

# THE MARKETING STRATEGY AND IMPLEMENTATION OF STRATEGIC BUSINESS UNITS HOW TO CHOOSE A METHODOLOGY OF SEGMENTATION STRATEGIC MARKETING?

**Miguel Magalhães, Potucalense University**  
**Manuel Pereira, Potucalense University**  
**Frederico D`Orey, Potucalense University**

## ABSTRACT

*Since 1923, the application of the methodology of Strategic Business Units (SBUs) has been gaining more followers due to an increasingly unpredictable economic environment and the need for ever growing adaptive products and services directed at the wishes of the elected target (Personalization). Therefore, it becomes essential to perform a prior study to assess which is a better Methodology to perform the strategic marketing segmentation, and for that, we should choose which Criteria to elect in order to better identify: (1) What is the current business of the organization? (2) What business should be deinvested due to the fact that they have ceased to be profitable or if there is a foreseeable decline in that target? (3) And lastly, if it is or not possible to identify new investment opportunities where new business can be developed? By getting answers to these questions, it will be possible to identify current and potential SBUs, and set the most suited business model that will allow adjusting the proposition value to each SBUs. Having said that, we will verify that SBUs Methodology is actually facilitating the management and strategic marketing planning process due to the simple fact that it allows organizations to answer three questions which apparently are very difficult to answer: (1) Should strategic marketing Segmentation be carried out in the Formulation or in the Implementation? And; (2) What are the types of Criteria of Strategic Marketing Segmentation that should be selected to set the SBUs? (3) What is the Model Strategic marketing Segmentation that should be adopted to define the SBUs and its Business model? In short, this research work, even after all these years, we will conclude that this Methodology Continues to prove itself as valid and adequate, be it to delimit an organization in SBUs, or in function of this, to define the business model for each current or potential SBUs, thus contributing as facilitator to the design of the business model that allows the enhancement of the Entrepreneurial Entrepreneurship of each SBUs.*

**Keywords:** Segmentation, Marketing, Strategy, Strategic Business Units, Segmentation Criteria of Strategic Marketing, Business Models (JEL L30).

## INTRODUCTION

This article is not intended to develop an exhaustive study about the theme strategic marketing segmentation of organizations, since countless publications already exist on the subject. The goal is to essentially present a methodology to carry out the choice and validation of the targeting criteria for strategic marketing segmentation that allow to divide the organizations in SBUs in order to allow to draw for each of them, whether current or potential, the respective

business model. But also, the goal is to demonstrate that this methodology will contribute to the fostering of business entrepreneurship.

In historical terms, the concept SBU was introduced for the first time by Alfred Sloan (1923) in the company general motors<sup>1</sup>, being that, the concept of Strategic segmentation was applied for the first time in an organization, about 95 years ago, roughly 35 years before the concept of Market Segmentation was applied by Smith Wendell<sup>2</sup> (1956). As will be demonstrated in this article, the concept of SBU, besides being an instrument strategic marketing segmentation, it is also, a way of entrepreneurial entrepreneurship, regardless this concept was introduced by Pinchot Gifford III<sup>3</sup> much later (1985).

The SBU methodology has allowed the strategic marketing segmentation of business models of organizations, besides allowing the repositioning of the business, as well as the positioning of new business.

Besides that, it helps organizations to decide whether or not they abandon those businesses that are no longer viable at a marketing and strategic level, due to low or negative profitability and have ceased to contribute synergies to the business as a whole. This whole process translates a new form of entrepreneurial entrepreneurship. Then what does the word business mean? The word in old English was attached to a sense of a person's work, occupation that which one does for a livelihood<sup>7</sup>. Later, in the 16<sup>th</sup> century, the word is associated to the meaning that which is undertaken as a duty, also connected to a sense of trade, commercial engagements, mercantile pursuits collectively. In fact, when an organization is segmenting a business in SBUs, it is adopting an attitude of business entrepreneurship under the formulation and implementation of strategic marketing, mercantile pursuits. Consequently, an organization, faced with this methodology of strategic marketing segmentation, is able to identify one or more current and/ or potential SBU's, developing in this way a dynamic of entrepreneurial entrepreneurship. Thus, there is the possibility to come to the conclusion, that despite being a methodology that has been applied for many years, it rather continues to be a not only a valid but also a useful form for organizations to analyse the dynamic of their businesses at the following levels:

1. In what business are we?
2. In what business should we not be?
3. In what business should we be?

Taking into account this theoretical introductory frame, in this article we will propose a methodology for choice and validation of criteria for strategic marketing segmentation in order to enable the delimitation of an organization in SBU's, elect a business model for each of them, as a means of streamlining business entrepreneurship.

