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Strategic Analysis of Business Portfolios: Case Study of Chabahar Fishery Cluster

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Abstract

Today, competitive advantages of businesses with various products are dependent on a competitive analysis and developing a relevant strategy. One of the effective frameworks by which one can assess business portfolios is the General Electric (GE) Matrix, which itself focuses on two aspects namely market attractiveness and the business strengths. Therefore, this study asks what is the contribution of each of Chabahar Fishery Cluster's business units, as far as the competitive advantages and relevant strategies of each unit are concerned? The objective of the study is then defined as how to identify the gap between market attractiveness in fishing industry and potentials of Chabahar Fishery Cluster and to provide appropriate strategies in line with the GE Matrix. Chabahar Fishery Cluster's managers have been chosen as the target statistical population of the study. Marketing Management software is used to analyze data and results show those units which produced canned fish enjoyed better positions among other parts of the Cluster.

Keywords: General Electric (GE) Matrix, businesses potentials, the industries' gravity, portfolio analysis, Marketing Management software

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Introduction

Most businesses produce more than one product or work through more than one unit today. They may begin their activities with one product or just one unit but expand their business gradually in response to attractive market opportunities. To manage multi-product or multi-unit businesses incur some big challenges. Hasperlagh states that diversity in products or units may become both a great source for competitive advantage and a source for basic threats. Therefore, each unit in the companies' portfolio enjoys a different potential for growth, has a different competitive environment and it needs to make various strategic decisions to ensure that the organization's overall objectives are achieved (Udo-Imeh and colleagues, 2012).

As far as marketing is concerned, having various competitive analytic tools could be helpful to make strategic decisions. This increasingly enforces companies to make new investments and expand their organizational flexibility (Kotler & Keller, 2009). When a company decides to develop a marketing strategy, managers are required to assess their strategic business units' standing in the market. (Jan, 2002). So the goal of marketing efforts is to analyze the company's internal potential (main competence) and the potential for competition. This will create expertise and strategic cooperation agreements (Drummond & Ensor, 2001). To achieve these objectives, analyzes focus on two main goals. First, to know competition borders in order to define strategic areas in which the company acts upon. And secondly, to analyze the competition as a set of competitors' activities within the same strategic area (Bergen & Peteraf, 2002).

Chabahar Fishery Food Industry Cluster enjoys the opportunity of having access to crude materials as well as strategic status of Chabahar Free Region. Therefore, it also enjoys double opportunity of both having access to international markets and being a focal point to foreign and domestic investors. But, the Cluster also suffers from some weak sides including a low export quota and product supply fluctuations due to no marketing activities as well as having no direct access to the market. This all comes in spite of the fact that consumption of marine creatures and their by-products has increased dramatically. Also, there are no export companies with collective power to offer Business Development Services neither in the region nor the province to take some steps in resolving weak sides of the industry and in providing static conditions to offer and to export the products. There are 51 active industrial units in Chabahar Fishing Industry Cluster most of which are dependent on fisheries such as raising fish and shrimp, producing conserved food and fish powder. These are considered as the company's potentials for investment.

The GE-McKinsey Matrix is used as one of the strategic analysis frameworks for multi-product businesses. Therefore, in this study, we try to answer the question "where is the standing of each of the units of Chabahar Fishery Cluster in terms of competitive advantages and which strategies are related to each business unit?"

To this end, we tried to get acquainted with the factors under examination in business portfolio analysis after reviewing the literature of research and exploring the attractiveness of fishing industry market as well as the potentials of businesses active in the fisher cluster. In the next part, a research pattern was designed on how to use Market

Management software, which itself was labeled as an innovation in the current study. Finally, the above pattern is used in analyzing data after they are accumulated.

Theoretical basics

Analyzing business units

As far as competitive marketing is concerned they usually define three levels of strategy including the company level strategy, business units' level strategy and duty level or operational strategy (Hooly & colleagues, 1998). This paper is concerned with business units' level strategy as a new model in which businesses develop own strategies.

