

THE CUSTOMER VALUE/MISSION (CV/M) MATRIX AND AN APPLICATION PROCESS FOR ALL PORTFOLIO PLANNING

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The authors contend that regardless of the way portfolio methods are presented by marketing journal articles and textbooks, these methods were never considered as primarily decision-making tools by real world managers. However, the methods are considered extremely useful as communications tools and as visual aids. The authors review typical portfolio methods, suggest their own step-by-step process for their application, and extend the entire application by integrating aspects of previous methods to adapt the portfolio approach to better fit the notion of a customer-orientation for marketing. By reflecting on customer value and differential advantage in the eyes of the consumer, the new approach to a portfolio grid better serves the needs of marketing strategists.

INTRODUCTION

Strategic planning, and the marketing theory fundamentals that make up the process' foundations can and should be applied to "not-for-profit" as well as "for-profit" organizations. To realize the potential benefits of planning, managers need to be skilled in the appropriate use of basic strategic marketing tools (Simerly 1994). While a focused plan for reaching objectives is central to many organizations, skill at both plan creation and applying fundamental strategic tools such as portfolio grids varies widely.

According to Kotler (1994), the strategic marketing planning process consists of defining the corporate mission, establishing strategic business units (SBUs), assigning resources to each SBU, and planning new businesses. Following a situation analysis of the organization, marketers utilize theory-based tools to set strategy. In every organization, these types of specific strategy decisions concerning where an organization will put its scarce resources must be made (Drucker 1990). In order to effectively set strategy, a marketer must devise a balance between the

program(s) (i.e., strategic business units, product lines, products) of the organization, the reality of the marketplace, and the resources available to the organization (Drucker 1990).

Thus, as a basic step in evaluating the existing program balance (as part of the strategic planning process), there are a number of "Portfolio Planning Methods" one could use, including the BCG, GE/McKinsey, ADL, and Dow-Corning matrices, among others (Hiam 1990). None is clearly the best when it comes to making decisions about allocating resources for either for-profit or not-for-profit organizations. The purposes of this paper, then, are to: 1) briefly present and critique a number of such matrices and discuss their advantages and disadvantages, 2) discuss critical steps in the process of utilizing a portfolio model and propose a step-by-step process for using existing portfolio matrices that may lead to their more effective use, and 3) to propose a new portfolio planning model, the Customer Value/Mission (CV/M) matrix, that is based on previous matrices but which is more in tune with a customer orientation and which seems very appropriate for use in both the for-profit and nonprofit sectors.

PORTFOLIO STRATEGIC RESOURCE ALLOCATION TOOLS

Strategic resource allocation tools are familiar approaches in finance and marketing. Wensley (1981) went so far as to refer to strategic resource allocation tools as "betas" (financial approaches), "boxes" (marketing approaches), and "basics" (reliance on project-based assessment). The present paper will focus solely on the so-called box or portfolio methods of strategic resource allocation. The opportunity for contribution in this area is considerable, both because portfolio methods are in high use (Slater and Zwirlein 1992), and because they are often misused, or not used to their fullest potential. We will focus on several of the more popular matrices, namely, the Boston Consulting Group (BCG) matrix, General Electric/McKinsey (GE/McKinsey) Planning Grid, and the Mission/Core Competencies (MCC) matrix, as well as one that is used in the nonprofit sector (the Lovelock/Weinberg model) and another that focuses on customers of an organization.

The BCG Matrix

The BCG matrix is an example of a standardized product-portfolio model. These models are premised on the notion that the value of market position or market share depends both on the nature of the competition and the stage of the product life cycle. The BCG method requires independent profit centers, that economies of scale are available as a benefit of higher market share, and that market strength is a reflection of stage of the life cycle. In the case of nonprofits, the term "independent contribution centers" would be used (using the accounting definition of contribution). Specifically, the BCG matrix uses market growth rate scaled high/low (≥ 10 percent growth or < 10 percent growth) as one axis and relative market share (high/low) as the other. Strategic Business Units (SBUs) are placed into the matrix by placing a circle (the size of which is proportional to the SBU's dollar sales) into the matrix at the proper intersection of its market growth rate and its relative market share. To provide even more information, the circles can be color coded to indicate the unit's level on other criteria of interest, e.g., profit margin, new sales, or value added. BCG provides

performance/potential-based names for the SBUs according to the quadrant into which they fall, along with possible strategies to consider for SBUs positioned in each quadrant. Stars (high growth/high share) are the most highly revered, followed by cash cows (low growth/high share), question marks (high growth/low share), and dogs (low growth/low share). Early PIMS research provided the basis for the method's generic strategy prescriptions for SBUs within each quadrant (Buzzell and Gale 1987).

