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Corporate portfolio management in practice: the case of credit suisse's turnaround

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Abstract

Corporate Portfolio Management tools are widely used by corporations since the 1970s but have received limited academic attention in the last few decades. This paper aims to add to the existing literature on the topic and illustrate how Corporate Portfolio Management tools can be effectively used in practice to rebalance a corporate portfolio and turn a business around, through the analysis of Credit Suisse's successful corporate transformation in the period 2015-2019. It covers the decision-making process and strategic reorientation decisions of Credit Suisse, offering an interesting blueprint for similar corporate portfolio turnarounds, particularly in the financial services industry.

Keywords

Business Portfolio Transformation, Corporate Restructuring, Corporate Portfolio Management, Strategic Change, Case Study.

Long Summary

Despite their importance and wide global usage, Corporate Portfolio Management (CPM) tools have been understudied by scholars. We are seeing a timid revival of the study of CPM tools in the last decade, which established that these tools are widely used by companies (given that they are still taught at most business schools, where many managers and strategists are educated); and found a direct positive relationship between the frequency and rigor of CPM application and financial performance. These two powerful insights by themselves likely justify the deeper examination of CPM tools by scholars.

In addition to this, there is a growing stream of strategy research that examines the different properties of strategic tools and investigates how these tools are used in practice, as a way to help managers cope with the uncertainties of strategy making.

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This article tries to build upon these two research streams, adding to the strategy-as-practice research agenda through a single-company case study. It complements the existing literature and provides an original perspective that illustrates how CPM tools are used in practice and can be leveraged in the process of designing and implementing a successful corporate turnaround. Specifically, this paper dissects, documents and explains how Credit Suisse used CPM tools to structure and aid its 2015 Strategic Plan, which led to the successful turnaround of the firm.

Credit Suisse's recent restructuring has been selected as the basis of this article because it represents an explicit, well-documented and easy-to-validate case of a corporate turnaround that used CPM tools as the basis of its Strategy. While CPM tools are employed widely, the actual use of these tools is not typically publicly documented. Credit Suisse's case offers us a rare glimpse of "CPM-in-action". To further strengthen the authors´ understanding of this case, the review of extensive public documentation was complemented by multiple in-depth interviews with insiders and industry experts.

While single case studies like this one cannot be generalized, the comprehensiveness of this strategic exercise is such that it can serve as a blueprint for similar corporate portfolio decisions. This is of particular relevance at a time when a lot of companies are re-examining and transforming their corporate portfolios to deal with the post-pandemic world.

Lastly, many scholars have put into question the usefulness of popular strategic tools taught at business schools -and not only CPM tools. They argue that they are ill-suited to solve complex problems. However, this case points out that the thorough application of these strategic tools can certainly aid managers in their strategic decision-making process -by applying the right theoretical foundations, while simultaneously adapting these tools to their specific context- and can also help communicate their strategy in a simple and effective manner.

1. Introduction

Large corporations are complex entities. Most major corporations are diversified organizations, as most of them operate in multiple geographical markets, produce and sell more than one product and typically serve several market segments. Corporate diversification has been widely studied, with conflicting and varied results: some academics call for the breakup of diversified corporations as they argue they destroy value (Lang & Stulz, 1994; Lyandres, 2007; Servaes, 1996), while others defend the financial, strategic and organizational benefits they provide (Villalonga, 2004). It is not the purpose of this article to dwell on the question of corporate diversification and whether it adds or destroys value as there is plenty of literature already dealing with this issue (Espinosa et al., 2018; Gu at al., 2018; Kim & Chen, 2010).

However, Corporate Portfolio Management (CPM), or the management of multi-business portfolios has received little academic attention since the 1980s (Nippa, Pidun & Rubner, 2011), despite the relevance and importance of CPM to top management and practitioners (Brauer, 2009; Pidun et al., 2011). In fact, CPM tools have been widely criticized by academics for a number of reasons, such as oversimplification (March, 2006; Mintzberg, 1994; Seeger, 1984), inconsistency (Wind, Mahajan & Swire, 1983), lack of "reasonable" applicability (Bettis & Hall, 1983) or inferior strategic decision-making (Armstrong & Brodie, 1994; Slater & Zwirlein, 1992) and perhaps, as a result, these tools were of little interest to academics.

Despite this criticism, CPM methods are taught at business schools and are widely used in the business world (Nippa, Pidun & Rubner, 2011). In a comprehensive survey carried out by Freiberg University and The Boston Consulting Group in 2009 (Pidun et al., 2011), the authors concluded that CPM was broadly used in planning and strategic areas. In fact, around two-thirds of participating companies integrated CPM tools into their strategy development and planning processes. Furthermore, scholars found a direct positive relationship between the frequency and rigor of CPM application and financial performance (Untiedt, Nippa, & Pidun, 2013).

This article aims to contribute to a growing stream of strategy research that examines the different affordances of strategic tools (Burke, & Wolf, 2020; Jarzabkowski, & Kaplan, 2015; Paroutis, Franco, & Papadopoulos, 2015; Spee, & Jarzabkowski, 2009). Strategic tools are supposed to be useful in helping managers cope with the uncertainties of strategy making (Jarzabkowski, & Kaplan, 2015). This article tries to bridge the gap between the theory -"how strategic tools should be used"- and the practice -"how managers use these tools"-, applied to the relevant but understudied field of CPM tools. In doing so, the article builds upon a well-established strategy-as-practice research agenda (Golsorkhi et al., 2010; Johnson et al., 2007; Orlikowski, 2010; Vaara, & Whittington, 2012).

