UNDERSTANDING

Corporate and Strategic Plan *with policy formulation*

Tanzania Investment and Consultant Group Ltd
www.ticgl.com

Prepared by Amran Issa Bhuzohera

Introduction

Today most business enterprises engage in strategic planning, although the degrees of sophistication and formality vary considerably. Conceptually, strategic planning is deceptively simple: Analyze the current and expected future situation, determine the direction of the firm, and develop means for achieving the mission. In reality, this is an extremely complex process which demands a systematic approach for identifying and analyzing factors external to the organization and matching them with the firm's capabilities.

Planning is done in an environment of uncertainty. No one can be sure what the external as well as the internal environment will be even next week, much less several years from now: Therefore, people make assumptions or forecasts about the anticipated environment. Some of the forecasts become assumptions for other plans. For example, the gross national product forecast becomes the assumption for sales planning, which in turn becomes the basis for production planning and so on.

Strategies and policies are closely related. Both give direction, both are the frame work for plans, both are the basis of operational plans, and both affect all areas of managing.

Overview

Strategy and Policy
The term ―strategy‖ (which is derived from the Greek word strategies, meaning "general")has been used in different ways. Authors differ in at least one major aspect about strategies. Some writers focus on both the end points (purpose, mission, goals, objectives) and the means of achieving them (policies and plans). Others emphasize the means to the ends in the strategic process rather than the ends per se.

Policies are general statements or understandings which guide managers thinking in decision making. They ensure that decisions fall within certain boundaries. They usually do not require action but are intended to guide managers in their commitment to the decision they ultimately make.

The essence of policy is discretion. Strategy on the other hand, concerns the direction in which human and material resources will be applied in order to increase the chance of achieving selected objectives.

The Strategic Planning Process

Although Specific steps in the formulation of the strategy may vary, the process can be built, at least conceptually, around the key elements shown in Figure given below:

① Inputs

The various organizational inputs are the goal inputs of the claimants,

② Enterprise Profile

The enterprise profile is usually the starting point for determining where the company is and where it should go. Thus, top managers determine the basic purpose of the enterprises and clarify the firm's geographic orientation, such as whether it should operate in selected regions, in all states in the United States, or even in different countries . In addition, managers assess the competitive situation of their firm.

③ Orientation of Top Managers

The enterprise profile is shaped by people, especially top managers, and their orientation is important for formulating the strategy. They set the organizational climate, and they determine the direction of the firm. Consequently, there values, their preferences, and their attitudes toward risks have to be carefully examined because they have an impact on the strategy.

④ Purpose and Objectives

The purpose and the major objectives are the end points towards which the activities of the enterprise are directed. Since the previous chapter dealt with these topics at length, additional discussion here is unnecessary.

⑤ External Environment

The present and future external environment must be assessed in terms of threats and opportunities. The evaluation focuses on economic, social, political, legal, demographic, and geographic factors. In addition, the environment is scanned for technological developments, for products and services on the market, and for other factors necessary in determining the competitive situation of the enterprises.

⑥ Internal Environment

Similarly the firms internal environment should be audited and evaluated in respect to its weaknesses and strengths in research and development, production, operations, procurement, marketing, and products and services. Other internal factors important for formulating a strategy include that the assessment of human resources , financial resources, and other factors such as the company image, the organization structure and climate, the planning and control system, and relations with customers.

⑦ Alternative Strategies

Strategies alternatives are developed on the basis of an analysis of the external and internal environment. An organization may pursue many different kinds of strategies . It may specialize or concentrate, as the Korean Hyundai company did by producing lower-priced cars (in contrast to General Motors, for example, which has a complete product line ranging from inexpensive to luxurious cars). Alternatively, a firm may diversity, extending the operation into new and profitable markets. Sears not only is in retailing but also provides many financial services.

Still another strategy is to go international and expand the operation into other countries. The multinational firms provide many examples. The same chapter also examines joint ventures, which may be an appropriate strategy for some firms have to pool their resources, as illustrated by the joint venture of General Motors and Toyota to produce small cars in California.

Under certain circumstances, a company may have to adopt a liquidation strategy by terminating an unprofitable product line or even dissolving the firm. But in some cases liquidation may not be necessary and a retrenchment strategy may be appropriate. In such a situation the company may curtail its operation temporarily. These are just a few examples of possible strategies. In practice, companies, especially large ones, pursue a combination of strategies.

⑧ Evaluation and Choice of Strategies

The various strategies have to be carefully evaluated before the choice is made. Strategic choices must be considered in light of the risks involved in a particular decision. Some profitable opportunities may not be pursued because a failure in a risky venture could result in bankruptcy of the firm. Another critical element in choosing a strategy is timing. Even the best product may fail if it is introduced to the market at an inappropriate time. Moreover, the reaction of competitors must be taken into consideration. When IBM reduced its price of the PC computer in reaction to the sales success of Apple's Macintosh computer, firms producing IBM-compatible computers had little choice but to reduce their prices as well. This illustrates the interconnection of the strategies of several firms in the same industry.