Advantages. There are several advantages of the BCG matrix. For example, it seems that market share, one of the axes of the matrix, is indeed related to profitability (Buzzell, Gale and Sultan, 1975) as well as to the experience curve effect (Hedley 1976, 1977). The second axis, market growth, is seen as being important to organizations because there are substantial cash costs of funding projects in high growth markets which should be taken into account when planning, and because of its hypothesized interaction with market share (Wensley 1981). Finally, the BCG matrix is simple and easy to use (Wensley 1981, 1994) and it may be used at multiple levels within the business unit (Haspeslagh 1982).

Disadvantages. On the other hand, several authors have offered criticisms of the BCG matrix. For example, Wensley (1981) noted that the capital market as a source of funds is almost totally ignored in the BCG approach (as opposed to the use of cash cow quadrant SBUs). Given that many for-profits and most nonprofits operate using funds from outside their product offerings (Lovelock and Weinberg 1989, p. 436), it would seem that the BCG matrix may not be appropriate for use in these organizations. Further, Wensley noted that the matrix lacks internal consistency.

Proctor and Hassard (1990) noted that the BCG matrix relies on market share and market growth as the only two dimensions to be used in assessing the product portfolio, but that those two dimensions may not adequately represent the important dimensions for a particular strategic decision in a particular organization. For example, organizations that operate according to a niche marketing strategy could have a very small (or very large) market share

depending on how the market is defined, and this share may not be relevant to the importance of the SBU to the firm. Relatedly, it is sometimes difficult to classify a product as having high or low market share which would make application of the matrix difficult at best and impossible at worst (see also Varadarajan 1990). Finally, they noted that current market share does not tell a strategist about the possibility of increasing or maintaining that share.

Other problems with BCG matrix applications include: 1) many strategists may be troubled by a method that allows relative position of an SBU to change according to axes definition (Wind, Mahajan and Swire 1983), 2) any new-to-the-world product would be classified as a question mark (low share, high growth) and it is unclear why that would be helpful to a marketing strategist, 3) it implies that cash should be preferentially directed toward high growth markets and away from established businesses in slower growth markets (Zakon 1971), and 4) it fails to reflect risk factors of major, substantial diversification moves.

Finally, some researchers suggest that the method apparently lacks consistency with empirical evidence and the relationship of market share to other objectives of an organization is unclear (Wensley 1981, Varadarajan 1990). Recent research suggests that strategists may actually demonstrate poorer performance when using the BCG matrix (Armstrong and Brodie 1994) although they apparently believe they improve their decision making performance by use of the method (Haspeslagh 1982).

The GE/McKinsey Strategic Planning Grid

The GE/McKinsey Strategic Planning Grid, also known as the "GE/McKinsey business strength-market attractiveness matrix," resolves some of the difficulties associated with the BCG matrix by expanding the definitions of the BCG "market growth rate" and "market share" axes. The "market growth rate" axis is renamed "industry attractiveness" and for a specific application, the user specifies the appropriate combination and weighting of factors that, for them, define industry attractiveness. Factors here may include market size, market growth, pricing, market

diversity, competitive structure, industry profitability, technical role, social, environmental, legal, and human factors. (Due to the user-defined axes, it is critical that the interpretation of what the completed grid shows be based on the implications of the actual axes definitions that are created). Similarly, the GE/McKinsey approach expands the BCG "market share" axis renaming it "business strengths" which becomes a user defined combination of factors such as size, growth, share, position, profitability, margins, technology position, strength, weaknesses, image, pollution, and people.

