









# 1.0 What Is A Business?

□“A Business Is Any Legal Engagement Such As A Set of Work Routines, Roles, Career Practices, Professions, Callings, Gifting, Passions or Hobbies; Which Are Engaged In By An Individual Or A Group; With A Determined Objective Of Satisfying A Targeted Customer Segment; Building A Lasting Stream Of Mutually Benefiting Financial Transactions; & Making Profit In A Win-Win Sustainable Relationships Which Allow Open Promotions; A Measure Of Meeting The Customers’ Quality Satisfaction Expectation Standards; A Respectable Command of Their Repeat Patronages & Their Willful New Referrals. All These Capably Ultimately Leading To Guaranteed Sustainable Turn-Over, & A Stream Of Stable Ethical Profitability.” **Olajide Thompson Olaopa**

## 1.0 What Is A Business? (Contd.)

**❑ Any trading in illegal product(s)/service(s) is no business but crime! E.g. trading in prohibited goods, banned narcotics & harmful substances; or abortion services (In Nigeria) etc.**

**❑ Any unethical product(s)/service(s) is/are no societally friendly & non-socially long-termly sustainable as a business; but may not out rightly be illegal business. E.g. Prostitution, Sales Of Alcohols in Non-Sharia States; Sales Of Cigarettes etc.**

## 2.0 What Is Business Diversification?

**□“This is the corporate or personal practice of extending ones’ economic tentacles of profitability into other related or unrelated business opportunities, within or outside the original pioneer business effort one started with initially.”** Olajide Thompson Olaopa

## 3.0 What Is Strategy?

□“This is the competent know-how, of getting deliberate, desirable, long termly sustainable, openly explainable and repeat performance repeatable results; with the ability to fully knowledgeable answer the five questions of: How? Why? When? Where? Who or by Whom?”

**Olajide Thompson Olaopa**

□Until we have learnt to manage by competent & comprehensive knowledge of both the internal micro & the external macro environmental factors shaping our results, we aren't yet managing to get result by strategy; but by unreliable vulnerability of trials & errors!

□Anything that must work out well sustainably, must work by explainable principles & inviolable procedures.







### 3.0 What Is Strategy? (Contd.)

- ❑ You must determine whether to expand your portfolio in favorable macro & micro environmental climates (**Expansionary Strategies**); or whether to constrict your portfolio in unfavorable macro & micro environmental climate (**Contractionary Strategies**).
- ❑ Times & Chances are (opportunities) that come to all human beings and corporations; but only those with the right sensitivity, proactivity and knowledgeable business strategies take advantage and make the most out of times & chances (opportunities)!

### 3.0 What Is Strategy? (Contd.)

❑ The right strategies in deploying available resources to take advantage of the free for all divine gifts of time and chances (opportunities); distinguish the winner portfolio managers from the loser portfolio managers. They also distinguish the successful from the failure; whether in personal life or corporate life.

❑ You need to competently build-up a portfolio of sustainable businesses to open up a sustainable stream of life time multiple incomes; irrespective of changes that will take place in tomorrow's business environment.

## 4.0 What Is Strategic Portfolio Management?

□“The acts, art & science of planning, implementing, reviewing & controlling the long term sustainable creation of multiple stream of income from multiple business opportunities; via either trading in multiple products, in multiple industries, in multiple markets, or in multiple ventures; using any or a combination of the generic business strategies for expansion & growth in favorable climate; or others for contraction & down sizing in disfavorable climate.” **Olajide Thompson Olaopa**

□Such expansionary strategies include:

✓**Horizontal Diversification Strategy**

✓**Vertical Diversification Strategy; (P.T.O. to next slides)!**

## **4.0 What Is Strategic Portfolio Management? (Contd.)**

- ✓ Concentric Diversification Strategy**
- ✓ Conglomerate Diversification Strategy**
- ✓ Product Line Extension Strategy ( Length, Breadth & Depth)**
- ✓ Multiple Branding Strategy**
- ✓ Horizontal Integration Strategy**
- ✓ Forward Vertical Integration Strategy**
- ✓ Backward Vertical Integration Strategy**

## 4.0 What Is Strategic Portfolio Management? (Contd.)

- ✓ **Market Penetration Strategy\***
- ✓ **Consolidation Strategy\***
- ✓ **Product Development Strategy\***
- ✓ **Market Development Strategy\***
- \* **Ansuff Business/Market Growth Strategies**
- ✓ **Diversification Strategies ( already listed)!**
- ✓ **Merger & Acquisition Strategies (M & A Strategies)**