Various markets are categorized to achieve certain objectives. Those areas in which businesses operate are called Strategic Business Area. Hence, Strategic Business Units link the businesses' competitive status with one or more strategic business areas (Jonk, 2007). This will enable the businesses' management to make appropriate decisions after reviewing business portfolios in line with the distribution of financial resources to each of their own businesses (Day, 1997).

The GE Marix developed by McKinsey advisors' group is dubbed as one of the most used models in strategic analysis (Robinson & colleagues, 1978).

The General Electric (GE) Matrix

The General Electric (GE) Matrix applies several factors in order to assess the industry's rapture and the trade unit's potential. The Matrix, as seen in Figure 1, contains 9 cells dubbed as the GE nine-cell planning grid and it relies on the industry's long-time attractiveness, the company's power and its competitive status (Hanger and Villen, 2004). With respect to the trade unit's status in GE Matrix, three strategic approaches are proposed for each unit in the investment basket: 1- Investment for growth, 2- Selective investment and income activities and 3- Profit-taking or disowning the resources (Wilson & Gilligan, 1992). Types of strategies based on Matrix portfolios analysis are then provided after identifying business units in the GE Matrix. You should notice that the provided options in all of the cells of this Matrix do not hinder collectivity rather they could be applied to reach the objectives of any organizations simultaneously and in the same direction. As seen in Figure 3, the marketing unit's strategic options are displayed based on Matrix portfolio (Islam, 1999).

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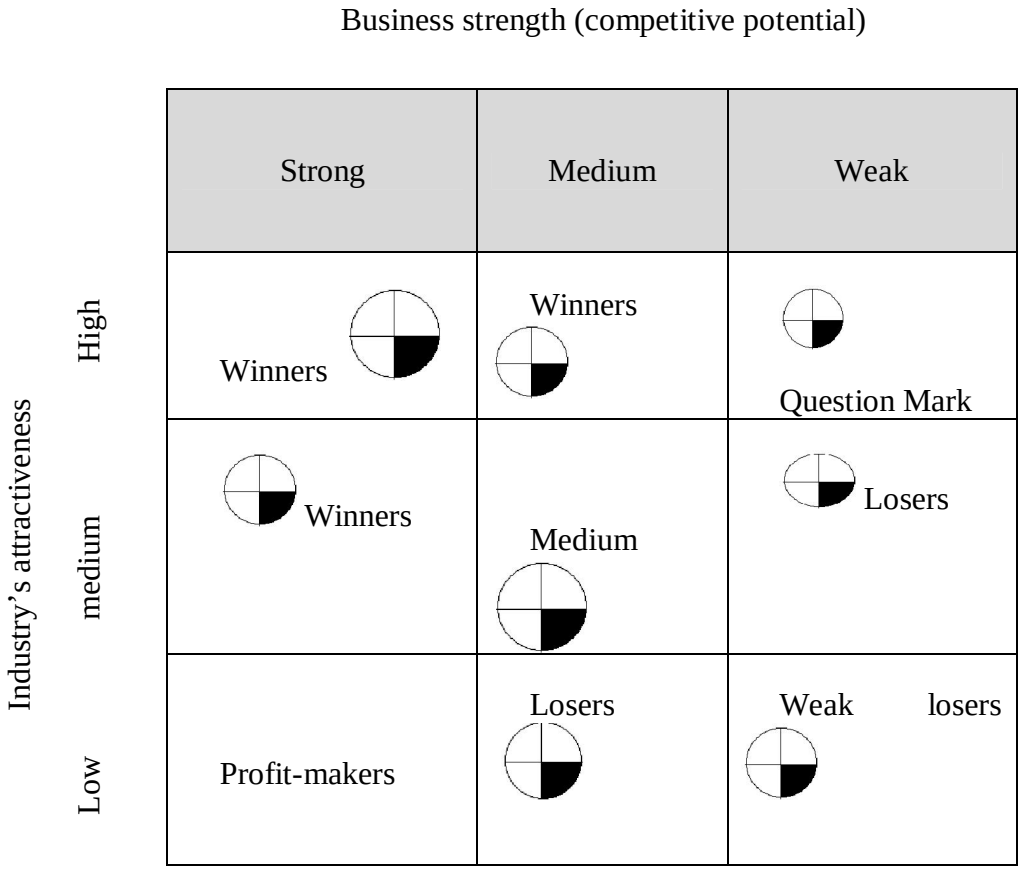