Probably the most familiar feature of the GE/McKinsey Planning Grid is its extension of the BCG model's 2X2 boxes (high/low axis graduation), to a 3X3 set of nine boxes (high/medium/low). In both methods, the total length of each axis is usually additionally graduated 0-10, as an aid in accurate SBU positioning. As with the BCG model, GE/McKinsey provides alternative strategies to consider for SBUs positioned in each grid, e.g., divest, harvest. It is interesting to note that the quadrant strategies are consistent, although the axes definitions are user defined and, thus, vary from organization to organization. This would seem counterintuitive.

Advantages. Among the advantages of the GE/McKinsey Planning Grid are that it expands the dimensions of the BCG matrix. Wensley (1981) noted that market growth becomes part of a composite measure of market attractiveness and market share becomes part of a composite measure of business position. Further, it helps users to search for areas of sustainable competitive advantage. Finally, it provides greater flexibility in terms of elements it can include.

Disadvantages. Despite its advantages, there are a number of disadvantages to use of the GE/McKinsey matrix. First, it is difficult to use (Wensley 1981). Specifically, there is a problem of weighting and combining different factors to generate two dimensions. Second, despite the complexity (or because of it) there is a danger that the matrix may excessively lead an analyst to the tautological position of recommending preferential investment in

areas of highest market attractiveness and strongest business position (Wensley 1981). Third, while it considers industry attractiveness and business strength, it pays little attention to the business environment (Proctor and Hassard 1990). In Proctor and Hassard's extension of the GE/McKinsey Planning Grid that adds "environmental shift" as a third dimension (ranging from stable to creative), however, the three-dimensional grid would still suffer from the other disadvantages listed here. Finally, empirical evidence found that using the GE/McKinsey model resulted in subpar returns to shareholders (Slater and Zwirlein 1992). Kerin, Mahajan and Varadarajan (1990) and Slater and Zwirlein (1992) further note that the generic prescriptions offered by the matrix, e.g., invest, harvest, divest, are not too helpful for strategists and offer little guidance for developing and sustaining competitive advantage.

The MCC Decision Matrix

The MCC decision matrix begins with the premise that the BCG (and other such matrices) focus too closely on the products and markets of the organization. Nicholls (1995) suggested an alternative perspective wherein decision-makers consider the mission of the organization as well as its core competencies when making decisions about SBUs, projects, investments in research, training programs or any other claim on a firm's resources. Thus, the MCC matrix dictates that resources should be assigned to claims (SBUs) that help to achieve the mission of the organization and that strengthen its core competencies. The resultant matrix is a 2X2 grid with "fit with mission" (good vs. poor) on the vertical axis and "fit with core competencies" (poor vs. good) on the horizontal axis. Similar to other portfolio planning matrices, the MCC matrix offers labels for claims that fall into the resulting four quadrants; Dilution (good fit with mission, poor fit with core competencies), Drive (good fit with mission and core competencies), Drain (poor fit with mission and core competencies), and Distraction (poor fit with mission, good fit with core competencies). Finally, the MCC matrix offers alternative strategies for each claim type, e.g., cherish, eliminate, discard or alter.

Advantages. Among advantages of the MCC matrix are that it broadens the focus of strategic planning from the organization's products and markets to include analysis of the organization's mission and core competencies. According to Nicholls (1995), it also challenges planners and may cause an organization to refine assumptions surrounding definition of the mission and identification of core competencies. In addition, the MCC matrix helps in decision-making when it comes to *any* claim on an organization's resources (e.g., SBUs, research projects, products), not just SBUs. Finally, it can be used at any organizational sub-unit as long as it has a mission and core competencies can be identified.

Disadvantages. A problem that quickly becomes evident when attempting to apply this matrix is that the core competencies axis is conceptually over-correlated with the mission of the organization, i.e., the mission of the organization defines its core competencies. Given the close relationship between the two factors, if an SBU scores high on "fit with mission" it will also, most likely, score high on "fit with core competencies" (that is, unless the company is poorly organized or in transition). It would be more parsimonious to have just one scale on which to locate mission related issues. Another difficulty with the matrix is that it necessarily involves even more subjective judgment than usual on the part of strategic planners. That can easily result in situations where SBUs end up in whatever quadrant the decision-maker "needs" them to be. Indeed, Collis and Montgomery (1995, p. 119) noted that, "In practice, core competence has too often become a 'feel good' exercise that no one fails."