## 4.0 What Is Strategic Portfolio Management? (Contd.)

# ✓ Internationalization & Globalization

## Strategies: E.g.

- ❖ In-direct Exportation
- ❖ Direct Exportation
- ❖ Franchising & Licensing
- ❖ Joint Venture
- ❖ Strategic Partnering



## 4.0 What Is Strategic Portfolio Management? (Contd.)

- ❖ **Foreign Direct Investment**
- ❖ **Virtual Organization**
- ❖ **Glocal**
- ❖ **International**
- ❖ **Transnational**
- ❖ **Multinational**

## 4.0 What Is Strategic Portfolio Management? (Contd.)

✓ For **Business Contraction** (in adverse macro & micro business climates):

- ❖ **Down sizing Strategy**
- ❖ **Delaying Strategy**
- ❖ **Right Sizing Strategy**
- ❖ **Harvesting Strategy**
- ❖ **Liquidation Strategy**
- ❖ **Divestment Strategy**
- ❖ **Bankruptcy Strategy**

## 4.0 What Is Strategic Portfolio Management? (Contd.)

✓ **The bottom-lines in strategic portfolio management are:**

- ❖ **Making profitably sustainable moves.**
- ❖ **Making competitive moves.**
- ❖ **Making customer satisfactory-corporate profitable moves.**
- ❖ **Making less competitively costly moves.**
- ❖ **Making sensible & shareholders sellable moves.**
- ❖ **Making non-corporately product & profitability cannibalizing moves.**
- ❖ **Making legal moves.**
- ❖ **Making ethical moves.**
- ❖ **Making retraceable, retractable and re-inventible moves.**
- ❖ **Making non-corporately damaging moves.**

## 5.0 Why Business Diversification?

**□ Because it empowers corporate ability:**

**✓ To tap into new emerging business opportunities in the macro-environment of business operation.**

**✓ To increase the corporate market ownership e.g. to give cross subsidy via diversities of businesses.**

**✓ To avoid new emerging adverse business threats in the macro-environment.**

**✓ To spread risks across a range of businesses.**

## 5.0 Why Business Diversification? (Contd.)

- ✓ **To expand corporate market share.**
- ✓ **To gain corporate efficiency ( economies of scope).**
- ✓ **To consolidate on corporate areas of competitive strengths in the market.**
- ✓ **To gain corporate synergy; (the benefit that are gained where activities or assets complement each other, so that their combined effect is greater than the sum of the parts).**
- ✓ **To harmonize multiple segments into mega sector.**
- ✓ **To provide new market for the commercialization of R & D inventions.**

## 5.0 Why Business Diversification? (Contd.)

- ✓ To stretch corporate parenting capabilities into new markets & products or services.
- ✓ To leverage on available competitive corporate skill-set, knowledge advantages, innovation & creativity savvy.
- ✓ To sometimes meet the expectations of powerful stakeholders.
- ✓ To tap into global market opportunities.
- ✓ To respond to changing regulatory & legal climates.
- ✓ To respond to customers' changing tastes & preferences.
- ✓ To drive higher turn-over & profitability.
- ✓ To respond to competitors' threat & actions.
- ✓ To respond to products moving into their decline stage in their product life-cycle.

## 5.0 Why Business Diversification? (Contd.)

- ✓ To deploy & utilize excess resources better and more profitably.
- ✓ To stir-up innovative moves in the industry with first mover advantage strategy.
- ✓ To respond to re-inventing & rejuvenating a business moving towards its decline stage in its business life cycle.
- ✓ To stay ahead of competitors as innovator & innovative leader.
- ✓ To leverage on the knowledge workers' & the human capital creative & innovative competencies, talents & skill set; to set a new industry benchmark.
- ✓ To reinforce & reposition brand superiority, brand image, brand equity & brand identity.

## 6.0 Why Strategic Portfolio Management?

- Because it empowers long-term corporate ability:
  - ✓ To utilize available internal resources & competencies more judiciously, more creatively, more innovatively, more sustainably & more profitably.
  - ✓ To reduce losses in decline markets or with declining products more proactively.
  - ✓ To proactively access internal capacities & capabilities & to match them against external opportunities & threats much more better.
  - ✓ To generate sustainable customers' & especially shareholders' satisfaction.
  - ✓ To generate better sustainable profitability via more intelligible investment & divestment.

