

Modeling of Value Chain Processes in Conglomerate Organizations

Aboozar Mehrmanesh
Department of Management
University of Tehran, Tehran, Iran

Mohammad Bavar
Department of Industrial Engineering
Iran University of Science and Technology, Tehran, Iran

Alireza Bafandeh
Department of Mechanical Engineering
University of Shahid Rajaei, Tehran, Iran

Abstract

Conglomerate organizations are specific kind of large companies which organize their Subsidiaries as legally independent companies, but under control of a single main company (Mother Company) in order to overcome difficulties which are resulted from large size of huge single company and also to utilize shared resources. These companies, regarding the type of relations between them and their Subsidiaries, choose different approaches to control their organization. Literature review shows that there are three major approaches which have been widely used to organize conglomerate organizations: financial control approach, strategic control approach, and strategic planning approach. Actually, each approach is resulted from a particular value chain considered by different conglomerate companies in creation of value. Therefore, it is expected that each approach has a different and particular processive model. The purpose of this article is to offer processive model related of approach which have been determined by literature review and case studies and confirmed by Experts.

Keywords

Conglomerate organizations, financial control approach, strategic control approach, strategic planning approach, value chain processes.

1-Preface

Conglomerate organization, is an organization whose main activity is to manage some other organizations or institutes which are under ownership of a main organization, completely or partially. These organizations have been created because of an organizational policy to solve the problem of how to control and manage organizations with large size or multi aspects operational fields. In this case, different parts of company will be organized as a relatively independent organization on the base of operational field diversity or activity differences and in the case of main company's interest in keeping ownership and control strategic resources or necessity of coordination and integration among subsidiary's activities, the organization can be formed as conglomerate organization (Hitt 2003). Forming large organizations as a single conglomerate organization can definitely result in many advantages and benefits which the capability of managing and control, pooling of resource and ability of planned cooperation with others considering particular limitations are the most important ones. By changing a large organization to some subsidiaries, the control and management issue can be classified and solved in manageable indexes of known "management control system" of each organization. But another new issue will arise in main organization related to controlling and managing some fairly independent subsidiaries which requires specific methods, means and approaches. In this survey, to model value chain processes of different kind of conglomerate organizations and after preface, literature of how conglomerate organizations have been formed and their common management approaches will be reviewed and also, processive generic models which are the basis of modeling in this survey, will be introduced. Then after considering methodology, respective value chain processes model for each of these three approaches will be presented. In 5th

chapter, planned models assessment results from experts' point of view will be stated and eventually, in final chapter, conclusions and suggestions will be offered.

2. Literature Review

2.1 Conglomerate Organizations

Various words have been suggested to name multi task organizations such as: conglomerate company, parent company, holding company, investment organization, and corporation and so on. Suggested definition of "Conglomerate Company" has been offered to define a large company which includes numerous divisions each of which works in a different and usually independent field of business. Holding and parent company are explained as companies which possess enough shares to make main decisions and manage other company by influencing and choosing board members; and Investment Company is a company whose main business is to manage other companies' securities with the purpose of investment. Investment company invests instead of its shareholders and pay them benefit and loss of their shares. Therefore, in this survey, "conglomerate company" has been selected as the best and most general definition of multi task companies. Conglomerate companies can be classified in two groups, first group which has enough ability and power to manage subsidiaries and affect board and is named as holding and another one, which cannot influence on management method of smaller companies as a result of not having enough shares and is defined as Investment Company.

In retrospect, in 1960s, conglomerate companies had been become reputed because of their low rate of interest and being repetitive of securities market that this issue, had resulted in buying other companies as leveraged buyouts or sometimes, as temporarily deflated values. Since these companies provided more benefits rather than loans interest rate, rate of Return of investment (ROI) grew. This trend was enough in order that share price of companies, which often related to rate of return of investment, increased. Conglomerate companies day by day growth caused that many investors who had observed this strong and dynamic power, become interested in buying the shares. High prices of conglomerate companies' shares, allowed them to get much more loans on the base of their shares price and consequently, acquired the ability to bring more companies under their ownership. This resulted in chain reaction and helped them to be extended more and more. As a good and successful example, we can name General Electrics (GE) which led the profits of its industrial equipment towards renting and leasing business. When Cash Flush occurred in 1980s, GE was inclined to financial and fiscal services field, which has been provided about half of GE's income nowadays. For example, when interest rate inflated, GE despite not being such a penetrating company that time utilized it to get more benefits and by offering leasing services, it caused that using leasing services was less expensive for people than purchasing new equipment by bank loans.

Analysts believe that new business is reason for the organizations to be in form of conglomerate, which makes the capital to be allocated more efficiently. For example, consider a company including a confectionary and a website, the confectionary has a high cash flow but a limited investment opportunity while website is new business in which the cash flow is low but has very good investment projects. Merging these businesses, cash money of confectionary can be used for investment which is possible through website. The main question in this strategy is that why a conglomerate company should be formed? The response is if these companies were existed separately, investors of confectionary should receive their profit and invest it again in website. If this market mechanism worked properly, all investments of new business of website could be performed without existing two separated existence. Studies show that financial markets may not act in this way because of asymmetric information. If this problem is serious in one area, unique ownership of assets – i.e. formation of conglomerate company – results in efficient allocation of capital (Hong and Lee 2006).

