

Roland Berger

Strategic planning process

The strategic planning process – a success factor for growth strategies



The strategic planning process lays the foundation for strategy development

Strategic decisions prepare the ground for long-term growth that creates value. Top managers accordingly see such decisions as one of their top priorities. Corporate strategy defines the company's vision, sets targets for the long term and outlines the nature and scope of its business. Effective strategies can give a company a decisive competitive edge.

Forward-looking decisions demand a strategic planning process that delivers robust results from which a workable strategy can be designed and implemented. Many managers nevertheless believe that this time-consuming process does not supply them with the results they require. Existing strategic planning practices often involve inadequate quantitative frameworks; and they fail to state the specific actions that must be taken. Worse still, they frequently do nothing at all to inject innovation into the business system.

There is of course no such thing as the right process for strategic planning. Many existing planning processes do, however, clearly contain avoidable weaknesses. Our cross-industry study of this issue revealed the seven strategic planning pitfalls that are outlined in this article.

Review your strategic planning process

A solid strategic planning process delivers valid planning content, applies relevant methodologies, integrates the individual planning steps and tracks implementation. Drawing on our project experience, we have developed a benchmark process for strategic planning that satisfies all these requirements.

Figure 1: Benchmark process for strategic planning

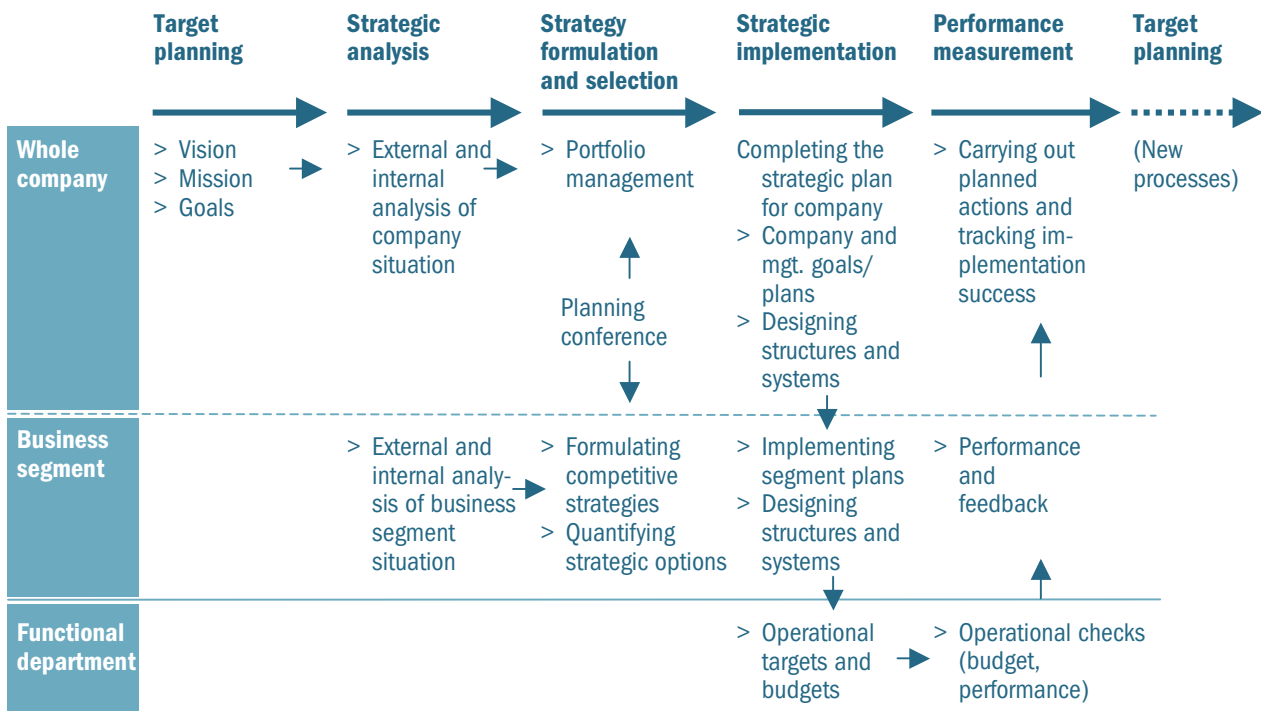


Figure 2: Pitfalls in the strategic planning process

- 1**

How effective is your early warning system?

 - > Do you take account of possible changes in your **analysis of the business environment** at an early stage?
 - > Do you think in terms of strategic **scenarios**?
 - > Do you establish links between strategic **risk management** and strategy development?

- 2**

Do you pay sufficient attention to what your competitors are doing?

 - > Do you regularly produce **strengths/weaknesses analyses** relative to your competitors?
 - > Do you operate a quantitative **monitoring** system for key ratios and success factors at **every step in the value chain**?
 - > Do you apply insights gained from **game theory**?

