RUDOLF GRÜNIG RICHARD KÜHN

# Process-based Strategic Planning

**Third Edition** 



# Process-based Strategic Planning

# Rudolf Grünig Richard Kühn

# Process-based Strategic Planning

Translated by Anthony Clark

Third Edition with 137 Figures



Professor Dr. Rudolf Grünig University of Fribourg Chair of Management Avenue de l'Europe 20 1700 Fribourg Switzerland E-mail: rudolf.gruenig@unifr.ch

Professor Dr. Richard Kühn University of Bern Engehaldenstrasse 4 3012 Bern Switzerland E-mail: kuehn@imu.unibe.ch

Cataloging-in-Publication Data applied for Library of Congress Control Number: 2004114270

A catalog record for this book is available from the Library of Congress. Bibliographic information published by Die Deutsche Bibliothek Die Deutsche Bibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data available in the internet at http://dnb.ddb.de

## ISBN 3-540-23571-X Springer Berlin Heidelberg New York

ISBN 3-540-43502-6 2nd Edition Springer Berlin Heidelberg New York

This work is subject to copyright. All rights are reserved, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilm or in any other way, and storage in data banks. Duplication of this publication or parts thereof is permitted only under the provisions of the German Copyright Law of September 9, 1965, in its current version, and permission for use must always be obtained from Springer-Verlag. Violations are liable for prosecution under the German Copyright Law.

Springer is a part of Springer Science+Business Media springeronline.com

© Springer-Verlag Berlin Heidelberg 2002, 2005 Printed in Germany

The use of general descriptive names, registered names, trademarks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

Hardcover-Design: Erich Kirchner Production: Helmut Petri Printing: betz-druck

SPIN 11337829 Printed on acid-free paper - 42/2202 - 5 4 3 2 1 0

#### Preface for the third edition

In the third edition, Part II has been enlarged with a new chapter about the strategic analysis and planning toolbox. In addition, some revisions have been made to the text and figures and the visibility of the text has been improved with a new font format.

The authors would like to express their thanks to Tu Le for her substantial and excellent work in revising the manuscript and the figures for this third edition.

October 2004 Rudolf Grünig, Richard Kühn

#### Preface for the second edition

As a result of valuable feedback on the first edition of this book, some revisions have been made to the text and the figures for this second edition. In addition, the section in Chapter 12 which deals with strategic options at the corporate level has been improved and new findings about diversification have been added.

The authors would like to express their thanks to Wira Tandjung for his expert assistance with this second edition.

March 2002 Rudolf Grünig, Richard Kühn

#### **Preface**

The strategies of a company define its future way of doing business: they determine for years to come the target markets and the competitive advantages it must construct and maintain. It is the development of successful strategies, an essential and a complex task, which forms the focus of this book. The book begins with a brief introduction to strategic planning. This is followed by the presentation of a method for determining future strategies. Here seven stages in planning are proposed. They are afterwards described in detail and procedures are provided for dealing with each stage. The recommended procedures are sometimes rather complex: we have done our best, while avoiding oversimplification, to make our methodological suggestions accessible by using clear terminology, charts where appropriate, and a large number of examples and case studies as illustrations.

The authors would like to express their gratitude to all those who have helped in the writing of this book. Many of the ideas and examples came from practice. We are therefore especially indebted to the many managers who have allowed us to share their strategic work. The authors would also like to thank all those former and present students, doctoral candidates and assistants, who contributed to the book. In addition we would like to address our special thanks to three people. This book could not have been produced without the considerable talents of Anthony Clark who translated large sections of the book from German into English and improved the language of the parts we wrote in English. Kiruba Levi and Barbara Roos merit special thanks for their efficient and excellent work in typing the text, designing the figures and producing the lists, the index and the bibliography.

March 2001 Rudolf Grünig, Richard Kühn

# **Brief contents**

Preta	ace	V
Brief	contents	vii
Cont	tents	ix
List o	of figures	xvii
List c	of insets	xxiii
Intro	duction	1
Part	I: The idea of strategic planning	5
	Strategies, strategic planning and success potentials	
	The development of strategic planning	
	Assessment of strategies	
	•	
Part	II: The process of strategic planning and the resulting	
	documents	31
4 9	Strategic documents as the result of strategic planning	33
	The process of strategic planning	
6	The strategic analysis and planning toolbox	75
Part I	III: Strategy project planning and strategic analysis	83
	Project planning	
	Strategic analysis	
Ο.	Strategic arialysis	99
Part I	IV: Developing corporate strategies	123
9 [	Defining the strategic businesses	127
10 /	Assessing relevant industries with the help of	
	competitive intensity models	145
11 [	Determining strategic objectives with the help of	
ŗ	oortfolio methods	
12 ]	The corporate strategy development process	195