First study about management approach of conglomerate companies was performed by Goold and Campbell at 1987 and three general management approaches were identified corresponding different levels of concentration, cooperation, and standardization:

- *Financial Control Approach*: in financial control approach, strategic business units in very independent from center of conglomerate company. There are little concentrate or standard (except financial reporting system), and center of conglomerate company does not try significantly for cooperation of process between business borders. Control is done through negotiation, determination and monitoring financial targets.
- *Strategic Control Approach*: in strategic control approach, business unit have more relation with center of conglomerate company. There are some central services, some standardized systems and activities, and center of conglomerate company tries to cooperate activities have more value than a single business border. Control is done through negotiation, determination and monitoring financial targets.

- *Strategic planning approach*: in strategic planning approach, strategic business units are not so independent from center of complex. Many key activities have been centralized and standard, and the center of complex is completely involved in coordination of inter business affairs. Control is applied through direct supervision (Hitt 2003).

Selection of management approach completely depends on goals of the business. Appropriate approach depends on type of multiple businesses synergistic which the company faced with and also level of independency of business units. Strategists should encourage to integration in order to have benefits of having some business units in a single company, and also to have more motivation to apply control from center of complex company, and to intensify cooperation between nosiness units, and on the other hand, these interferences should not decrease freedom of businesses in satisfaction of local needs. However, these two forces are in contrast in strategic level of complex company – multiple businesses synergistic- and there should be balance between them according to conditions.

From economic point of view, formation of complex companies is related to subject of economies scale. Economies of scale means that mean price of each output unit is decrease by increase in sum of production of the company. In contrast with economies of scale there is the diseconomies of scale which occurs mean total cost of each production unit is increased after a certain level of outputs. In a point which mean price is in its minimum level, a company has reached Minimum Efficiency Scale (MES) point. “Maximum economic efficiency” occurs in a point before diseconomies of scale. Constant efficiency of performance scale is between two points of minimum and maximum performance scale, in which the mean price of each production unit is constant with increase of number of outputs (OECD 1992).

In economic analysis of complex companies it could be said that, in recent decades, production is based on technology, unlike previous Decades in which most of production was based on the worker. Technology caused change in the ratio of “constant to variable cost of each goods”, and in worker based products, constant cost of factories is low and variable cost is relatively high, but in technology based products, constant cost is high and variable cost is relatively lower. So in new world which is technology based, total production should be increase in order to use economies of scale, so technology cost will be prorated on more products and cost of unit of product will be decreased. Consequently, the company is forced to increase total production up to a minimum level called “Minimum Efficiency Scale” (MES). Increasing production will cause the company to increase demand for products or to gain more share of market: and since natural growth of demand and markets is less than MES growth of the company, the company is forced to choose the second choice. The company has two ways: 1- obtaining more share of the market of a certain good by, for example, joining other suppliers and formation of one-industry holdings or 2- producing different products and formation of multi-industry holdings. In this process, some companies will be eliminated; some will be possessed to other companies, and some others will join, and there will be some companies which will grow themselves. All these will result in growth of organizations. Big organizations face limitation of complexity of management and control. One of the best ways to overcome this complexity of management is to Change the structure to structure of a conglomerate organization. That means to form completely independent businesses which are connected to a central company, and this central company plays different roles from establishing the strategy to a financial controller. The structure of conglomerate organization will prepare more capital for development of technology, development of brand, creating distribution networks, and dominance on sources by collecting capitals. So by more development of technology, MES point will increase and this will create a positive cycle that reinforces increase of “Constant Cost to Variable Cost” ratio and increasing MES. So it will be possible that in the future the market of products will become under control of some limited very huge companies (with very famous brands).

LG as a big multinational company announced in 2004 that has changed his structure to holding. The definition of holding by LG is based on the goal of to manage other companies by obtaining their shares. So a pure holding company does not any business itself and its main income is through the profit of its companies, concentrate on strategies for its investment and portfolio management of its business. LG co. has chosen Strategic Control management approach and summarized its goals, functions, and activities as is shown in table 1 (LG Corporation 2004).

Fuji Electric Co., as another sample, decided in 2003 to change its structure to a holding company, and changes its name to “Fuji Electric Holding”. So each part of this company becomes an independent company. Fuji Electric Co. stated that the reason for this action is to realize independent management, optimization of business portfolio, and optimization of work conditions in each work section. In this regard, the “Fuji Holding Company” acts only as a mother company, and become a strategic center for *strategic planning* of groups of companies. The “role of Fuji Holding Co.” is to maximize value and optimizing the group by developing the strategies for optimization of the group, optimized allocation of sources to group, study and development of group including: planning and managing

research and development, and Commercialization of new strategies, management of inter group monitoring, and development of the brand. The “role of Fuji operative companies” is to optimize value of business by increasing sale (growth of potential abilities), and to maximize profit (profitability). Operative companies are free in decision making in the field of their business and allocated capital from holding. These companies also are responsible of performance of their business including accessibility to cash flows expected from their operation (Fuji Electric 2003).

