STRATEGIC BUSINESS UNIT (SBU)

Abstract / Definition

A strategic business unit (SBU) is an organizational subunit that acts like an independent business in many major respects, including the formulation of its own strategic plans and its own marketing strategy. An SBU may share its parent organization’s corporate identity or develop its own brand identity, depending on the degrees of freedom allowed to the management of the division. A one-fits-all strategic approach would be inadequate in large, diversified organizations and multinational companies. Dividing the corporation’s operations into SBUs increases efficiency and market focus. SBUs are found to be a viable form of organizational sectioning because they ensure that products and product lines are given specialized focus, as if they were developed and marketed by an independent company. The SBU is driven by its own mission, which would be independent of that of the parent firm and the other SBUs in the organization. It would operate in a competitive market space that is separate from other divisions in the corporation. The advantage of operating through an SBU is that it would create a strategically focused management structure that is not distracted by the wider product portfolio of the corporation. Corporations may experience some disadvantages when organizing their divisions through an SBU structure.

Keywords
Strategic business unit, organisational structure, corporate structure

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