



Rudolf Grünig  
Richard Kühn  
Dirk Morschett

# The Strategy Planning Process

Strategic Analyses, Objectives,  
Options and Projects

*Third Edition*

 Springer

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Strategic Analyses, Objectives, Options  
and Projects

Third Edition

Translated from German by Maude Montani

 Springer

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## Preface

The strategy of a company defines its future way of doing business. It determines for the coming years the target market positions and the competitive advantages of the offers and resources to build up. Determining the future strategy is therefore an important management task. The present book illustrates how to approach it.

For the third edition, the processes for developing the corporate strategy and for developing a business strategy were redesigned and enlarged. Furthermore, many specifications and simplifications were realized.

From the third edition, Dirk Morschett completes the author team.

Many of the ideas and examples in the book are based on the cooperation with companies. The authors are, therefore, indebted to the many managers who allowed insights into their strategic work. Numerous thoughts also stem from discussions with current and former assistants, PhDs, and students. The authors would like to thank them for their contributions.

The authors thank Amandine Blanc for her valuable suggestions for improving the comprehensibility of the book and Maude Montani for her precise translation from German to English. The biggest thanks are addressed to Tu Le for her excellent work in producing the manuscript, the figures, and the bibliography.

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# Contents

<b>1</b>	<b>Introduction to “The Strategy Planning Process”</b> . . . . .	1
	References . . . . .	2
<b>Part I Idea and Process of Strategic Planning</b>		
<b>2</b>	<b>Strategies, Strategic Planning, and Success Potentials</b> . . . . .	7
2.1	Strategies . . . . .	7
2.2	Strategic Planning . . . . .	7
2.3	Determining the Target Success Potentials as the Main Task of Strategic Planning . . . . .	9
	References . . . . .	15
<b>3</b>	<b>Development of Strategic Planning and its Integration into Strategic Management</b> . . . . .	17
3.1	Development of Strategic Planning . . . . .	17
3.2	Integration of Strategic Planning into Strategic Management . . . . .	23
	References . . . . .	25
<b>4</b>	<b>Strategic Documents</b> . . . . .	27
4.1	Categories of Strategic Documents . . . . .	27
4.2	Company-Specific Combinations of Strategic Documents . . . . .	29
	Reference . . . . .	31
<b>5</b>	<b>Strategy Planning Process</b> . . . . .	33
5.1	Basis of the Process . . . . .	33
5.2	The Proposed Strategy Planning Process . . . . .	34
5.3	Linking the Process with the Main Analysis and Planning Tools . . . . .	38
	References . . . . .	39
<b>Part II Initializing Strategic Planning</b>		
<b>6</b>	<b>Developing or Revising the Mission Statement</b> . . . . .	43
6.1	Introduction . . . . .	43
6.2	Effects and Content of a Mission Statement . . . . .	43

6.3	Process for Developing or Revising the Mission Statement . . . .	46
	References . . . . .	47
<b>7</b>	<b>Defining the Current Strategic Businesses . . . . .</b>	<b>49</b>
7.1	Introduction . . . . .	49
7.2	Markets and Submarkets . . . . .	49
	7.2.1 Notion of Market . . . . .	49
	7.2.2 Dividing into Submarkets . . . . .	50
7.3	Strategic Businesses . . . . .	51
	7.3.1 Notion of Strategic Business . . . . .	51
	7.3.2 Types of Strategic Business . . . . .	51
	7.3.3 Distinction of Types of Companies According to Their Strategic Businesses . . . . .	52
7.4	Process for Defining the Current Strategic Businesses . . . . .	53
	References . . . . .	58
<b>8</b>	<b>Preparing the Strategy Planning Project . . . . .</b>	<b>59</b>
8.1	Introduction . . . . .	59
8.2	Strategy Planning as a Project . . . . .	59
8.3	Process for Preparing the Strategy Planning Project . . . . .	60
	References . . . . .	65
 <b>Part III Strategic Analysis at the Corporate Level</b>		
<b>9</b>	<b>Global Environment Analysis . . . . .</b>	<b>69</b>
9.1	Introduction . . . . .	69
9.2	PESTEL Analysis . . . . .	69
9.3	Scenario Analysis . . . . .	70
9.4	Process for the Global Environment Analysis . . . . .	73
	References . . . . .	75
<b>10</b>	<b>Portfolio Analysis . . . . .</b>	<b>77</b>
10.1	Introduction . . . . .	77
10.2	Boston Consulting Group Portfolio . . . . .	77
	10.2.1 Portfolio Matrix . . . . .	77
	10.2.2 Basis of the Portfolio . . . . .	79
	10.2.3 Recommendations for the Businesses and the Portfolio as a Whole . . . . .	83
10.3	McKinsey Portfolio . . . . .	85
	10.3.1 Portfolio Matrix . . . . .	85
	10.3.2 Basis of the Portfolio . . . . .	90
	10.3.3 Recommendations for the Businesses and the Portfolio as a Whole . . . . .	92
10.4	Process for Portfolio Analysis . . . . .	93
	References . . . . .	99