Par	t V: Developing business strategies	219
13	Generic business strategies	223
14	Specifying business strategies at the level of the market	
	offer	
	Specifying business strategies at the level of resources	
16	The business strategy development process	293
Par	t VI: Defining the implementation measures and	
	assessing and approving the strategies	315
17	Defining the implementation measures	317
18	Final assessment of strategies and strategy	
	implementation measures	333
19	Formulating and approving the strategic documents	351
Fina	al remarks	357
Glo	ssary	359
Ind	ex	369
Bibl	liography	375

### **Contents**

		tents				
		ures				
List	of ins	sets	xxiii			
Inti	roduct	ion	1			
1111	ouuci					
Par	t I: Th	e idea of strategic planning	5			
1	Strat	egies, strategic planning and success potentials	7			
	1.1	Strategies				
	1.2	Strategic planning				
	1.3	Building success potentials as the main purpose of				
	1.5	strategic planning	9			
2	The	development of strategic planning				
4	2.1	Four phases in the development of strategic	12			
	2.1	planning	15			
	2.2	The role of strategic planning within strategic	כו			
	2.2	The role of strategic planning within strategic	47			
_		management				
3		ssment of strategies				
	3.1	Basic reflections on the assessment of strategies				
	3.2	Model for the assessment of strategies	24			
Par	+ 11· Tk	ne process of strategic planning and the resulting				
ı aı		ocuments	21			
4	Strategic documents as the result of strategic planning					
	4.1	Basic types of strategic document	33			
	4.2	Combinations of strategic documents for specific				
		companies				
5	The	process of strategic planning	47			
	5.1	The need for a systematic process of strategic				
		planning	47			
	5.2	Overview of the process of strategic planning	48			
	5.3	A brief note on the steps of the process				
	5.4	The strategic planning process of an electricity				
		provider	56			

	5.5	Adapt	ing the process of strategic planning	62
		5.5.1	Reasons for adapting the process	62
		5.5.2	Adapting the process to companies with	
			reduced or greater complexity of structure	63
		5.5.3	Adapting the process to deal with specific	
			strategic questions	70
		5.5.4	Final remarks	
6	The s	trategi	analysis and planning toolbox	
_	6.1		tant tools of strategic analysis and planning.	
	6.2		ting the tools to the three sections of	,
	0.2		gic analysis and to the steps in the strategic	
			ng process	77
		piami		, ,
Pari	t III: St	rategy	project planning and strategic analysis	83
7			ning	
,	7.1		trategic planning should be seen as a	
	7.1		t	05
	7.2	Overv	iew of the topics of project planning	٥٥
	7.2 7.3		nining the project scope	
	7.3 7.4			00
	7.4	Detell	mining the objectives and boundary	90
	7.5	Docidi	ions of the projectng whether to hire a consultant	ره
	7.5 7.6			
	7.6 7.7		the project organization	91
	7.7		the process and the milestones of the	0.4
	7.0		t	
_	7.8		ting the project cost	
8		egic ana	alysis	99
	8.1		eed for strategic analysis before strategies	
			veloped	
	8.2		nt and conclusions of strategic analysis	
	8.3		ption of the applied methods	103
		8.3.1	The choice of the methods applied in	
			strategic analysis	
		8.3.2	Global environmental analysis	
		8.3.3	Description of the market system	
		8.3.4	The identification of success factors	106
		8.3.5	Analysis of strengths and	
			weaknesses	
		8.3.6	Stakeholder value analysis	114

	8.4	The pr	rocess of strategic analysis	116		
		8.4.1	Overview of the process of strategic			
			analysis	116		
		8.4.2	Determining the preconditions for analysis.	116		
		8.4.3				
Par	t IV: D	evelopi	ing corporate strategies	123		
9	Defining the strategic businesses					
	9.1		rategic business as a three dimensional			
			uct	127		
	9.2		ypes of strategic business			
	9.3		ellations of strategic business fields			
			rategic business units	134		
	9.4	Defini	ng strategic businesses	136		
10	Asses	sing re	levant industries with the help of			
	competitive intensity models					
	10.1	Basic r	eflections on the assessment of			
		compe	etitive intensity	145		
	10.2	Analyz	zing industry structure with the Five Forces			
				147		
		10.2.1	The basic concept underlying the Five			
			Forces model			
			Areas of application			
			Procedure	150		
	10.3		zing structures within industries with the			
			gic Groups model	158		
		10.3.1	The basic concept underlying the Strategic			
			Groups model			
			Areas of application			
			Procedure	160		
11			strategic objectives with the help of			
			thods			
			asis of portfolio methods			
	11.2		arket growth - market share portfolio			
			The portfolio matrix			
			Norm strategies	171		
		11.2.3	Recommendations for the portfolio as a	470		
			whole	1/3		