2.2 Process Models

Another part of literature review consists of theoretical basics of designing process model of companies. A business process includes activities of a company and has a structure showing logical sequence and required prerequisites to obtain a desirable goal (Aguilar 2004). There are several generic models to present a general model of business processes, which most famous of them is Porter Value Chain and classification model of organization processes of American Productivity & Quality Center (APQC).

Table1: Goal/Functions/main Activities in LG Holding (LG Corporation 2004)

Goal	Function	Activities
Maximizing Value for Shareholders	Restructuring and management of business portfolio	<ul style="list-style-type: none"> - Providing advices to create strategies of holding - Buy and sell business - Search for and investment on new businesses - Distribution and management of sources of businesses
	To facilitate and optimize business portfolios	<ul style="list-style-type: none"> - Monitoring the operation of sub companies - Approval of business strategies of sub-companies - Providing strategies and solving problems - Evaluation of operation and preparing relative incentives

2.2.1 Porter Value Chain Model

The idea of value chain has been formed based on process attitude towards organizations in which the organizations are considered as a system formed by subsystem each has input, transform processes, and output. Michael Porter introduced this chain in 1980 in his book named “Competitive Advantage” as basis of analyzing development of competitive advantage in organizations. Porter believes that competitive advantage is form by performing actions which create added value for customers of the organization. “Value” in competitive context is amount of money customers are willing to pay for the product or service. So Michael Porter developed value chain model as a general model which includes existing processes in a wide range of organizations, and divided activities in organizations to two groups of main processes and supporting processes according direct or indirect role in producing value, so different organizations are able to use this model for analyzing their competitive advantage (Efraim and James 2004). This model is shown in figure 1.

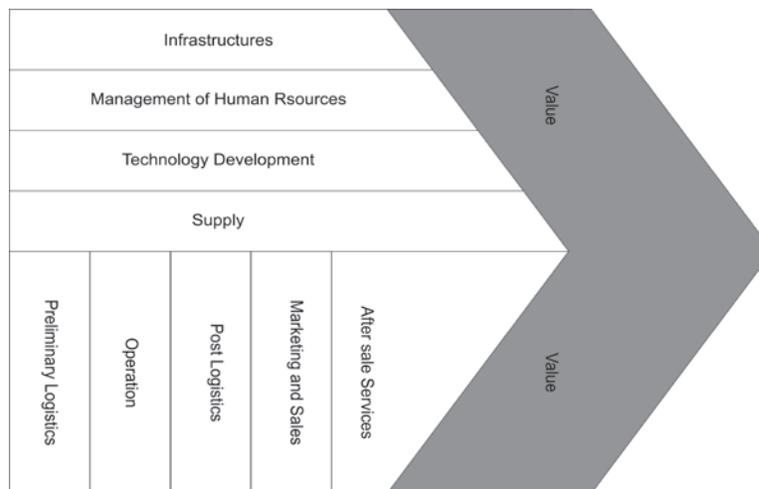


Figure 1: Porter Value Chain Model

2.2.2 Model of Organization Processes of APQC

APQC has developed a framework for categorization of processes in cooperation with some big international companies to present a generic and high-level model for business processes in order to enable other organizations to evaluate their activities from a process point of view, and also to use it as a tool to compare themselves with other companies. This structure offers a generic view from business processes which exist in industries and different parts of industry like production, services, hygiene, government, education, etc. This categorization framework shows main processes and sub-processes, and not operations, in a priority based structure which does not belong to processes of a specific company. APQC divided business processes to operating processes and management and support processes in first level, and to 13 processes from which 7 operating processes and 6 support processes, and this categorization has been divided up to 4 sub-level. 2 levels are shown in figure 2 (APQC 2005).