Having established the relevance of CPM tools in the corporate world -and their link to profitability-, this paper aims to contribute to the literature on CPM by focusing on the specific case study of Credit Suisse, analyzing how multi-business firms effectively manage their corporate portfolios. This article, beyond the introduction, is structured as follows: a brief initial review of the history and literature on CPM, an explanation of the key strategic business units of Credit Suisse, a description of the Strategic Review carried out by Credit Suisse and a conclusion of the case study.

2. Corporate portfolio management tools

The origins of CPM are linked to the introduction of the BCG-matrix in the late 1960s (Pidun et al., 2011), which plotted market growth against market share. This matrix was developed by The Boston Consulting Group founder, Bruce Henderson, who applied the concepts of portfolio management theory developed by Markowitz (1952) to the management of a corporate business portfolio.

Henderson's matrix was a simple tool that was conceived to help companies decide how to prioritize their different portfolio businesses based on their relatively market share and market growth (Henderson, 1970).

Shortly thereafter, in an engagement at General Electric, McKinsey developed the GE/McKinsey matrix, which uses several measures to evaluate industry attractiveness and competitive position (Wind, 1974). Like its rival's matrix, it offered a systematic method to assist multi-business companies in determining where best to invest their resources (Coyne, 2018). In a visual way, it pointed out which business units needed to be recipients of investment, which ones should receive selective investments only, which should be sold or liquidated, or which ones should be run to extract the maximum cash, while possible.

Another consulting firm, Arthur D. Little, developed its own matrixes, in this case plotting industry maturity against the competitive position of a business (Wright, 1978).

From then onwards, a range of two-by-two matrix developed; for instance, "the relative profitability and growth matrix" (Calandro & Lane, 2007) or the Pidun matrix, plotting strategic potential against financial potential

(Pidun, 2019). While there were differences with regards to the measures and metrics used, there were two basic types of approaches: those, like the BCG-matrix, that relied on a single numerical metric along each axis, and those, like the GE/McKinsey matrix, that used a combination of qualitative and quantitative measures, with different weightings to arrive at a numerical score (Pidun et al., 2011).

Scarcely a decade after the introduction of the BCG-matrix, CPM tools were widely used; one survey showed that 45% of Fortune 500 companies were using CPM tools, reflecting the managerial relevance of these frameworks (Haspeslagh, 1982). However, by the 1980s, CPM tools were no longer fashionable, following the corporate refocusing and rationalization trend in the 1980s (Goold & Luchs, 1993). Leading thinkers like Mintzberg, Porter, Peters or Waterman were ardent proponents of corporate focus and their views had a substantial impact of management thinking (Mintzberg, 1989; Peters & Waterman, 1982; Porter; 1985). While synergistic businesses within a corporate portfolio were still perceived as strategically sound, the reality is that corporate diversification has never regained its former luster. As a result, the study of CPM tools was somehow relegated, perhaps, unfairly.

As a review of the existing literature suggests, there is a surprising scarceness of scholarly work on CPM tools, especially given its relevance in the corporate world (see Table 1). Most likely, as discussed, this is the result of the mainstream rejection of corporate diversification strategies in the 1980s, due to their economic inefficiency (Wernerfelt & Montgomery, 1988). Understandably, there was probably limited academic interest in researching tools that helped companies manage their diversified portfolios at a time when corporate diversification itself was deemed to be value-destroying (Charoenwong, Ding & Jiraporn, 2011).

Table 1 Main Scholarly-Oriented Publications on CPM Issues
Source: Adapted from Nippa, Pidun & Rubner and Own materials

Research Area	**1970**	**1980**	**1990**	**2000**	**2010**	**2020**
Propositions of CPM tools	3	3	1	0	2	0
Evaluation of CPM tools	1	14	4	1	1	0
Survey on CPM implementation	0	3	2	0	1	0

Interestingly, while academics somehow ignored CPM tools, practitioners continued to develop new variations of existing tools. For instance, McKinsey developed several portfolio models, such as market-activated corporate strategy framework (Gluck et al., 2000) and the portfolio-of-initiatives framework (Bryan, 2002). In fact, it was not until the 2010s, when a group of scholars and practitioners associated with Freiberg University and The Boston Consulting Group (Pidun et al., 2011) started researching the topic of CPM tools, that the academic study of these tools was somehow revived.

This paper adds to this modest scholarly revival by addressing an understudied question in strategy scholarship: the use and relevance of different types of CPM tools in turnaround and restructuring situations.

3. Methodology

In business and strategy research, case studies have typically suffered from a negative stereotype as they are accused of lacking the rigor of other research methods (Lee, 1989; Walsham, 1995). In the last decades, numerous academics have written extensively about research methodologies in business and strategy (Rouse & Daellenbach, 2002; Scandura & Williams, 2000; Smith, 1975) and many of them have defended case studies as a valid research method (Siggelkow, 2007; Yin, 1994) and firm-specific case studies have been widely published in numerous journals throughout the world (Gasco, Llopis & Gonzalez, 2004; Kaiser & Stouraitis, 2001; Ogbechie & Iheanachor, 2016). Despite its shortcomings, case study research has seen a revival in this century across disciplines (Dent, 2015; Semenenko, 2019; Weick, 2007) that contributes to enrich the existing body of business and strategy research.