**11 Diagnosing the Strategic Challenges at the Corporate Level . . . . . 101**  
 11.1 Introduction . . . . . 101  
 11.2 SWOT Matrix . . . . . 101  
 11.3 TOWS Matrix . . . . . 103  
 11.4 Process for Diagnosing the Strategic Challenges at the  
 Corporate Level . . . . . 106  
 References . . . . . 107

**Part IV Developing the Corporate Strategy**

**12 Developing and Assessing Strategic Options for the Company . . . . 111**  
 12.1 Introduction . . . . . 111  
 12.2 Corporate Options Matrix . . . . . 113  
 12.3 Differentiated Ansoff Matrix . . . . . 116  
 12.4 Process for Developing and Assessing Strategic Options for  
 the Company . . . . . 120  
 References . . . . . 122

**13 Defining the Strategic Objectives for the Company . . . . . 123**  
 13.1 Introduction . . . . . 123  
 13.2 Strategic Objectives for the Company . . . . . 123  
 13.3 Target Portfolio . . . . . 127  
 13.4 Materiality Analysis . . . . . 130  
 13.5 Process for Defining the Strategic Objectives for the  
 Company . . . . . 131  
 References . . . . . 133

**14 Formulating the Corporate Strategy . . . . . 135**  
 14.1 Introduction . . . . . 135  
 14.2 Content of a Corporate Strategy . . . . . 135  
 14.3 Process for Formulating the Corporate Strategy . . . . . 137  
 References . . . . . 138

**15 Developing Project Plans for the Implementation of the  
 Corporate Strategy . . . . . 139**  
 15.1 Introduction . . . . . 139  
 15.2 Types of Projects for the Implementation of the Corporate  
 Strategy . . . . . 139  
 15.3 Process for Developing Project Plans for the Implementation  
 of the Corporate Strategy . . . . . 142  
 References . . . . . 145

**Part V Strategic Analysis of a Business**

**16 Identifying the Industry-Specific Success Factors . . . . . 149**  
 16.1 Introduction . . . . . 149  
 16.2 Idea of Success Factors . . . . . 149  
 16.3 Process for Identifying Industry-Specific Success Factors . . . . . 152  
 References . . . . . 153



<b>17</b>	<b>Industry Environment Analysis</b> . . . . .	155
	17.1 Introduction . . . . .	155
	17.2 PESTEL Analysis . . . . .	155
	17.3 Process for the Industry Environment Analysis . . . . .	158
	References . . . . .	159
<b>18</b>	<b>Industry Analysis</b> . . . . .	161
	18.1 Introduction . . . . .	161
	18.2 Five Forces Model . . . . .	161
	18.3 Strategic Groups Model . . . . .	167
	18.4 Process for Industry Analysis . . . . .	171
	References . . . . .	172
<b>19</b>	<b>Market Analysis</b> . . . . .	173
	19.1 Introduction . . . . .	173
	19.2 Market System Model . . . . .	173
	19.3 Industry Segment Analysis . . . . .	177
	19.4 Process for Market Analysis . . . . .	179
	References . . . . .	180
<b>20</b>	<b>Analyzing the Competitive Position and the Business Model</b> . . . . .	181
	20.1 Introduction . . . . .	181
	20.2 Generic Business Strategies . . . . .	181
	20.2.1 Description . . . . .	181
	20.2.2 Success Conditions and Risks . . . . .	183
	20.3 Business Model . . . . .	188
	20.4 Strengths and Weaknesses Analysis . . . . .	193
	20.5 Process for Analyzing the Competitive Position and the Business Model . . . . .	193
	References . . . . .	195
<b>21</b>	<b>Diagnosing the Strategic Challenges of the Business</b> . . . . .	197
	21.1 Introduction . . . . .	197
	21.2 Process for Diagnosing the Strategic Challenges of the Business . . . . .	197
	Reference . . . . .	200
 <b>Part VI Developing a Business Strategy</b>		
<b>22</b>	<b>Developing and Assessing Strategic Options for the Business</b> . . . . .	203
	22.1 Introduction . . . . .	203
	22.2 Blue Ocean Strategies . . . . .	204
	22.2.1 Overview . . . . .	204
	22.2.2 Developing Blue Ocean Strategies . . . . .	205
	22.2.3 Blue Ocean Strategies and Generic Business Strategies . . . . .	210
	22.3 Process for Developing and Assessing Strategic Options for the Business . . . . .	211
	References . . . . .	217