⑨ Medium – and Short-Range Planning, Implementation, and Control

Although not a part of the strategic planning process and short-range planning as well as the implementation of the plans must be considered during all phases of the process. Control must also be provided for monitoring performance against plans. The importance of feedback is shown by the loops in the model.

⑩ Consistency and contingency

The last key aspect of the strategic planning process is testing for consistency the preparing for contingency plans.

MAJOR KINDS OF STRATEGIES AND POLICIES

For a business enterprise and, with some modification, for other kinds of organizations as well), the major strategies and policies that give ane. overall direction to operations are likely to be in the following areas.

Growth

Growth strategies give answers to such questions as these: How much growth should occur? How fast? Where? How should it occur?

a. Finance

Every business enterprise and, for that matter, any non business enterprise must have a clear strategy for financing its operations. There are various ways of doing this and usually many serious limitations.

b. Organisation

Organisational strategy has to do with the type of organizational pattern an enterprise will use. It answers practical questions. For example, how centralized or decentralized should decision-making authority be? What kinds of departmental patterns are most suitable? How should staff positions be designed? Naturally, organization structures furnish the system of roles and role relationships that help people accomplish objectives.

c. Personnel

There can be many major strategies in the area of human resources and relationships. They deal with such topics as union relations. Compensation, selection, hiring, training, and appraisal, as well as with special areas such as job enrichment.

d. Public Relations

Strategies in this area can hardly be independent; they must support other major strategies and efforts. They must also be designed in the light of the company's type of business, its closeness to the public, and its susceptibility to regulation by government agencies. In any area, strategies can be developed only if the right questions are asked.

While no set of strategies can be formulated that will fit all organizations and situations, certain key questions will help any company discover what its strategies should be. The right questions will lead to answers. As examples, some key questions are presented below for two major strategic areas: products or services and marketing. With a little thought, you can devise key questions for other major strategic areas.

Products or Services.

A business exists to furnish products or services. In a very real sense, profits are merely a measure-although an important one-of how well a company serves its customers. New products or services, more than any other single factor, determine what an enterprise is or will be.

The key questions in this area can summarized as follows: What is our business?

1. Who are our customers?
2. What do our customers want?
3. How much will our customers buy and at what price? Do we wish to be a product leader?
4. Do we wish to develop our own new products?

5. What advantages do we have in serving customer needs?
6. How should we respond to existing and potential competition? How far can we go in serving customer needs?
7. What Profits can we expect?
8. What basic form should our strategy take?

f. Marketing

Marketing strategies are designed to guide managers in getting products or services to customers and in encouraging customers to buy. Marketing strategies are closely related to product strategies; they must be interrelated and mutually supportive. As a matter of fact, Peter Drucker regards the two basic business functions as innovation (e.g., the creation of new goods or services) and marketing. A business can scarcely survive without at least one of these functions and preferably both.

The key questions that serve as guides for establishing a marketing strategy are these:

Where are our customers, and why do they buy?

1. How do our customers buy?
2. How is it best for us to sell?
3. Do we have something to offer that competitors do not?
4. Do we wish to take legal steps to discourage competition?
5. Do we need, and can we supply , supporting services?

6. What are the best pricing strategy and policy for our operation?

FORMULATION OF STRATEGIES AND POLICES

POLICY

The term policy is derived from the Greek word politeia' relating to policy, that is citizen and Latin word politis' meaning polished, that is to say, clear. According to New Webster Dictionary, policy means the art or manner of governing a nation, the line of conduct which rulers of a nation adopt on a particular question specially with regard to foreign countries, the principle on which any measure or course of action is based. While these descriptions of policy relate to any field, policy in the organizational context is defined as management's expressed or implied intent to govern action in the achievement of company's aims?. This definition, however, is at high level of abstraction and requires deeper analysis. It suggests that it governs actions of people in the organization but does not say how the action is governed.

Therefore, an operational definition of policy may be as follows:
A policy is the statement or general understanding which provides guidelines in decision-making to members of an organization in respect to any course of action.
On the basic of this definition, following features of policy can be identified:
1. A policy provides guidelines to the members of the organization for deciding a course of action and, thus, restricts their freedom of action. Policy provides and explains what a member should do rather than what he is doing. Policies, when enforced, permit prediction of roles with certainly. Since a policy provides guidelines to thinking in decision-making, it follows that it must allow some discretion, otherwise it will become a rule.

2. Policy limits an area within which a decision is to be made and assures that to decision will be consistent with and contributive to objectives. A policy tends to predecide issues, avoid repeated analysis, and give a unified structure to other types of plans, thus permitting managers to delegate authority and still retaining control of action. For example, if the organization has framed a policy that higher positions in the organization will be filled by internal promotion, the managers concerned can deal with the situation in this light whenever a vacancy at higher level arises. Thus organization gets assurance that higher positions are filled by internal members without further control.