## **BACKGROUND**

Founded in 1903, the Ford Motor Company took, as a paradigm of excellence, the adoption of a mass production strategy obtaining savings of scale, since it was able to reduce the costs of production and get low prices. To construct its production lines, it was inspired by a Chicago slaughterhouse. The outcome of the adoption of this strategy was a substantial increase in production productivity. In 1914, the Ford Company produced 260,000 automobiles with 3.000 workers (86.6 cars per worker) while their Competitors needed 66,000 workers to produce 287,000 Automobiles (4, 3 Cars per worker). In 1921, Ford had market quota of 55% and managed to massify car purchasing (production optics). Through this exponential increase in

productivity, it was possible to increase the salary/time of the workers and turn them into consumers and users.

It should be noted that at that time, management teaching for executives was rare, being that the only educational institution that dedicated itself exclusively to the teaching of management was Harvard Business School (1908), so much so that, management consultancy was only consolidated in the year 1920, personified by the organizations of Arthur Little & James McKinsey.

From there on, finances were no longer just a functional area within the heart of organizations and became a fundamental denominator in the assessment of management in organizations, emerging also other areas of competence: Marketing, strategy and innovation, as a means of enhancing business entrepreneurship.

An example of this was the millionaire William Durant, owner of General Motors, that with just a financial vision, purchased companies that had the resources freed from those bought previously, looking for the verticalization of his business group, just as his counterpart Ford. William Durant, began successively buying several competitors as, for example, Buick Motor Car Company, Oldsmobile, Cadillac, Chevrolet, but also, all kinds of suppliers, with the goal of controlling the entire value chain. Amongst the various acquisitions made over time, he acquired the supplier Hyatt Roller bearings, where the young Alfred Sloan Junior was manager. Alfred Sloan Jr. was probably the first professional manager in business history to develop an applied research study that enabled to reach the concept of SBU (1923), having introduced the concept, for the first time, at General Motors group.

Notwithstanding that this reflection of strategic segmentation was initiated with Alfred Sloan, and may also be treated as the first manifestation of entrepreneurial entrepreneurship, only in 1985, was the term born with Pinchot Gifford III. The adoption of the methodology of SBU, Alfred Sloan demonstrated that Instead of having a single automobile for everyone, it is possible to have a distinctive automobile for each target. This led to the reorganization and review of the existing Organization Units of the organization (OU), Giving power and responsibility to each SBU. So that, each SBU could draw a business model suitable and adjusted to the strategic marketing strategies defined.

For this to occur, it was necessary to move from an organization philosophy for the marketing of products and services, to a portfolio management, giving way to a better positioning of each SBU facing competition. Therefore, making it necessary to adapt the management system in order to safeguard the risks of conflict between the SBUs, avoiding their cannibalization and instead enhancing the synergies between them.

It should be referred that, the innovative Portfolio Management methodology of SBUs, in addition to the contributions of Alfred Sloan, also counted on the help of Donald Brown (1931), the CFO of the Dupont group. Developed a management indicator that came to allow the calculation of return on investments (Return on Investment - Roi) of each SBU. Until then, the analysis of the results of companies was merged and did not allow the calculation of the Performance of each SBU.

Through this methodology it became possible to analyse, in terms of profitability, what were the SBUs that should be maintained or eliminated, and those that should be created in the face of the identification of a market opportunity (Market Optics). This way we are able to build a new theory of organizations, that today we call Management of Business Portfolios of an organization.

Likewise, Fred Borch, director of General Electric (1954), to identify the SBUs, based himself on the study of Diagnostic and Strategic Analysis by McKinsey Co, founded in 1926, having the same SBU proposal been formulated by Arthur Little Inc., Founded in 1909. By way of examples, while Theodore Levitt, (1960) presupposed an Organizational Unit (OU) responsible for the management of each SBU.

Ansoff (1990), considered that to define an SBU, at least three targeting criteria were needed:

1. The demand (Customer or Consumer Targets),
2. The offer (Products/Services Portfolio) and
3. The meeting of needs (Competitive Advantage of the proposition value).

As we will have the opportunity to verify, it is not always possible to obtain satisfactory results with the Application of only three criteria of Strategic segmentation.

To other authors an *SBU*, is an Organizational Unit (OU) for which you can define a competitive strategy clearly differentiated Bettis Hall, (1983); Ghosh Nee, (1983); Elbrows (1983); Derkinderen Crum, (1984); Aaker, (1988); (Durán, 1977).

