

Strategy Formulation for Organizational Competitiveness: A Critical Review of Corporate, Business, and Functional Strategies

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ABSTRACT : *Strategy formulation is a fundamental process in strategic management that enables organizations to establish long-term goals and determine the most appropriate actions for achieving sustainable competitive advantage. As business environments become increasingly dynamic and competitive, organizations must formulate strategies that align corporate direction, competitive positioning, and functional activities. Although extensive literature exists on strategy formulation, previous studies present differing perspectives regarding the roles and effectiveness of corporate-level, business-level, and functional-level strategies in enhancing organizational competitiveness. This critical literature review examines the major concepts, theoretical foundations, and empirical studies related to strategy formulation, with particular emphasis on the integration of these three strategic levels. By comparing existing literature, the review identifies areas of agreement, conflicting viewpoints, and research gaps concerning strategic decision-making and organizational performance. The findings suggest that while each strategic level serves a distinct purpose, organizational success depends on their alignment and effective implementation. Furthermore, the review highlights the growing importance of strategic flexibility, innovation, and adaptation in response to rapidly changing business environments. Overall, this study provides a comprehensive synthesis of existing knowledge and emphasizes that successful strategy formulation requires organizations to integrate long-term corporate direction, competitive business strategies, and functional capabilities to achieve sustainable organizational competitiveness.*

KEYWORDS - *Strategy formulation, strategic management, corporate-level strategy, business-level strategy, functional-level strategy, organizational competitiveness*

I. INTRODUCTION

Strategy formulation is a core function of strategic management that enables organizations to define long-term objectives and determine the actions needed to achieve sustainable competitive advantage. In today's rapidly changing business environment, organizations face increasing challenges brought about by globalization, technological advancement, changing customer preferences, and intense market competition. As a result, developing effective strategies has become essential for maintaining organizational competitiveness and ensuring long-term success. The literature recognizes strategy formulation as a multi-level process involving corporate-level, business-level, and functional-level strategies. While these strategic levels serve different purposes, they collectively guide organizational decision-making and resource allocation toward achieving common goals. However, previous studies present varying perspectives regarding the relative importance of each strategic level and how they contribute to organizational performance. These differences suggest that effective strategy formulation depends not only on selecting appropriate strategies but also on ensuring their alignment across all levels of the organization.

This study provides a critical review of the literature on strategy formulation by examining the concepts, theoretical perspectives, and empirical findings related to corporate-level, business-level, and functional-level strategies. It compares existing viewpoints, identifies areas of agreement and disagreement, and highlights research gaps to provide a comprehensive understanding of how strategy formulation contributes to organizational competitiveness.

II. LITERATURE REVIEW

2.1 Concept of Strategy Formulation

The process of formulating strategies is considered crucial in strategic management, as it establishes the direction that will guide an organization's long-term decisions and competitive positioning. It requires examining both the internal and external surroundings, setting clear goals for the organization, and choosing strategies that make the most effective use of available resources to ensure long-term success. According to David and David (2020), the process of forming a strategy involves creating a vision and mission, evaluating the organization's internal strengths and weaknesses as well as external opportunities and threats, setting long-term goals, and choosing the most suitable strategic options. Hitt, Ireland, and Hoskisson (2020) explain that strategy formulation is a process where organizations identify opportunities, react to changes in their environment, and create value by forming strategies that give them a competitive edge.

Although these definitions highlight the importance of planning and decision-making, strategy formulation should not be seen as a strict or single occurrence activity. Mintzberg (1994) suggests that organizations typically develop their strategies through ongoing learning and adjusting, rather than depending only on structured planning methods. This viewpoint indicates that effective approaches are not only the result of thorough analysis but also depend on managers' capacity to adapt to evolving business situations. As a result, companies that rely solely on formal strategic planning might find it difficult to keep up with quickly changing market conditions.

Overall, the literature suggests that developing a strategy involves both analyzing information and adjusting based on changing circumstances. Structured planning helps organizations set a clear direction, but being flexible and regularly reviewing strategies are just as important to keep them effective in constantly changing business conditions. This balanced viewpoint serves as the basis for understanding how strategy development takes place at different levels within an organization, including the corporate, business, and functional levels.

2.2 Corporate-Level Strategy

Corporate-level strategy involves setting the general course of an organization and deciding which businesses or industries it should be involved in. It includes significant decisions regarding diversification, mergers and acquisitions, strategic alliances, and market expansion. Chandler (1962) explains that corporate strategy involves setting long-term objectives and distributing the resources required to reach those goals. David and David (2020) state that corporate-level strategy helps an organization grow by making sure all its different business units aim for the same goals. Many academics believe that strong corporate-level strategies help create a lasting competitive edge for a company. Hitt, Ireland, and Hoskisson (2020) highlight that corporate strategy enables organizations to align resources and capabilities across various business units in order to generate value. Barney also points out in 1991 that companies can perform better when they make good use of their valuable and unique resources. These views suggest that the strategy at the corporate level goes beyond just making decisions about expansion and also involves the careful management of the organization's resources.