- 3**

Do you underpin your strategic alternatives with quantitative data?

 - > Do you use **business plans, NPV calculations, scoring models** and **utility value analyses** to underpin and evaluate your strategic alternatives?
 - > Do you work with **rules of thumb**?

- 4**

Is value-based management established firmly enough?

 - > Do you actively plan **value-based management variables** such as EVA, economic profit etc.?
 - > Do you **inventory** your company's value creation when performing strategic analyses?
 - > Do you work with **value driver trees** to identify operational EVA when formulating, selecting and implementing strategies?

- 5**

Is your strategic planning linked to your medium-term and operational planning?

 - > Are strategy development and strategy implementation integrated?
 - > Is your strategic planning **defined from the top down**, is it **quantified** and does it serve as the **basis for your medium-term planning**?
 - > Are the **people/units responsible** and the **interfaces** unambiguously defined in your **processes**?

- 6**

How effective is your strategy implementation tracking system?

 - > Do you **monitor assumptions and track implementation** in the course of your controlling activities?
 - > Do you use regularly **target/actual comparisons** to create transparency?
 - > Do you apply an efficient system of **program management** to track implementation of defined actions?

- 7**

Are your people sufficiently well informed? Have you secured their active commitment?

 - > Are the **compensation systems** defined for your people linked to strategic performance?
 - > Is your **communication** adequate and is it target group-specific (e.g. executive letters, intranet sites, roadshows etc.)?
 - > Are **people** on all levels **actively involved** in implementing strategic decisions (e.g. in projects)?

Review the process regularly to ensure excellence in strategic planning

If you regularly review your strategic planning process and systematically tap the identified potential for improvement, you can be sure that your strategic planning consistently remains excellent.

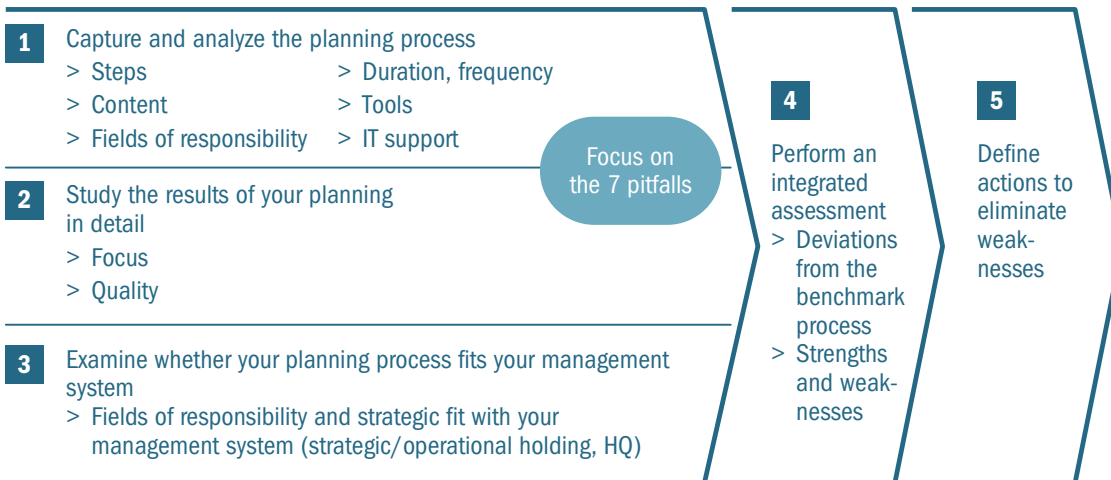
You can gain valuable ideas and input in just a few weeks by letting us examine how well your strategic planning process fits the management systems applied by your planning units (i.e. the whole company or individual business segments). We analyze your existing planning process and the results it produces and assess how well they dovetail with your management system. This analysis reveals the strengths and weaknesses of the process, allowing actions to be defined so that the process can be optimized.

Our approach to the analysis of your strategic planning process has grown out of years of experience in strategy development and strategy planning. Our proposals for improvement draw on an extensive collection of case studies and best practices from companies of various sizes in a wide range of industries. In the past three years alone we have helped financial service providers, power utilities, engineered products firms and automotive component suppliers to redesign their strategic planning processes.

Optimized strategic planning can help you to lay a more solid basis for key decisions, gain a competitive advantage and build a firm foundation for growth that continues to create value in the long term.

Its time to review your strategic planning process!

Figure 3: Roland Berger Strategic Planning Scan



Roland Berger Strategy Consultants – Competence Center Corporate Performance

Roland Berger Strategy Consultants assists 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 really a valid strategy at all. Accordingly, we use systematic methodologies to quantify every one of our recommendations from start to finish. Quantitative analytical procedures are applied from the outset to help us achieve this goal.

Who to contact about strategic planning

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