Other Portfolio Models

In addition to the more traditional portfolio models already discussed, there are other kinds of portfolio models one could use in strategic decision-making. Among these alternatives are Lovelock and Weinberg's Nonprofit Matrix (1989) and customer portfolio theory.

Lovelock and Weinberg's Nonprofit Matrix. Although few in number, product portfolio matrices are found even in the nonprofit literature. For

example, in their text, Lovelock and Weinberg (1989) presented a product portfolio matrix that nonprofits could use when analyzing their mix of strategic management units (SMUs). They argued that traditional product portfolio matrices emphasized long- and short-term profitability but ignored the dominance of nonfinancial objectives in the missions of nonprofit managers. Therefore, they proposed a portfolio model tailored to the nonfinancial objectives of nonprofits that addressed the issues of 1) profitability of each SMU, and, 2) the SMU's contribution to advancing the institutional mission. Located within the resulting matrix are five possible locations for SMUs. For example, an SMU could actively advance the mission and be highly profitable or not profitable. It could negatively impact the mission and be highly profitable or not profitable. Or, it could have a neutral relationship with the mission and be at or near the breakeven point in terms of profitability. Lovelock and Weinberg's matrix draws from the MCC matrix in that it uses adherence to the mission of the organization as one axis. Then, it draws from the GE/McKinsey matrix in that it employs a dimension of profitability in order to more fully understand various SMUs. The size of the circles representing each SMU is related to the proportion of total resources devoted to each SMU and the color of each circle can represent whether the SMU is a core, supplementary, or resource-attraction SMU for the nonprofit organization.

Among advantages of the Lovelock and Weinberg model is that it takes into account the importance of the mission to nonprofit organizations. There are a number of distinctive factors of nonprofit organizations, e.g., there is a certain tension between the mission of the organization and customer satisfaction. What this means is that, for many nonprofits, the mission may take precedence over customer satisfaction in some cases (Lovelock and Weinberg 1989). Many nonprofits exist in order to stop people from doing things that they want to do, or to get people to do things they would rather not do. Or the mission may ask people to do things that will not directly benefit them. Therefore, for nonprofit organizations, the mission is of paramount importance. The Lovelock/Weinberg model takes this

into account when locating SMUs (or product lines or products) in the product portfolio.

On the other hand, there are several problems that arise when using this nonprofit matrix. First, although the matrix requires the existence of detailed cost data and the ability to assign costs to specific products or areas of activity, in actually attempting to apply this matrix, we found that revenues were not clearly allocated nor were costs clearly allocated to each SMU in any nonprofit with which we worked. This could be taken as a weakness of the matrix. Without some degree of estimation, many nonprofits would not be able to do any kind of portfolio analysis of their SMUs. Also, having an axis dimension of profitability or revenue production seems to be counter to many nonprofit SMU objectives.

Customer Portfolio Theory. Customer portfolio theory is a relatively recent application of portfolio theory wherein strategists compare the soundness of marketing to each customer against its position on some portfolio grid (Campbell and Cunningham 1983, Fiocca 1982). Whether one uses Fiocca's 2-step model or Campbell and Cunningham's 3-step model, according to Yorke (1986), customer portfolio theory seems very useful in situations of low product technology, low risk and where the product is continuously supplied and where the supplier organization has a lot of information on both customers and competitors. Logically, then, customer portfolio theory may not be very useful in opposite situations.

Summary

In sum, the BCG, GE/McKinsey, MCC and other portfolio models for resource allocation have a number of advantages and disadvantages to their use. They appear to be popular methods used by Fortune "1000" and Fortune "500" companies (e.g., Ramanujam and Venkatraman 1987 a & b; Swartz 1990). Their primary advantage may be that they simplify the problem of resource allocation (Slater and Zwirlein 1992). However, given the myriad disadvantages of their use, there is room for improvement in portfolio analysis. In a later section, we will propose a model that incorporates many of

the strong points of the portfolio models just discussed. But first, we will present a process of portfolio analysis that addresses a major flaw in the way many strategists apply portfolio models. We contend that, perhaps because of what strategists are taught in school, they tend to apply the resource allocation model with which they feel most comfortable rather than the one (or several) that is (are) most appropriate to the situation at hand.