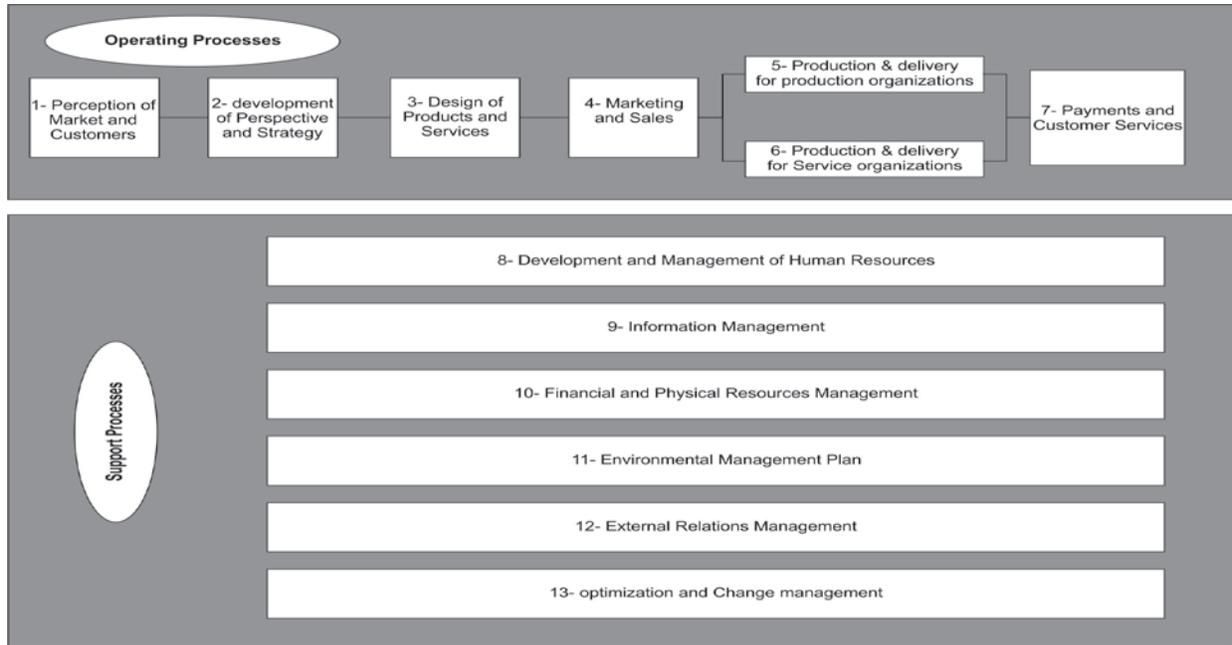


Figure 2: Business Processes Model of APQC

3. Methodology of Study

This study aims to model value chain processes of triple kinds of conglomerate companies with three common management approaches of them. To do this, a literature review has been done in conglomerate companies and common management approaches of them, and main processes which are included in literature for each kind were determined. Then, to obtain a more realistic view towards processes, some Iranian conglomerate companies including Alborz Investment Co., Behshahr Industry Development Co., Saipa Group, Cement Industries Development Co., and Center of Information Technology Development (MAGFA) were studied in a structured interview method. Some foreign conglomerate companies like Fuji Electric and LG which their documents of change of their structure to holding are available were studied too. During literature review and studies, main processes determined for each kind of conglomerate companies have been drawn using general models of Porter Value chain processes and APQC process model, in a value chain framework, and sub-processes of this chain were designed up to second level. Generic models are suitable resource for designing support processes which are common in most organizations, but main processes of value chain are mostly based on literature of subject and studies and the logic of creating value chains. These designed models were evaluated by referring to experts and by a Inferential statistical method. Statistical society of this study includes academic experts and senior managers of conglomerate companies. In order to evaluate three models of value chain of conglomerate companies, 70 questionnaires were sent to experts to determine the importance of each process in each conglomerate company, and 43 questionnaires were completed and returned, and return rate is 63%. In order to evaluate the questionnaires, calculated Cronbach Alpha coefficient has been 0.775 in financial control approach, 0.843 in strategic control approach, and 0.812 in strategic planning approach, and since they are more than minimum acceptable value, 0.7, validity of questionnaire of this test is approved. For test of

belonging of identified processes of value chain related to each approach, non-parametric binominal test considering Cut Point = 4/5 (pointing of experts is considered 0 (non-important) to 9 (very important)) has been used, and an assumption was tested for each process as follows:

H0: “Circumference Analysis and Development of Strategies” does not belong to value chain of conglomerate companies with a financial approach.

H1: “Circumference Analysis and Development of Strategies” belongs to value chain of conglomerate companies with a financial approach.

H0 and H1 assumptions can be stated in this way for other processes. For assumption test, non-parametric binominal test is used, and if circumstantial evidence of the test is less than meaning value of 0.05 and rejection of H0 assumption, it could be said with 95% certainty that identified process is in value chain of Conglomerate Company corresponding each approach. There is also possibility to add new process by experts to value chain and also determination of importance of these new processes in questionnaires, and final model will be revised analytically and regarding their abundance.

4. Value Chain Processes of Conglomerate Companies Model

In this section the designed value chain processes for each type of conglomerate companies corresponding three management approaches of financial control, strategic control, and strategic planning are presented.

4.1 Value chain processes model for conglomerate companies with financial control approach

Conglomerate companies which have selected financial control approach are known as investment companies. Their main activity is the portfolio management of shares of covered companies and buying share, keeping and selling it in the framework of investment market. They are not interested in activities and operation matters of covered companies, mostly use financial operation indices to monitor conditions of covered companies. Main processes of these companies include financial support from money market and investment market and allocating these resources to obtain profit from one the following ways: (1) purchase and sell of securities, (2) investment in money market, (3) performing venture capitals, and (4) portfolio management of owned companies. Support processes in this management approach are development and management of human resources, circumference management and legal affairs, development of systems, and improvement and change management and financial and administrative support, which serve holding centers exclusively. Figure 3 shows value chain processes of investment companies.