<b>23</b>	<b>Defining the Strategic Objectives for the Business</b> . . . . .	219
23.1	Introduction . . . . .	219
23.2	Strategic Objectives for the Business . . . . .	219
23.3	Process for Defining the Strategic Objectives for the Business . . . . .	220
<b>24</b>	<b>Formulating the Business Strategy</b> . . . . .	223
24.1	Introduction . . . . .	223
24.2	Content of a Business Strategy . . . . .	223
24.3	Process for Formulating the Business Strategy . . . . .	224
	References . . . . .	226
<b>25</b>	<b>Developing Project Plans for the Implementation of the Business Strategy</b> . . . . .	227
25.1	Introduction . . . . .	227
25.2	Types of Projects for the Implementation of a Business Strategy . . . . .	227
25.3	Process for Developing Project Plans for the Implementation of the Business Strategy . . . . .	229
	Reference . . . . .	230
 <b>Part VII Finalizing Strategic Planning</b>		
<b>26</b>	<b>Developing the Functional Strategies</b> . . . . .	233
26.1	Introduction . . . . .	233
26.2	Functional Strategies . . . . .	233
26.3	Process for Developing the Functional Strategies . . . . .	237
	References . . . . .	238
<b>27</b>	<b>Final Assessment of All Strategic Guidelines</b> . . . . .	241
27.1	Introduction . . . . .	241
27.2	Process for the Final Assessment of All Strategic Guidelines . . . . .	241
	Reference . . . . .	244
<b>28</b>	<b>Preparing the Strategic Implementation</b> . . . . .	245
28.1	Introduction . . . . .	245
28.2	Balanced Scorecard . . . . .	245
28.3	Process for Preparing the Strategic Implementation . . . . .	249
	References . . . . .	251
<b>29</b>	<b>Final Remarks on “The Strategy Planning Process”</b> . . . . .	253
	 <b>Glossary</b> . . . . .	 257
	 <b>Bibliography</b> . . . . .	 263
	 <b>Index</b> . . . . .	 269

# List of Figures

Fig. 2.1	Intended and realized strategies (adapted from Mintzberg 1994, p. 24) .....	8
Fig. 2.2	Strategic planning and strategies .....	9
Fig. 2.3	Building up and maintaining success potentials as the main task of strategic planning .....	10
Fig. 2.4	ROM model of success potentials .....	10
Fig. 2.5	Network of success potentials of a Swiss producer of pocketknives .....	11
Fig. 2.6	Ohmae's strategic triangle (adapted from Ohmae 1982) .....	13
Fig. 2.7	Criteria to assess success potentials .....	14
Fig. 3.1	The development of strategic planning .....	18
Fig. 3.2	Gap analysis .....	19
Fig. 3.3	Ansoff matrix (adapted from Ansoff 1965, p. 99) .....	19
Fig. 3.4	Types of resources .....	20
Fig. 3.5	The tasks of strategic management .....	24
Fig. 4.1	Essential content of the categories of strategic documents .....	28
Fig. 4.2	Strategic documents of a capital goods wholesaler .....	30
Fig. 5.1	Steps and sub-steps of the strategy planning process .....	35
Fig. 5.2	Strategic analysis and planning toolbox .....	36
Fig. 6.1	Possible structure of a mission statement .....	44
Fig. 6.2	Mission and vision of a biscuit producer (see Kambly 2016, p. 9) .....	45
Fig. 6.3	Overriding values of an international consulting company (McKinsey 2019, pp. 2 ff.) .....	45
Fig. 6.4	Process for developing or revising the mission statement .....	46
Fig. 7.1	Types of companies according to their strategic businesses .....	53
Fig. 7.2	Process for defining the current strategic businesses .....	54
Fig. 8.1	Process for preparing the strategy planning project .....	60
Fig. 8.2	Possible tasks of a strategy consultant .....	61
Fig. 8.3	Possible organization for a strategy planning project .....	64
Fig. 9.1	Possible content of a PESTEL analysis (Adapted from Carpenter and Sanders 2009, p. 110) .....	71

Fig. 9.2	Cone model to visualize the scenario analysis (Adapted from von Reibnitz 1987, p. 30) .....	72
Fig. 9.3	Developing scenarios .....	74
Fig. 9.4	Process for the global environment analysis .....	75
Fig. 10.1	Boston Consulting Group portfolio .....	78
Fig. 10.2	Portfolio position and cash flow in the Boston Consulting Group approach (Adapted from Hax and Majluf 1991, pp. 157 f.) .....	79
Fig. 10.3	Norm strategies in the Boston Consulting Group approach .....	84
Fig. 10.4	Examples of Boston Consulting Group portfolios .....	86
Fig. 10.5	McKinsey portfolio .....	87
Fig. 10.6	Hill and Jones' criteria for assessing market attractiveness and competitive strength (Adapted from Hill and Jones 1992, pp. 281 f.) .....	87
Fig. 10.7	Norm strategies in the McKinsey portfolio .....	92
Fig. 10.8	Process for portfolio analysis .....	93
Fig. 10.9	Criteria for assessing the current portfolio .....	95
Fig. 11.1	SWOT matrix .....	102
Fig. 11.2	TOWS matrix (Adapted from Wehrich 1982, p. 60) .....	103
Fig. 11.3	Process for diagnosing the strategic challenges at the corporate level .....	106
Fig. 12.1	Positioning of the chapter .....	112
Fig. 12.2	Corporate options matrix .....	113
Fig. 12.3	Differentiated Ansoff matrix (Grünig and Morschett 2017, p. 61) .....	117
Fig. 12.4	Value system in the watch industry .....	118
Fig. 12.5	Products and competences of Canon (Adapted from Prahalad and Hamel 1990, p. 90) .....	119
Fig. 12.6	Process for developing and assessing strategic options for the company .....	121
Fig. 12.7	Criteria for assessing options for the company .....	122
Fig. 13.1	Materiality matrix for analyzing the relevance of the objectives .....	130
Fig. 13.2	Process for defining the strategic objectives for the company .....	132
Fig. 14.1	Possible structure of a corporate strategy .....	136
Fig. 14.2	Process for formulating the corporate strategy .....	137
Fig. 15.1	Delimitation of the considered projects .....	140
Fig. 15.2	Types of projects for the implementation of the corporate strategy .....	140
Fig. 15.3	Development of free cash flow in a successful harvest strategy (Adapted from Hill and Jones 1992, p. 302) .....	141
Fig. 15.4	Process for developing the project plans for the implementation of the corporate strategy .....	143
Fig. 15.5	Possible structure of a project plan .....	144

