Strategic Planning of the Eco Product Portfolio

by
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Abstract: At the beginning of strategic planning, the system used by most companies was rudimentary and limited to setting annual budgets and extending the current sales of the company and marketing environment trends to a period of several years. Further, based on these forecasts, managers took a series of decisions which concern the resource allocation process of the company. Turmoil of the early '70s, which generated strong emergence of crises, of which we can remember: the oil crisis, energy crisis, high inflation, economic stagnation, strikes, unemployment growth followed by the recession, have forced managers to identify a completely different approach, from the original, in order to be able to manage the company. This new approach known as strategic planning had the advantage of providing companies with a general framework through which opportunities in the markets could be spotted more easily, and the threats could be defeated much more quickly and efficiently. The present paper aims to present the strategic planning process of the eco product portfolio. Moreover, the paper will emphasize the importance and the strategic implications of the eco product portfolio within a company.

Key words: strategic, planning, portfolio, eco, product.
JEL classification: M31

1 Introduction

Even if within the marketing and management literature, there have been written many pages about strategic planning, it should be noted that this discipline associated with its specific concepts did not totally emphasize until the early '70s. On the basis of this work there are a number of reasons and the most important is related to the fact that during the '50s and '60s, companies faced a period of prosperity generated by the unprecedented development of economies in Western markets. Turmoil of the early '70s, which generated strong emergence of crises, of which I can remember: the oil crisis, energy crisis, high inflation, economic stagnation, strikes, unemployment growth followed eventually by the recession, have forced managers to identify a completely different approach, from the original, in order to be able to manage the company (Gilligan; Wilson, 2003, p.449). This new approach known as strategic planning had the advantage of providing companies with a general framework through which opportunities in the markets could be spotted more easily, and the threats could be defeated much more quickly and efficiently.

2 The strategic planning development context

At the beginning of strategic planning, the system used by most companies was rudimentary and limited to setting annual budgets and extending the current sales of the company and marketing environment trends to a period of several years. Further, based on these forecasts, managers took a series of decisions which concern the resource allocation process of the company. Even so, in many cases, the forecasts made by companies, even if they had a rudimentary character, finally they proved to be some with a high degree of accuracy. This was possible because many components of the marketing environment had a stable character. More specifically, the markets were growing, demand exceeded offer and the external changes were at a minimum level (McDonald, 1998, p.71). However, since the 70s significant changes have taken place among the components of the marketing environment, giving him an unstable character. In particular, this became evident by decreasing growth rates of the markets, among
the largest companies, which stood out with a performance management (Buell, 1984, p.191). Among these changes, which generated the increase of strategic planning importance within companies, there are: technological progress, the increasing complexity of the external marketing environment, growing importance of managers and the importance of profit growth (Dyer, 1990, p.157).

In terms of technological progress, we can say that it contributed to the emergence and development of new types of industries. This increase in the rate of change of technology has led to a proactive behavior within companies, making them to seek new business opportunities, which is opposite to a passive one, which requires only a simple response to actions initiated by the competition.

Further, due to increasing interdependence of the marketing environment’s components the managers can not make decisions based only on considerations of the internal environment of the company. As such, the managers’ decisions must take into consideration the specific elements of the economic environment, social environment, political environment, natural environment, cultural environment and legislative environment.

Among the causes that led the managers to reassess the strategic approaches, which they previously used, include: slowing population and economy growth, changing consumer attitudes towards consumption, the rapid increase in inflation caused by rising oil prices and higher costs for adoption measures necessary to protect the environment (Buell, 1984, p 191).

As such, the strategic planning concept has proven to be useful to meet these new environmental conditions because it focuses on realistic assessment of the present and on a number of likely future conditions as well on a creative thinking, aimed to achieve the objectives set at the corporate level.

The third factor of influence is the increasing importance of managers. Thus, today's managers interact with several factors of influence, which are producing major structural changes within the company’s marketing environment. As such, the strategic decisions pressure increased significantly, leading inevitably to an increase of the manager’s importance within the company.