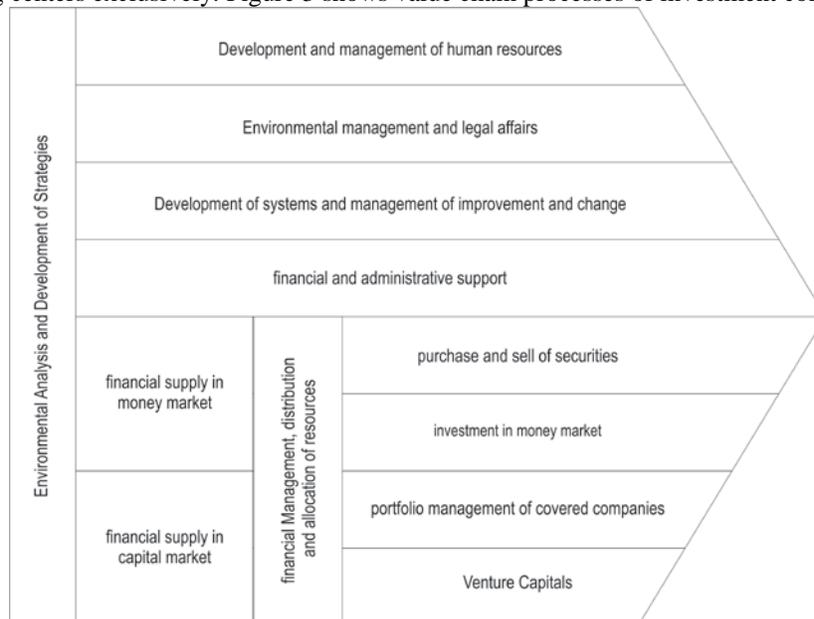


Figure 3: Model of value chain processes of conglomerate companies with financial control approach (investment companies)

4.2 Value chain processes model for conglomerate companies with financial control approach

Conglomerate companies with strategic control approach are often multi-industries holdings which are formed to manage variety of activities and decrease risk in managing big capitals. In this kind of holding companies, regarding vast range of problems of covered companies, strategic control approach is selected, in order to control macro-affairs

of companies. This kind of conglomerate companies are formed mostly to present big capitals to obtain an efficiency more than average efficiency available in financial markets, and it is possible through big-scaled investments and international industries which require several technical, financial, and commercial skills. Multi-industry holdings often merge these skills and enter big tenders or setup industries which cover vast geographical area.

Main processes in this management approach are searching investment opportunities and making various suggestions to participate in tenders, forming joint-ventures with interested companies and developing and investing in them, and controlling the use of these capitals. “Financial support management” and “evaluating companies and portfolio management” processes are also main processes of this category of holdings, which are mostly formed to manage the companies – versus single-industry holdings (strategic planning approach) which are formed to produce and offer final product, and investment companies which are formed to obtain profit from financial markets. Support processes in this category of holdings, in addition to general processes of development and management of human resources, circumference management and legal affairs, development of systems and management of improvement and change, and financial and administrative support, which support internal affairs of center of holding, a specific support process to “developing brand and global communication network” is also required. This network in these holdings, in contrast with the network in strategic planning approach which is an offer and after-sale network, is a network to find opportunities for investment and developing global communication, and offer and after-sale network could also be under these networks.

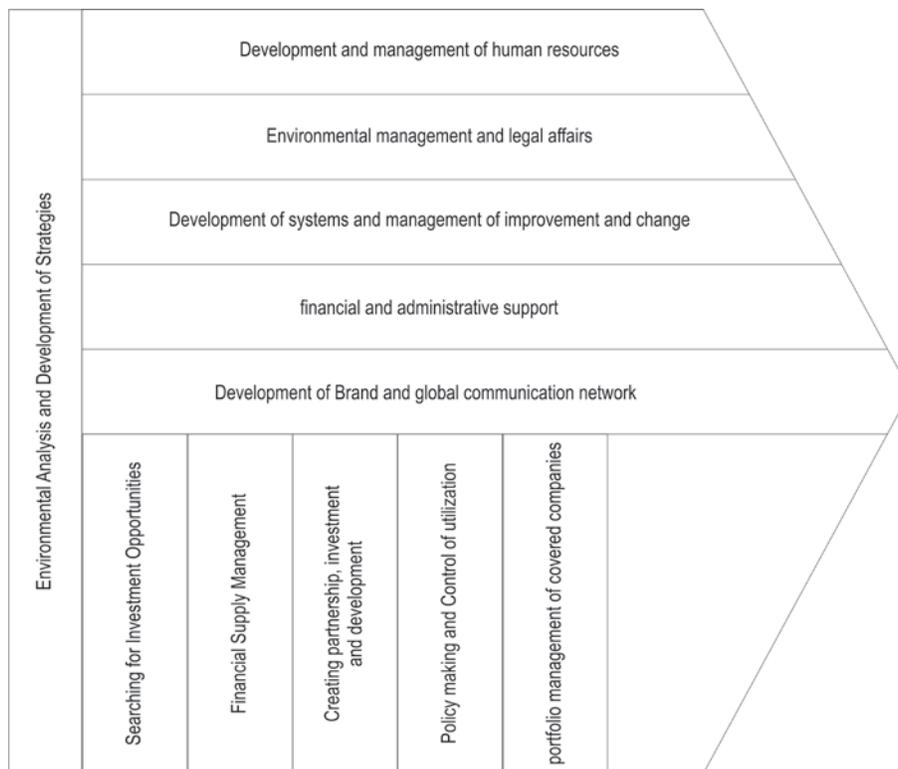


Figure 4: value chain processes model for conglomerate companies with financial control approach (Multi-industry Holdings)

