

# BEST PRACTICE – STRATEGIC PLANNING PROCESS

## >> von Robin Mitterdorfer > 1. Project Sponsor, Project Frame and Assignment

In 2009 an international students project team was established at the Pforzheim University under the special direction of Professor Dr. Jürgen Janovsky. Mr. David Pilarek, Corporate Development (VC-U) of Mann + Hummel<sup>1</sup> (M & H), held the role of project sponsor.

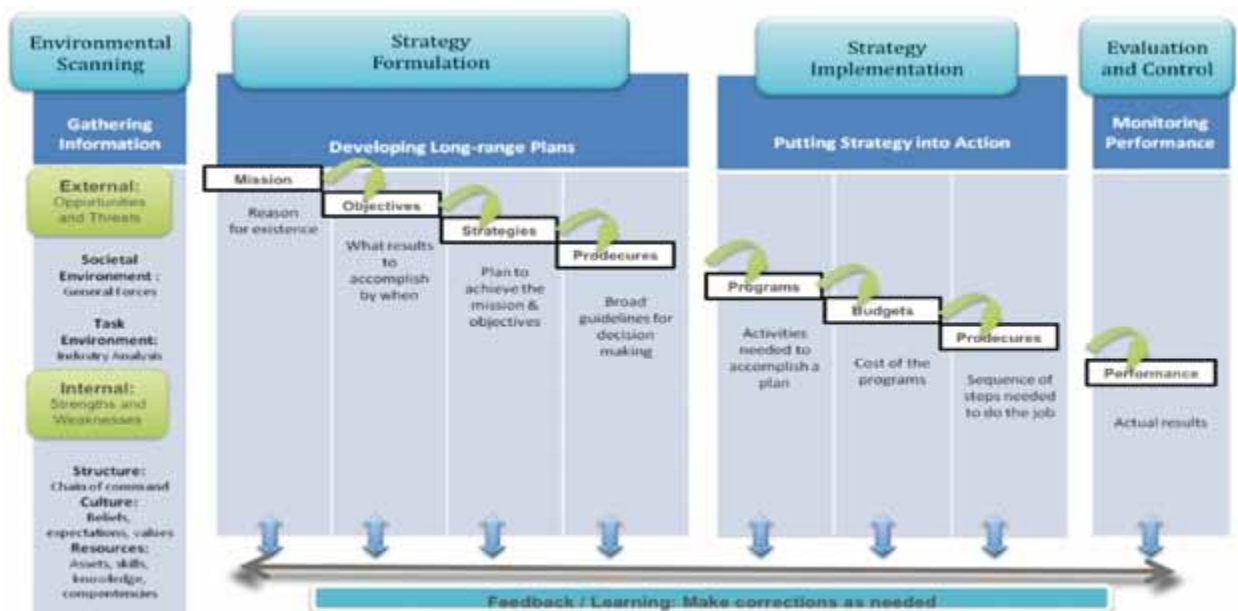
In the spring of 2009 VC-U of M & H was about to revise and optimize its existing Strategic Planning Process (SPP) in order to provide clear strategic direction, scenarios and flexibility.

The students project was designed as one part of the pre-phase of the overall Strategic Planning Project at M & H (3 phases) aiming at implementing a group-wide strategy process in business units, central functions and foreign subsidiaries. In detail, this pre-phase consisted of the following 6 steps:

- (1) Project Organisation
- (2) Timing/Milestones
- (3) Benchmarking/Best Practice (students project)
- (4) Review the as-is process and objectives
- (5) To-be process and estimation of resources

The project order was to provide an overview of the academic, consulting and business state of the art in SPP in order to find out and evaluate best practices (BP). It also encompassed the development of a generic state of the art strategy process, not taking into account M&H specifics.

For this purpose the project team oriented itself towards a well known existing model for SP:



<sup>1</sup> M & H was established in Ludwigsburg in 1941. The cooperation with filter manufacturers in Argentina and Brazil was the start of business internationalization. With 41 locations all over the world and 12,400 employees (figure 2008), M & H is today one of the major corporations in automotive components.