Figure 1 General Electric Matrix
Source: Hanger & Villen (2004)

1. Large research and development program 2. Right to make new innovations 3. To reduce the price 4. To speed up selling promotion 5. New products 6. Fresh markets	1. To enter new markets 2. To engage with new sectors 3. To add distribution schemes 4. To increase the product's use (consecutive buying)	1. To focus on more parts of the market 2. To seek for an unused place 3. To provide first-class goods or services 4. To create a distinctive image 5. To focus on production phase
1. To seek and focus on the fastest emerging markets	1. The product's quality improvement 2. Innovative product 3. Reformed distribution program	1. The process of improved production operation 2. To eliminate the additional or surplus capacity 3. To increase distributional channels
1. To enhance selling promotion 2. To stress marketing 3. New services 4. To increase price	1. To Maintain production capacity 2. To Maintain market share 3. To Maintain product's quality 4. To Maintain customer services	1. Cash 2. Cessation 3. To reduce spending 4. To reduce assets

Figure 2, Marketing unit's strategic options based on Matrix portfolio
Source: Islam (1998).

Factors behind business strength

The indexes showing any company or organization's capabilities in meeting the needs of the customers are considered as factors behind business strength as compared to other producers. They are also considered as the organization's capabilities to achieve its respective long-term and short-term objectives. The factors behind trade strength include market share, channels to distribute the company's products in the market, the pricing policies, quality standards, the ability to encounter changes in the market, profit margin, the ability to compete, to be informed of customer and the market, the competitive status, technology and management talent.

Factors behind the industry's attractiveness

You could understand the rate of the industry's attractiveness through recognizing the factors behind market attractiveness. The U.S. marketing association defines factors behind market attractiveness as criteria which show seen and unseen profit available in a particular market or industry. It depends on several factors including market size, its annual growth rate, profit-making rate, the intensity of competition in the market, seasonal and periodical qualities, consumption, technology, social, cultural, legal and economical factors. On the other hand, a particular market enjoys more attractiveness if it had more potential and unseen profits within its structure (Harrison & John, 1998).

The research background

A few studies have been carried out in the field of business portfolio analysis some explanations about which follow:

(Amatulli and colleagues, 2011) deployed Marketing Engineer software to do a research dubbed "Strategic analysis through using GE Matrix: to be applied onto Italy's mode industry".

(Hamidizadeh and colleagues, 2011) in their research dubbed "measuring and analyzing the attractiveness of dredging industry" used Potter competitive model in their analysis. Results showed that from among competitive forces, the providers mainly threaten the industry. They enjoy relatively high power and have more effective importance as compared to other competitive forces within the industry, according to their findings.

(Sayareh & colleagues, 2010) conducted a research into "the attractiveness of ship wrecking industry's opportunities" in Iran. They used the two-sentence test to identify chances and Freidman test to make priorities.

(Jezni & Gharibnavaz, 1998) did a study titled "Designing and defining marketing strategies based on market attractiveness and the competitive status of Food Industry". Findings showed that with the competitive status getting stronger, companies first resort to defensive strategies and focus on maintaining their current status and put the invasive strategy as their second choice.

Identify attractiveness factors/business strength in fishing industry

The Marketing Management software introduces five main dimensions to analyze and recognize the marker attractiveness factors/the business strength. As per the current study, it also considers those dimensions as main issues in analyzing business portfolio as shown in Figure 3.