3. Policies are generally expressed in qualitative, conditional, or general way. The verbs most often used in stating policies are to maintain, to continue, to follow, to adhere, to provide, to assist, to assure, to employ, to make, to produce, or to be. Such prescriptions may be either explicit or these may be interpreted from the behaviour of organization members, particularly at the top level. When such a behaviour is interpreted as policy guideline it is normally known as precedent, that is what has happened in the past on a particular issue if there is no clearly specified declaration.

4. Policy formulation is a function of all managers in the organization because some form of guidelines for future course of action is required at every level. However, higher is the level of a manager, more important is his role in policy making . Similarly, policies may exist in all areas of the organization from major organizational policies to minor policies applicable to the smallest segment of the organization.

A policy is somewhat a permanent feature of an organization. It being a standing plan provides guidelines to managerial decisions. Therefore, policies should be developed on a sound basis. If this is not done, managers have to make decisions again and again. However, what features constitute a sound policy cannot be prescribed universally because situations vary so greatly that an organization may differ in respect of a policy formulation and implementation from others. However, the soundness of policy can be judged on the basis of following criteria.
i. Does it reflect present or desired organizational practices and behaviour?

ii. Is it clear, definite, and explicit leaving no scope for misinterpretation?
iii. Does it exist in the area critical to the success of the organization?
iv. Is it consistent with other policies and does it reflect the timing needed to accomplish the objectives?
v. Is it practical in a given existing or expected situation?

A sound policy will
(i) specify more precisely how the decision will come – what is to be done, who is to do it, how it is to be done , and when it is to be finished;

(ii) establish a follow-up mechanism to make sure that the decision intended will take place and

(iii) lead to new strengths which can be used for decisions in future. Based on these questions and specifications, some major characteristics of a sound policy can be identified as follows:
1. Relationship to Organisational Objectives. A policy is formulated in the context of organizational objectives. Therefore, it tries to contribute towards the achievement of these objectives . Therefore, in formulation of a policy, those functions or activities which do not contribute to the achievement of objectives should be eliminated. For example, if a policy of filling higher positions from within produces hindrance in attracting talents at higher level but the organization needs them, the policy can be changed because in the absence of suitable manpower, the organization may not be able to achieve its objectives.

2. Planned formulation. A policy must be the result of careful and planned formulation process rather than the result of opportunistic decisions made on the spur of the movement. Since policies are relatively permanent features of the organization, adhocism should be avoided because it is likely to create more confusion. It is true it is not possible to solve every problem in the organization on the basis of policies because new situations may arise, however, for matters of recurring nature, there should be well- established policies.

3. Fair Amount of Clarity. As far as possible, policy should be clear and must not leave any scope for ambiguity. If there is a problem of misinterpretation, the organization should provide the method for overcoming the ambiguity. Further, policy provides some discretion for managerial decisions but it should minimize the number of cases were decisions are based on personal judgement. If this happens frequently, there should be close scrutiny of the policy and suitable amendments should be made.

4. Consistency . The policy should provide consistency in the operation of organizational functions. Often the organization formulates various functional areas and each function is related to other functions of the organization. If the policy in one area is inconsistent with another area, there may be conflict resulting into inefficiency. This happens very frequently in functions. Therefore, the formulation of policies should be taken in an integrated way so that policies in each area contribute to other areas also.

5. Balanced. A sound policy maintains balance between stability and flexibility. On the one hand, a policy is a long-term proposition and it must provide stability so that members are well aware about what they are required to do in certain matters. On the other hand, the policy should not be so inflexible that it cannot be changed when the need arises. In a changed situation, the old policy becomes obsolete. Therefore, there should be a periodic review of policies and suitable changes should be incorporated from time to time. The changes may be in the form of addition, deflection, or substitution of the existing policy.

6. Written. A policy may be in the form a statement or it may interpreted by the behaviour of the people at the top level. However, clearly-specified policy works better than the one which has to be interpreted by the organization members. When the policy is in writing, it becomes more specific and clear. It creates an atmosphere in which individuals can take actions. A written policy is easier to

communicate through the organizational manuals. However, written policy has certain disadvantages in the form of being flexible, too much emphasis on written words and their interpretation, and leakage of confidential policy. However, if the policy has been formulated carefully, many of the dangers will be overcome. Of course, confidential policies cannot be made part of organizational manuals.

7. Communication. It is not just sufficient to formulate policies. Unless they are communicated property to the persons concerned, no meaningful purpose will be served. Therefore, a system should be developed to communicate the policies to them who are to make decisions in the light of those policies. While written policies can be communicated easily, problems exist for communicating un written ones. In such cases, there should be more frequent interaction between policy framers and policy implementations.

STRATEGY

The concept of strategy is even more confusing in management literature as compared to policy. The word strategy has entered in the field of management more recently. It has been derived from Greek work strategies' which means general. Therefore, the word strategy means the art of general. Frequently used in Military (troops, ships, aircraft, etc) as to impose upon the enemy the place, time and conditions for fighting by oneself. Strategy ends or yields tactics when actual contact with enemy is made. However, in organizations, it is used in different form. For example, Learned etc., have defined strategy as follows:

—Strategy is the pattern of objectives, purposes or goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to bel .

