

The marketing strategy of a project-based firm: The Four Portfolios Framework

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Received 25 May 2005; received in revised form 2 December 2005; accepted 15 March 2006

Available online 17 October 2006

Abstract

The purpose of this paper is to address the simultaneous management of multiple business relationships and multiple projects in the marketing strategy of the project-based firm. The research question is: How can the essence and interdependencies between the portfolios of relationships and projects be conceptualized as the marketing strategy of a project-based firm? We address this question by constructing a framework including two portfolios of relationships and two portfolios of projects, and by discussing how these portfolios may be interrelated. Combining the approaches of relationship management in project marketing on the one hand and the management of project portfolios on the other contributes a novel viewpoint to project marketing.

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Keywords: Project-based firm; Project marketing; Marketing strategy; Relationship portfolio; Project portfolio

1. Introduction

As many companies adopt project-oriented working methods in their businesses, a new paradigm concerning a project-based firm and project business has developed. A project-based firm uses external delivery projects for its business purposes (Artto & Wikström, 2005; Söderlund, 2004; Turner & Keegan, 2001). The central features of project business have been identified in the uniqueness of individual projects, the complexity of the project offering and business network, the discontinuity of demand and business relationships between projects, and the considerable extent of financial commitment of the parties (Cova, Ghauri, & Salle, 2002; Mandjak & Veres, 1998; Tikkanen, 1998).

In the strategic management of project business, relationships with customers and other partners are important (Owusu,

2003; Skaates, Tikkanen, & Lindblom, 2002). Relationships with customers provide the supplier with an opportunity for future business: customers use their relationships and knowledge on potential suppliers when inviting suppliers to tender a project. A supplier wants to reach a status of being a potential candidate for future projects and puts resources in marketing and relationship building. The strategic objective of the supplier is to create, maintain and manage multiple relationships that enable or support the construction of future demand for projects (Cova & Hoskins, 1997; Cova, Mazet, & Salle, 1993). In a similar manner, the supplier creates and maintains multiple non-project-specific relationships with potential sub-suppliers in order to guarantee the effective sales and delivery of projects. From a strategic perspective, the marketing of a project-based firm thus focuses on the management of a firm's multiple relationships in a network of business and non-business actors (Skaates & Tikkanen, 2003; Cova, Mazet, & Salle, 1996). In other words, the project-based firm develops a complex portfolio of relationships to customers, suppliers, financiers and other relevant network partners. In extant literature on relationships and networks, the business network of the firm is

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often divided into distinct sub-portfolios such as the customer or supplier relationship portfolios.

Research on the management of multiple relationships in project marketing literature introduces a wide array of issues to help achieve success in the business of project-based firms. Relationship management is considered as a foremost strategic issue that contributes to individual projects and their management. However, extant project marketing literature does not specifically address how the management of multiple relationships at the level of the firm relates to the simultaneous management of multiple projects – or project portfolios. Combining the approaches of relationship management in project marketing on the one hand and the management of project portfolios on the other contributes a novel viewpoint to project marketing.

The strategic management of multiple projects is addressed by the recent project portfolio management literature. It puts a practical-oriented managerial emphasis on the theme of strategy implementation with multiple projects. The studies by Cooper, Edgett, and Kleinschmidt (1997a,b, 1998a,b), Archer and Ghasemzadeh (1999), McDonough and Spital (2003), and Aalto, Martinsuo, and Arto (2003) all provide a good overview of the current status of the project portfolio management research. According to this research, the strategic alignment of project entities occurs through decisions made on the basis of focusing on the whole portfolio of projects rather than on decisions made separately for individual projects. Introducing strategy to portfolio decision-making is one important objective in these suggested applications. Allocating scarce resources to projects is a central issue.

Project management research has thus attempted to address the area of strategic management through multiple projects. However, project management research has not yet succeeded in identifying and addressing all issues that would be important in strategy implementation with multiple projects in a real-life business context. Instead, extant project management research often addresses rather practical and concrete decision support and other tools that relate to strategy implementation. As far as the marketing strategy of a project-based firm is concerned, such tools are not always at the core of marketing strategy implementation from a relationship management viewpoint. There is a clear need for combining the relationship and project management approaches since both units of analysis are central and interconnected from a practical project business viewpoint.

The purpose of this paper is to address the simultaneous management of multiple business relationships and multiple projects in the marketing strategy of the project-based firm. We argue that the main managerial challenge is how to manage interdependencies between relationship portfolios on the one hand and project portfolios on the other. Optimizing individual portfolios does not automatically lead to the optimization of the overall business performance. The research question of this study is: How can the essence and interdependencies between the portfolios of relationships and projects be conceptualized as the marketing strategy of a project-based firm?

We address this question by constructing a framework including two portfolios of relationships and two portfolios of projects, and by discussing how these portfolios may be inter-

related in practice. This is a conceptual paper with an explorative aim. The framework includes what we identify as the most central elements of the marketing strategy of a project-based firm. The research lines focusing on relationships and networks in project marketing on the one hand and project portfolio management on the other are capitalized upon as the theoretical background of the paper. Essentially, our framework is a content framework that highlights the most central managerial issues and challenges related to the marketing strategy of the project-based firm. In this way, it complements process frameworks designed to model the marketing process of individual projects (e.g. Cova et al., 1993; Holstius, 1989).

2. Theoretical background

By a managerial portfolio, we refer to a set of entities (such as relationships and projects), the development of which should be managed systematically in order to meet the company's strategic objectives. Since any marketing strategy includes future-oriented activities related to many interlinked issues, as well as complexity and uncertainty, we follow the studies positing that portfolio thinking in general provides the marketing strategy with a useful approach. It should be noted that we are using the term portfolio in a more metaphorical way than in much of existing business portfolio research for instance in the area of finance; our aim is not to construct a strict framework that would allow, for instance, the more explicit (often numerical) modeling of the portfolios in question.

The theoretical background of our study is mainly constituted by two broad discourses. The first one can be identified in the IMP (Industrial Marketing and Purchasing) research group-related studies on relationships and networks in project marketing (Cova et al., 1996; Owusu, 2003; Skaates & Tikkanen, 2003; Skaates, 2000) and relationship portfolios (Campbell & Cunningham, 1983; Fiocca, 1982; Zolkiewski & Turnbull, 2002). The second one focuses on project portfolio management research. Recent project portfolio management research mainly comes from a product development context (for review, see for example Archer & Ghasemzadeh, 1999; Cooper et al., 1998a,b; McDonough & Spital, 2003), with its theoretical background in the fields of capital budgeting and corporate finance. Portfolio theory was first developed in the area of financial investments as a mechanism for reducing risk (Markowitz, 1952).

2.1. Relationships and networks

An extensive and heterogeneous global literature has emerged on the relationship and network point of view to marketing. The relational approaches in marketing research can be categorized into at least three, partly overlapping conceptual perspectives: Anglo-American Relationship Marketing (e.g. Dwyer, Schurr, & Oh, 1987; Webster, 1992), the Nordic School of Services and Relationship Marketing (e.g. Grönroos, 1994; Gummesson, 1999) and the work of the Industrial Marketing and Purchasing (IMP) Group (e.g. Axelsson & Easton, 1992; Håkansson, 1982; Håkansson & Snehota, 1995). Despite differences in conceptual language and methodological

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