This article does not intend to offer general findings widely applicable to other corporate circumstances- not necessarily to avoid one of the main criticisms of the case study methodology (Johansson, 2007); but, rather, it aims to portray an example of how CPM tools are effectively used in practice. It also provides an example of a successful restructuring strategy, that is consistent with the findings of prior studies on turnarounds, with regards to the causes and effects of corporate restructurings (Berger & Offek, 1999; Johnson, 1996; Markides, 1995).

Credit Suisse's recent restructuring has been selected as the basis of this article because it represents an explicit, well-documented and easy-to-validate case of a corporate turnaround that used CPM tools as the basis of its Strategy. Of course, CPM methods were not used in isolation, and their intrinsic limitations suggest that they should not be, but they were a central part of their Strategic toolkit, as documented in Credit Suisse's Investor Day & Strategic Update presentations (Thiam, 2015; Thiam, 2018). In fact, after an extensive worldwide search covering corporate turnarounds by public firms since the year 2000, this was the only documented and publicly available evidence found of the usage of CPM tools. While there are many other interesting and contemporary restructuring cases in the banking sector and others, such as those of Deutsche Bank (Sims, & Uhlig, 2020) or Barclays Bank (Morris, & Schatker, 2017), which may have used CPM tools as part of their strategic toolkit, there is no evidence of such.

This article relies primarily on Credit Suisse's 2015 Strategy presentation (Credit Suisse, 2015), where the bank's usage of CPM tools is documented. It also draws upon data collected from public sources, such as newspapers, magazines and analyst reports, as well as public information from Credit Suisse, such as annual reports, Investor Day presentations and transcripts.

In addition to this, several interviews were carried out with one current executive and two former senior executives of Credit Suisse, and two senior strategy consultants at a prominent consulting firm, which served various leading banks in the period under study and were able to provide ample contextual information about the industry and Credit Suisse's competitive position, before and after the corporate restructuring. The three Credit Suisse (current and former) employees were selected based on their knowledge of the bank and the turnaround strategy-making process; and the two consultants for their broad experience serving global banks in this period. Interviews were requested via telephone calls and were conducted face-to-face and via telephone calls. The authors carried out ten semi-structured interviews over a period of five months. In addition to this, an iterative process was followed (over email and WhatsApp), as a method of ensuring that data and interpretations were correct (Morse et al., 2008).

These interviews intended mostly to clarify certain issues -given the complexity of the Bank's business-, verify the timing and sequence of certain events and validate the analysis of this case study. As a final verification strategy, as recommended by Morse et al. (2008), a draft of the Strategic Restructuring at Credit Suisse section of this paper was circulated with the interviewees to ensure that it contained no factual errors or errors of interpretation. It is important to note that, during this process, no private or confidential information was shared, and all data, insights and conclusions were developed exclusively from published sources.

4. Credit suisse: brief history and overview

Credit Suisse was incorporated in 1856 in Switzerland. Its original purpose was to support the incipient industrialization in Switzerland (Credit Suisse, n.d.a.).

Over the subsequent decades, the bank grew organically and inorganically until it became one of the top 20 banks in the world, with USD 1.2 trillion in assets by 2008 (Global Finance, 2008) .

Since its inception, Credit Suisse pivoted around two main banking businesses, Private Banking (PB), focused on financial advisory to wealthy clients; and Investment Banking (IB), focused on financial advisory to large corporations and other leading financial institutions (Credit Suisse, n.d.a.).

Credit Suisse has also been present in the retail banking space in Switzerland since the early 1900s. However, its positioning has historically revolved around PB services, leveraging the high levels of wealth in the country and the unique attractiveness of the Swiss banking secrecy restrictions (Chaiking, 2018; Costello, 1985).

Credit Suisse operated in two global divisions– PB and IB. Within these divisions, they coordinated their activities in four regions: Switzerland, EMEA, Americas and Asia Pacific (Credit Suisse, 2014).

4.1. Credit Suisse's private banking business

Before 2014 Credit Suisse was one of the leading private banks in the world. By the end of 2014, Credit Suisse held CHF 730 billion of Assets under Management (AuMs) from its wealthy clients and CHF 580 billion of AuMs from its institutional and asset management clients (Credit Suisse, 2014). The bank operated in Switzerland, in Asia, in other European PB hubs such as Luxembourg and the UK, and in the US. The PB arm of Credit Suisse grew organically and through acquisitions around the world, such as the purchase of the Swiss private bank Bank Leu in 1990, the Brazilian wealth manager Hedging-Griffo in 2007, and Morgan Stanley's wealth management businesses in Europe, Middle East, and Africa in 2013 (Credit Suisse, n.d.b.).

4.2. Credit Suisse's investment banking business

As of 2014, Credit Suisse was one of the top-tier investment banks in the world. Its services consisted primarily of (i) Mergers & Acquisitions advisory services, (ii) raising capital on behalf of their clients; and (iii) sales, trading and equity research. Credit Suisse was setup to support other companies in Switzerland and so, since inception, the bank provided several commercial and IB services. The IB operation of Credit Suisse was the result of organic growth and some alliances and acquisitions (e.g., Joint Venture with First Boston in 1978 and acquisition in 1990; Donaldson Lufkin & Jenrette in 2000).