Chandler is more explicit on the subject, when he defines strategy as follows:

—Strategy is the determination of basic long-term goals and objectives of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out these goals.

If this view is taken, the scope of strategy becomes too broad to include total managerial functions are related with the achievement of organizational objectives with the co-operation of others. Further, whether strategy formulation should include objective determination also is not agreed upon. For example, one view suggests that strategy is a way in which the firm, reacting to its environment, deploys its principal resources and marshals its main efforts in pursuit of its purpose. This is done in context of organizational objectives. The controversy can be aside by identifying two types of strategies; master, root, or grand strategy and competitive strategy. In face, the marshaling of resources is a type of competitive strategy while master strategy may include objective formulation as well as the resultant actions. Therefore, strategy can be defined as follows.

Strategy is the determination of organizational objectives in the light of environmental variables and determination of course of action and commitment of organizational resources to achieve those objectives.

Based on these definitions of strategy, its following features can be identified.

1. Strategy is the action of relating the organization with its environment, particularly the external environment, management and treats an organization as part of a society consequently affected by it.

2. Strategy is the right combination of factors both external and internal. In relating an organization to its environment, management must also consider the internal factors too, particularly in terms of its strengths and weaknesses, that is, what it can do and what it cannot do.

3. Strategy is a relative combination of actions. The combination is to meet a particular condition, to solve certain problems, or to attain a desirable objective. It may take any form; for various situations vary and, therefore, require somewhat different approach.

4. Strategy may involve even contradictory action. Since strategic action depends on environmental variables, a manager may take an action today and may revise or reverse his steps tomorrow depending on the situation.

5. Strategy is forward looking. It has to do orientation towards the future, Strategic action is required in a new situation. Nothing new requiring solutions can exist in the past, therefore, strategy is relevant only to future. It may take advantages of the past analysis.

STRATEGY AND TACTICS: Differences

It is desirable to make distinction between strategy and tactics so that top- level managers concentrate more on strategic functions rather than engage themselves in tactical functions. The major difference between strategy and tactics is that strategy determines what major plans are to be undertaken and allocates resources to them, while tactics is means by which previously determined plans are executed. Beyond this major difference, there are some other differences which can be better understood by analyzing these words as used in military.

Therefore, from business point of view, the distinction between strategy and tactics can be identified as follows:
1. Level of Conduct. is formulated at the top-level management, either at the headquarter level or major divisional office level. Tactics is employed at comparatively lower-level management. In fact, tactics is derived from the strategy itself and works within the parameters developed by it.

2. Periodicity. The formulation of strategy is both continuous and irregular. The process is continuous but the timing of decision is irregular as it depends on the appearance of opportunities, new ideas, management initiative, and other non-routine factors. For example, information collection which may form the basis of strategy formulation is a regular process but when the decision on the information will be taken is not sure and, therefore, irregular. Tactics is determined by various organizations on a continuous periodic basis. For example, budget preparation, a tactical exercise, is a regular feature.

3. Time Horizon. Strategy has a long-term perspective, specially the successful strategies are followed for long periods. However, if the particular strategy does not succeed, it is changed. Thus depending on the situation, strategy may have flexible time horizon; however, emphasis is on long term. On the other hand, time horizon of tactics is short term and definite. Moreover, the duration is mostly uniform. For example, budgets are prepared at regular time intervals and for comparatively short period of time. Deployment of resources, a part of strategy, is a decision committed for very long period, being investment in plant and machinery.

4. Information Needs. Formulation of strategy as well as tactics requires the use of certain information. However, the type of information required for two elements differs considerably. In the case of strategic decisions, mangers require more information. Moreover, some assumptions are made about the nature of environmental factors. In fact, strategic decisions are made under the condition of partial ignorance because managers do not have all the information about the environment. Tactical decisions are taken basically on the information generated within the organization, particularly from accounting and statistical sources.

5. Subject Values. The formulation of strategy is affected considerably by the personal values of the persons involved in the process. For example, what should be the objective of the organization; a strategic decision us affected by the personal values of the person concerned. On the other hand, tactics in normally free of such values because this type of decision is taken within the context of strategic decisions.

6. Importance. Strategic decisions are more important for the organizational effectiveness as they decide the future course of the organization as a whole. They decide the nature of the organization.

On the other hand, tactical decisions are less important because they are concerned with specific part of the organization. This difference though simple, is quite important because once a strategy fails, the organization requires considerable time to recoup its position.