CRITICAL STEPS - PROPOSED PORTFOLIO PROCESS ANALYSIS

Nearly every box-type method first requires a marketer to subdivide the organization into "strategic business or management units" (SBUs or SMUs). For strategic planners, the process should, then, include a number of steps, many of which have traditionally been overlooked in textbook and classroom discussions. These steps are presented in Table 1.

TABLE 1
Proposed Portfolio Analysis Process

<i>Objective or purpose of analysis</i>
<i>Choice of appropriate box method</i>
<i>Review of the method's fundamental assumptions</i>
<i>Choice and definition of sets of axes</i>
<i>Positioning of the SBUs or SMUs within the matrix</i>
<i>Interpretation of what each strategic units relative</i>
<i>position shows</i>
<i>Decision making</i>
<i>Post-hoc evaluation</i>

First, one needs to determine the objective or purpose of the portfolio analysis. *Second*, one should choose the appropriate box-method. *Third*, a strategist should review of the method's fundamental assumptions. There are many possible methods to choose from and even choosing common ones such as the BCG or GE/McKinsey matrices does not protect a strategist from inadvertently mixing up assumptions from different portfolio models. Therefore, we suggest a review of basic assumptions of one's chosen model prior to applying it to one's own organizational situation. *Fourth*, one needs to choose the sets of axes and their specific definition for the chosen application. No matter what portfolio method a marketing strategist chooses, s/he has to carefully

define the sets of axes such that they are appropriate for his/her organization and situation. *Fifth*, the SMUs should be positioned in the matrix as dictated by its axes (e.g., market share, adherence to the mission). *Sixth*, the strategist needs to interpret what the SMU's relative position strategically shows (actual and potential). *Seventh*, a decision must be made as to how these insights should impact the resource allocation, or other decision, the manager (planner) must make. To complete the management decision process, the planner would utilize portfolio analysis in conjunction with other information from the complete situation analysis. *Eighth*, and last, a strategist should evaluate the portfolio analysis process.

One benefit of the above process is that all available methods are conceptually considered by the decision maker, not just one method that one knows and feels comfortable with. Traditionally, box portfolio methods have been presented independently as if each stood alone. This is very different from some other model application paradigms. For example, in forecasting, the planner would be expected to know many techniques and be able to choose which technique would be appropriate for a particular application.

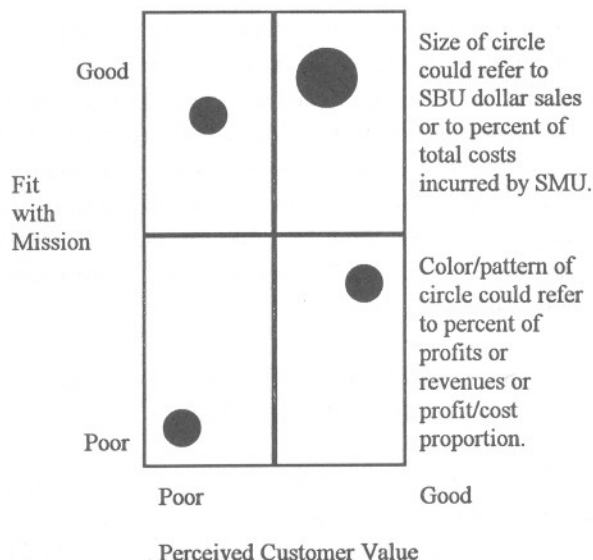
THE CUSTOMER VALUE/MISSION (CV/M) MATRIX

The Customer Value/Mission (CV/M) matrix combines aspects of the BCG, the GE/McKinsey, the MCC, and Lovelock and Weinberg's nonprofit portfolio matrices as well as customer portfolio theory. By reflecting on customer value and differential advantage in the eyes of the consumer, this new approach to a portfolio grid better serves the needs of strategists. The new grid features axes measuring "strategic mission" and "value in the eyes of the customer" (economic, aesthetic, philanthropic). Thus, portfolio analysis moves from an internal "product orientation" to a "customer orientation" which better reflects today's intense global competitive realities.