4.3. Private banking and investment banking collaboration

Credit Suisse's PB and IB businesses have historically operated independently. However, from early 2000, Credit Suisse actively promoted the collaboration between the two business. In 2004, it was decided to build a "one-bank" model, where PB, IB and asset management would work together (Avery, 2010).

The "one-bank" strategy was considered by Credit Suisse a differentiator versus its competitors and an opportunity to increase the business with the wealthy entrepreneurs who would require both wealth advisory for themselves and IB advisory for their companies (The Economist, 2006). However, by 2015, despite some early successes in the "one-bank" strategy, Credit Suisse was operating as a combination of two distinct banks (Lee, 2018).

5. Strategic restructuring at credit suisse

Strategic restructuring of a company's portfolio is as relevant today as it was in the 1960s and 1980s, when a weave of diversification, followed by reversed diversification, was at the heart of corporate strategy (Basu, 2010; Berger & Ofek, 1995). Unfortunately, there is no consensus on whether business portfolio restructurings are value-adding or value-destroying. Some authors argue that, for instance, refocusing strategies improve firm performance (Markides, 1995), while others argue that they have a negative impact on performance (Montgomery & Thomas, 1988) or find no evidence for either a positive or negative impact (Colak, 2010).

While there is no consensus on the consequences of portfolio restructuring, there is, however, enough evidence pointing out that these restructurings occur primarily as a result of poor performance and over-diversification (Markides, 1995; Schönhaar, Pidun & Nippa, 2014). Credit Suisse fit this description perfectly. The bank had been underperforming since the financial crisis. It had poor profitability levels, its revenues were shrinking, it had an excess of risky assets on its balance sheet and a high-cost structure (Lee, 2018).

As a result, in March 2015, the Board felt that a change was needed at the top and decided to replace the then CEO, Mr Dougan with Mr Thiam- a former McKinsey & Company partner and CEO of Prudential (Noonan & Jenkins, 2015). Mr Thiam was tasked by the Board to carry out a strategic review of the bank. Mr Rohner, Chairman of the Group, believed it was the right time to engage with the bank's stakeholders to carry out a strategic review and restructuring of its operations (Credit Suisse Investor day, 2015)

5.1. Credit Suisse performance just before the strategic review

Despite Credit Suisse's strong position in the PB and IB markets, the performance of the group was poor prior to the arrival of Mr Thiam. The bank had a weak profitability ratio of 5% – around half of the minimum expected threshold- and it had the lowest capital level among its peer group – 10.3% vs 11.7%- (Credit Suisse, 2014).

The IB division was struggling, with revenues and profits ~40% and ~75% below the 2009 levels, respectively (Credit Suisse Annual Report, 2009 & 2014). The PB division was doing slightly better, revenues were holding up- they were only 6% below the 2009 levels- but its profitability was a cause for concern, at ~56% below 2009 levels (Credit Suisse, 2009, 2014).

The new management team at Credit Suisse had to strengthen its capital position and address the poor profitability levels, the lack of growth, the excessive risks and the high cost structure. Credit Suisse had a strong position in the PB space (see Table 2). The last few years were not good, but revenues were strong, and there were interesting pockets of growth (particularly in Asia and emerging markets) that could be exploited (Beardsley et al, 2015).

Table 2 Comparison of Private Banking Peers as of FYE 2014
Source: Own materials from annual reports

Bank	Market share based on client assets	Efficiency based on Revenues / Expenses	Profitability based on Pre-Tax Income / Equity	Footprint
UBS	5.4%	78%	31%	Global
Morgan Stanley	4.1%	80%	28%	USA
Credit Suisse	2.6%	82%	21%	Global
Goldman Sachs	2.4%	77%	NA	USA
Bank of America	1.8%	74%	40%	USA
Julius Bär	0.8%	82%	9%	Global

However, global IB revenue had been flat since 2008 and the prospects were not looking good. Some markets (like parts of the sales and trading business) were in serious decline, were capital intensive and required a lot of technology investment (Thiam, 2015). Credit Suisse still played a relevant role in the IB market (see Table 3), but its costs were too high and its return on equity too low. The bank's strategic review needed to analyze its IB arm and determine its fit within Credit Suisse's future business portfolio.

Table 3 Comparison of Investment Banking Peers as of FYE 2014
Source: Own materials from annual reports

Bank	Market share based on revenues	Efficiency based on Revenues / Expens.	Profitability based on Pre-Tax Income / Equity
JP Morgan	16.1%	67%	19%
Citi	12.3%	60%	NA
Goldman Sachs	10.8%	67%	NA
Bank of America	10.3%	59%	20%
Morgan Stanley	10.1%	NA	NA
Credit Suisse	7.4%	84%	9%

5.2. The use of Corporate Portfolio Management tools to define the bank's strategy

Being aware of its poor financial situation, Credit Suisse carried out an in-depth strategic review of the businesses, aided by several CPM tools. As we have mentioned, for many companies, CPM is fully integrated into strategic development and planning (Pidun et al., 2011).