Although formal planning is significant, there are varied perspectives in the literature about its role in corporate strategy. Traditional methods focus on long-term planning to ensure stability and promote growth. However, Mintzberg (1994) suggests that very structured strategies can reduce an organization's ability to adapt, especially in environments that change quickly. In sectors where technology is constantly evolving and market conditions are unpredictable, companies frequently have to modify their overall plans to stay ahead in the competition. Overall, the literature indicates that corporate-level strategy serves as the basis for an organization's growth and competitiveness by establishing a long-term direction and determining how resources are distributed. Successful corporate strategies need more than just careful planning; they also require the flexibility to adjust to changes in the business environment.

2.3 Business-Level Strategy

Business-level strategy focuses on how an organization competes within a particular industry or market to achieve a competitive advantage. Unlike corporate-level strategy, which determines the overall direction of the organization, business-level strategy emphasizes how individual business units create value for customers and outperform competitors. According to Porter (1985), organizations can achieve competitive advantage

through three generic strategies: cost leadership, differentiation, and focus. These strategies enable firms to position themselves effectively within their industries by either offering lower costs, unique products or services, or targeting specific market segments. Several scholars support the importance of business-level strategy in improving organizational performance. Hitt, Ireland, and Hoskisson (2020) argue that competitive advantage is achieved when organizations develop strategies that effectively respond to customer needs and changes in the external environment. Similarly, David and David (2020) emphasize that business-level strategies help organizations strengthen their market position by aligning resources and capabilities with competitive opportunities. These perspectives suggest that competitive success depends not only on selecting an appropriate strategy but also on understanding the organization's internal strengths and external conditions.

Despite the widespread acceptance of Porter's framework, some scholars argue that it may be less applicable in today's rapidly changing business environment. Mintzberg (1994) contends that organizations often adapt their strategies continuously rather than relying on a single competitive approach. In practice, many firms combine elements of cost leadership and differentiation to respond to changing customer demands and technological developments. This suggests that business-level strategy should remain flexible rather than strictly following one strategic model. Overall, the literature indicates that business-level strategy plays a crucial role in achieving competitive advantage by enabling organizations to respond effectively to market conditions. However, its success depends on the organization's ability to adapt its competitive strategies while maintaining alignment with its overall corporate objectives.

2.4 Functional-Level Strategy

Functional-level strategy focuses on how individual departments such as marketing, finance, human resources, and operations support the organization's overall objectives. It translates corporate and business strategies into specific actions that improve organizational performance. According to Wheelen, Hunger, Hoffman, and Bamford (2018), functional strategies ensure that departmental activities align with the organization's long-term goals. Similarly, David and David (2020) emphasize that effective coordination among functional areas enables organizations to use resources efficiently and achieve strategic objectives. The literature highlights that functional-level strategies are essential for successful strategy implementation. Hitt, Ireland, and Hoskisson (2020) argue that even well-formulated corporate and business strategies are unlikely to succeed without effective execution at the functional level. For example, marketing strategies support competitive positioning, while financial and operational strategies ensure efficient resource management. These findings suggest that organizational success depends not only on strategic planning but also on the effective implementation of strategies across different departments.

Despite their importance, functional strategies often receive less attention than corporate- and business-level strategies. Overemphasis on departmental goals may also lead to poor coordination and inconsistent decision-making if functional units operate independently. Therefore, organizations should ensure that functional strategies remain aligned with broader organizational objectives rather than focusing solely on departmental performance. Overall, the literature suggests that functional-level strategy provides the operational support needed to achieve organizational goals. Its effectiveness depends on strong coordination among departments and alignment with corporate and business-level strategies, enabling organizations to sustain their competitive advantage.

2.5 Integration of Corporate, Business, and Functional Strategies

The literature consistently emphasizes that corporate-level, business-level, and functional-level strategies should not be viewed as separate components but as interconnected elements of strategy formulation. Corporate-level strategy establishes the organization's overall direction, business-level strategy determines how each business unit competes within its market, and functional-level strategy translates these strategies into operational activities. According to Hitt, Ireland, and Hoskisson (2020), alignment among these strategic levels enables organizations to coordinate resources effectively and achieve sustainable competitive advantage. David and David (2020) likewise argue that successful organizations ensure consistency between strategic objectives and functional activities. When the three strategic levels are aligned, decision-making becomes more

coordinated, resources are utilized more efficiently, and organizational performance is strengthened. Conversely, poor alignment may result in conflicting priorities, ineffective resource allocation, and difficulty in achieving long-term goals.