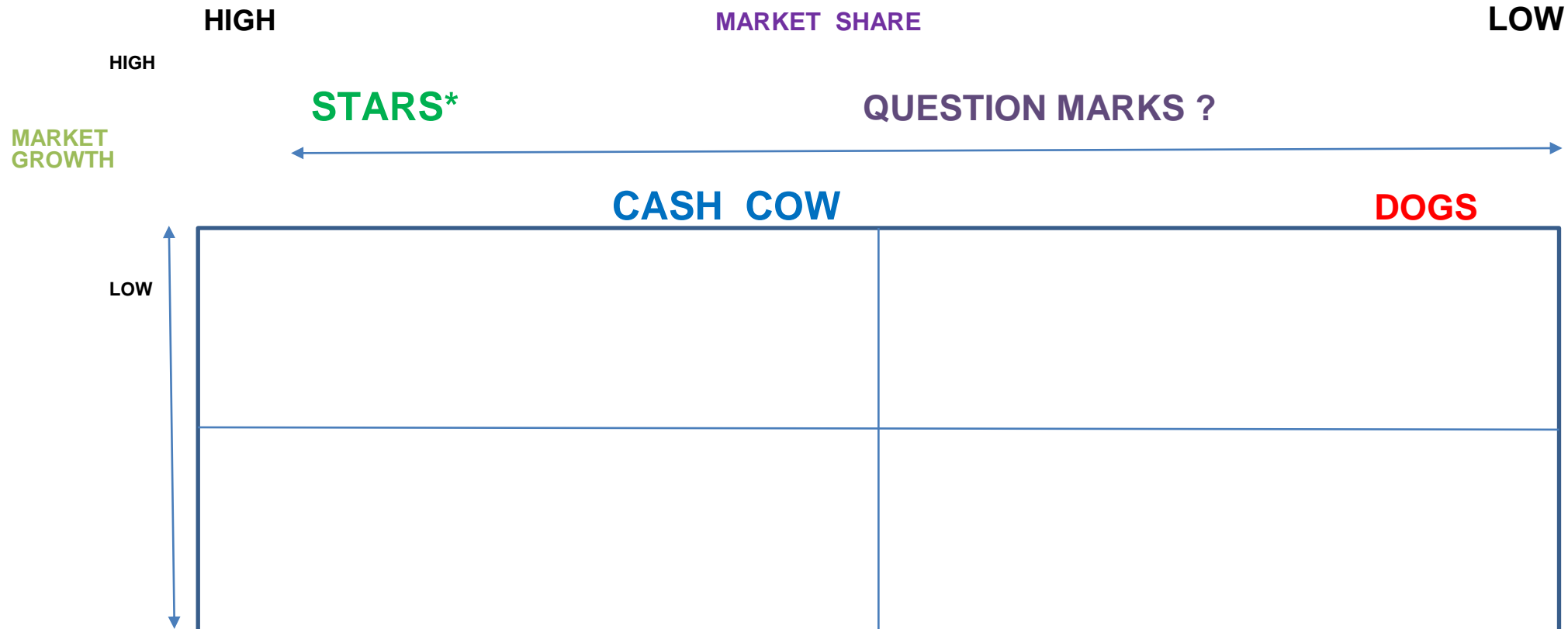


## 6.0 Why Strategic Portfolio Management? (Contd.)

- ✓ To manage products, businesses & corporate life cycles more intelligibly & more competently.
- ✓ To think out of the box more creatively, more innovatively and more entrepreneurially.
- ✓ To redeploy internal resources & competences more proactively, more judiciously & more productively to where they can create better values with time.
- ✓ To think about the customers, the shareholders and the competitors more harmoniously simultaneously & better competently.
- ✓ To realign internal strengths better with the external opportunities and adjust internal weaknesses from being over-run by external threats.

# 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix?

(a) The Growth/Share or BCG (Boston Consulting Group) Matrix:



## 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix? (Contd.)

- ✓ The BCG Matrix is a model by which managers can manage the various parts of their portfolio differently, or add and subtract business units within the portfolio.
- ✓ The BCG Matrix as a portfolio management model like others, gives attention to the following three criteria:

❖ (a) **The Balance of the portfolio**:- e.g. in relation to its markets & the need of the corporation.

❖ (b) **The alternatives of the business units**:- In terms of how strong they are individually & how profitable their markets or industries are likely to be.

❖ (c) **The fit that the business units have with each other**:- In terms of potential synergies or the extent to which the corporate parent will be good at looking after them.

## 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix? (Contd.)

### □The Four Quadrants:

❖(1) The **STAR**: This is a business unit within a portfolio of businesses that have a high market share in a growing market. ( Invest more resources in this more than it could presently afford on its own). ( Such funding could be provided by the **Cash Cow** business).

❖(2) The **QUESTION MARK** ( Or **PROBLEM CHILD**): This is a business unit in a growing market, but without a high market share. ( Restructure, reorganize re-staffed; before investing more resources in it.)