What is interesting and insightful about Credit Suisse's case is that CPM tools were at the heart of its strategic decision-making process and were used publicly to communicate its revised strategy. One of the virtues of CPM methods is their simplicity (Day, 1977) and as a result, they serve as a powerful communication tool for all stakeholders. Typically, a business portfolio can be reviewed through four analytical lenses- market lens, value lens, ownership lens and risk lens (Pidun, 2019):

- The market lens focuses on the attractiveness of the markets where the company operates and its competitive position within them. It uses several measures to define attractiveness, such as market size, market profitability, market growth rate and intensity of competition; and competitive position, like market share or profitability.
- The value lens comprises two dimensions: the financial health and the value-creation potential of the individual business units. The former refers to the ability of the business unit to generate an adequate profit, and the latter to the expected growth in profitability from that business unit.
- The ownership lens can be split in two distinct sources of advantage: parenting advantage and linkage advantage (Campbell, Alexander & Gold, 1994; Pidun, 2019). Parenting advantage refers to the benefits that the parent business provides to the respective business units, such as cheaper funding, access to talent, brands or patents. Linkage advantage refers to the classic concept of synergies between businesses (e.g., pooling physical or intangible assets, pooling purchasing power, value from vertical integration, etc).
- Lastly, the risk lens refers to the relatively risk profile of each business unit; and its contribution to the overall risk of the corporate portfolio.

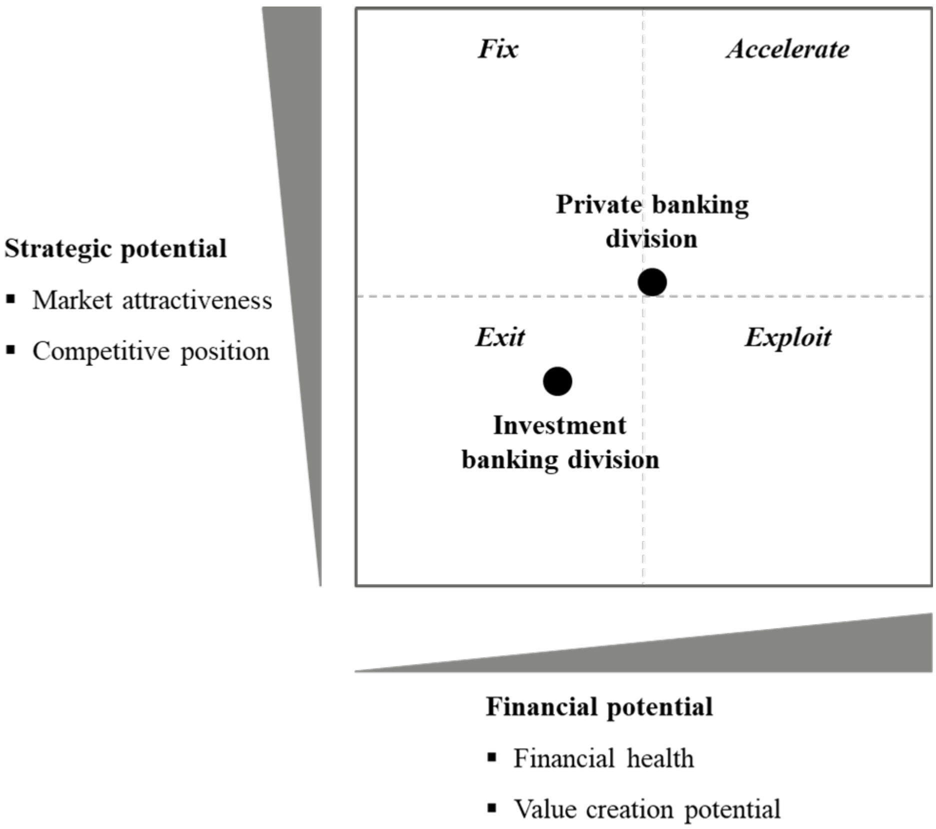
While these lenses can be analyzed in isolation, businesses need a way to combine them into a single view. For this purpose. Pidun (2019) developed a 2x2 matrix that aggregates these portfolio lenses, by looking at "Strategic Potential" (e.g., market attractiveness, competitive position) in one axis and "Financial Potential" (e.g., financial health, value-creation potential) in another axis. It then clusters business units in four action groups: "Fix", "Accelerate", "Exit" or "Exploit".

Credit Suisse used these four lenses to evaluate its portfolio and design its strategy. Its approach, although adapted to the characteristics of the financial services sector was not dissimilar to that developed by Calandro & Lane (2007), which, while designed to analyze industrial performance as opposed to business unit performance, is centered around relative growth and relative profitability. Most companies use traditional criteria such as market attractiveness, competitive position and value-creation, as criteria for the evaluation of Strategic Business Units (Pidun et al., 2011), and Credit Suisse was no different in this respect.

Credit Suisse could have approached this strategic exercise in a binary way, that is, evaluating its two operating divisions - PB and IB - as Strategic Business Units against the said criteria, plotting them in a matrix (see Figure 1 as an illustration of this analysis in a Pidun Matrix). This was not unusual in portfolio management decisions, in the context of major corporate restructurings or reorganizations. For instance, Monsanto exited the industrial chemicals sector to focus on agriculture (Raynor, 2007) and Nokia sold its smartphone business to Microsoft (Kovach, 2013) in "binary-like-exercises". While it is quite common in fact outside of the financial services sector to enter and exit "whole" businesses, through acquisitions and divestitures, there are also a number of similar examples in the financial services sector, for example, the sale of Barclays' asset management arm to Blackrock (Mooney & Smith, 2019); or the sale of Schroders' IB division to Citigroup (Becket & Portanger, 2000).