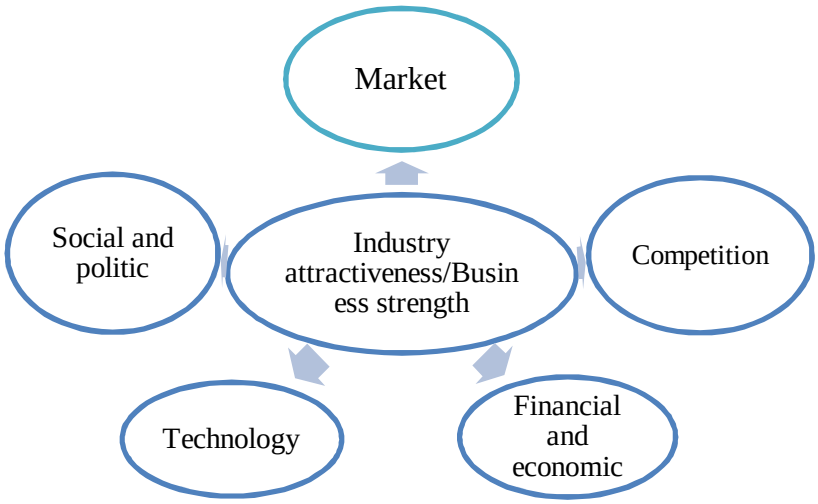

Figure 3 Indentifying attractiveness factors/business strength in Fishing Industry

Proposed research pattern in employing Marketing Management software

Marketing Management software was introduced as a new method in business portfolio Matrix analysis, but it was not deployed in Academic researches so far. Therefore, in this study, an approach is provided on how to use the software in scientific researches.

Phase 1: First we determine each business unit's share in the company's income. It's like this: number one shows each business unit is allocated a little amount of the income. Number two shows a few of the income share is allocated. Number 3 means half of the income is derived from this unit. Number 4 states that more than half of the income is derived from this unit and number 5 means all of the business income is derived from this business unit. After collecting the data and counting the relative mean share of each business unit the derived number is multiplied by 100 to conform to the software algorithm.

Phase 2: Marketing Management software is used to divide the two dimensions of business strength and the industry's attractiveness by 5 main factors. The total weight of these factors in each dimension should equal 100. Those factors include: market, competition, social and economic, technology and socio-politic. In this study, therefore, to prevent any mistakes in questionnaires data, each of the main factors in one to 5 categories are given a mark. Then the relative abundance of each factor can be obtained after collecting the data and computing the mean. Main factors' relative abundance is then multiplied by 100 to achieve a correct number between 0 to 100, in order for the mean to become compatible with the software's algorithm.

Phase 3: Each one of the main factors are disintegrated into sub-divisions in this phase and like the previous phase each of the sub-divisions are given a one to 5 mark. Then each mean is divided by 5 and the derived number is multiplied by 100 for the

weight of each of them to be determined. (It is worthy to note here that in this phase it is not required for the collection of sub-divisions of each main factor be equal to 100).

Marketing Management software shows the status of each business unit in the nine-cell Matrix after all the above phases are done. Now the researcher could use obtained data to make decision for each one of the business units.

Methodology

The current study is an application research in terms of the objective and it's a descriptive-measurement research in terms of data collection. The study's statistical population is consisted of 51 active production units of Chabahar Fishing Cluster which are working in 7 industrial townships as shown in table 1. Konarak Industrial Township has been chosen as the research sample from among those townships. Sampling method is judgment-based. As per the study, 22 people of the managers have been chosen from among active units in Konarak Industrial Township. Questionnaires are used to collect the data the collected data are analyzed by Marketing Management software.

Table 1: Active units in industrial cluster of Chabahar Fisheries

Unit's name	Tuna	Fishmeal	Processing and freezing	Total
Konarak	10	6	6	22
Chabahar	-	1	1	2
Nagoor	7	-	-	7
Pasabandar	3	7	1	11
Beris	1	2	2	5
Pazm	1	1	-	2
Ramin	-	2	-	2
Total	22	19	10	51

Analyzing the data

Phase 1: Main products of Chabahar Fishery Food industry cluster include fish powder, producing and conserving fish the share of which is shown in the Table 2.