❖(3) The **CASH COW**: This is a business unit with a high market share in a mature market. (Milk the cow to develop the **STAR** & the **QUESTION MARK**).

❖(4) The **DOG**: This is a business unit with low market share in a declining market. ( Hang the dog by any of Liquidation, Divestment or Harvesting; except it has any supportive strategic benefit to either the **STAR** or the **QUESTION MARK**).

## 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix? (Contd.)

### ❑ **The 4 Usefulness Or Advantages Of The BCG MATRIX:**

- ❖ It provides a good way of visualizing the different needs & potentials of all the diverse businesses within the corporate portfolio.
- ❖ It warns corporate parents (**Parental Developer seeking to employ its own resources & competences as a parent to add value to its businesses & build parenting skills that are appropriate for its portfolio of business units**); of the financial demands of what might otherwise look like a desirable portfolio of high growth businesses.

## 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix?

(Contd.)

### ❖ **The 4 Usefulness Or Advantages Of The BCG MATRIX: ( contd.)**

- ❖ It also reminds corporate parents that **STARS** are likely eventually to wane.
- ❖ Finally, it provides a useful discipline to business unit managers, underlining the fact that the corporate parent ultimately owns the surplus resources they generate and can allocate them according to what is best for the corporate whole. E.g. **CASH COWS** should not hoard their profits. Incidentally, surplus resources may not only be investment funds; the corporate parent can also reallocate business unit managers who are not fully utilized by low-growth **CASH COWS** or **DOGS**.

## 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix?

(Contd.)

### ❑5 Potential Cautions In Using The BCG Matrix:

- ✓ **Definitional Vagueness:** It can be hard to decide what high & low growth or share mean in particular situations.
- ✓ **Capital Market Assumption:** It is assumed that capital cannot be raised in external markets by issuing shares or raising loans; but only from internal sources (**CASH COWS**).
- ✓ **Unkind To Animals:** Both **CASH COWS** & **DOGS** receive ungenerous treatment, the first simply milked and the second hanged ( terminated or cast out of the corporation home). This treatment can cause motivation problems, as managers here see little point in working hard for the sake of other businesses.

## 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix? (Contd.)

### ✓5 Potential Cautions In Using The BCG Matrix: (Contd.)

✓The notion that a **DOG** can be simply sold or closed down also assumes that there are no ties to other business units in the portfolio, whose performance might depend in part on keeping the **DOG** alive.

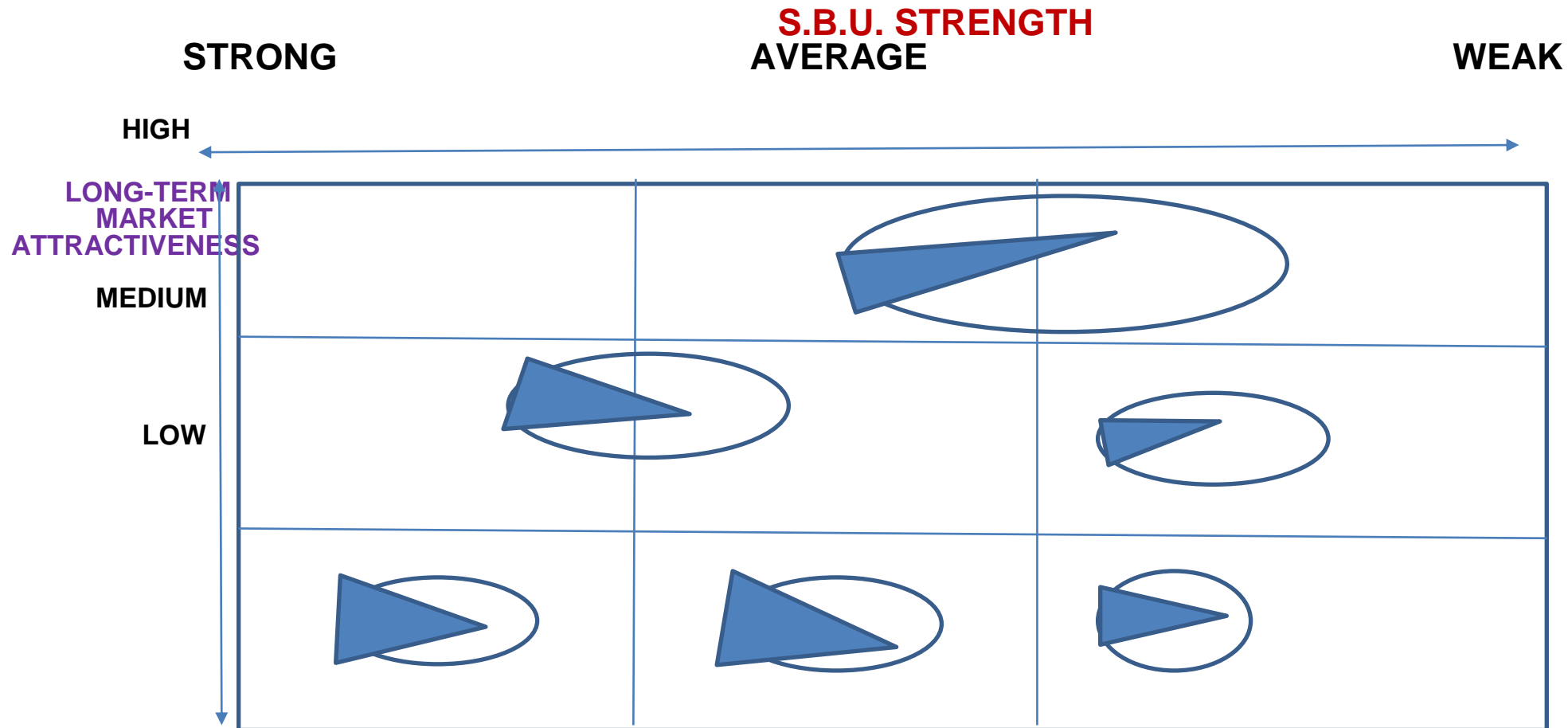
✓The **BCG Portfolio** approach to **DOGS** works better for conglomerate strategy, where divestments or closures are unlikely to have knock-on effects on other parts of the portfolio.