However, in Credit Suisse's case such an approach would have been conceptually appropriate but strategically inadequate, as there were some clear synergies between businesses (Thiam, 2015) that would have been lost had Credit Suisse determined to sell its entire IB division. Therefore, Credit Suisse opted for a more granular definition of Strategic Business Units and divided its PB operations by geography (e.g., Switzerland, USA, etc) and IB operations by service line (e.g., Macro, Prime Services, Equity Derivatives, etc).

Figure 1 Binary CPM Assessment applied to Pidun Matrix
Source: Own materials. Matrix adapted from Pidun, 2019



Specifically, the bank's team used three criteria to analyze its business portfolio and determine where to focus on- based on their Strategic and Financial potential.

1) Criterion 1: Expected market growth [market lens]: on the one hand, PB was expected to continue growing, supported by the growth in global wealth, and particularly in emerging markets (Beardsley et al, 2015). On the other hand, IB was expected to continue its steady decline, which had been especially acute in the sales and trading sub-businesses.

In a nutshell, PB presented attractive growth opportunities (globally, but particularly in Asia and other Emerging Markets), while IB would likely continue to shrink in years to come; furthermore, there was a certain overcapacity in the IB market (Thiam, 2018).

2) Criterion 2: Expected businesses returns [value lens & risk lens]: Credit Suisse assessed the returns through three key dimensions:

a. Required investment [value lens]: in the case of Credit Suisse, as a bank, profitability was measured and constrained by the specific capital requirements, which varied substantially by business unit and jurisdiction.

b. Expected profitability [value lens]: Each business was evaluated on its profitability potential. For simplification purposes, profitability was calculated on a pre-tax basis and then a predefined tax rate was horizontally applied across all businesses. Afterwards, the profitability of each business was compared with its required investment (i.e., required capital).

c. Profitability stability [risk lens]: after assessing the expected profitability per business unit, the bank assessed the returns' stability across the cycle (as volatility represented a substantial risk for the bank).

The overall PB business assessment clearly outperformed the overall IB business in each of the three dimensions: (i) it would require less investment, it was regarded to be capital-efficient, while IB had high and rising capital needs; (ii) PB offered a high return on capital, while IB had high fixed costs; (iii) IB had very volatile revenues, while PB was a more stable business (Thiam, 2018).

3) Criterion 3: Ability to develop a sustainable advantage [ownership lens]: Credit Suisse decided to remain only in markets where it had a clear competitive advantage (i.e., a parenting or linkage advantage). It had a strong private bank, with a distinctive franchise and global capabilities and Credit Suisse believed it was in a position to take advantage of a growing global market (Thiam, 2018).

Credit Suisse's competitive position in IB was weaker. While American banks had "cleaned-up" after the crisis, both in terms of balance sheet and cost-structure, European banks, including Credit Suisse, had not (Arnold, 2018; Noonan, 2018). As a result, there were several business segments within the IB space were Credit Suisse was no longer competitive.

Therefore, Credit Suisse concluded that it had to reassess its portfolio mix, doubling down on its PB arm, and rightsizing the IB operation. Ironically, before Mr Thiam's arrival the bank had been dominated by its IB arm and the new management team decided to reverse this and let the PB operations dominate the bank instead (Lee, 2018).

According to Mr Thiam, "This is a fabulous bank. Or let me be more precise: it has always had a fabulous bank within it. Our wealth management franchise and some of our top IB franchises were always there. It's just that the bank had not been managed to leverage all our capabilities and maximize our potential, particularly in wealth management." (Lee, 2018).

5.2.1. Rightsizing the investment banking arm

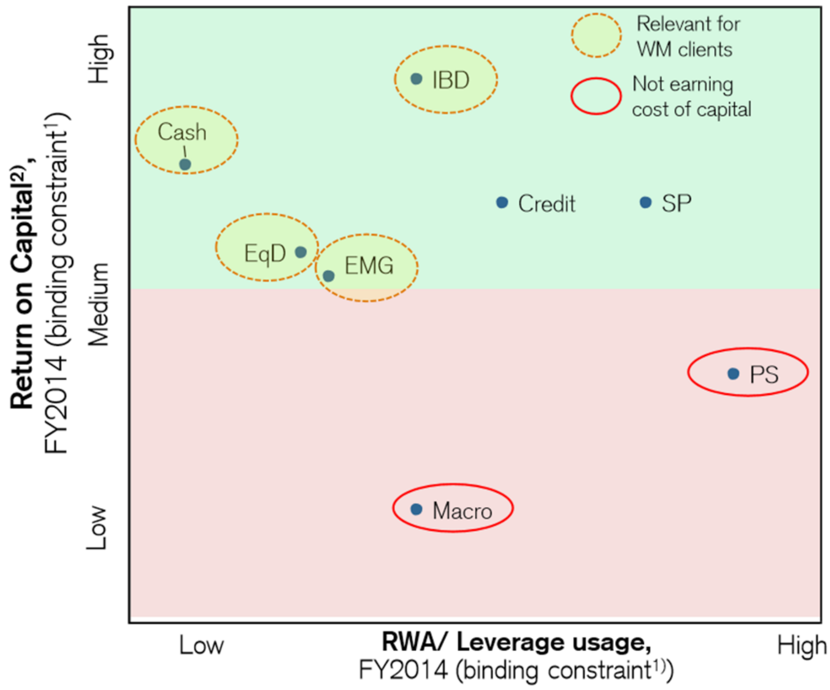
Credit Suisse applied again a CPM approach to the assessment of their IB arm and selected three criteria -closely linked to the above- to determine IB businesses should be rightsized: their connection to the PB business, their required investment- capital usage- and their expected profitability- return of capital- (Thiam, 2015).