Fig. 16.1	Types of success factors .....	150
Fig. 16.2	Process for identifying industry-specific success factors .....	152
Fig. 16.3	Identification of the success factors for the car garage industry ...	153
Fig. 17.1	Global environment and industry environment .....	156
Fig. 17.2	Summary table of the PESTEL analysis of a small pharmacy group .....	157
Fig. 17.3	Framework of a Swiss health insurance company to summarize the PESTEL analysis .....	158
Fig. 17.4	Process for the industry environment analysis .....	159
Fig. 18.1	Porter's five forces model (Adapted from Porter 1980, p. 4) .....	162
Fig. 18.2	The main elements to assess the five forces .....	163
Fig. 18.3	Strategic groups in the industry of chain saw manufacturers (Adapted from Porter 1980, p. 153) .....	168
Fig. 18.4	Process for industry analysis .....	171
Fig. 19.1	Generic market system (Adapted from Kühn et al. 2020, p. 80) .....	174
Fig. 19.2	The Swiss beer market as a system .....	175
Fig. 19.3	The European market for car maintenance as a system .....	176
Fig. 19.4	Industry segments in the market for oil field equipment (Adapted from Porter 1985, p. 253) .....	177
Fig. 19.5	Process for market analysis .....	180
Fig. 20.1	Generic business strategies (adapted from Porter 1980, p. 39) ....	182
Fig. 20.2	Success conditions for the generic business strategies .....	184
Fig. 20.3	Stuck-in-the-middle position concerning relative market share (adapted from Porter 1980, p. 43) .....	186
Fig. 20.4	Business Model Canvas (based on Osterwalder and Pigneur 2011, pp. 24 ff. and p. 48) .....	190
Fig. 20.5	Strengths and weaknesses profiles of two manufacturers of hair care products .....	194
Fig. 20.6	Process for analyzing the competitive position and the business model .....	195
Fig. 21.1	TOWS matrix (adapted from Wehrich 1982, p. 60) .....	198
Fig. 21.2	Process for diagnosing the strategic challenges of the business ...	198
Fig. 22.1	Strategies for red oceans and blue oceans (adapted from Kim and Mauborgne 2015, p. 18) .....	204
Fig. 22.2	Value curve of airlines in the USA in the 1970s (Kim and Mauborgne 2015, p. 41) .....	205
Fig. 22.3	Four Actions Framework (Kim and Mauborgne 2015, p. 31) .....	206
Fig. 22.4	Value curves of Southwest Airlines, of airlines in the USA and of car transport (Kim and Mauborgne 2015, p. 41) .....	208
Fig. 22.5	Process for developing and assessing strategic options for the business .....	212
Fig. 22.6	Criteria for assessing options for businesses .....	216

---

Fig. 23.1	Process for defining the strategic objectives for the business . . . . .	220
Fig. 24.1	Possible structure of a business strategy . . . . .	224
Fig. 24.2	Process for formulating the business strategy . . . . .	225
Fig. 25.1	Types of projects for the implementation of the business strategy . . . . .	228
Fig. 25.2	Process for developing the project plans for the implementation of the business strategy . . . . .	230
Fig. 26.1	Possible functional strategies . . . . .	234
Fig. 26.2	Process for developing the functional strategies . . . . .	237
Fig. 26.3	Possible structure of a functional strategy . . . . .	238
Fig. 27.1	Process for the final assessment of all strategic guidelines . . . . .	242
Fig. 27.2	Strategic documents to be assessed . . . . .	243
Fig. 27.3	Aspects of the final assessment of all strategic guidelines . . . . .	244
Fig. 28.1	The four perspectives of the balanced scorecard (adapted from Kaplan and Norton 1996, p. 9) . . . . .	246
Fig. 28.2	Process for preparing the strategic implementation . . . . .	249
Fig. 29.1	The strategy planning process . . . . .	254

