

Roland Berger

Portfolio management

Strategic portfolio management – an essential condition of sustainable growth



No strategic portfolio management, no sustainable growth

If one had to reduce the tasks of top management to the very bare essentials, strategic portfolio management would undoubtedly be one of them. This is true in all industries and with all business models. Strategic portfolio management creates lasting value and growth and increases shareholder value.

Today, this discipline is more important than ever. The intensity of competition has escalated dramatically. Both the pace of innovation and the sheer variety of products are increasing relentlessly. Stock markets are becoming more volatile. Listed conglomerates can only watch helplessly as their stocks are traded at significant discounts in some cases.

The opportunities and risks to which companies are exposed are, in other words, anything but static. Lines of business that today generate fat profits can mutate into profit traps in an alarmingly short time. Managers need to be prepared for such eventualities. Accordingly, they should constantly monitor developments in their individual lines of business to make sure they assess their strategic competitive position accurately – and to improve it where necessary.

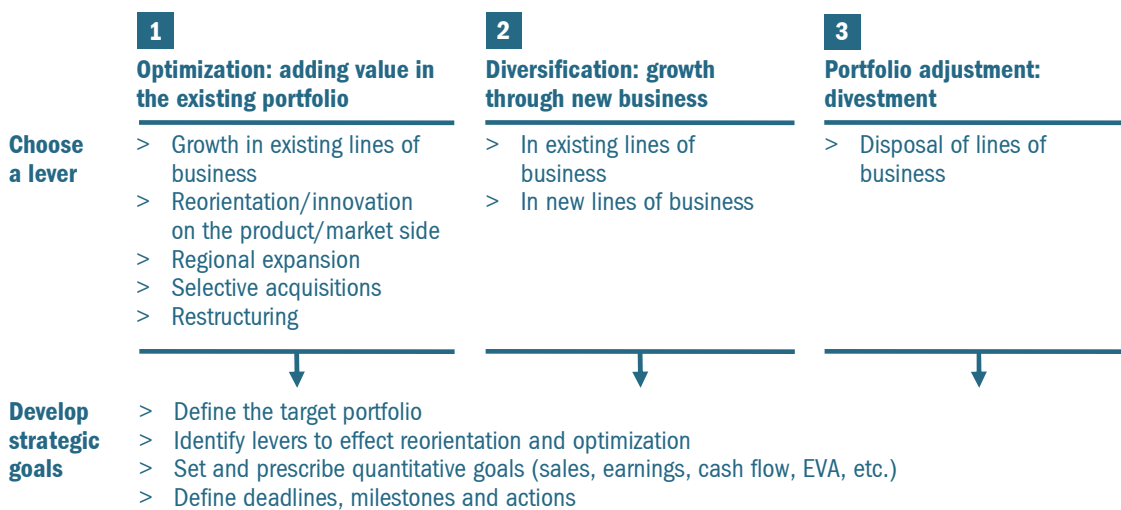
The management must regularly verify whether business lines are in fact creating or destroying value. Well-founded strategic and operational decisions (concerning investments, divestments and operational improvements) need to be taken all the time. By no means least, top managers should regularly review whether all their lines of business still fit in with the defined portfolio logic. As a result of such reviews, the corporate course must be plotted – in the direction of either diversification or a focus on core businesses.

Most entrepreneurs and managers know that regularly reassessing their portfolio is essential to durable success and sustainable growth. But do they also master the other success factors that underpin strategic portfolio management?

Success factors in strategic portfolio management

Managers can activate three levers to respond to changes in the marketplace and competitive environment, or to actively influence that environment. They can either optimize their existing portfolio of businesses, look for growth opportunities in new areas of business, or adjust (i.e. trim) their portfolio. Each of these three levers points to concrete strategic and operational goals – for the company as a whole and for its individual lines of business.

Figure 1: The levers of portfolio management



Successful portfolio management must be more than just well thought through; and it must do more than just deliver durable results and be straightforward to implement. As an entrepreneur, it is also your job to systematically track market conditions and your competitors, to use an "early-warning system" to spot future trends, and to develop creative new business opportunities. Your portfolio decisions must have a solid quantitative foundation and must be based on the principles of value management.

In other words, strategic portfolio management places very exacting demands in terms of analytical skills – and of your company's ability to change and be creative. **You** too should therefore place exacting demands – on us! Take advantage of the proven expertise of Roland Berger Strategy Consultants to embed the success factors inherent in good portfolio management in your company's regular practice.

Our project strategy comprises five action dimensions:

- > Define the orientation of the portfolio and develop an overall concept
- > Optimize existing lines of business
- > Exploit areas of growth
- > Refine and improve the organization
- > Define the value arithmetic and calculate the value of the portfolio

Figure 2: Portfolio management: action dimensions



Within just a few weeks, this precisely structured approach will give you valuable stimulus for the development and reorientation of your strategic portfolio.

Roland Berger can draw on many years' experience in the area of strategic portfolio management. As we talk to you about your portfolio, we can supply you with an extensive array of best-practice examples from companies of varying sizes in every conceivable industry. In recent years, our reference projects have included power utilities, consumer goods manufacturers, technology companies – conglomerates listed in the DAX 30 index of Germany's top blue-chip companies as well as family-run businesses.

Is your portfolio in good strategic and operational shape to face the future? Are you maybe not so sure? Then we need to talk. We look forward to hearing from you.

Roland Berger Strategy Consultants – Competence Center Corporate Strategy & Organization

Roland Berger Strategy Consultants advises industrial and service companies and public institutions of international rank in all areas of corporate management – from strategic orientation to the introduction of new business processes and organizational structures.

"Creative strategies that work" are our core strength. We do not just develop innovative concepts: we also provide active, hands-on support as our customers implement them. Such close teamwork delivers sustainable value for our customers. We are convinced that any strategy that doesn't pay off is not a valid strategy at all. Accordingly, we use systematic methodologies to quantify every one of our recommendations from start to finish. Quantitative analytical procedures and tools are applied from the outset to help us achieve this goal.

Who to contact about strategic portfolio management

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