# 7.0 How Can You Manage A Portfolio Of Businesses Strategically Using A Typical Portfolio Management Matrix?

(Contd.)

(b) The Directional Policy GE-Mckinsey Matrix:



## **(b) The Directional Policy GE-Mckinsey Matrix: (Contd.)**

✓ This positions S.B.U.s (Strategic Business Units) according to:

❖ (a) **How Attractive The Relevant Market Is In Which They Are Operating.**

❖ (b) **The Competitive Strength Of The SBU In That Market.**

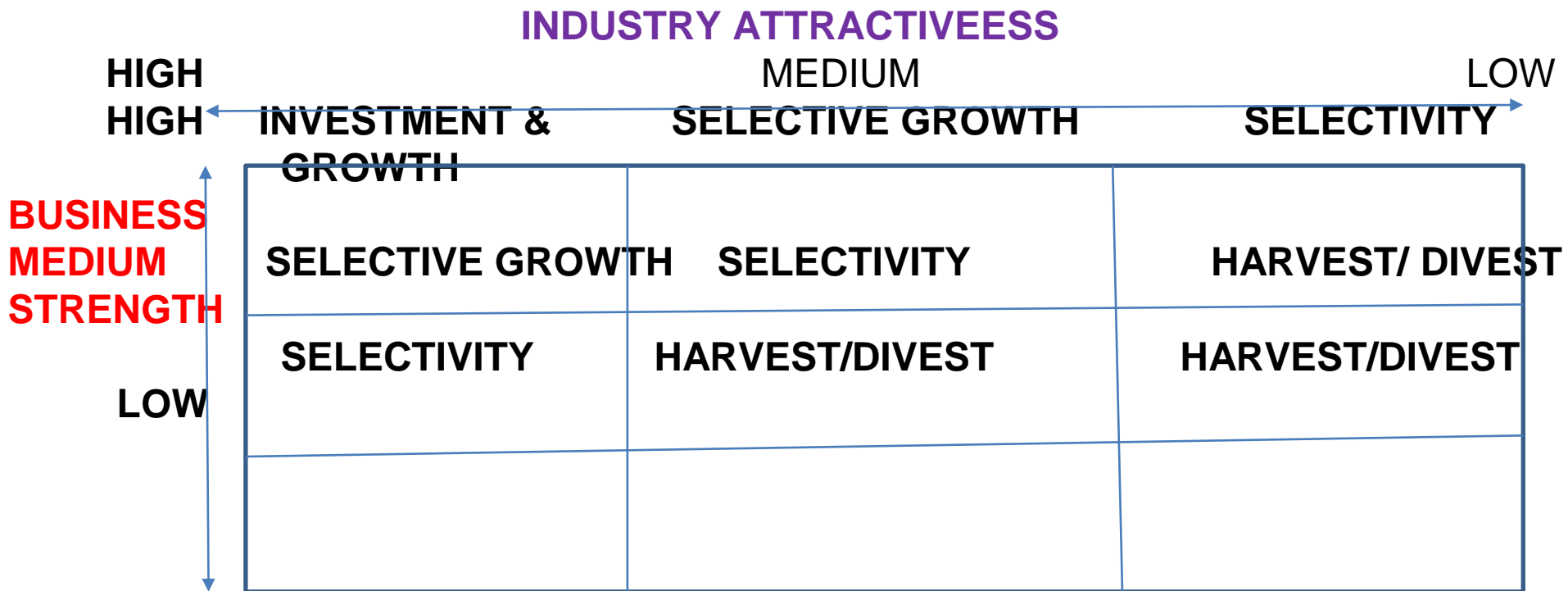
✓ The unshaded part of each circle represent the entire market and the shaded represent the share of each SBU in the entire market.