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## List of Insets

Background Inset 2.1:	Outside in and inside out approaches to determine success potentials .....	11
Case Inset 2.2:	Assessment of the success potentials of a producer of playing cards .....	14
Background Inset 3.1:	Market based view and Resource based view .....	21
Background Inset 5.1:	Heuristic principles and their use in the strategy planning process .....	34
Case Inset 7.1:	Defining the businesses for a producer of food and pharmaceutical products .....	55
Case Inset 9.1:	Scenario Analysis of a Swiss Electricity Company .....	73
Background Inset 10.1:	Market Life Cycle .....	80
Background Inset 10.2:	Experience Curve .....	81
Case Inset 10.3:	Determination of the Current Positions of Businesses in the McKinsey Portfolio .....	88
Background Inset 10.4:	PIMS Program .....	90
Case Inset 10.5:	Portfolio Analysis in a Swiss Retail Group .....	95
Case Inset 11.1:	Diagnosing the Strategic Challenges in a Wine Trading Company .....	104
Case Inset 12.1:	Corporate Options Matrix of a Producer of Polymer Parts .....	114
Background Inset 12.2:	Diversification Performance Study .....	120
Background Inset 13.1:	Strategic Objectives of Companies in Practice .....	124
Case Inset 13.2:	Strategic Objectives of Sika AG .....	126
Case Inset 13.3:	Target Portfolio and Business Objectives of an Austrian Trading Company .....	127
Case Inset 18.1:	Application of the Five Forces Model to a Capital Goods Producer .....	163
Case Inset 18.2:	Forming Strategic Groups in the Industry of Swiss Watch Producers .....	169
Case Inset 19.1:	Industry Segment Analysis of a Swiss Chocolate Producer .....	178
Background Inset 20.1:	Outpacing Strategies .....	186

---

Case Inset 20.2:	Business Model of Nespresso .....	190
Case Inset 20.3:	Business Model of Airbnb .....	191
Case Inset 21.1:	Diagnosing the Strategic Challenges in an Electricity Company .....	199
Background Inset 22.1:	The Six Paths .....	207
Case Inset 22.2:	Blue Ocean Strategy of Yellow Tail Wine .....	209
Case Inset 22.3:	Developing Options for Bus Trips .....	214
Background Inset 26.1:	The Operations Strategy as an Example of a Functional Strategy .....	235
Case Inset 28.1:	Balanced Scorecard for a business of a trading company .....	247
Case Inset 28.2:	Communication of the Holcim Strategy 2018–2022 .....	250





# Introduction to “The Strategy Planning Process”

# 1

Strategic planning is an important entrepreneurial task. It helps the company to adapt to changes in the environment and to develop itself proactively. Strategic planning should thus ensure the survival and the long-term success of the company.

In most companies, strategic planning is seen as the task of top management. Despite the great personal commitment of those in charge, results are often unsatisfactory. Strategies are often not sufficiently well based on realities to create success in a competitive environment, or they are too vague to provide any genuine guidance for corporate action. For example, there is often a lack of binding projects for strategy implementation. Another commonly observed shortcoming is that companies have too many poorly coordinated—and often even contradicting—strategic documents. This happens, especially in larger companies, because managers of different organizational units and levels initiate strategic planning at different times.

To find these shortcomings in practice may seem surprising in light of the considerable amount of literature on strategy. One might expect the numerous specialized books and articles to aid strategic planning in practice and to lead to usable strategic plans. However, it seems that the literature on strategy only partially covers the needs of practice:

- Many scientific publications on strategic management do not primarily aim to support practice. Rather, they serve to explain the differences in company success in terms of market positions, offers, and resources. The research results they present also offer interesting insights for practice. However, given the objectives of these publications, they do not integrate procedural suggestions for strategic planning.
- Even books that propose analysis and planning approaches, and therefore directly focus on the needs of practice, often do not offer the necessary support to the executives in charge of planning. The reason for this is that, in practice, various analysis and planning methods must be combined to answer the different strategic questions. However, a large proportion of the methods-oriented literature is

devoted to the presentation of individual analysis and planning methods and their theoretical foundations (see, for example, Osterwalder and Pigneur 2010; Porter 1980; Porter 1985; Prahalad and Hamel 1990). An integration into a strategy planning process is not proposed.

- Strategy textbooks, which avoid the laborious study of original texts on individual models and methods by summarizing them in one book (see, for example, Hill and Jones 2013; Johnson et al. 2011), only partially address the problem of the appropriate selection and combination of methods. It is in particular not shown under which conditions the different analysis and planning tools should be applied. Furthermore, in describing the different techniques, these works often preserve the original terminology and therefore do not offer a comprehensive system of terms.

It is the objective of this book to present a coherent strategy planning process. It is based on a uniform system of terms and integrates the important analysis and planning tools. The book consists of seven parts. Part I provides the reader with an idea of strategic planning and proposes a strategy planning process of six steps. The parts II to VII present the six steps.

This book is mainly addressed to executives. It should give them the knowledge they need to develop strategies. This book can be used in executive courses on strategic planning. It is also a suitable basis for courses in strategic planning at universities.

The authors have tried to confront the problems of developing and assessing strategies in their real complexity and not to hide difficulty through inappropriate simplifications. To facilitate the study of the text, different didactic means have been used:

- The statements are illustrated with many examples. Short examples are integrated into the text. Long examples can be found in case insets.
- Further theoretical and methodological considerations are discussed in background insets. They provide deeper insight into the subject. However, reading them is not essential to understand the book.
- The statements are summarized and illustrated with many figures.
- A glossary gives an overview of the most important terms in strategic planning.
- A subject index enables access to themes of special interest.

The book exists also in German and French (see Grünig et al. 2022a; Grünig et al. 2022b).