In a different way, both Hax Majluf (1991), Considered that an SBU is a wallet of products/services for which you can define an autonomous strategy. While, the approach made by Johnson & Scholes (2005; 2011), defend that SBUs are a set of sub-parts of an organization consisting of a homogeneous portfolio of products and/or services with the same DNA, where it is possible to identify in an autonomous way, the vision, the mission, the objectives, the goals, the strategy, the critical success factors and a set of resources from which to obtain synergies.

More recently, with the economic and financial crisis of the final first decade of the 21st century, that definitely destroyed all the economic and social dogmas, it made organizations, shareholders and the main executives reset the short term strategies, as if the future did not exist.

This paradigm shift, forced to adopt a different strategic style, called in business slang management at sight. In this sense, it was necessary have narrowing between the strategic trinomial management, SBU and OU as a factor of entrepreneurship enterprise. Allowing like this, organizations to be equipped with a greater ability to overcome the setbacks that are emerging, react to all the vicissitudes of the environment that are characterized for being evermore global, asymmetric and changing.

Therefore, a fixation of possible strategic objectives for achieving, requires increasingly larger efforts on behalf of organizations. When the objectives are defined as a whole for an organization, it becomes complex to implement them, contrary to what happens when it is adopted around an SBU methodology, since it is a job with a time horizon that correlates each kind of SBU and the nature of the target market where it is acting.

Only like this is it possible for managers who lead organizations and that integrate a determined SBU to know specifically where they're going?

Achieved this strategic clarity, it is essential to trust the managers, the people and their abilities, while it is necessary, to constantly, find the point of balance between the parties; shareholders, customers, employees, suppliers, the state, competitors and society as a whole.

Thus, the replacement of Invisible hand<sup>4</sup> by Adam Smith, by the visible hand of thought of strategic marketing, taking into consideration an application of the segmentation methodology of SBUs, turning itself into an excellent measure of entrepreneurial entrepreneurship.

## METHODOLOGIES

### **The Methodology of Choice and Validation of Criteria Targeting Strategic Marketing to Delimit an Organization in SBUs.**

In the last decade, two attempts have been verified to Stimulate and synthesize strategic thinking. The first, led by Prahalad & Gary Hamel, (1990) in which they defend that the strategy should focus on just the Nuclear skills of companies, while for the remaining, they rely on Outsourcing.

The Second, the consultant BCG Boston Consulting Group, defends that the strategy should just focus on its distinctive abilities, considering that the skills are very specific, like for example a particular technology or a productive process.

Gillis Jonk, Johan Aurik, Robert Willen & Kearney<sup>5</sup>, have come to complement this last perspective, considered the collective transversal abilities of the entire organization. In addition to the previous authors, Andrew Campbell<sup>6</sup> defended also that despite the enormous efforts devoted to the definition of nuclear skills to process reengineering and the development of new Business, the most successful organizations are those that are organized in SBUs.

For example, the consultants Marakon Associates, created a support centre for businesses to help them define SBUs, which they call Value Centres. Good examples of these are the company's general electric, Dupont, 3M, and many others. Unfortunately, although it is a topic of utmost relevance in the area of strategic management and the enterprise entrepreneurship, there are few published case studies, due to the consulting companies and the actual companies, remitting them to confidentiality.

In this article, in addition to the review of the bibliography performed to verify the state of the art of the topic in question, there is also the possibility to present and disclose the results of an empirical study undertaken in this scope. The results obtained will surely contribute to a better understanding of the relevance of the SBUs and the business entrepreneurship theme. To carry out an empirical study, the premise of a sample of organizations with diverse features was considered, in order to prove the efficiency and effectiveness of this methodology.

In this empirical study, Multinational Companies were selected and SMBs, from 24 vectors of productivity, so as to verify the transversally and advantage of the application of this methodology.

The dimension of the population considered in this study was of 479 companies whose CEO and members of the Board were addressed their surveys. To a maximum error of 5% and a confidence interval of 95%, obtained a dimension of the sample of 213 companies.

Due to the achievement of this empirical study, 135 valid surveys were obtained and for the statistical treatment of the responses, resorted to the program SPSS (version 22), that allowed getting the following conclusions about the application of the methodology of delimitation of an organization in UEN:

1. The response rate obtained was very high, close to 63%, featuring the sample as very representative of in light of the conclusions that here you wish to reach;
2. Close to 97,9% of the surveyed companies considered the application of the methodology to delimit an organization in *SBUs* as important;
3. Close to 66% of companies had the opportunity to apply this type of methodology;
4. Close to 74% of those interviewed considered that the delimitation of an organization in *SBUs* should be done at the time of strategic formulation, and only 44% considered that it should be carried out at the time of strategic implementation.