Though these differences between strategy and tactics are there, often in practice, two are blurred. At one extreme, the differences between the two are quite clear, but at the other end, these differences may not hold good because tactics is generated by strategy and can be called as sub strategy. Moreover, what is one manger's strategy may be a tactics for another manager. For example, strategies are developed at the corporate level in the planning process. Substratagies within this strategy may then be pursued by various divisions of the organization. Thus what might be considered as tactical plans at the corporate level may be termed as the division level strategy. Thus depending on the level of the organization, an action may be strategic or tactical. Therefore, the managers have to find out their positions and decision context and must emphasizes on strategic decisions.

Role of Strategies and Policies

Strategies and policies are important in all types of organizations-business or non-business, public sector or private sector, small or large, in developed countries or underdeveloped countries. The systems approach of management suggests interaction of an organization with its environment on continuous basis. This interaction can better be maintained through formulation of suitable strategies and policies. In fact, the function of formulation of strategies and policies has become so important that it is equated with total top management function because it is the top management which is primarily responsible for organizational adaptation to the needs of environment.

Careful strategies and policies play a significant role in the success of an organization. If we look at the Indian industrial scene over the last generation or so, we find that great names like Martin Burn, Jessops, Andrews have touched the rock bottom, while total unknowns few years ago like Reliance, Larsen and Tourbo, etc., have touched gigantic heights. Similarly, companies like, ITC Limited, have maintained their high profile. There are numerous such examples of good companies in the Indian scene as well as the world over which have been successful because they have adopted suitable strategies and policies. This happens because strategies and policies contribute in several ways in managing an organization; the more important of them are as follows:

1. Framework for planning. Strategies and policies provide the framework for plans by channeling operating decisions and often predeciding them. If strategies and policies are deployment of organizational resources in those areas where they find better use. Strategies define the business area both in terms of customers and geographical areas served. Better the definition of these areas, better will be the deployment of resources. For example, if an organization has set that it will be deployment of resources. For example, if an organization has set that it will introduce new products in the market, it will allocate more resources to research and development activities which is reflected in budget preparation.

2. Clarity in Direction of Activities. Strategies and policies focus on direction of activities by specifying what activities are true to be undertaken for achieving organizational objectives. They make the organizational objectives more clear and specific. For example, a business organization may define its objective as social objective. But these definitions are too broad and even vague for putting them into operation. They are better spelled by strategies which focus on operational objectives and make them more practical. For example, strategies will provide how profit objective can be sharply defined in terms of how much profit is to be earned and what resources will be required for that. When objectives are spelled out in these terms, they provide clear direction to persons in the organization responsible for implementing various courses of action. Most people perform better if

they know clearly what they are expected to do and where their organizational is going.

Looking into the role of strategy and policy, Ross and Kami have suggested that —Without a strategy the organization is like a ship without a rudder, going around in circles. It is like a tramp; it has no place to go. They ascribe most business failures to lack of strategy, or the wrong strategy, or lack of implementation of a reasonably good strategy. They conclude from their study that without appropriate strategy effective implemented, failure is a matter of time.

FORMULATION OF STRATEGIES AND POLICIES

Formulation of strategies and policies is a creative and analytical process. It is a process because particular functions are performed in a sequence over the period of time. The process involves a number of activities and their analysis to arrive at a decision. Though there may not be unanimity over these activities particularly in the context of organizational variability, a complete process of strategy and policy formulation can be seen from the following:

The process set out above includes strategy formulation and its implementation, what has been referred to as strategy and policy. The figure suggests the various elements of strategy formulation and process and the way they interact among themselves. Accordingly the various elements are corporate mission and objectives, environmental analysis, corporate analysis, identification of alternatives, and choice of alternative. Up to this stage the formulation is complete. However, implementation is closely related with formulation because it will provide feedback for adjusting strategy or policy.
A brief discussion of each element will be helpful to understand the problems involved in each.

1. Corporate Mission and Objective. Organisational mission and objectives are the starting point of strategy and policy formulation. As discussed earlier, mission is the fundamental unique purpose of an organization that sets it apart from other organizations and objective is the end-result which an organization strives to achieve. These together provide the direction of which other aspects of the process will be taken up.

2. Environmental Analysis. The second aspect of the process is the environmental analysis. Since the basic objective of strategies and policies is to integrate the organization with its environment, it must know the kind of analysis. The process of environmental analysis includes collection of relevant information from the environment, interpreting its impact on the future of organizational working, and determining what opportunities and threats-positive and negative aspects- are offered by the environment. The environmental information can be collected from various sources like various publications, verbal information from various people, spying, and forecasting. The process of environmental analysis works better if it is undertaken on continuous basis and is made an intrinsic part of the strategy formulation.

3. Corporate Analysis. While environmental analysis is the analysis of external factors, corporate analysis takes into account the internal factors. These together are known as SWOT (strengths, weaknesses, opportunities and threats) analysis. It is not merely enough to locate what opportunities and threats are offered by the environment but equally important is the analysis of how the organization can take the advantages of these opportunities and overcome threats. Corporate analysis discloses strengths and weaknesses of the organization and points out the areas in which business can be undertaken. Corporate analysis is performed by identifying the factors which are critical for the success of the present or future business of the organization and then evaluating these factors whether they are contributing in positive way or in negative way. A positive contribution is strength and a negative contribution is a weakness.