4.3 Value Chain Processes Designed for conglomerate companies corresponding strategic planning approach

Conglomerate companies which use strategic planning approach are mostly single-industry and their goal is to produce and offer a single final product. Formation of this kind of conglomerate companies is caused by one or more following reasons: (1) the product is complicated and requires high cost of design and development, or the product is complicated and requires cooperation between many companies (2) production needs a high investment and needs to professional financial support and cooperation of several companies (3) usually when a product has so many components, production of all of them in a single company has the risk of decrease in quality of inner or smaller components and the management concentrate more on the final product, while if it is produced in several companies, the commitment to quality will be more. (4) Final product is usually complicated and need a significant investment to improve the brand and design and development of offer network and after-sale services. Conglomerate companies

with strategic planning approach of single-industry holdings are often formed to horizontally or vertically unify value chain of an industry – horizontal holdings like cement holdings which usually offer a single product in wide geographical area, and vertical holdings like auto holdings which cover a supply chain- so there is more need to strategic and even operation information. Hence, control approach in these companies includes planning, unification, and controlling operation strategies. Main identified processes for these companies which use strategic planning approach to manage production and sale chain of an specific product, include circumference analysis processes and preparing plans and strategies of holding level and covered companies, understanding need of market and customers, study and development and design of final product of holding, design and development of capacity and facilities required for production cycle, management of production chain and management of sale and after-sale services network. Support processes in these holdings, in addition to general processes of development and management of human resources, circumference management and legal affairs, development of systems and management of improvement and change, and financial and administrative support, which support internal affairs of center of holding, two special support processes to “manage financial supply” and “evaluate operation of companies and portfolio management” which are important processes of conglomerate companies exist. These two processes in investment companies and multi-industry holdings are main processes of center of holding, because value chain in these two kinds of conglomerate companies is to obtain profit from investment market and managing companies respectively, but since value chain in single-industry holdings is the production and offer of final product, these processes are considered as support processes. Figure 5 shows single-industry holdings.

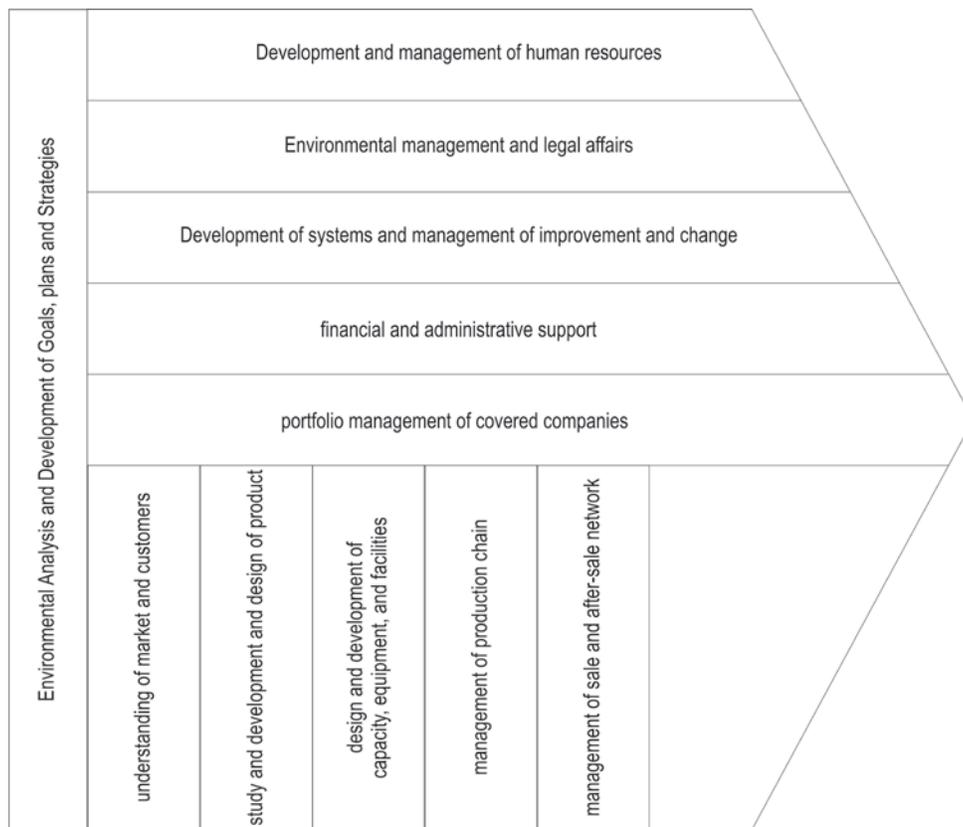


Figure 5: Value Chain Processes Designed for conglomerate companies corresponding strategic planning approach (single-industry holdings)

5. Results of test of process models of conglomerate companies

Tables 2, 3, and 4 show the results of test of H0 and H1 assumptions stated in section of methodology of study with binominal non-parametric test with Test Proportion=0.9 for three management approaches. As is understood from the tables, comparing values of Asymp. Sig. (2-tailed) column resulted from binominal test with meaning level of 5% and 95% certainty, it could be stated that from experts point of view, all value chain processes of conglomerate companies corresponding “Financial Control”, “Strategic Control”, and “Strategic Planning” are considered as high important.