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**Part I**

**Idea and Process of Strategic Planning**



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# Strategies, Strategic Planning, and Success Potentials

# 2

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## 2.1 Strategies

A strategy refers on the one hand to a guideline for the future development of the company and on the other hand to a summary of its real actions. It is therefore necessary to distinguish between intended strategies and realized strategies. As intended strategies can rarely be fully implemented, they normally diverge to a greater or lesser extent from realized strategies. Additionally, in some cases, a company may knowingly or unknowingly abstain from formulating an intended strategy to guide its actions in the long term. In this case, the realized strategy is the product of a multitude of individual decisions and is also known as an emergent strategy (see Mintzberg 1994, pp. 23 ff.). Figure 2.1 summarizes the statements.

In this book, the intended strategies are of primary interest. When the term “strategy” is used without a supplementary attribute, it therefore always means an intended strategy.

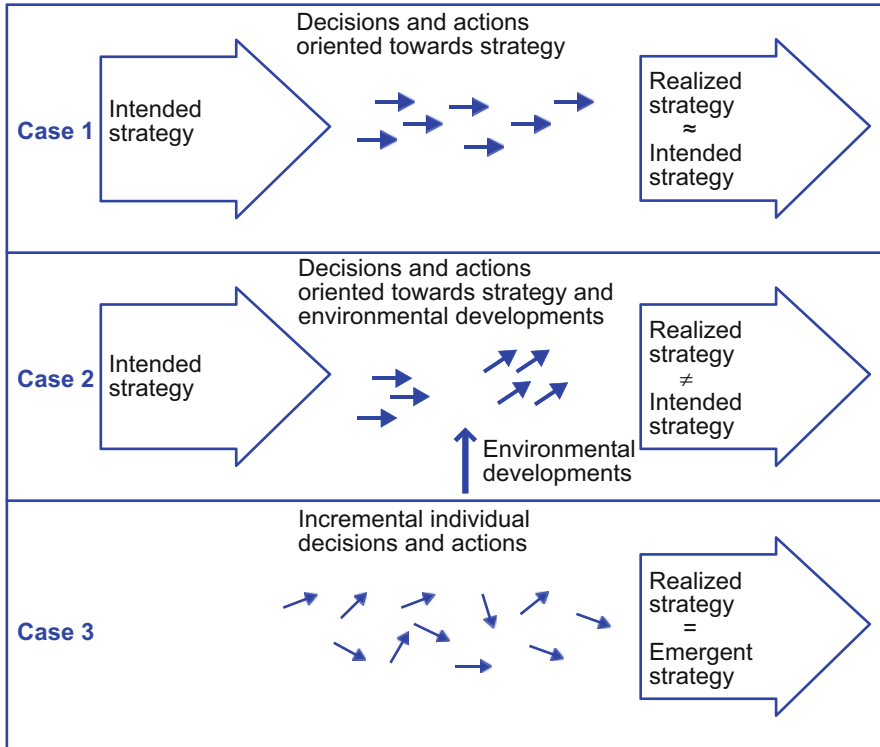
An intended strategy can be characterized by the following features:

- It is a long-term guideline of objectives, measures, and investments.
- It aims to build up and maintain the future success potentials.
- It concerns the company as a whole or important parts of it.
- It is supported by the management.
- It should contribute to the sustainable achievement of the overriding values and objectives.

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## 2.2 Strategic Planning

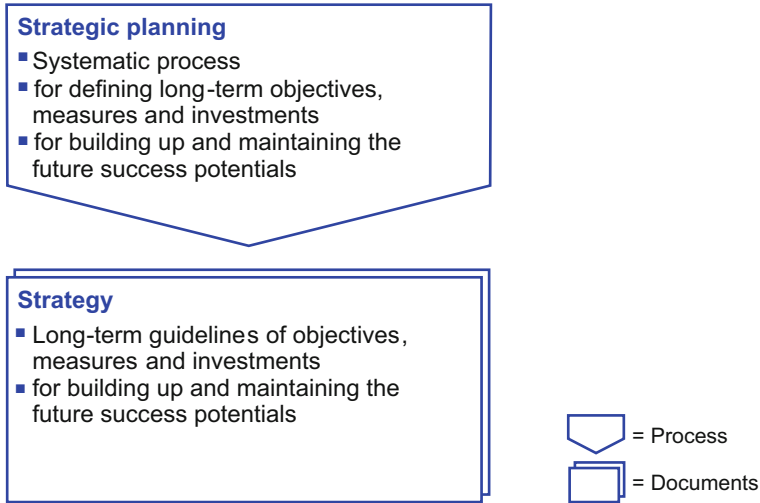
Up until now, how strategic guidelines come about has been left open:



**Fig. 2.1** Intended and realized strategies (adapted from Mintzberg 1994, p. 24)

- Here, it can be mainly thought of as a systematic approach, which is notably associated with Ansoff's name in the early literature on strategy (see Ansoff 1965). In the literature, this is called "synoptic planning logic."
- As Mintzberg (1990, pp. 105 ff.) shows, in reality strategies often emerge in other ways. They can be the result of "visionary processes," of power struggles, or simply of decision-making processes with limited control. In the latter case, different authors speak of an "incremental logic" in strategy development (see Bresser 2010, p. 17): Strategy arises from many small steps that are not oriented towards long-term overall objectives, but towards solving urgent short-term problems. Such behavior corresponds to "muddling through." In Fig. 2.1, incremental strategy development is illustrated by Case 3.