Specifically, the CV/M model (see the Figure), like the BCG and GE/McKinsey matrices is premised on

the notion that the value of market position or market share depends on the nature of the market and the organization's place within it. But, rather than evaluating competitive position from the point-of-view of the organization, it attempts to ascertain competitive position from the point-of-view of its consumers. Therefore, the CV/M matrix is consistent with recent literature noting the importance of an increased focus on customers (Parasuraman 1997, Woodruff 1997). Further, rather than focus just on forces external to the organization, the CV/M matrix, like the MCC and Lovelock and Weinberg's matrix, addresses the importance of the mission of the organization.

FIGURE 1
Proposed DV/M Portfolio Matrix



Thus, we argue that, in theory, resources should be assigned to claims that help to achieve the mission of the organization and that are perceived as being valuable by the organization's customers. The resultant matrix is a 2X2 grid with "fit with mission" and "perceived customer value" as axes which can be used as a communication and/or visualization tool for a strategist concerned with allocating resources. Thus, SBU or SMUs are positioned within the grid such that they reflect their fit with the mission and their perceived customer value. The size of the circles might be used to indicate the dollar sales of an SBU or

total costs incurred by an SMU. The color or pattern of a circle could be used to refer to the percent of profits or revenues or a profit/revenue proportion.

As a conceptual foundation, the CV/M matrix is supported by the twenty-year-old research and model application stream pertaining to portfolio models. As an additional theoretical foundation, we can look to Hunt's (1983) criteria for evaluating classificational schemata. When considered at the SMU unit of measurement, Hunt's requirements for specificity, exclusivity, and exhaustivity seem to be satisfied. But, it is Hunt's last criteria ("Is it useful?") that most excites evaluators of the method, i.e., in application, it is intuitive and simple to use.

Advantages. Since the CV/M matrix is intended only to aid visualization and communication for decision-makers, it avoids almost all of the criticisms which are attached to methods which attempt to suggest strategic actions, i.e., cash flow direction, hold position, divert. Even with this limited scope, the method has proved to be simple to apply and better serves the needs of a segment of users.

A major advantage of the CV/M matrix is that it focuses on the interaction between the organizational mission and the perceived customer value of the organization's SBUs, product lines or products. Further, the CV/M matrix is applicable to both for-profit and not-for-profit organizations in that it requires consideration of the mission of the organization and focuses on perceived customer value of organizational SBUs, product lines or products within SBUs. These axes are pertinent to any organization.

Also, problems with use of the MCC and the Lovelock/Weinberg matrices are reduced when using the CV/M matrix. Rather than attempting to use the highly correlated axes of organizational mission and core competencies as is done in the MCC matrix, the CV/M matrix uses only one of the MCC axes; organizational mission. Second, rather than use the contribution to profitability, advocated by Lovelock and Weinberg (1989), the CV/M matrix proposes use of a scale of perceived customer value of SBU. The customer value scale is a more objective scale than

the "core competencies" scale used by the MCC and should result in an organization making more informed decisions as to most effective allocation of its resources.

Finally, previous so-called "value-based" planning methods focused on shareholder value rather than perceived customer value (Walter, Boyd and Larreche 1992). However, those planning methods are associated with biases in forecasts of future activity and opportunistic behavior by managers among other things (Day and Fahey 1988).

Disadvantages. Like all other portfolio approaches, the CV/M matrix has its disadvantages as well as its advantages. For example, like the MCC and Lovelock and Weinberg matrices, positioning SBUs, product lines, or products on the vertical axis involves a subjective assessment of the goodness of fit with the mission of the organization. While a subjective task, the process can be made simpler if it is done by group consensus.

Another difficulty with the CV/M matrix is that it will admittedly take some time to collect necessary information relating to perceived customer value of SBUs, product lines, and/or products. However, marketing research need not be an involved or even an expensive proposition for organizations (Lovelock and Weinberg 1989).