	11.3	The industry attractiveness - competitive strength	475
		portfolio	
		11.3.2 Norm strategies and recommendations for	175
		the portfolio as a whole	101
	11 4	Portfolio analysis and planning process	
	11.7	11.4.1 Overview of the process	
		11.4.2 Preliminary methodological decisions	
		11.4.3 Description of the current portfolio	
		11.4.4 Predicting changes in real market growth	105
		or industry attractiveness	186
		11.4.5 Analysis of the current portfolio	
		11.4.6 Planning the target portfolio and target	
		market positions	186
		11.4.7 Portfolio anyalsis and planning in a retail	
		group	187
12	The c	corporate strategy development process	
		Overview of the process of developing a	
		corporate strategy	195
	12.2	Defining the strategic businesses	
	12.3	Describing the current strategy and forecasting	
		developments relevant to its assessment	198
	12.4	Assessing the current strategy and determining	
		the planned strategy	
		12.4.1 Preliminary remarks	
		12.4.2 Assessment of the current strategy	
		12.4.3 Development of the strategic options	
		12.4.4 Assessment of the strategic options	216
Part	t V: De	eveloping business strategies	219
13		ric business strategies	
13		Basic reflections on the generic business strategies	
		Overview of the generic business strategies	
		The broad scope price strategy	
		The broad scope differentiation strategy	
		The niche focus strategies	
	, 5.5	13.5.1 A niche as a specific form of industry	250
		segment	. 230

		13.5.2 The identification and assessment of niches	
		with the help of industry segment analysis	232
		13.5.3 Requirements for niches	
	13.6	•	
		business strategies	238
		13.6.1 Success conditions of the generic business	
		strategies	238
		13.6.2 Risks of the generic business strategies	238
	13.7	Transitional strategies and strategy alternation	
		13.7.1 Basic reflections on transitional strategies	
		and strategy alternation	243
		13.7.2 Transitional strategies	
		13.7.3 Strategy alternation	
14	Speci	fying business strategies at the level of the market	
			251
	14.1	Basic reflections on specifying business strategies	
		at the level of the market offer	251
	14.2	Specifying the market offer for a price strategy	251
		14.2.1 Three areas of specification	
		14.2.2 Specifying the products and services	
		14.2.3 Specifying the mix of products and services	253
		14.2.4 Specifying the pricing	
	14.3	Specifying the market offer for a differentiation	
		strategy	256
		14.3.1 The importance of a clear view of the	
		served industry segment(s) and of the	
		main competitors	
		14.3.2 Strategic positioning of the market offer	258
		14.3.3 Ideas for the strategic positioning of the	
		market offer	261
	14.4	The identification of success factors and the	
		analysis of strengths and weaknesses as a basis for	
		specifying the market offer	267
	14.5	<b>V</b> 1	
		the market offer	
15		fying business strategies at the level of resources	273
	15.1	Basic reflections on specifying business strategies	
		at the level of resources	
		Understanding resources	
	15.3	Valuable resources	276

	15.4	Determining which resources to build or maintain	
		value	. 284
		15.4.3 Determining which of the resources creating customer value are rare	. 290
		15.4.4 Assessing sustainability of the resources	
		creating customer value and found to be rare	201
16	Thol	ousiness strategy development process	
10		Overview of the process of developing a business	. 293
		strategy	293
	16.2	Describing and assessing the current business	
		strategy	. 295
	16.3	Determining and assessing options for the future generic business strategy and the target industry	
		segment(s)	296
	16.4	•	
		competitive advantages	. 297
		16.4.1 The reason for identifying and assessing	
		options	. 297
		16.4.2 The network of success potentials as an	
		approach to developing options for	
		competitive advantages	
		16.4.3 Basic options for competitive advantages	. 304
		16.4.4 Criteria for assessing options for	
		competitive advantages	. 306
	16.5	Developing the business strategy of a watch	
		manufacturer	. 308
_			
Part		efining the implementation measures and assessing	245
		nd approving the strategies	
17		ing the implementation measures	
		Basic reflections on implementing strategies	
		Types of strategic program	. 319
	17.3	The process of defining the implementation	225
		measures	. 326
		17.3.1 Overview of the process of defining the	226
		implementation measures	. 326

		17.3.2 The steps in defining the implementation measures	326
18		assessment of strategies and strategy ementation measures	
	18.1	The need for a final assessment	. 333
	18.2	The assessment criteria	
		18.2.1 Overview of the assessment criteria	. 333
		18.2.2 Assessment of the total value of the strategies	333
		18.2.3 Assessment with the remaining sets of	. 555
		criteria	. 339
	18.3	Process of final assessment of strategies and	
		strategy implementation measures	. 345
		18.3.1 Overview of the process of final	
		asessment of strategies and strategy	
		implementation measures	. 345
		18.3.2 The steps of final assessment of strategies	
		and strategy implementation measures	. 345
19	Form	ulating and approving the strategic documents	. 351
	19.1	Overview of the process of formulating and	
		approving the strategic documents	. 351
	19.2	Steps in formulating and approving the strategic	
		documents	351
Fina	al rema	arks	. 357
CI.			250
RIDI	iograp	hy	. 3/5