✓ The Directional Policy Matrix is more complex than the BCG Matrix with two advantages:

❖ (a) **The 9 cells unlike 4 in BCG acknowledges the possibility of a different middle ground where managers have to be more carefully selective & less mechanistic unlike the BCG Matrix.**

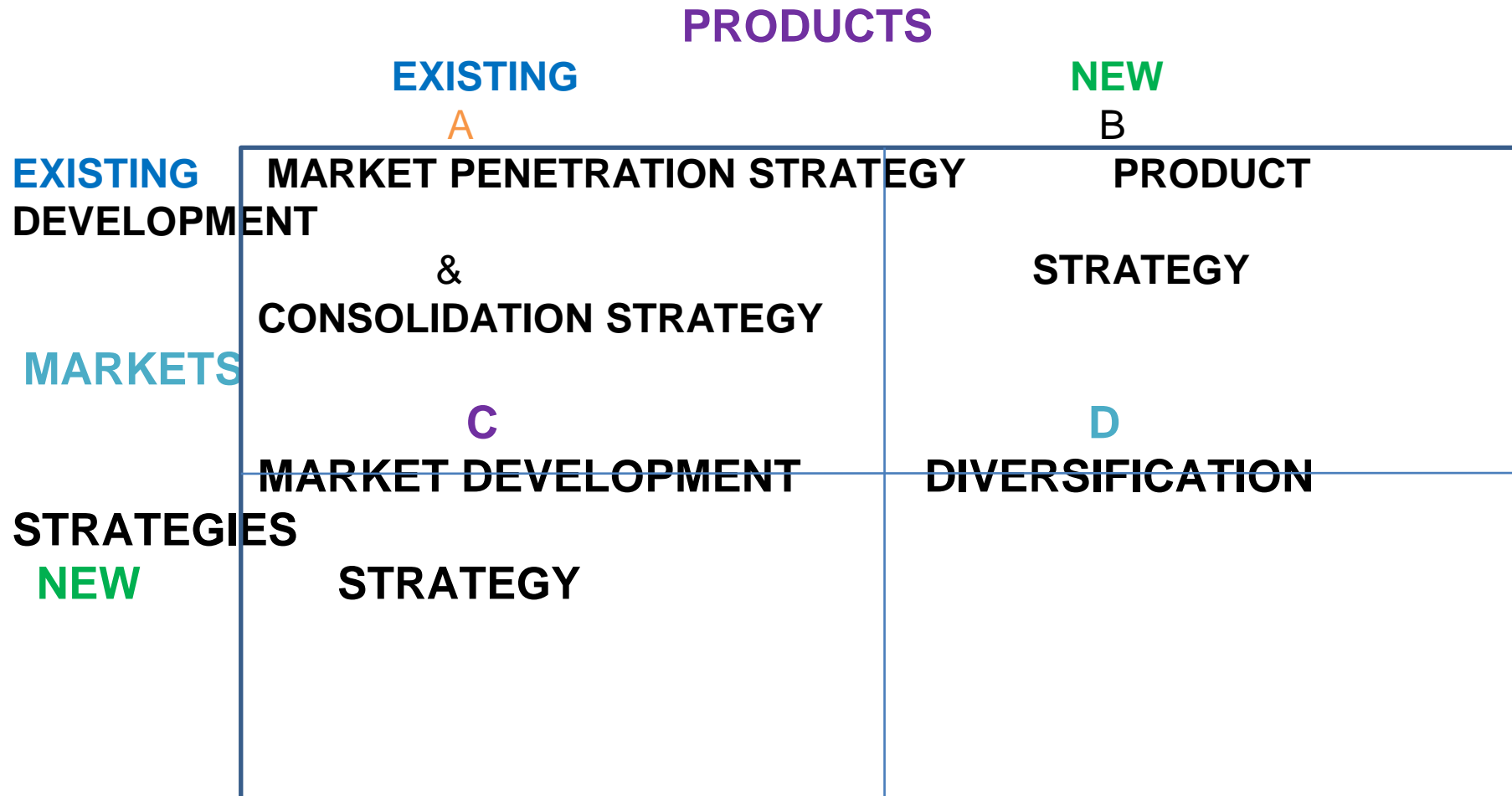
❖ (b) **The two axes of The Directional Policy Matrix are not based on single measures of market share and market growth; but on Industry Attractiveness, a more composite factor.**