The last factor that led to the raise of the strategic planning, among companies, emphasizes the importance of increasing profits. Failure to improve long-term business profits, leads inevitably to disaster. The reason is quite simple and derives from the idea that the capital (obtained from profit or loan from external sources) is essential for any enterprise. Foreign capital is found in those companies that have real chances to achieve profitable growth and avoid those that have little chance of profit.

The profit should not be seen as the only objective to be adopted at the corporate level, but nevertheless represents a fundamental objective, which should not be ignored. While current profits are important for the company, it is sometimes necessary to know them from the start, in order to focus on long term gains (Buell, 1984, p 191). Thus, the significant changes within the patterns of growth of the company normally requires a period longer than one year, so this justify the fact that managers should change their attitudes towards the adoption of strategic planning.

This major change in management systems, depending on the action variables is illustrated within the Table 1. (Dumitru, 2004, p.19)

<table>
<thead>
<tr>
<th>Table 1. The strategic planning evolution</th>
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<tbody>
<tr>
<td><strong>Long term planning</strong></td>
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<td><strong>Strategic planning</strong></td>
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<td><strong>Management priorities</strong></td>
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<tr>
<td>Anticipating increases and complex</td>
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<td>management</td>
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<td>Changing the orientation and strategic</td>
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<td>objectives</td>
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<td><strong>Assumptions</strong></td>
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<td>Past trends repeat</td>
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<td>New trends are possible and discontinuities</td>
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<td><strong>Process</strong></td>
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<td>Periodically</td>
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<td>Since 1950</td>
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<td>Since 1960</td>
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Source: (Aaker, 1998)

These changes have contributed to the evolution of a company, from a basic stage based on a simple process of establishing an annual budget and limited time basis forecasts, to a
sophisticated strategic planning stage, which corresponds to a new way of strategic thinking.

3 The eco product concept

From the industrial revolution, the company often followed a universal model which states that a product is created using research and is finalized through marketing. But the "green movement" has changed this fact. The companies have learned that in order to maintain its image and market position they have to reinvent the product and in many cases to mobilize the entire company to meet the consumer needs.

The demand and the purchase of eco products by consumers are seen as a reflection of consumer environmental concern, but we can not ignore that the consumer is interested in his welfare. Thus he tends to buy such products in order to improve their own life and not because of philanthropic concerns or environmentally responsible (Sanjay and Gurmeet, 2004, p.18).

The eco consumers are those who avoid using products that are causing significant damage to the environment, endanger the health of others, causing significant damage to the environment during production, using a disproportionate amount of energy in manufacturing or and in use, causing unnecessary waste, using materials derived from protected species or ecosystems, involving unnecessary use, causing cruelty to animals or affecting other states. (Elington, 1994, p.93)

The real eco consumer is thinking more in terms of what is the minimum necessary to meet his basic needs than in terms of news, fashion, or status.

If in the 70s the environmental movement was concerned with industrial processes and clear cases of pollution such as air pollution. Starting with the '80s the discussion has expanded to a broader approach regarding the environmental impact of a product throughout its life cycle.

Thus when trying to develop a new product, a company must start with a preview of the product life cycle.

In general, the companies must turn their attention to technologies and products which have a little adverse effect on the environment. Obviously this means additional costs during the design phase, but if this is not done, the consequences will be more costly both short and long term.

The eco product approach can not be integrated only at a single stage of the product life cycle, it must be unitary, complex and have to start with the drawing of the new eco product and end with the waste and recycling phase.

Further we will blend the eco approach with the strategic planning approach in order to highlight the particularities of the eco product portfolio strategic planning. This view will help the companies to develop an eco product portfolio that will be more competitive on the market.

4 The importance and objectives of the eco product portfolio strategic planning

The eco product portfolio strategic planning can be defined as a dynamic process of adopting a set of decisions, through which the current list of eco products of a company is constantly updated and revised (Cooper, 1999, p.180).

During this process, the eco products which represent new business opportunities for the company are evaluated, selected and prioritized. Further, existing products of the eco product portfolio may be accelerated, killed or de-prioritized (Cooper, 2004, p.104).

Thus, the eco product portfolio decision process is characterized by uncertain and changing information, dynamic opportunities, multiple goals and strategic considerations, interdependence among eco products and multiple decision-makers and information (Cooper, 2004, p.104).