While many studies recognize the importance of strategic alignment, they often examine each strategic level independently rather than exploring how these levels interact in practice. This fragmented approach provides only a partial understanding of strategy formulation, particularly in today's dynamic business environment where rapid technological change and market uncertainty require continuous coordination across all organizational levels. Overall, the literature suggests that organizational competitiveness depends not only on developing effective corporate, business, and functional strategies individually but also on ensuring that they complement one another. An integrated approach to strategy formulation enables organizations to respond more effectively to changing business conditions while maintaining alignment with their long-term objectives.

III. RESEARCH METHODS

This study used a qualitative critical literature review to look at existing research on strategy development, with an emphasis on corporate-level, business-level, and functional-level strategies. The review used information from existing studies found in peer-reviewed journals, academic books, and other trusted scholarly sources. Relevant literature was collected from databases like Google Scholar, ScienceDirect, SpringerLink, Wiley Online Library, and Emerald Insight by using keywords such as strategy formulation, corporate strategy, business strategy, functional strategy, and organizational competitiveness. Sources were chosen because they were relevant, trustworthy, and added value to the subject. The literature gathered was examined using thematic analysis, which involved comparing the results from various authors, highlighting commonalities and differing perspectives, and assessing where further research is needed. This method allowed the study to effectively combine and evaluate current understanding about strategy development and how it contributes to improving an organization's ability to compete effectively.

IV. RESULTS AND DISCUSSION

The reviewed literature demonstrates that strategy formulation is a critical process that influences an organization's ability to achieve long-term competitiveness. Despite differences in theoretical perspectives, most authors agree that effective strategy formulation requires organizations to establish clear objectives, analyze both internal and external environments, and align organizational resources with strategic priorities. These findings reinforce the view that strategy formulation is not merely a planning activity but a continuous process that supports organizational growth and sustainability. A consistent theme across the literature is the complementary relationship among corporate-level, business-level, and functional-level strategies. Corporate-level strategy provides the overall direction of the organization, business-level strategy focuses on achieving competitive advantage within specific markets, and functional-level strategy ensures that organizational activities support strategic objectives. Rather than operating independently, these strategic levels must be aligned to improve organizational performance. The literature suggests that organizations are more likely to achieve sustainable competitiveness when strategic decisions at each level reinforce one another.

However, the review also reveals differing perspectives regarding how strategies should be formulated. Traditional scholars, such as Chandler (1962) and Porter (1985), emphasize structured planning and deliberate strategic choices as the foundation of organizational success. In contrast, Mintzberg (1994) argues that strategies often emerge through continuous learning and adaptation rather than formal planning alone. These contrasting viewpoints suggest that while strategic planning remains important, organizations should maintain flexibility to respond to changing market conditions, technological advancements, and evolving customer needs. Another important finding is that many studies examine corporate, business, and functional strategies separately, giving limited attention to how these levels interact in practice. This fragmented approach may limit the understanding of strategy formulation because organizational competitiveness depends not only on developing effective strategies at each level but also on ensuring their integration. Likewise, much of the existing research is based on large organizations in developed economies, making it difficult to generalize findings to small and medium-sized enterprises or organizations operating in developing countries.

Overall, the literature indicates that successful strategy formulation requires more than selecting appropriate strategic options. It depends on aligning corporate direction, competitive positioning, and functional activities while remaining responsive to environmental changes. An integrated and adaptable approach to strategy formulation is therefore more likely to enhance organizational competitiveness than relying solely on formal planning or individual strategic levels.

V. CONCLUSION

This critical literature review examined the concepts and existing studies on strategy formulation, focusing on corporate-level, business-level, and functional-level strategies. The review found that these three strategic levels perform distinct but complementary roles in achieving organizational competitiveness. Corporate-level strategy provides the organization's overall direction, business-level strategy determines how firms compete within their industries, and functional-level strategy translates strategic objectives into operational actions. Collectively, these strategies contribute to effective decision-making and long-term organizational performance. The review also revealed that while traditional strategic management theories continue to provide valuable foundations for strategy formulation, organizations now operate in increasingly dynamic and uncertain environments. Consequently, strategy formulation should not rely solely on formal planning but should also incorporate flexibility and continuous adaptation. The literature further suggests that organizational success depends not only on developing effective strategies at each level but also on ensuring that these strategies are aligned with one another.

Despite the extensive body of research on strategy formulation, gaps remain regarding the integration of the three strategic levels, particularly in small and medium-sized enterprises and organizations operating in developing countries. Future studies should therefore examine how strategic alignment influences organizational competitiveness across different industries and changing business environments. Overall, this review highlights that strategy formulation is most effective when corporate, business, and functional strategies work together to support sustainable organizational growth and competitive advantage.

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