# (c) STRATEGY GUIDELINES BASED ON THE DIRETIONAL POLICY MATRIX



✓ This Portfolio Management Matrix explains the logic of portfolios in terms of balance & attractiveness, as well as with “fit”; i.e. consonance with the particular & unique capabilities of the corporate parent.

# (d) STRATEGIC DIRECTION: ANSOFF PRODUCT/MARKET GROWTH MATRIX



(d) STRATEGIC DIRECTION: ANSOFF PRODUCT/MARKET GROWTH MATRIX  
(Contd.)

✓ The **Ansoff Product/Market Growth Matrix** provides a simple way of generating four basic to five alternative directions for Strategic Development:

❖ (a) **MARKET PENETRATION STRATEGY**: This is where an organization gains market share by building an existing strategic capabilities; it does not require the organization to venture into uncharted territory. Could be done via a combination of **Penetration Pricing Strategy, Intensive Distribution Strategy & Intensive Mass Promotion Strategy**; to gain more market share for existing product in existing market, by winning majorly the **Late Majority Product Adopters(34%) & the Laggards (16.5%)**.

(Contd.)

❖ **(b) CONSOLIDATION STRATEGY:** This is where organization focuses defensively on their current markets with current products e.g. by **Defending Market Share, Downsizing or Divestment.**

❖ **(c ) PRODUCT DEVELOPMENT STRATEGY:** This is where organizations deliver modified or new products to existing markets. **Could be expensive & high risk (need to have new strategic capabilities & project management risk).**

**(d) STRATEGIC DIRECTION: ANSOFF PRODUCT/MARKET GROWTH MATRIX (Contd.)**

**❖(d) MARKET DEVELOPMENT STRATEGY:** This is where existing products are offered in new markets ( e.g. by changing packaging, entering new segments, selling to new users & moving into new geographies).

**❖(e) DIVERSIFICATION STRATEGIES:** These are various strategies that take an organization away from both its existing markets & its existing products. (There are various alternatives already discussed in this paper).



## 7.0 Who Is A Portfolio Manager & What Are Some Of His / Her Roles?

- **“A Portfolio Manager is a corporate parent acting as an agent on behalf of financial markets and shareholders.” Gerry Johnson et al (2008).**
- **“The Portfolio Manager operates as an active investor in a way that shareholders in the stock market are either too dispersed or too inexperienced to be able to do.”**
- **“In effect, the Portfolio Manager is acting as an agent on behalf of financial markets & shareholders in the stock market, assuming they are either too dispersed or too inexperienced to be able to do.”**

## 7.0 Who Is A Portfolio Manager & What Are Some Of His / Her Roles? (Contd.)

**□“In effect, the Portfolio Manager is acting as an agent on behalf of financial markets & shareholders, with a view to extracting more values from the various businesses than they could achieve themselves.”**

**□“The role of the Portfolio Manager is to identify and acquire undervalued assets or businesses and improve them.”**

## 7.0 Who Is A Portfolio Manager & What Are Some Of His / Her Roles?

(Contd.)

**□ The Portfolio Manager might do this**

**by:**

- ❖ (a) Acquiring another corporation.**
- ❖ (b) Divesting low performing businesses.**
- ❖ (c ) Intervening to improve the performance of those with potential.**

## 7.0 Who Is A Portfolio Manager & What Are Some Of His / Her Roles?

(Contd.)

- The role of the Portfolio Manager is not to get closely involved in the routine management of the business, but only to act over short periods of time to improve performance.
- The Portfolio Manager concentrates on intervening and the provision ( or withdrawal) of investment.
- The Portfolio Manager seeks to keep the cost of the centre low, for example by having a small corporate staff with few central services; leaving the business units alone so that their CEO have a high degree of autonomy.

## 7.0 Who Is A Portfolio Manager & What Are Some Of His / Her Roles? (Contd.)

- ❑ **The Portfolio Managers set clear financial targets for the CEOs, offering high rewards if they achieve them and likely loss of position if they do not.**
- ❑ **The Portfolio Managers can manage a large number of such businesses because they are not directly managing the everyday strategies of those businesses. Rather, they are acting from above, setting financial targets; making central evaluations about the well-being & future prospects of such businesses, and investing, intervening, or divesting accordingly.**

## 7.0 Who Is A Portfolio Manager & What Are Some Of His / Her Roles?

(Contd.)