Regarding the application of the methodology for the delimitation of an organization in SBUs, advantages and disadvantages were identified. We will begin with the Advantages.

## **Advantages**

### **Strategy and performance**

The Application of this kind of methodology creates a larger focus on the companies strategic business, allowing a clear assessment of the competitiveness of the market of each one of the *SBUs* and respective economic and financial analysis (ROI). This enables the “Alignment” between the company business and the segments of the market to which the goods and the services are intended, achieving maximization of the resources of the organization. It allows to share the resources of an organization across the distinct *SBUs* in an optimised way, that leads to resource saving and synergies between the different businesses.

### **Competitiveness and technology**

It became obvious that the adoption of this kind of methodology-to delimit in SBUs translates into a greater competitiveness for organizations, getting a better fit for the technologies employed and the strategic orientation of the company through the mechanism of price transfer.

### **Simplification and scale effect**

Adopting the methodology of delimitation in *SBUs* simplifies the working method and method of workin, in addition to allowing the Scale Effect and the holding of organizations.

### **Internal benchmarking**

Companies organized and delimited in SBUs permits the verification of an internal benchmarking that encourages the intra-entreprenurship of the business.

## **Disadvantages**

Let's see now what were the disadvantages identified in the study.

### **Risk of overlapping SBUs**

When existing boundaries are poorly defined between the various *SBUs* and the OU, and it is verified that the synergies are not being harnessed this originates a duplication of operating costs, which translates into a loss of strategic vision of the organization, and many times, in canibalism of SBUs (Business).

### **The organization's reaction capacity**

If management is not defined through objectives (GPO) for each SBU and their organisational level of needs (OU), a greater complexity in the management of human resources will be felt, in addition to an existing trend for a slower reaction rate of the organization.

## **Modifying traditional ways of working**

The adoption of a methodology for the delimitation of an organisation in SBUs requires the abandoning of traditional methods and arrangements of work, imposing on the organization new skills in the achievement of tasks and a new OU alignment depending on the SBUs. This will perhaps be the biggest challenge that arises for an organization that wishes to implement this kind of methodology to make the alignment of the SBUs with the OU.

## **Framework of the tax legislation of the company**

If it does not suit the organization's tax policy, it will never be possible to attain the fiscal timing of each SBU. More unlikely, will it be possible for each SBU, to process an economic and financial analysis to be able to check where there is gain or loss of money, besides not being able to calculate the Return on Investment. Therefore, the company must have a management information system (SGI) that will allow to make the strategic and operational management of each SBU.

Identified the advantages and the disadvantages of this type of methodology, in what concerns the delimitation of an organisation in *SBU*, let's see now the choice, validation and application of strategic segmentation criteria. As was previously referred to, Ansoff (1976), considered three criteria necessary to perform the segmentation, particularly, the demand (target customers/Consumers), the supply (product/service portfolio) and the needs to be fulfilled (advantage Competitive value proposition).

However, it is not always possible to obtain good results with the application of only three criteria. On the other hand, the indiscriminate and excessive use of various criteria, whether extrinsic, intrinsic or transcendental seems to also diffuse and is difficult to put into practice. Then it is pertinent to present in this article, a methodology proposal that allows you to make the choice, validation and application of the strategic segmentation criteria.

## **Proposal of a Methodology of Choice, Validation and Application of Criteria to Delimit an Organization**

Over the years, there have been numerous that have proposed different methodologies to perform the delimitation of an organization in SBUs, highlighting the pioneering works by Alfred Sloan (1923), Springer (1973), Abell (1980), Gluck et al. (1980); Cravens (1982), Ansoff & Kirsch Rowenta (1984), Halls (1986), Strategor (1988), Wheelen & Hunger (1989), Until Right Comes For Dvir & Shendar (1990), Menguzzato & Renau (1991), Eli Segev (2000), Johnson & Scholes (2003), Fréry (2005), Johnson et al. (2011) among others. As you can see, since 1923, a multiplicity of conceptual models have appeared which present valid solutions to try to solve the problematic of the Election, Validation and Application of Strategic segmentation criteria to perform the delimitation of an organization in SBUs.

However, one should not fall into the mistake, that the choice of this or any other model, is not in itself sufficient condition to obtain good results. As is observed in practice, the complexity of target markets and organizations is high, making it difficult to perform all stages of strategic segmentation in one step or one level. This caveat is valid for any organization, but applies primarily to those companies that develop multiactivity in one or more markets. Hence, it is relevant to debate, whatever the model chosen by an organization, must take into account both the volatility and the heterogeneity of a market segment and at the same time there is a need to

reconcile this with the process of delimitation of the SBUs and their needs for the suitability of the OU as a form of entrepreneurial entrepreneurship.