The debate between "incrementalists" and "planners" is an old controversy in the literature on strategic management and is the subject of many research papers (see, for example, Raffée et al. 1994, pp. 383 ff.). As Bresser (2010, pp. 19 ff.) finds after a comprehensive analysis of empirical studies, the results of the majority of recent studies clearly support the planning approach: Phase-based planning is linked to positive performance effects, not only in stable environments but also especially in



**Fig. 2.2** Strategic planning and strategies

dynamic ones. This is true regardless of whether planning takes place in large companies or in small and medium-sized companies. As Bresser (2010, p. 21) explains, a systematic planning process proves to be an important prerequisite for adaptations to unforeseen external developments, according to Case 2 in Fig. 2.1.

The following features characterize strategic planning:

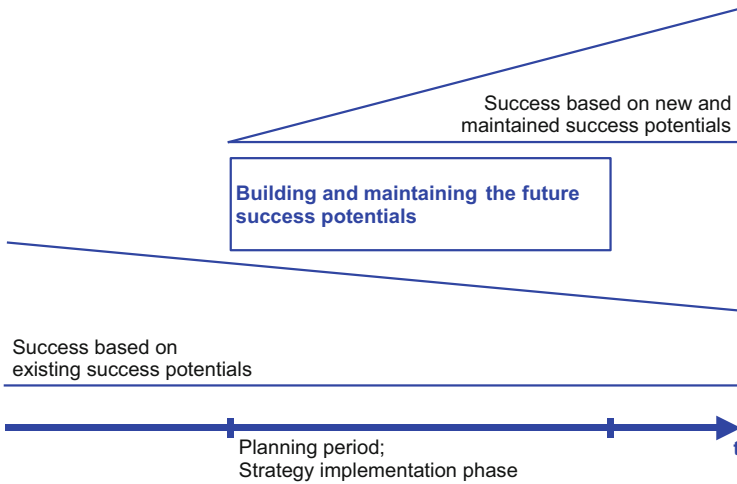
- It is a systematic process.
- The underlying analysis and the developed guidelines of objectives, measures, and investments are long-term oriented.
- The process concentrates on determining the future success potentials to build up and to maintain.
- The considerations relate to the company as a whole or to important parts of it.
- The most important tasks in the process are performed by the management.
- Strategic planning should contribute to the sustainable achievement of the overriding values and objectives.

Figure 2.2 shows the relationship between strategic planning and strategies.

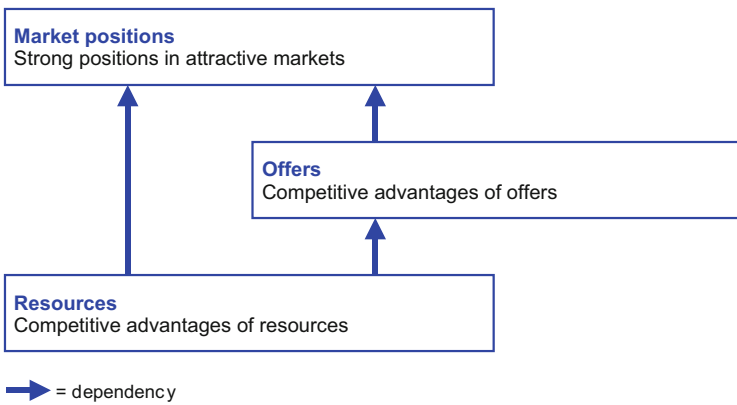
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### 2.3 Determining the Target Success Potentials as the Main Task of Strategic Planning

The sustainable achievement of overriding values and objectives is enabled through the building up and maintenance of success potentials. Following Gälweiler (2005, p. 26), a success potential is understood as a characteristic of the company that determines long-term success to a significant extent.