4. Identification of Alternatives. Environmental analysis and corporate analysis taken together will

specify the various alternatives for strategy and policy. Usually this process will bring large number of alternatives. For example, if an organization is strong in financial resources, these can be used in many ways, taking several projects. However, all the ways or projects cannot be selected. Therefore, some criteria should be set up to evaluate each alternative. Normally the criteria are set in the light of organizational mission and objectives.

5. Choice the Strategy and Policy. The identification and evaluation of various alternatives will narrow down the range of strategies and policies which can seriously be considered for choice. Choice is deciding the acceptable alternative among the several which fits with the organizational objectives. Normally at this stage personal values and expectations of decisions-maker play an important role in strategy and policy because he will decide the course of action depending on his own likings and disliking. This happens because in one way, the organizational objectives reflect the personal philosophy of individuals particularly at the top management level.

6. Implementation . After the strategy and policy have been chosen, they are put to implementation, that is, they are put into action. Choice of strategy and policy is mostly analytical and conceptual while implementation is operational or putting them into action. Various factors which are necessary for implementation are design of suitable organization structure, developing and motivating people to take up work, designing effective control and information system, allocation of resources etc., When these are undertaken, these may produce results which can be compared in the light of objectives set and control process comes into operation. If the results and objectives differ, a further analysis is required to find out the reasons for the gap and taking suitable actions to overcome the problems because of which the gap exists. This may require a change in strategy and policy if there is a problem because of the formulation inadequacy. This puts back the managers at the starting point of the strategy and policy formulation.

CORPORATE PLANNING

Corporate Planning

The concept of corporate planning has in recent years gained wide currency in management literature. Its connotation is somewhat overlapping with the concept of strategic planning. It is, therefore necessary that the scope of corporate planning and strategic planning should be clearly understood.

Simply stated, corporate planning is a comprehensive planning process which involves continued formulation of objectives and the guidance of affairs towards their attainment. It is a systematic of the objectives of an organization or corporate body, determination of appropriate targets, and formulation of practical plans by which the objectives could be achieved. It is undertaken by top management for the company as a whole on a continuous basis for making entrepreneurial (risk-taking) decisions systematically and with the best possible knowledge of their probable outcome and effects, organizing systematically the efforts and resources needed to carry out the decisions, and measuring the results of these decisions against the expectations through organized systematic feedback.

The object of corporate planning is to identify new areas of investment and marketing. Initiating new projects, new courses of action, and analyzing past experience are the subject-matter of corporate planning. Thus, it implies (a) the imposition of a planning discipline on the present operations of the business, and (b) a reappraisal of the business and of the corporate planning competencies to the most profitable uses. Innovation is the core of such planning. At the same time it ensures that managers are continually measuring their performance against the company's long-term profit and market objectives, evaluating alternative methods of reaching the goals, and keeping in touch with changes in the market and in technology.

Constituents of corporate planning

The comprehensive nature of the corporate planning process lies in that operational planning, project planning and strategic planning are its constituents. Let us examine the nature and scope of each of these constituents.

It is essential for every business firm to manage its ongoing operations efficiently to keep the business a flot in the market with which it is familiar. Operational planning is necessary so as to ensure that changes in the market situation for the existing product line do not adversely affect the earnings of the firm. Thus, operational planning involves study of the market conditions for the existing range of products to maintain and improve the position of the firm in the face of competition. It is essentially a short-term exercise and deals with the existing product, market and facilities. The degree of uncertainly in operational planning is of a low order; the time span of discretion is short; choice not alternatives is relatively simple But the firm can ill-afford to ignore long-term changes in the product markets. It has to look for new markets for the existing product, develop new products, create a market for the same, and utilize the existing facilities and expertise to meet new requirements. Considerations such as these characterize project planning, which is a forward looking exercise concerned with new markets, new products and new facilities. Project planning, therefore involves a greater degree of uncertainty, and demands a higher order of judgement on the part of planners due to the risks involved.

Strategic planning refers of a unified, comprehensive and integrated plan aimed at relating the strategic advantages of the firm to the challenges of the environment. It is concerned with appraising the environment in relation to the company, identifying the strategies to obtain sanction for one of the alternatives to be interpreted and communicated in an operationally useful manner. Thus, strategic planning provides the framework within which future activities of the company are expected to be carried out.

Compared with project planning, the time span of discreation in strategic planning is much longer, the degree of uncertainly and corresponding risks involved are much greater, and judgement to be exercised is more important.