- ❑ Private equity firms e.g. **Apax Partners** or **Blackstones**; & **Hiers Holdings** (of **Tony Elumelu et al in Nigeria**) are some of the new wave examples of operating a Portfolio Management Style; typically **investing in, improving & then divesting companies in loosely knit portfolios**.
- ❑ E.g. in 2006, Apax had investments in 360 separate businesses at different stages of development, ranging from Philips' former semiconductor division to Tommy Hilfiger clothing.
- ❑ **Warren Buffett's Berkshire Hathaway** (that is our mini case study, if time permits); is a global best practice & perhaps best run example of a Portfolio Management Firm (one of the biggest investor in Coca-Cola Inc. at some point in time).
- ❑ **Berkshire Hathaway's** stock is so profitable that its single share sold for above \$10,000.00 per unit as far back as year 2002!

## 8.0 Who Can Become A Strategic Portfolio Manager?

□ **Anyone who is interested and passionate about:**

- ✓ **Learning & mastering new entrepreneurial financial multiplication & financial management skills.**
- ✓ **Learning how to acquire & sharpen-up new skills in planning, implementation, reviewing & controlling of how to open up multiple streams of income privately or corporately, using Portfolio Management expertise.**
- ✓ **Learning the cutting edge knowledge in the act, the art & the science of multiple investment creation, monitoring, improvement & divestment.**
- ✓ **Playing strategic role in the know-how of corporate & personal wealth creation & wealth multiplication.**
- ✓ **Multi-tasking & multi-investment in multiple ventures as a compound entrepreneur or a comprehensive entrepreneurial manager liken to Jack of many trades & master of all!**

## 8.0 Who Can Become A Strategic Portfolio Manager? (Contd.)

□ **Anyone who is interested and passionate about:**

- ✓ **Getting to the top level (strategic role) in corporate management, corporate multiple wealth creation & multiple stream of multiple income/investment management.**
- ✓ **Creating & managing profitably & sustainably multiple products (goods & services) or multiple businesses ( related & unrelated).**
- ✓ **Creativity, productivity, variety, innovativeness, & profitability.**
- ✓ **Becoming a professional equity or investment manager; private wealth manager or money manager.**
- ✓ **Understanding the dynamics of entrepreneurship & new wealth creation and wealth multiplication.**
- ✓ **Understanding & comprehending why some are permanently poor, some are perpetually broke and some have more than they can ever spend in a life time without engaging in corruption.**



## 8.0 Who Can Become A Strategic Portfolio Manager? (Contd.)

□ Anyone who is interested and passionate about:

✓ **Continuous personal development, knowledge search & self-improvement in wealth creation, wealth multiplication, wealth management & wealth preservation; with cautionary portfolio management skills & competencies provided by the like of “The Institute Of Chartered Portfolio Management Of Nigeria!**



## **9.0 What Are Some Of The Attributes & Aptitudes Of An Excellent Strategic Business Portfolio Manager? (Contd.)**

- ✓ Passion for profitable business management leadership.**
- ✓ Ability to look out for details without suffering entrepreneurial decision making lateness with over-load of financial data analysis.**
- ✓ Sharp intuitive skill & proactivity in strategic decision making.**
- ✓ Passion for multi-disciplinary continuous development in business, finance, accounting, marketing & strategic management ( especially environmental scanning, planning, implementation, review & control).**

## **10.0 What Are Some Of The Career Opportunities For A Strategic Business Portfolio Manager?**

- ✓ Consulting in Portfolio Management, Merger & Acquisition or Personal Wealth Management.**
- ✓ Teaching & Tutoring in Portfolio Management.**
- ✓ Knowledge Worker/Professional in Investment Banking, Stock Broking Firms & Other Financial Services Mediating Organizations.**
- ✓ Advisor or Consultant to High Net Worth Individuals (Multi-millionaires & Billionaires.)**

✓

## **10.0 What Are Some Of The Career Opportunities For A Strategic Business Portfolio Manager? (Contd.)**

- ✓ Physical Asset Portfolio Manager role in real estate firms.**
- ✓ Working full time or as a Consultant to Government & Government ministries, departments etc; on Portfolio Management issues.**
- ✓ International jobs in emerging global markets as Portfolio Managers, Private Fund Managers, Consultant, Trainer etc; in places like UAE (Dubai especially); Singapore & Canada.**
- ✓ As author & Personal Wealth Coach In Building Multiple Streams of income.**















