being contingent upon the strategic orientation of the organization. In addition, there exists a correlation between human capital and acquisition strategy. The study suggests that directing attention toward board independence and compliance matters may yield limited benefits in the realm of board research and practical applications. Moreover, Steven Balsam et al. [12] have also link firm strategies with the use of performance measures in executive compensation. In their article, the figures show that cost leadership (low price, high volume) CEO salary is sales-focused. Companies value differentiation techniques over accounting measurements because they need brand recognition and unique products. We found that compensation committees link executive remuneration to strategy.

2.3.2. External Factors

Jean-Philippe Bonardi et al. [13] have established a connection between the appeal of political markets and its impact on firm strategy. They argue that a firm's choice to engage in political activities is influenced, to some extent, by the attractiveness of the political market. Additionally, they provide an overview of the factors that determine the level of attractiveness of political markets for firms seeking to promote their interests. Dany Jacobs and Ard-Pieter De Man [14] have also found a factor that affects firm strategy, which is the cluster, industrial policy and firm strategy. In their article, the authors discover that governments and corporations are increasingly using concentrations of related businesses as a starting point for formulating policies and strategies aimed at fostering innovation. In the article, the writer clarifies the meaning of cluster and links it with possible industrial policies and firm strategies. The dimensions and associated policies and strategies constitute a menu from which actors can select the elements most pertinent to their particular situation. Thus, individualized policies and strategies can be formulated and implemented.

2.4. Example of Firm Strategy

Firm strategies include various ways to help promote the development of the company. Leigh McAlister et al. [15] have introduced "Advertising Effectiveness: The Moderating Effect of Firm Strategy.", the authors provide a hypothesis suggesting that advertising has an impact on the value of a firm that differentiates itself from competitors. This is because advertising has the potential to enhance the unique aspects of the firm, transforming them into brand equity, which ultimately contributes to the overall worth of the firm. The establishment of brand equity through advertising is not feasible for a cost leader due to the absence of a unique selling proposition upon which to construct its brand identity. By examining firms' responses to changes in accounting standards, the authors establish the identification of differentiators and cost leaders. Their findings support the predictions that advertising has a positive correlation with sales for all firms, but its impact on firm value is more pronounced for differentiators compared to cost leaders. In addition to elucidating disparities in advertising efficacy, the use of this study's metric for differentiation vs. cost leadership has the potential to augment forthcoming examinations of the impact of marketing on firm-level outcomes through the utilization of archive financial data.

To support this idea, Mahabubur Rahman et al. [16] have used the pharmaceutical industry as an example to support Advertising efficiency and profitability. Business-to-business (B2B) enterprises allocate substantial financial resources to promotional endeavors with the objective of enhancing

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product visibility and establishing brand value. A growing percentage of the expenditure is being allocated to direct-to-end-user (DTE) advertising, aiming to attract end-users to their products as a supplementary strategy to their push promotional efforts. The objective of this study was to assess the degree of advertising efficiency in the direct-to-consumer (DTE) advertising strategies employed by a selection of pharmaceutical companies operating in the United States. Additionally, the study aimed to explore the influence of advertising efficiency on the profitability of these firms. The study's findings indicate that there is variation in the efficiency of DTE advertising between organizations. Additionally, the results suggest a positive relationship between the amount of efficiency and firm profitability, implying that higher efficiency is associated with better financial performance. These findings exhibit resilience when considering different indicators of company profitability, especially return on assets (ROA) and return on equity (ROE).

3. Conclusion

In summary, the implementation of firm strategies is crucial for the achievement and long-term viability of firms. This review study has examined multiple facets of firm strategies, encompassing internal and external causes of impact, as well as the positive and negative effects at the firm level. Additionally, it has analyzed an example form in which business strategies are employed. It is apparent that the development of a carefully designed plan customized to a company's distinct capabilities and the dynamics of its industry might result in a competitive edge. In addition, the significance of ongoing monitoring and adaptability in modifying plans as the business landscape undergoes changes is an essential focus for firm development. In contemporary dynamic marketplaces, firms are compelled to achieve a harmonious equilibrium between their long-term objectives and their ability to swiftly adjust to short-term changes in order to prosper. In the dynamic and evolving realm of commerce, it is evident that a meticulously crafted and well-implemented strategy serves as the fundamental pillar for achieving prosperity in any organization. In order to strengthen our comprehension of firm strategies, it is advisable for high school students with a desire to deepen their understanding of these concepts to engage in an exploration of real-world case studies and be informed about contemporary business trends.

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