To summarize the thoughts, eco product portfolio strategic planning tries to identify the answer to the following set of questions:

- Which eco products should be maintained in the portfolio?
- Which eco products should be developed in the portfolio?
- Which eco products should be eliminated from the portfolio?
- Which eco products should be introduced in the portfolio?
Which eco products have priority in the resource allocation process?

At one point, eco product portfolio strategic planning may appear to be a mechanical process of decision-making and resource allocation. However, it should be remembered that there are a number of issues that can enforce the competitive nature of the decision making process. These include:

- Eco product portfolio strategic planning focuses on the future, taking into account the opportunities that appear at some point in a market.
- Marketing environment is dynamic and therefore new information that appears in the market is constantly changing the structure of the eco product portfolio.
- The eco products within a company's portfolio are in various stages of the life cycle, competing among themselves for the same set of company resources. Therefore, it is necessary to carry out comparative analysis between the company's eco products, although the qualitative levels of information on these elements can vary from case to case.
- Company's resources to be allocated to different eco products are limited in volume. Therefore, adopting a decision through which a number of resources must be allocated to an eco product may have a negative impact on other eco products of the company. Specifically, an effect of prioritization appears within the company, according to which some eco products are considered more important than others, in terms of resources that they need.

The main objectives, of the strategic planning process of the eco product portfolio, which a company may have in mind, can be the following: value maximization, strategic alignment, achieving balance, competitiveness, judicious resource allocation, focus the company, improve interdepartmental communication and ensure objectivity (Castellion, Griffin, and Kahn, 2005, pp. 51-52).

Value maximization requires the allocation of resources in order to maximize the eco products portfolio. Value maximization is consistent with long-term profitability, likelihood of market success and return on investment.

- Strategic alignment aims to reflect the strategic direction adopted at corporate level by a company through all actions subordinated to the management of eco product portfolio. More specifically the eco product portfolio must support the corporate strategy rigorously selected by the company.
- Achieving balance derives logically from the previous goal and considers building a balanced portfolio of eco products. This implies the existence within the company's portfolio of balanced eco products in terms of: associated risk levels, profitability levels, levels of success held within the market, the technologies, the markets and also the levels of organizational resources consumed.
- Increasing the competitiveness seeks to maintain and/or strengthen the competitive position by each eco product included in the company's portfolio. Going forward, this goal can be combined with an increase in turnover and market share for each eco product held in the company's portfolio.
- Judicious allocation of resources refers to an efficient allocation of human, material, financial and information resources for each eco product, as part of the company's portfolio.
- The company's focus aims the managers who should concentrate on a reasonable number of eco products. These eco products have to be correlated with the existing volume of organizational resources, in order to facilitate a much easier resource allocation process.
- Improving the interdepartmental communication intends to communicate the activities and priorities of the company to all organizational levels involved in the management process of the eco product portfolio, by a top-down and bottom-up communication.
- The objectivity highlights the correctness selection of the eco products, in order to choose the eco products with great potential and eliminate the weak eco products which bring losses to the company.
5 Conclusions

The companies which consider these fundamental objectives inevitably will view the eco product portfolio strategic planning process as important in achieving market success. In other words, the introduction of new eco products in the company’s portfolio represents the starting point in achieving success in a market. This approach depends on the managers’ ability to identify and select the correct market opportunities that will become future successful eco products. However, the introduction, the maintenance or removal of eco products in/from the company's eco product portfolio is a manifestation of the corporate level strategy. In other words, the main way the corporate strategy is implemented, lays in the decision to introduce, maintain or remove the eco product in/from the company's eco product portfolio. Therefore, if these decisions prove to be wrong, then it can be argued the company failed to correctly implement the corporate strategy.

In conclusion the eco product portfolio strategic planning process can be summarized in the resource allocation on various eco products. In other words the main objective of the strategic planning is to shape the business and eco products in order for the company to obtain growth rates and profit levels, previously established previously (Barbu, 2011, p 87).

Thus, considering the eco product portfolio strategic planning from a shareholders approach, the resources must be managed very carefully, in order to be correctly allocated. The consequences of poor eco product portfolio strategic planning are clear and are directly linked to wasting the company’s resources as well as to not fulfilling the financial needs of the shareholders.

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References


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