Credit Suisse analyzed which of its IB solutions served the needs of Ultra High Net Worth individuals (UHNWI), to determine whether to exit or not certain IB segments (Thiam, 2015). There were several IB capabilities that were of great importance to the PB clients, such as structured risk management solutions, growth and financing capabilities or tailored investment solutions (Thiam, 2018). This, incidentally, is an interesting practical example of the notion of "relatedness" (Barney 1991; Wernerfelt 1984; Wrigley, 1970), where Credit Suisse selected those dimensions within the IB business unit that provided strategic synergies to the PB business unit, building on the strategic believe that -at a portfolio level- related businesses perform better than unrelated ones (Lüthge, Pidun, & Knyphausen-Aufseß, 2021).

Then Credit Suisse evaluated all IB segments against these three criteria and determined that there were two segments in particular that should be the main focus of their rightsizing efforts: Prime Services (i.e., services and products related with equities, such as financing, clearing, settlement and custody) and Macro (i.e., services and products related with currencies, excluding emerging markets related businesses).

From a portfolio matrix perspective, all the IB segments were plotted in a simple matrix (see Figure 2), which served as a straightforward (and easy to communicate) tool to explain the bank's strategic assessment.

Figure 2 CPM tool with Investment Banking segments incorporated
Source: Thiam, 2015



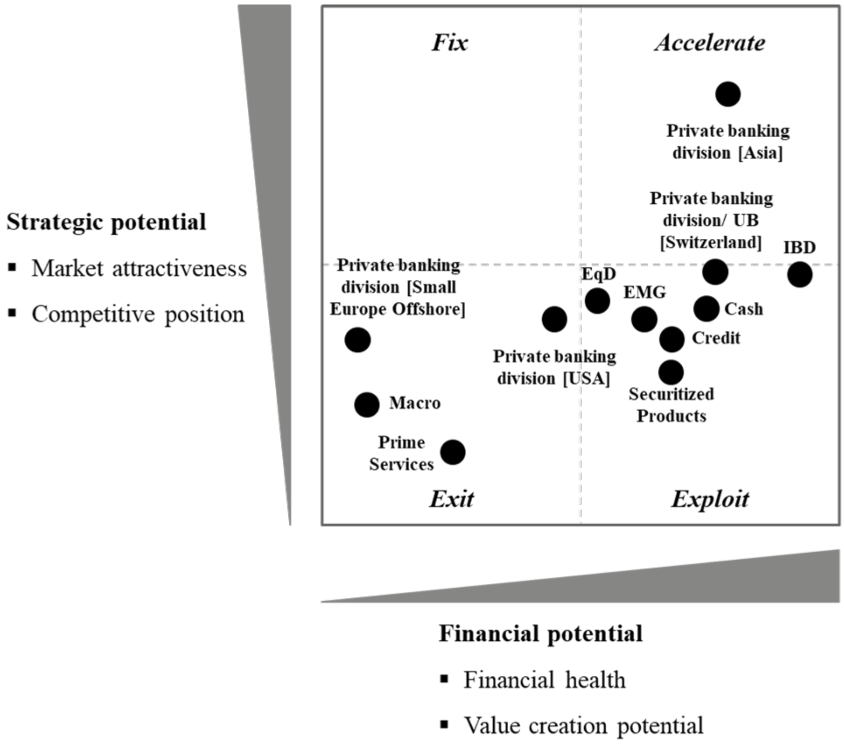
5.2.2. A clear Strategic Statement

Following its analysis, Credit Suisse concluded that it should leverage its strong franchise and capabilities in PB to tap into the multiple growth opportunities available across different markets. IB was still an attractive business, but it would need to be significantly re-oriented and rightsized to be profitable and to add real value to Credit Suisse and to its core-customers going forward (i.e., UHNWI).

Credit Suisse aspired to "become a leading Wealth Manager, with strong IB capabilities, across Mature and Emerging Markets, focusing on UHNW and entrepreneur clients, serving their private wealth and business financial needs" (Thiam, 2015). The bank decided to refocus on its historical core, while maintaining some useful IB operations that complemented their core PB business (see Figure 3 with an illustration of its portfolio assessment applied in a Pidun Matrix).

Credit Suisse leveraged CPM tools, as well as other strategic instruments, to answer one of the key questions of strategic management: what type and degree of diversification was adequate for the bank considering its new strategic objectives? (Nippa, Pidun & Rubner, 2011). The bank carried out an effective portfolio management analysis (as described by Pidun et al., 2011) as it tried to build a franchise that was "more than the sum of its parts"; it did not assess strategic business units at an individual level, but rather at the portfolio level (i.e., by analyzing the relevance of each IB offering to the wealth management arm). Lastly, it reorganized its corporate structure. For instance, it integrated the private and IB divisions in Asia-Pacific, consistent with the paradigm that structure follows strategy (Chandler, 1977).