## 2. Core Problem and Main Project Goal

The core problem of M&H has been identified as the lack of information concerning best practices for companies in the engineering and manufacturing sector.<sup>2</sup> Hence, the main project goal was to deliver to the client the main results of the analysis of state-of-the-art strategic planning processes from different angles of view. These results should be achieved by scrutinizing the academic literature and by interviewing representatives of companies of different industries size as well as interviewing representatives from different consulting firms. The focus was to be primarily on the process design, the ownership, and responsibility towards the process, the organizational structure, methods, and tools of SP as well as contents and issues regarding the SPP.<sup>3</sup>

## 3. Project Organisation – the Consulting Team

In his seminar “International Management”, Professor Janovsky was in charge of the overall supervision and continuous quality control of the project. The participating students were enrolled for the following programmes: MBA-IM, MBA-HRM&C, MIS, MACFA, MBA&E, and ISP. In line with the task description captioned above, the core team was divided into 3 subteams:

Name	Nationality	Task	Academic Background
Steve Meguebtschie	Cameroonian	Head of subteam A	Business Engineering
Carla Swartbooi	Namibian	Head of subteam B	Accounting Finance
Dr. Robin Mitterdorfer	Austrian	Head of subteam C	Jurisprudence
Nadezda Snegireva	Russian	Member Group A	International Relations
Kristofer Floyd	American	Member Group B	Business Information Systems
Utku Bagci	Turkish	Member Group B	Information Systems
Ngo Toan	Vietnamese	Member Group B	Business Information Systems
Khusbu Jagwani	Indian	Member Group C	Computer Engineering

## 4. Main Tasks

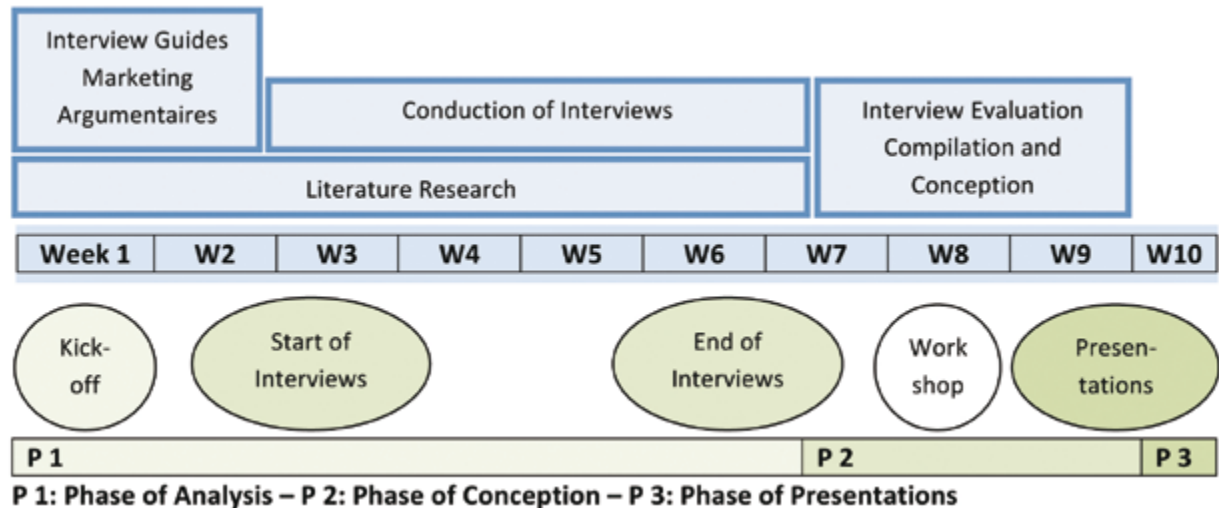
- Project and milestone planning (time table) and convening on team structure and team roles
- Identifying the academic state of the art in SPP by literature research (subteam B)
- Identifying the business state of the art by conducting and evaluating interviews (subteam A)
- Identifying the consulting state of the art by conducting and evaluating interviews (subteam C)
- Composing marketing argumentaires to attract interview partners (subteams A and C)
- Composing interview guides (subteams A and C)
- Preparing and conducting a workshop for companies and consulting firms<sup>4</sup>
- Regular reporting to project sponsor
- Final presentation of project results
- Project Documentation

## 5. Expected results

- Concise overview of the academic state of the art in SPP
- Concise overview of the business state of the art in SPP
- Overview of approaches and experience of strategy consultants
- Documentation of a workshop with participation of companies and consultancies
- Final presentations of best practices of SPP, based on results of a) to d)

## 6. Time Planning and Milestones

The final time planning was fixed at the kick-off meeting. There the team pledged to the following route of tasks ("rectangles") and milestones ("bubbles"):



## 7. Project Results in brief

The following project results are derived from interviews with representatives of companies<sup>5</sup> and consultancies and are based on basic findings of relevant literature research.