Table 2: Weight of each business unit and the income of Chabahar Fishing Cluster

Name of product	Mean	Relative abundance	Weight of each unit(×100)
Tuna	3.76	0.42	42
Fishmeal	2.97	0.33	33
Processing and freezing	2.31	0.25	25
Total	9.04	1	100

Phase 2: In this phase, the business strength and industry's attractiveness are divided into 5 main factors total weight of which should equal 100 in each category. Those

factors include: market, competition, financial and economic, technology, socio-political shown in the Table 3.

Table 3: The importance of main factors in industry

Dimensions	Mean	Relative abundance	Weight of each unit(×100)
Market	4.9	0.23	23
Competition	4.8	0.22	22
Financial and Economic	4.55	0.2	20
Technology	3.75	0.17	17
Social and politic	4	0.18	18
Total	22	1	100

Phase 3: In this part, after selecting sub-divisions linked to each main factor, their weights are determined. The sub-divisions of the society under study is shown in Table 4.

Table 4: The sub-divisions used in the research

Dimensions	Market	Competition	Financial & Economy	Technology	Socio-Political
Industry attractiveness	Market dimensions	number of substitute goods	profit-making	complexity	the union's impact
	Segmentation	change in market share	market share	margin variety	people's social tendency
	Market tendency		saving as per the index		governmental regulations
	Price sensitivity		entry & exit impediments		financial policies impact
	Seasonal selling		wage level		
	Market variety				
	Demand and supply relation				
	Access to energy				
Business strength	Business share	cluster competitiveness	Investment output rate	conformity with changes	social acceptance
	Business growth	Change in market share	surplus value	Quality of research and development	quality of social relations
	Regional covering		Impediments to entry and exit to		

Dimensions	Market	Competition	Financial & Economy	Technology	Socio-Political
			industry		
			Access to crude materials		
			Human resources spending		
			Access to financial resources		

Market Management software's output as per the business attractiveness and strength based on the data derived from a field study is shown in Tables 5 and 6.

Table 5: Market attractiveness output

Market Attractiveness Summary					
			Canned fish	Fishmeal	Fish processing
Revenue by Product			42.0	33.0	25.0
Market Attractiveness			73.1	51.0	66.7
Market	Weight:	23	17.6	11.5	14.6
Competition	Weight:	22	19.8	5.6	19.8
Finance and Economics	Weight:	20	13.7	13.7	13.0
Technology	Weight:	17	8.5	8.5	8.5
Social and Political	Weight:	18	13.5	11.7	10.8

Table 6: Business strength output

Competitive Advantage Summary					
			Canned fish	Fishmeal	Fish processing
Revenue by Product			42.0	33.0	25.0
Competitive Advantage			59.3	50.2	28.3
Market	Weight:	23	11.5	10.7	1.2
Competition	Weight:	22	13.2	13.2	8.8
Finance and Economics	Weight:	20	11.7	11.3	11.3
Technology	Weight:	17	8.5	6.8	5.1
Social and Political	Weight:	18	14.4	8.1	1.8