Figure 3 SBU CPM Assessment applied to Pidun Matrix
Source: Own materials. Matrix adapted from Pidun, 2019



Of course, this article does not mean to imply that Credit Suisse use of CPM tools led the bank to definite strategic recommendations. Rather, they were combined with other qualitative and quantitative analysis to "ask the right questions", facilitate strategic thinking and communicate its strategic vision to the market and other stakeholders effectively. This is exactly what CPM tools are meant to do. In any event, success does not come from effective strategic thinking and decision-making but, rather, from execution.

6. Conclusion

While business portfolio restructurings can be value adding or value destroying, as evidenced by the conflicting literature (Berger & Ofek, 1999; Colak, 2010; Liao, 2005; Markides, 1995; Schönhaar, Pidun & Nippa. 2014), in the case of Credit Suisse's corporate turnaround, the success was quite evident.

Credit Suisse managed to turn its business around and the bank effectively managed to restructure its corporate portfolio composition, as evidenced by the results and strategic re-positioning of the Group by 2018 (Thiam, 2018).

Firstly, it got the market right, and global wealth did indeed grow substantially, and it nearly doubled in the last 10 years (CAGR and expected growth constant at ~6%). On the other hand, sales and trading industry revenue pools have steadily declined since 2012, dropping by 18% from 2012 to 2018 (Thiam, 2018). Obvious at it may sound, the ability to forecast accurately is critical to successful planning strategies (Makridakis, 1990). Unfortunately, the accuracy of forecasts in the business world has a notoriously poor track record (Mintzberg, 1994) and Credit Suisse did, through luck or skill, get the trends right.

Secondly, the bank rebalanced the allocation of capital towards its Wealth Management and IBCM businesses leading to a significant shift in its business mix whilst reducing overall capital consumption. And lastly, it managed to significantly increase the bank's overall core profitability by focusing in PB and PB-connected & profitable IB businesses, going from a loss of CHF 2.7 billion to a profit of CHF 2.0 billion in the four years to 2018.

Pidun et al. (2011) identified certain best practices in corporate portfolio transformations that appear to concur with Credit Suisse's case. In particular, (i) the bank analyzed its corporate portfolio from all relevant perspectives (e.g., market, value, ownership and risk); (ii) the bank designed a total that was more than the sum of its parts, for which it focused its analysis on the portfolio and not on the individual strategic business unit level; (iii) the bank applied a balanced view of short-term versus long-term; and (iv) it applied CPM tools as an instrument for steering the strategic business units- it used it to allocate capital, human resources and management focus. This case provides an interesting perspective around the use of strategic tools. In the past, there has been much debate about the applicability and relevance of strategic tools (Farjoun, 2007; Markides, 2011; Mintzberg, 2004; Pfeffer, & Sutton, 2006; Vermeulen, 2005). These scholars question whether management tools are actually used in practice and, if so, whether they are applied correctly. To these scholar's credit, the practical use of strategic and management tools is hardly made public, and, if it is, the application of such tools is very rarely disclosed and documented, given that most companies prefer to keep their strategic thinking private. This case provides a practical example of the application of CPM tools, a vilified toolkit by many scholars, proving that these tools are effectively and successfully used in practice. In the Credit Suisse case, these tools were useful in framing the problem, structuring the company's thinking, facilitating decision-making by setting clear "rules" and communicating the vision and strategy to the firm and the broader market.

Interestingly, the usefulness of these and other strategic tools has been put into question repeatedly. For instance, some scholars have pointed out that strategy tools may be ill-suited to solve complex problems, such as this one (Camillus, 2008; Denis, Langley, & Rouleau, 2007). A way to avoid this pitfall is to tweak (Jarzabkowski, & Kaplan, 2015), or custom-build strategic tools de novo (Burke, & Wolf, 2020), so as to better cope with complex strategic problems. Credit Suisse effectively did this, by adapting and building new CPM matrixes to better suit their needs. This article, therefore, provides a rare practical example of strategic toolmaking and adaptation, a very understudied research topic (Burke, & Wolf, 2020).

Unfortunately, the findings from this case cannot be generalized. This paper provides an understanding of processes and tools linked to CPM and illustrates how such tools can be used as valuable diagnostic technics that support management in making critical strategic decisions. Nonetheless, , Credit Suisse's approach offers a blueprint for medium-sized or large corporations that want to analyze or reposition their multi-business portfolio, particularly in the financial services sector. At a time of substantial disruption in the financial services sector, multi-business financial services firm need to look at their corporate portfolio in a structured and efficient manner and Credit Suisse's case can serve as a useful -and successful- example.

Clearly, there is not a "one-size-fits-all" CPM approach that can be applied across companies; however, practical examples of successful applications of CPM tools, such as this one, can provide practitioners with insights that can improve their strategic analysis and decision-making process.

Given the practical applicability of CPM instruments, future academic research can prove to be beneficial to practitioners. The following open questions may merit further research:

- How is the usage of CPM tools evolving in a context of rapid business change? Should existing and standard criteria in CPM tools be expanded to incorporate more up-to-date measures; such as the impact of digital disruption?
- Are there certain CPM tools or practices that lead to better restructuring outcomes?
- Could the risk vs return matrix (Risk Weighted Assets usage vs Return on Capital) as used by Credit Suisse, be the most appropriate CPM tool for multi-business financial services firms, given the strict capital regulations in place across the world?

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