Summary. In sum, the CV/M matrix, like all other portfolio models has both advantages and disadvantages associated with its use. Although we believe the matrix better fits with the reality of the nature of marketing today, we are not suggesting that this matrix is the only one that should be used by marketing strategists. Instead, we propose that the CV/M matrix be added to the tools used by a decision-maker faced with decisions about resource allocation.

DISCUSSION

We contend that there have been problems involved in the application of portfolio models in decision making. Perhaps a better term would be their misapplication in decision making. The issue is complicated by the fact that some of the models have been around for 20 years

and students, textbook authors and professors have had repeated dealings with them. The fact that is often missed is that few of these individuals have ever had personal experience applying these models in other than a school project situation. In fact, it is not unusual for a student to have been exposed to a portfolio method like BCG in each of several successive marketing classes, and then discover that they really do not know how to apply it when they reach capstone application cases. There they discover, for the first time, that BCG and portfolio models, in general, do not make decisions for managers. In early applications of these methods, it was not unusual for real world managers to be eliminating "dog" SBUs, or draining cash cows for use with question mark SBUs, not because it made strategic sense to them, but because the method "said to." Relinquishing responsibility for such management decision making is very much a misapplication of the method.

It may help to compare a portfolio method to an army general looking at a mockup of a battlefield or a similar real-time radar representation. Regardless of the classical textbook responses suggested for a particular scenario observed, the responsibility for the complete interpretation and creation of a response stays with the general. Years of experience, creative genius, and professional skill are all components of the final strategic decision and its success. Clearly, the general would have a large number of options, and would often not want to choose the obvious, most predictable, textbook response. To say that with a 2X2, or 3X3 matrix, any beginning officer could have the capabilities of a general is not reasonable. So it is with use of portfolio methods in business strategy. With undergraduates who lack any basis for making a decision, these models can be a first step in helping them understand why they might choose one approach rather than another. As further evidence of this point, consider a real world strategic manager using a computer-based decision support system. These systems often consider the interaction of many more than two or three variables (some even involve hundreds or thousands of variables). Still, to a real world strategist, these are not "artificial intelligence expert systems" that interpret and make decisions. The strategist is paid to understand the

tool, what it is suggesting, its underling assumptions, the implication of alternative actions, the resource requirements, the competitive reaction, and the ability of the organization to implement the final decision. What seems to make these somewhat simplistic methods attractive and useful to strategic managers is that, first, they are useful for communication and visualization. They are simple ways of showing and explaining to others the current position of the organization and its SBUs, and, with the addition of projected positions, future goals can be graphically shown as well. Thus, a considerable contribution of portfolio methods is that they help in visualization of the SBU/SMU mix in regards to size and profitability. If the generic strategy prescriptions of the portfolio methods were removed completely, most of the criticisms (like the need for meeting assumptions) would disappear. Second, portfolio methods can be used to support decisions consistent with the standards suggested for that grid position. This can provide the unaware a false sense of security that the decision is more of a "strategic standard" rather than the actual "strategic risk" that it is. Third, portfolio methods are a way for strategists to consider the organization's position in terms of specific variables of interest, keeping in mind that this interpretation is but one component of an integrated set of issues, interpretations, and implications from various sections of the situation analysis that will impact the final strategy (or resource application) decision. Finally, portfolio methods can be used as a quick check on our own strategy versus norms, and as steps in a "what if" process.

CONCLUSIONS

This paper has attempted to demonstrate that box-type portfolio management tools can be better understood and applied. Although simple in appearance, there is complexity in how managers actually utilize these user friendly tools. There exists considerable potential for increasing their effectiveness, including making the process of using portfolio models more systematic and considered. Perhaps the major stumbling block to the use of portfolios is how much managers and researchers believe they already know about them.

Clearly, there is more to learn and researchers who have proclaimed portfolio methods obsolete and dead (e.g., Mintzberg 1994, Robert 1993) should relook at the actual managerial application of these tools. Like others (e.g., Wilson 1994), we suggest that strategic planning has and will continue to evolve and challenge our assumptions and traditional processes.

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