Inasmuch as strategic planning determines the future direction of a company, corporate planning is essentially based on strategic planning, and at the same time takes care of project planning and operational planning. Thus corporate planning is described as a formal systematic managerial process, organized by responsibility, time and information, to ensure that operational planning, project planning and strategic planning are carried out regularly to enable top management to direct and control the future of the enterprise. It follows that corporate planning is concerned with determination of objectives and developing means to achieve the objectives. It may encompass both short periods as well as long periods. The time span depends on how far ahead a company wants to forecast and to plan, which, in turn, depends upon the nature of business that the company wants to be in and commitment of resources required for it. For instance, in the modern heavy engineering industry, commitment of resources is generally required for a fairly long period-10-15 or 20 years. In the ready-made garment industry, on the other hand, resource commitment is for a very short period, generally required for a fairly long period –10, 15 or 20 years.

In the ready-made garment industry, on the other hand, resource commitment is for a very short period, generally one year, so that operations may be adapted to changing fashions and taste. Therefore, corporate planning in an engineering enterprise will involve long-term considerations regarding market demand, technology and such other factors. It will have a short time horizon in the case of garment industry. Longtime horizon in view, generally five years or more. Corporate planning in capital-intensive industries is always associated with long- range planning. Besides, corporate planning is concerned with the existing products in existing markets as well as new products and new markets. Long- range planning essentially takes care of only the existing products in existing markets.

Why is Strategic planning Necessary

A variety of reasons may be adduced to justify business policy or strategic planning. One justification is that it has been found useful in practice. Research studies, based on the experience of companies and executive viewpoints, have indicated that strategic planning contributes positively to the performance of enterprises. Studies made by Igor Ansoff and his associates. Eastlack and Mc Donals David Herold have revealed that companies which had undertaken formal strategic planning not only outperformed the non-planners on most measures of success (return on equity, growth of sales, earning per share, and value of the firm), but significantly outperformed their own past results as well, besides, the companies that used strategic planning were able to predict the outcome of planning much better than others. Malik and Karger in their analysis of the performance of 38 chemical/drug, electronics and machinery firms found that in nine out of 13 financial measures (sales volume, earnings per share, net income, etc) firms having ―formal, integrated, long-range planning‖ far outperformed those doing it informally. Investigations have also shown that strategic planning can isolate the key factors in an industry and thus help companies plan their strategies more effectively.

Executive viewpoints on the contribution of strategic planning to the success of firms were sought in a survey conducted by Ramanujam, Camillus and Venkatarman. The survey conducted 200 executives of US corporations. Their collective view clearly indicated that strategic management has been a significant and critical factor in determining their individual and organizational success, As high as 887 p.c., of the respondents were of the view that reducing emphasis on strategic planning would be detrimental to their long-term performance. Again 70.6 p.c. of the respondents stated that they had improved the sophistication of strategic planning systems in their organisations.

Apart from the empirical evidence in support of strategic planning, it is justified on several other grounds. With fast changing environment of business and industry –product-market conditions, by which future opportunities and problems can be anticipated by company executives. It enables executives to provide necessary direction for the enterprise, take full advantage of new opportunities and minimize the attendent risks. Secondly, with clear goals and direction provided for the future, employees in general and mangers in particular can better perceive the ways and means of achieving the corporate objectives consistently with the individual and group aspirations. This is conducive to greater harmony and goal congruence. Moreover, formal strategic planning focuses on problems of the total enterprise, not just functional problems in the marketing, finance or personel areas. Persons exposed to strategy formation thus develop a breadth of understanding and undergo change of attitudes in the process. Strategic planning is likely to be beneficial particularly in organsiations when there is a long time lag between managerial decisions and the results thereof. Thus, for instance, if research and development efforts take several years to finally design and manufacture a new product, events in the intervening period may nullify the outcome of the R&D effort based on the original decision. Strategic planning enables management to improve the chances of making decisions which will stand the test of time, and revising the strategy on the basis of monitoring the progress of R & D and the changes in product market conditions.

Thus, the advantages of a systematic approach to strategic planning and management may be said to include (a) providing necessary guidance to the entire organsiation about what is expected to be achieved and how (b) making managers more alert to new opportunities and potential threats (c) unifying organizational efforts leading to greater harmony and goal congruence (d) creating a more proactive management posture (e) promoting a constantly evolving business model so as to ensure bottom-line success for the enterprise and (f) providing the rationale for evaluating competing budget requests for steering resources into strartegy-supportive and results- producing areas.

However, it would not be true to contend that strategic planning alone invariably leads to success. Achievements of corporate enterprises are caused by multiple factors : adequate resources, competent managers, specialist services, product- market conditions, and so forth. Strategic planning is a necessary, though not sufficient, condition for success. But is makes a difference. Executives who engage in formal strategic planning are likely to be more effective in achieving their objectives than those who do not.

Benefits of Strategic Planning

Formulation and implementation of strategies which constitute the two main aspects of strategic management may be expected to yield several benefits.

1. Financial benefits

On the basis of empirical studies and logical analysis it may be claimed that the impact of strategic management is primarily that of improved financial performance in terms of profit and growth of firms with a developed strategic management system having major impact on both planning and implementation of strategies.

2. Enhanced capability of problem prevention

This is likely to result from encouraging and rewarding subordinate attention to planning considerations, and mangers being assisted in their monitoring and forecasting role by employees who are alerted to the needs of strategic planning.