The model considered in this article, takes into account the various phases of planning of marketing Strategic:

1. The Diagnosis (Strategic Analysis),
2. The Formulation (Strategic choice),
3. The Implementation (Strategic implementation) and
4. The Control (Strategic control),

In addition, to present a strategic segmentation proposal to carry out the delimitation of an organization in SBUs (Table 1), as we will verify in the empirical study carried out.

<b>Table 1</b>			
<b>THREADING MODEL FOR STRATEGIC MARKETING STRATEGY TO DEFINE THE MSUIT OF BUSINESS FOR EACH SBU</b>			
<b>Strategic Marketing</b>			
<b>Analysis</b>	<b>Choice</b>	<b>Development</b>	<b>Control</b>
<b>Diagnosis</b>	<b>Formulation</b>	<b>Implementation</b>	<b>Monitoring</b>
Which is or which are the business model (s)?	Which or what are the business model (s) that the organization will opt for a priori?	Which or what are the business model (s) that the organization will implement?	Which or what are the business model (s) that the organization will monitor?
Questions: - In what business we are? - In what business we shouldn't be? - And in what business we should be?	What are the criteria for Strategic marketing that we should choose to define the Current SBU and Potential? - Election of the criteria? - Validation of criteria -Application of the criteria What are the SBU a priori: - Current SBU? - Potential SBU?	What are the business model (s) we're going to implement For the: - Current SBU? - Potential SBU?	What are the Methods? Instruments? And Devices? And management control we're going to use to monitor the business models of each SBUs:
Source: Own Elaboration			

Therefore, in order to choose a model that allows the strategic delimitation of an organization to be SBUs, it is important to take into account the following aspects:

This phase (Strategic Analysis) performs a diagnosis analysis of an organization at the following levels: Assess the maturity of the business model and of the future trend of the market and competition. To help this phase of diagnosis analysis several models strategic analysis can be used with proven scientific rigor and acceptance in the business market, such as: A PESTAL analysis Created by the FME Team (2013), A SWOTt analysis created by Humphrey Albert (1960; 1970), A Diamond analysis (1989 and the 5 Forces analysis (Abell, 1979) both by Porter Michel.

In addition to the previous strategic analysis, it is essential to manage the stakeholders through the Business Model Canvas, Osterwalder, Pigneur (2010).

The term business model is used for a wide range of formal and informal descriptions to represent core aspects of a business, including motive, offerings, strategies, infrastructure, organizational structures, business practices, and operational and political processes.

In this way, we will be able to measure the key competencies of the organization.

In this step (Choice Strategic), the election of the Drivers (strategic marketing segmentation criteria) that go allow Make the election, the validation and choice of the strategic targeting criteria to delimit an organization in SBUs. Hence, it will be possible to set a delimitation strategy proposal, without underestimating the synergetic effects that may be between the current and/or potential SBUs.

Taking into account the criteria to perform the Delimitation of the organization into SBUs it has been verified that this concept has shown that it breaks with the classic departmentalization scheme and it's also a way to streamline the entrepreneurial entrepreneurship. In addition to this, it allows to conclude that the adoption of this type of methodology demonstrates that it is essential to the planning process, but also to control strategic and operational business activity. As well as people's accountability for the work developed<sup>7</sup> in view of the objectives defined. It must be, therefore identified which are the best criteria of more or less extensive panoply that allow to strategically targeting the activities (products and/or services) of an organization.

Furthermore, the Target must be identified where you want to position the products and/or services, i.e. the SBUs. In 2011, Johson, Whittington, Scholes & Fréry, identified 22 possible criteria to perform strategic segmentation, while Ansoff (1985) required at least 3 Criteria for segmentation:

1. The demand (Target Customers or consumers),
2. The Offer (Product/service portfolio) and
3. The needs to meet (Competitive advantage of the value proposition).

As we are going to have the opportunity to check It is not always possible to determine how many or what criteria to use to get satisfactory results to adopt strategic segmentation and it becomes difficult to choose those that best suit the needs of the organization.

<b>Type of Indicator</b>	<b>Segmentation Criteria</b>
<b>External</b>	1. Customer Profile
	2. Relevant market
	3. Competitors
	4. Key Purchasing Factors
	5. Market Life Cycle
	6. Distribution of the
<b>Transcendent</b>	7th Mission
	8. Strategic objectives
	9 Formulated Business Strategies
	10. Risk Assessment
	11. Debt Management
	12. Allocated Resources and competences
	13. Value Chain
	14th Opportunities
	15. Current Organisational Structure
<b>Internal</b>	16. Synergies
	17. Know how Differentiator
	18. Technological Maturity
	19. Life Cycle of products and services
	20. Size of the Organization
	21. Cost Structure
	22. Key Success Factors.