Table 2: Results of binominal analysis for determination the importance of identified processes for “Financial Control Approach”

Processes-Financial Control Approach	Group 1 Group 2	No. of samples in group	Ratio	Symp. Sig. (2- tailed)	Result of test
Circumference analysis and development of strategies Including: evaluation of external environment, evaluation of internal environment, development of perspective, and level strategy of holding	<= 4/5	4	0.1	0.001	Approved
	> 4/5	40	0.9		
Financial supply in money market Including: issuance of bonds, negotiation with loan lenders, management of interest and loans	<= 4/5	0	0.	0.001	Approved
	> 4/5	44	1.0		
Financial supply in money market Including: IPO, negotiation with investors, payment of gain, and management of shares	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Financial management and distribution and allocation of resources Including: evaluation and management of capital structure, Risk evaluation and management, distribution and allocation of resources	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Purchase and sell of securities Including: market analysis and decision making, purchase securities, sell security	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Investment is money market Including: market analysis and decision making, money and foreign exchange, management of loans and deposits	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	1		
Venture Capitals Including: identification and evaluation of investment opportunities, investment and development management, sell and transfer of shares	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Portfolio management of covered companies Including: financial and economical evaluation of companies, evaluation of performance of companies, risk management, decision making and determining attitude in relation with companies, ownership and transfer of companies	<= 4/5	6	0.1	0.001	Approved
	> 4/5	38	0.9		
Human Resources Development and management Including: employment, training and development, utilization and maintenance, performance evaluation	<= 4/5	10	0.2	0.001	Approved
	> 4/5	34	0.8		
Circumference management and legal affairs Including: management of public relation and media, legal affairs management, management of relation with beneficiaries	<= 4/5	9	0.2	0.001	Approved
	> 4/5	35	0.8		
System development and improvement and change management Including: organizational performance evaluation, revising and improving processes and organization structure, design and development of information systems	<= 4/5	8	0.2	0.001	Approved
	> 4/5	36	0.8		
Financial and administrative support Including: processing money and accounting transactions, audit and information reports, administrative support (secretariat, archive, ...), physical resources management	<= 4/5	8	0.2	0.001	Approved
	> 4/5	36	0.8		

Table 3: Results of binominal analysis for determination the importance of identified processes for “Strategic Control Approach”

Processes-Strategic Control Approach	Group 1 Group 2	No. of samples in group	Ratio	Symp. Sig. (2- tailed)	Result of test
Circumference analysis and development of strategies Including: evaluation of external environment, evaluation of internal environment, development of perspective, level strategy of holding, budget development and control	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Searching for investment opportunities Including: searching and evaluation of investment opportunities, plans preparation and evaluation, participating in tenders and commercial negotiations	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Financial supply management Including: evaluation and management of capital structure, financial supply in money market, financial supply in investment market	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Creating participation, investment, and development Including: Creating participation and finalizing commercial agreements, foundation and supply and equipping company/plan, project and build management, operation organization	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Policy making and operation control Including: evaluation and choosing representatives in subsidiary companies, development of cooperation framework of companies, control of goals and strategies and performance of companies	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		

Portfolio management of covered companies Including: financial and economical evaluation of companies, evaluation of performance of companies, risk management, decision making and determining attitude in relation with companies, ownership and transfer of companies	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	1.0		
Development brand and global communication network Including: investment in brand, foundation and creating representatives in target areas, management and cooperation of representatives	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	1.0		
Human Resources Development and management Including: employment, training and development, utilization and maintenance, performance evaluation	<= 4/5	4	0.1	0.001	Approved
	> 4/5	40	0.9		
Circumference management and legal affairs Including: management of public relation and media, legal affairs management, management of relation with beneficiaries	<= 4/5	8	0.2	0.001	Approved
	> 4/5	36	0.8		
System development and improvement and change management Including: organizational performance evaluation, revising and improving processes and organization structure, design and development of information systems	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	0.1		
Financial and administrative support Including: processing money and accounting transactions, audit and information reports, administrative support (secretariat, archive, ...), physical resources management	<= 4/5	9	0.2	0.001	Approved
	> 4/5	35	0.8		

Table 4: Results of binominal analysis for determination the importance of identified processes for “Strategic Planning Approach”

Processes-Strategic Planning Approach	Group 1 Group 2	No. of samples in group	Ratio	Symp. Sig. (2- tailed)	Result of test
Circumference analysis and development of strategies Including: evaluation of external environment, evaluation of internal environment, development of perspective, level strategy of holding, development of strategy framework of companies and coordination between them, development of operational goals and strategies, budget control and development	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Understanding market and costumers Including: determining needs and desires of costumers, measuring costumers satisfaction , monitoring changes in market and costumers expectation	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Research, development, and design of product Including: conceptual model planning and development for product/service, design, construct and evaluation of sample product/service, filtering existing product/service, preparation for production, management of production process of product/service	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Capacity, equipment, and facilities design and development Including: evaluation of performance of equipment and facilities, planning for increasing capacity, facilities and equipment, order and purchasing machineries, facilities and equipment, construction and installation of machineries, facilities and equipment	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Production chain management Including: production targeting, planning and control, evaluation, selection and development of manufacturers, manufacturing and assembling final product, quality control	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Sale, distribution and after-sale network management Including: capital structure evaluation and management, financial supply in money market, financial supply in investment market	<= 4/5	0	0.0	0.001	Approved
	> 4/5	44	1.0		
Portfolio management of covered companies Including: financial and economical evaluation of companies, evaluation of performance of companies, risk management, decision making and determining attitude in relation with companies, ownership and transfer of companies	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	1.0		
Human Resources Development and management Including: employment, training and development, utilization and maintenance, performance evaluation	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	1.0		
Circumference management and legal affairs Including: management of public relation and media, legal affairs management, management of relation with beneficiaries	<= 4/5	4	0.1	0.001	Approved
	> 4/5	40	0.9		
System development and improvement and change management Including: organizational performance evaluation, revising and improving processes and organization structure, design and development of information systems	<= 4/5	2	0.0	0.001	Approved
	> 4/5	42	0.1		