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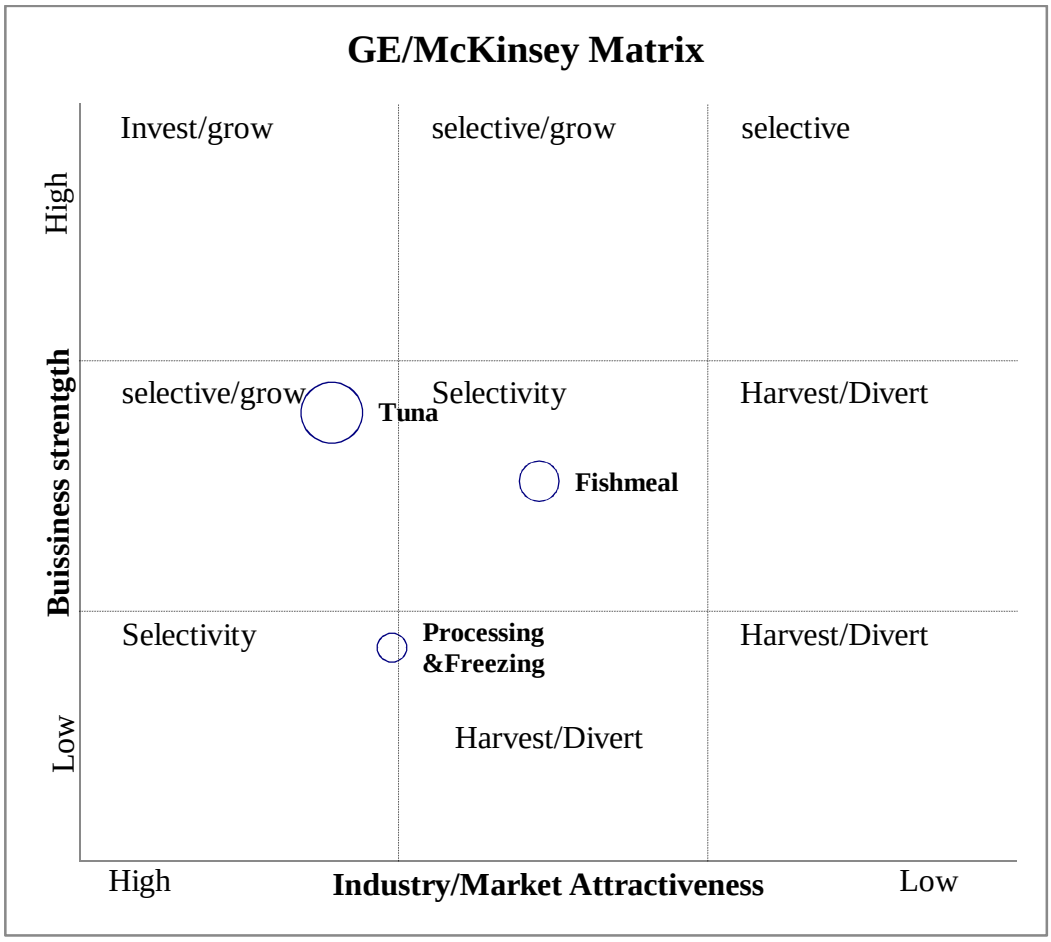

Figure 4: General Electric Matrix for Chabahar Fishing Cluster

Discussion and result

Business portfolio analysis is one of the tools which opens long-time horizons to strategic managers. It also assesses the competitive strengths and business units' weaknesses. So, it is understood here that business portfolio analysis improves strategies and the process of control instead of easing the process of strategic planning for managers. Therefore, Aaker (1995) and Doyle and Stern (2006) argue that business portfolio analysis cannot be considered as a strategic choice rather it gives important and abstract information to managers enabling them to create an appropriate balance among their business units and to understand opportunities and threats posed to them (Udo-Imeh & colleagues, 2012). As a result, the question arises whether business portfolio would leave a positive impact on the company's growth in the long-time approach or not?

According to this question, the results of field studies on Chabahar Fishing Cluster portfolio are assessed as follows:

According to the results derived from data analysis shown in Figure 4 conserved fish units enjoy high attractiveness and an average strength. The data is placed in the cell linked to selection/growth. It is recommended that search strategy and focusing on the

fastest growing markets be adopted for this product as shown in Figure 2. Power fish units in the business are placed in the middle status of strength/attractiveness and they can be seen at the selection cell. So, the recommended strategies include: improving product's quality, product's innovation and an improved distribution plan.

But powder fish units in the business are suffering a very low strength and an average attractiveness. So the recommended strategies are selecting between two cells or dismantlement as follows: maintaining production capacity, maintaining market share, maintaining market quality and more marketing activities.

This study also faced some restrictions such as being conducted in Chabahar Fishing Cluster which contains sets of business units and the competitive advantage of each unit is recognized. To overcome such limits, it is recommended that future researches choose companies producing a variety of products as field study.

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