Source: Johson et al., (2011)

This empirical study, taking into account the criteria identified by Johson et al. (2011) (Table 2) we managed to group the 22 Criteria for strategic marketing segmentation in 7 Factors to conduct the delimitation of an organization in SBUs, namely:

1. F1. Strategic Vision;
2. F2. Cost Structure;
3. F3. Life Cycle;
4. F4. Synergies, technology and risk;
5. F5. Customer Profile;
6. F6. Competitive Advantage; and
7. F7. Distribution Strategy.

Next, we present details of the 7 Factors (Table 3 Factors 1-7) of each of the Groups of strategic marketing segmentation criteria with the respective factorial weight associated to them.

<b>Table 3</b>		
<b>FACTOR 1 - STRATEGIC VISION OF THE ORGANIZATION</b>		
<b>Criteria</b>	<b>Type</b>	<b>P. Factorial</b>
1. Mission	Transcendent	0736
2. Strategic Objectives	Transcendent	0769
3. Formulated Business Strategy	Transcendent	0582
4. Value Chain	Transcendent	0665
5. Key Success Factor	Internal	0531
Source: Own elaboration.		

From **Factor 1**, you obtain the grouping of **5 criteria** of strategic marketing segmentation.

<b>FACTOR 1- STRATEGIC VISION OF THE ORGANIZATION</b>	
Strategic Vision Organization.	
Mission Definition	Definition Goals and Goals
Value Chain	
Strategic Formulation	Business Model
Market Feedback	Key Success Factors
Source: Own elaboration	

<b>FACTOR 2 – COST STRUCTURE</b>		
<b>Criteria</b>	<b>Type</b>	<b>P. Factorial</b>
1. Organization Size	Internal	0664
2. Current Organisational Structure	Transcendent	0509
3. Resources redistributed Competencies	Transcendent	0710
4. Cost Structure	Internal	0786
5. Debt	Transcendent	0624
Source: Own elaboration.		

From **Factor 2**, you obtain the grouping of **5 criteria** of strategic marketing segmentation.

<b>COST STRUCTURE</b>	
Size Organization.	
Resources and Competencies	Structure

Distributed	Current Organization
Cost Structure	
Debt Management	
Source: Own elaboration	

FACTOR 3 – LIFE CYCLE		
Factor 3 – Life Cycle.	Type	P. Factorial
Factor 3 – Life Cycle.	External	0878
Factor 3 – Life Cycle.	Internal	0812
Factor 3 – Life Cycle.	External	0.595
Source: Own elaboration		

From **Factor 3**, you obtain the grouping of **3 Criteria** of strategic marketing segmentation.

FACTOR 4 – CUSTOMER PROFILE	
Market Life Cycle	
Players of the market	Competitors of the Organization
Life Cycle of the company's products	
Source: Own elaboration	

SYNERGIES, TECHNOLOGY AND RISK		
Criteria	Type	P. Factorial
1. Technological Maturity	Internal	0758
2. Synergies between products	Internal	0694
3. Risk Assessment	Transcendent	0716
Source: Own elaboration		

From **Factor 4**, you obtain the grouping of **3 criteria** of strategic marketing segmentation.

SYNERGIES, TECHNOLOGY AND RISK	
Technological Maturity	
Current Products	Current Services
Potential Products	Potential Services
Synergies between products	
Risk Assessment	
Source: Own elaboration	

FACTOR 5 – CUSTOMER PROFILE		
Criteria	Type	P. Factorial
1. Customer Profile	External	0,788
2. Key Purchasing Factors	External	0502
Source: Own elaboration		

From **Factor 5**, you obtain the grouping of **2 Criteria** of strategic marketing segmentation.

CUSTOMER PROFILE			
Key purchase Factors (FCC)	Customer Profile (PC)		
	PC 1	PC 2	Pc 3
FCC 1			
FCC 2			
FCC 3			

Source: Own elaboration

FACTOR 6 – COMPETITIVE ADVANTAGE		
Criteria	Type	P. Factorial
1. Relevant market	External	0865
2. Know-how differentiator	InSuit	0609
3. Opportunities Identified	Transcendent	0, 506

Source: Own elaboration

From **Factor 6**, you obtain the grouping of **3 criteria** of strategic marketing segmentation.