**Fig. 2.3** Building up and maintaining success potentials as the main task of strategic planning

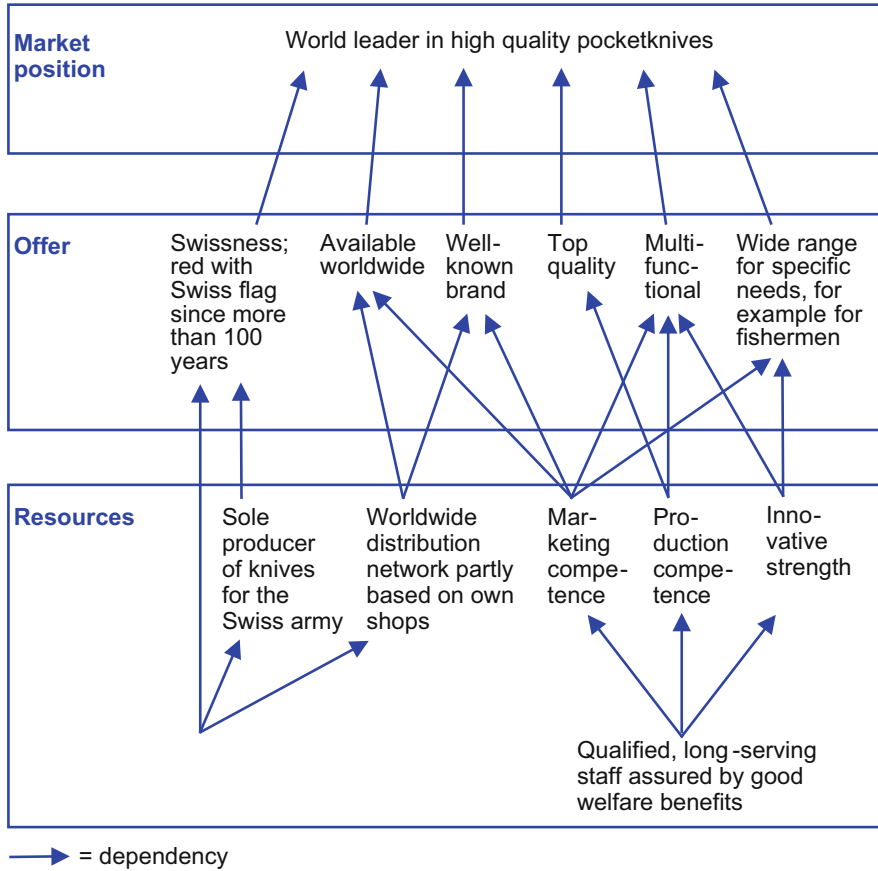


**Fig. 2.4** ROM model of success potentials

As Fig. 2.3 shows, strategic planning is not primarily concerned with optimizing success during the planning period itself. The focus is rather on maintaining existing success potentials and building new ones. This creates the conditions for success beyond the planning period.

As Fig. 2.4 shows, three levels of success potentials can be distinguished. They are not unrelated but build on each other. In reference to the terms “Resources,” “Offers,” and “Market positions,” the authors call it “ROM model of success potentials.” It allows the most important success potentials of a focused company or of a business of a diversified company (see Chap. 7) to be understood as a network. Figure 2.5 shows the network of success potentials of a Swiss producer of pocketknives.





**Fig. 2.5** Network of success potentials of a Swiss producer of pocketknives

The arrows in Figs. 2.4 and 2.5 show the dependencies between the success potentials. The fact that the arrows run from bottom to top, however, does not mean that the determination of the three categories of success potentials is also done from bottom to top. As Background Inset 2.1 shows, there are two possible approaches to determine success potentials.

**Background Inset 2.1: Outside-in and inside-out approaches to determine success potentials**

This inset is based on De Wit and Meyer (2010, pp. 254 ff.).

The outside-in approach is based on the market-based view (see Background Inset 3.1). It begins by determining market position objectives, derives

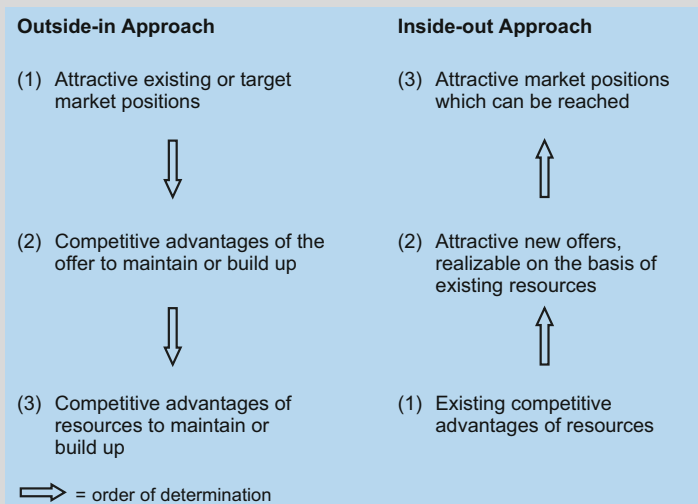
(continued)

### Background Inset 2.1 (continued)

the competitive advantages in the offer and finally determines the necessary resources. The outside-in approach begins with the identification of future customer needs and thus corresponds to a rational approach in a market economy.

The inside-out approach is based on the resource-based view (see Background Inset 3.1). It begins by identifying strengths at the resource level. Then, possible success potentials in the offer are identified and assessed. Finally, the market positions, which could be achieved with these advantages in the offer, are determined. The inside-out approach is chosen when it is a question of identifying markets that could be successfully served with existing resources. This question arises when a company has rare resources or when only limited investment is possible.

The following **figure** illustrates the two approaches.



Outside-in and inside-out approaches to determine the success potentials

In addition to success potentials, there are also failure potentials. These are unattractive market positions, competitive disadvantages of the offers and competitive disadvantages of the resources. Whether a characteristic is a success potential, or a failure potential has to be decided case by case. The following examples illustrate this:

- A market share of 7% is a success potential if the largest competitor has a market share of 5% and the company's turnover is generated primarily in growing segments and product groups. However, a market share of 7% is a failure