### Organisation of the SPP – Involvement of People and Partners

The model of SPP chosen in this project (see 1) is a well known and established concept of SPP to most of the companies and consultancies involved in the project. Of course, the concrete forms of SP differ widely, starting from the underlying management concept (e.g. value based management), over to various forms of involving people (central strategic department – the cooperation of different functions like marketing or product management – involvement external partners) and eventually to the planning process itself (solely top down process – BU as the central player – top down and bottom up process in one).

The project could hence not identify one clear best practice in this context. But what can be stated is that the proposed model of SPP is mostly recommended when strategies have to be formulated towards discontinuities or major changes and when companies face strong competition. The organisation of the SPP and its process ownership have to be adapted to the need of a formal structure in the SPP depending on the business model (e.g. financial holding versus integrated group), depending on the complexity of the industry and on the grade of competitiveness and instability of the external environment.

It is always crucial that the middle management is involved strongly in the strategic planning process and in the following refinement of strategic objectives in order to understand the "Why of the (new) strategy". Furthermore the SPP should ensure - in terms of BP – that people formulating strategies are to the highest degree possible identical with those implementing strategies as the latter must not be developed in ivory towers of isolated strategic departments. So, iterative involvement of "strategists" and "line managers" and the design of optimized interfaces are the sticking points of successful strategic planning. Finally, it is highly recommended to involve third parties in SP as for the future network management and the ability to build mutual trust will be the keys to benefit from a globalized world with companies shaping their frontiers more and more permeable.

<sup>2</sup> An intended side effect of the project may have been to overcome internal resistance of the middle management versus a systematic strategic planning process in the face of companies highly valuing a SPP.

<sup>3</sup> An alternative approach could have been to firstly detect weak points in the companies' praxis in SPP (e.g. concerning the compilation of data, deviations from objectives, risk management, bureaucracy) and secondly address these points directly to involved consultancies in order to adjust to their respects in terms of BP.

<sup>4</sup> For lack of companies willing to take part at the workshop this task was not carried out.

<sup>5</sup> The industries of the involved companies range from Information technology, industrial goods, automotive and industrial technologies, household technologies to aerospace.

## Tools and Approaches

As the project could identify a large and comprehensive “box of tools and approaches” (e.g. portfolio analysis, management by objectives, SWOT, scenario technique), advantageously supported by efficient information technology applications, no general conclusions are allowed in this context. Even if the BSC was highly recommended by consultants, and irrespective of its pitfalls, it is most important to make sure for the individual company that the strategic tools and instruments are as a whole mutually exclusive and collectively exhaustive (MECE). Under quality considerations it is helpful to understand that tools and instruments of whatever kind should be able to promote opportunities oriented and risks oriented thinking and planning.

## Communication and Implementation – Potential of Improvement

First of all, the project showed that nearly all companies aim at focussing on their communication practices (channels and levels of communication). Particularly, when the task of involving people in the formulation of new strategies is not done in an exhaustive manner, at least communicating clearly the “Why of the (new) strategy” towards line managers and lower level employees becomes crucial. As the implementation of strategies is strongly connected with the allocation of resources, effective communication will help tremendously to lead and route all kinds of resources into the desired direction in terms of the corporate strategy.

Secondly, the project highlighted that companies realize as one of their current deficiencies in the SPP that lower level employees are hardly involved. So when it comes to install a more effective and flexible SPP, among other things disposing of clear responsibilities for the process and enjoying full support of the top management, the value of the contribution of these employees should be taken into account. Appropriate channels and instruments to ensure their involvement will guarantee a more customer-oriented strategy.

Implementing a strategy is easier when the strategy, once formulated and mostly including a kind of roadmap or action plan, answers the key question: “What will be the concrete results of the plan or roadmap?” Best Practice is achieved when management tools and concepts, e.g. Project Management, BSC or goal oriented systems of leadership can build on these answers.

## 8. Client’s Feedback and Lessons learned

- a) It is indispensable to start projects with an expectation management towards the client. In our case we should have reflected more intensely on the meaning of “generic” as a part of the content of the project goals. In fact the client would have preferred a focused compilation of approaches of SP in companies of different branches and sizes to elaborated and detailed presentations of state of the art practices from the academic, corporate and consultancy world.
- b) Furthermore it is advisable to intensify the contact with the client during the whole project. Higher responsiveness and greater mental awareness, when direct contact is once established, would have improved the client-consultant relationship.
- c) In spite of these shortcomings, the client confirmed his profound satisfaction and the fact that the project results will be taken into account in the forthcoming adjustment of SP at Business Unit level at M & H. This feedback makes the team members proud of this project and could pave the way for initiating further cooperation between student teams and companies. For students, practical experience is of priceless value in the training of future “real-life” consultancies

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ist Absolvent des Studiengangs MBA-HRM&C.