COMPETITIVE ADVANTAGE	
Relevant Market.	
Current Markets	Markets potencies
Have you Identified market opportunities?	
Validation of the organization's differentiator know-how	
Organization (SBUs)	
Has differentiated know-how	No differentiated know-how
Source: Own elaboration	

FACTOR 7 – DISTRIBUTION STRATEGY		
Criteria	Type	P. Factorial
1. Distribution	External	0878

Source: Own elaboration

From **Factor 7**, you get only **1 Criteria** of strategic marketing segmentation.

DISTRIBUTION STRATEGY			
Channels	Markets		
	Market 1	Market 2	Market 3
Channel 1			
Channel 2			
Channel 3			

Source: Own Development

Through the Group of 22 Criteria of strategic marketing segmentation of Johson et al., (2011), into 7 Factors, will facilitate the application of the methodology of Election and

Validation of the criteria for strategic marketing segmentation, allowing the identification of the current and / or potential SBUs.

In this way, we should choose between the 7 Factors Strategic Marketing Segmentation (Table 4), those which will best enable the aggregation of products and services in SBUs, namely:

1. F1. Strategic Vision;
2. F2. Cost Structure;
3. F3. Life Cycle;
4. F4. Synergies, technology and risk;
5. F5. Customer Profile;
6. F6. Competitive Advantage; And
7. F7. Distribution Strategy.

<b>Table 4</b>							
<b>FRAME OF STRATEGIC MARKETING SEGMENTATION</b>							
<b>Activities developed by the organization</b>							
<b>Product 1</b>	<b>A</b>					<b>A</b>	
<b>Product 2</b>	<b>A</b>					<b>A</b>	
<b>Product 3</b>	<b>B</b>					<b>B</b>	
<b>Product 4</b>	<b>C</b>					<b>C</b>	
<b>Product No. 5</b>	<b>C</b>					<b>C</b>	
<b>Service 1</b>	<b>A</b>					<b>A</b>	
<b>Service 2</b>	<b>B</b>					<b>B</b>	
<b>Strategic Marketing Segmentation Actors</b>							
<b>Choice</b>	<b>F1</b>	<b>F2</b>	<b>F3</b>	<b>F4</b>	<b>F5</b>	<b>F6</b>	<b>F7</b>
<b>Election</b>	<b>F1</b>					<b>F6</b>	
<b>Strategic Marketing Segmentation</b>							
<b>SBU 1 (IN)</b>	<b>A</b>					<b>A</b>	
<b>SBU 2</b>	<b>B</b>					<b>B</b>	
<b>SBU 3</b>	<b>C</b>					<b>C</b>	
Source: Own Development							

After the current and/or potential SBUs are identified, you will need to make a new Diagnosis that allows you to know and understand each of the SBUs alone, since the fundamental reference framework may be distinct.

For this purpose, we will perform a PESTAL analysis<sup>8</sup> and a SWOT analysis. In addition, we will identify the key purchasing factors, who buys and who may come to buy, thus making it possible to elect the Target for each of the SBUs.

To perform the Validation of each current and/or potential SBUs, it is essential to answer the following questions:

1. How is the environment of each SBUs characterized?
2. Which are the segments of the Target Market (Target) of each SBUs and what are the future expectations?
3. For each SBUs, which are the main Players and how do they position themselves in the market?
4. How should the SBUs position itself and align itself in the future, taking into account the analysis of the environment, the Target and the competition?

The answers to the questions previously formulated will allow reflecting on the following issues:

1. What are the Current SBUs?
2. What are the SBUs that should be consolidated or abandoned?
3. What are the Potential SBUs?

In addition, to identifying the key purchasing factors (Identification of the customers' needs of each SBUs) and key success factors (which is the Level of differentiation of each SBUs in relation to other Players).

As an example, we present the option of the Different Types of strategies a Priori For each SBUs:

1. Price Volume Strategy (VP),
2. Differentiator know-how Strategy (SFD),
3. Focus<sup>9</sup> Strategy,
4. Long Tail Strategy (CL)<sup>10</sup>.

In this phase a Validation test will be carried out on Current and/or Potential SBUs to assess the type of Strategies to formulate for each SBUs, so as to clearly understand:

1. In which Business/ SBUs the organization is?
2. In which Business/ SBUs the organization shouldn't be?
3. And in what Business/ SBUs the organization should be?

Next, it will be required to Validate whether the strategy formulated for each SBUs, is appropriate in terms of its strategic interest, positioning or repositioning.

### **Strategic execution**

In this phase an Evaluation of the implementation of the strategies chosen will be made, checking if this translates, or not, to a proper competitive capacity for each SBUs. Be In the same manner, the release of means of each SBUs will be assessed, that is, whether they win or lose money.