Financial and administrative support Including: processing money and accounting transactions, audit and information reports, administrative support (secretariat, archive, ...), physical resources management	$\leq 4/5$	6	0.1	0.001	Approved
	$> 4/5$	38	0.9		

6. Conclusion

In this study, at first literature review and some evaluation of Iranian companies has been done to model conglomerate organizations processes. Then three common management approaches were identified. In order to make the modeling simpler, a separate model for conglomerate companies for each management approach has been considered according to porter value chain model and APQC model. Table 5 shows a comparison between value chain processes corresponding each approach according to approved results of this study and with statistical analysis. As is can be seen in table 5, processes related to product design and preparation of sale chain of this product in strategic planning approach is more important than two other approaches. In contrast with two other approaches, in this approach design and development of product and design of capacity, facilities and equipment required for its production, management of supply chain of components of final product, and sale and after-sale services of this final product are the main factors in the production of wealth in these conglomerate companies. In strategic control approach, processes related to research, perform and using investments are more important than two other approaches. Investments and venture capital in financial control approach is one of four methods to produce wealth from financial resources. These financial resources are obtained from financial supply operation of money market and investment market. While in strategic control approach, main method of producing wealth is to perform and using investments. In strategic planning approach, logic of investment is somehow different from other two approaches to some extent. New investment in this approach usually is based on design of new product which the management of the conglomerate company invests in new facilities, equipment, of construction of new factory. In financial control approach, processes of financial resources collection and investment is more bold and in level of high level main processes– which usually results in creating o unit or organizational circle in this kind of conglomerate companies– while these process exist in other kinds of conglomerate companies, but there are less important and as a sub-process or a process of financial supply processes which are often along with other tasks of financial or investment unit in these organizations. These three process models are used to evaluate a conglomerate company which shows improvable points in these companies. Future studies can describe these process and identification of required sub-processes for each of these three types companies more accurately. On the other hand, these process models can specify a framework for decision making about strategy of one Conglomerate Company during the time, and identify that investors are interested in which type of Conglomerate Company.

Table 5: comparison of similarities and differences of processes of conglomerate companies with Strategic Planning Approach with two other approaches

Processes-Financial Control Approach	Financial Control	Strategic Control
Circumference analysis and development of strategies Including: evaluation of external environment, evaluation of internal environment, development of perspective, level strategy of holding, development of strategy framework of companies and coordination between them, development of operational goals and strategies, budget control and development	More limited Scope	More limited Scope
Understanding market and costumers Including: determining needs and desires of costumers, measuring costumers satisfaction , monitoring changes in market and costumers expectation	No	No
Research, development, and design of product Including: conceptual model planning and development for product/service, design, construct and evaluation of sample product/service, filtering existing product/service, preparation for production, management of production process of product/service	No	No
Capacity, equipment, and facilities design and development Including: evaluation of performance of equipment and facilities, planning for increasing capacity, facilities and equipment, order and purchasing machineries, facilities and equipment, construction and installation of machineries, facilities and equipment	No	No
Production chain management Including: production targeting, planning and control, evaluation, selection and development of manufacturers, manufacturing and assembling final product, quality control	No	No

Sale, distribution and after-sale network management Including: capital structure evaluation and management, financial supply in money market, financial supply in investment market	No	More limited Scope
Financial supply management Including: evaluation and management of capital structure, financial supply in money market, financial supply in investment	Wider Scope	Completely similar
Portfolio management of covered companies Including: financial and economical evaluation of companies, evaluation of performance of companies, risk management, decision making and determining attitude in relation with companies, ownership and transfer of companies	Completely similar	Completely similar
Policy making and operation control Including: evaluation and choosing representatives in subsidiary companies, development of cooperation framework of companies, control of goals and strategies and performance of companies	No	Completely similar
Human Resources Development and management Including: employment, training and development, utilization and maintenance, performance evaluation	Completely similar	Completely similar
Circumference management and legal affairs Including: management of public relation and media, legal affairs management, management of relation with beneficiaries	Completely similar	Completely similar
System development and improvement and change management Including: organizational performance evaluation, revising and improving processes and organization structure, design and development of information systems	Completely similar	Completely similar
Financial and administrative support Including: processing money and accounting transactions, audit and information reports, administrative support (secretariat, archive, ...), physical resources management	Completely similar	Completely similar

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