Thus, we will measure the profitability, the feasibility and the EBITDA of the SBUs and we will understand if it is performing, or not, according to the expectations of the *Stakeholders*. So, it is possible to validate:

1. Which SBUs make money?
2. Which SBUs lose money?
3. And which SBUs could win money?

At this stage the Strategic Positioning Framework (QPE) will be created, in which all the information of the previous phases will be compiled and additional data will be added so as to assess the competition of the sector and develop/revue the Proposals and Budgets Plans (PPO) of each SBUs.

Finalized the QPE, a Strategic matrix will be developed, called Strategic Charter, where it Evaluates the performance of each SBUs at the following levels:

1. The Strategic interest of each SBUs for the organization (Weak, medium, strong and very strong), and
2. The relative weight of each SBUs on the global value of the Business of the company, their profitability and the future potential of each SBUs.

## Strategic Control

At this stage, an audit is performed on the strategic implementation for each SBUs, realizing if the OU (Organizational Units) are adequate or not to the organizational needs of each SBUs, in order to ensure the compliance of Objectives and Goals that have been defined.

In this phase, the Organizational Units of the company (OU) must be aligned with the needs of the SBUs in order to ensure their success. In this phase, of strategic control, Strategic and operational indicators (KPI) will be defined for the needs of each SBUs, taking into account the different needs of frequency, (daily, weekly, monthly, quarterly, biannual or yearly). At this point, we will also assess the need or not, to proceed with adjustments to the strategy implemented for each SBUs.

Lastly, it is necessary to reflect on the future of the organization, addressing various issues:

1. Foresee for the *Target* of each SBUs of the organization the potential changes in relation to the real and latent needs of customers or of consumers and the respective positioning in relation to the competition.
2. Identify the volatility, risk and respective impact of the changes checked in each *Target*, at the level of consumer habits, purchasing power, alteration of the competitive strategy and the economic, political and social environment of each of the SBUs.
3. Evaluate how the resources are organized (Organizational, Marketing, Financial, logistic, sales technician, productive, shopping, among others) of each SBUs so that it is possible to obtain an optimization and maximization of business entrepreneurship.

## CONCLUSIONS

The issue of the delimitation of the organization in SBUs, as an accepted tool in the strategic direction and management is normally carried out at the following levels: the formulation and the Implementation of SBUs.

This article sought to address the topic of strategic segmentation under a differentiated methodology considered four specific phases, the analysis, the choice, the execution and the strategic control.

Besides, presenting a specific method to perform the Selection, Validation and Application of the Strategic segmentation Criteria that allow the Identification of the SBUs.

The issue of Strategic Analysis (diagnosis) and of Strategic Choice (formulation) of the SBUs of an organization is high, since, most knowledge about methodologies are centralized in multinational consulting. Furthermore, in the bibliographic review performed only scientific documents exist on the delimitation of an organization in SBUs and these are very focused on the Strategic Planning, where you define the Best Competitive Strategy for each of the SBUs.

However, it lacks the presentation of a methodology for the Selection, Validation and Application of segmentation Marketing criteria and Strategies that allow the identification of SBUs. In the phases of Execution (implementation) and of Strategic control, in which a close relationship is established between SBUs and the Organizational Unit.

Once the SBUs is defined, there may be a need to adjust or not an Organizational Unit with activities and/or its own functions around each SBUs. Taking into account the proposed methodology, it must be continually sought to compliment with harmony (ease) and avoid conflict (difficulty) during the process of Choice, Decision, Execution and Strategic Control of the SBUs.

This compatibility implies a compromise that enables the mutual and continuous adaptation between the needs of SBUs and of OU. In this case, Three Essential ideas are

highlighted that facilitate the mutual and continuous adaptation Process, leading to the finding of harmony and the overcoming of conflicts between the objectives of SBUs and of OU.

The first is the need to equip the organization with Flexible organizational units that allow it to adapt to the different strategic objectives of each SBUs, linking them to a control system of resources and the existing functions.

The second is the definition of the Organizational Units with distinct levels of disaggregation and of synergies that will adapt to the different settings of SBUs with different sizes and requirements of organizational needs.

The third is related to the degree of autonomy of the SBUs, which is indeed a much discussed topic. This does not happen just for reasons of efficiency and efficacy of the organization at the level of the physical, intangible, shared resources, but also at the level of its organizational structure at the following levels: General Management, Human Resources, Financial, and Technological, productive and commercial, among others.

These factors end up causing, imperatively, needs and the reorientation Organizational Units with the SBUs, that are designed as a portfolio based on the aggregation and combination of products and services, as if it was a competence that should be managed and broken down by organizational Units.

This type of methodology demonstrates, in itself, a contribution and fostering an attitude of Entrepreneurial Entrepreneurship.

## ENDNOTES

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