3. Improved quality of strategic decisions through group interaction

The process of group interaction for decision-making facilitates generation of alternative strategies and better screening of options due to specialized perspectives of group members. The best alternatives are thus likely to be chosen and acted upon.

4. Greater Employee Motivation

Participation of employees or their representatives in strategy formulation leads to a better understanding of the priorities and operation of the reward system. Also there is better appreciation on their part of the productivity-reward linkage inherent in the strategic plan. Hence goal-directed behaviour is likely to follow the incentives.

5. Reduction resistance to change.

The benefit of acceptability of change with minimum resistance is also likely to follow the participative process of strategy making as there is greater awareness of the basis of choosing a particular option and the limits to available alternatives. The uncertainty which is associated with change in also eliminated in the process and resistance.

Negative Effects of Strategic Planning

While the benefits of strategic management are well recognized, alongside the positive behavioural consequences of group-based strategic decisions, there are certain unintended negative effects as well:

a. The process of strategic planning and management as a formalized system is naturally a costly exercise in terms of the time that needs to be devoted to it by mangers. But the negative effect of mangers spending time away from their normal tasks may be quite serious. For defaults on the part of managers in discharging their operational responsibilities may be irreparable. This eventuality may of course be guarded against. Mangers may be trained to schedule their activities so as to devote adequate time for strategic work without cutting down the time they have to devote to normal operations.

b. Another type of unintended negative effect may arise due to the non- fulfillment of participating subordinates expectations leading to frustration and disappointment. For instance, subordinates who have been involved in strategy making at some stages may expect that their participation will be solicited in other areas too, which again may not happen. Such eventualities may be unavoidable. So mangers need to be trained to anticipate disappointments, minimize the impact and respon constructively to the sense of frustration that may on occasions be experienced by subordinates.

c. A third dysfunction or unintended effect of strategic management relates to the risk of participants shirking the responsibility of inputs in the decision-making process and the conclusions subsequently drawn. This may happen if those associated with the formulation of strategy are not intimately involved with the implementation of strategy. Hence, assurances with the outcomes and results of strategic decisions should be limited to the performance that can be achieved by the strategy-makers and their subordinates.

Strategic Planning in Small Business Firms

Is it worthwhile for managers of small business firms to engage in the strategic planning exercise? No doubt the size of an organization can make a significant difference in the nature and scope of planning. Small firms generally have a few products or services to offer, mainly because their resources and capabilities are limited. Usually they do not have formal procedures to monitor the environment, make forecasts, or evaluate and control the existing strategy. Managerial personnel in such firms are mostly trained on the job. Thus, they tend to rely on experience as a guide, rather than on systematic, specified procedures. In many cases, the firms are owned and managed by family members, relatives and close friends.

Obviously, because of their differentiating characteristics, the planning process in small firms is bound to be less systematic and explicit as well as less formal. The strategic planning model suited to large organizations may serve the purpose of a guideline, but it cannot be adopted by small firms with the same kind of detailed and complex analyses. However, it may be useful for managers of small firms to realize that strategic planning does not necessarily have to be an expensive, complex exercise or involve the use of quantitative data, nor does it need to be a formal exercise. It may be undertaken on a modest scale focusing on only the steps which are relevant to the firm's needs. Gilmore has suggested in more concrete terms that, in smaller companies, strategy should be formulated by the top management team at the conference table. According to him, —Judgement, experience, intuition and well-guided discussion are the key to success, not staff work and mathematical models.

Another point to be kept in view is that strategic planning may serve as a learning process. Managers of small firms may progressive come to know more about the capabilities and limitations of the firm as well as about the opportunities and threats in the environment. They can become increasingly more familiar also with the environment.

They can become increasingly more familiar also with the process of strategic planning itself, which can become more formal and sophisticated over time as managers develop the necessary skills.
Thus, for strategic planning in small business, it is essential for managers to realize that (a) to start with strategic planning need not be a complex, formal process, and (b) it has its usefulness also as a learning process. Further, as a rice has observed, strategic planning is frequently easier to accomplish in small companies, for once developed, strategies can be clearly communicated to, and understood by, all personnel which ensure effective implementation of the strategies.

Robinson, who conducted survey of 101 small retail, service and manufacturing firms in USA over a three-year period, reported a significant improvement in sales, profitability and productivity of those firms which engaged in strategic planning when compared to firms without systematic planning activities.

Strategies Planning in Not-for-profit Organisations

Non –profit organisations, by definition, differ from profit-oriented business organisations. There are diverse types of not-for-profit organisations in India as in other countries, including research institutions, hospitals, educational , social, cultural, and political organisations, trade unions, and the like. In spite of this diversity, however, certain common charatertics are noticeable in such organsiations that distinguish them from business firms. Generally, their output consists of services of an intangible nature which are not amenable to direct measurement. The influence of their clients or customers is often limited. Many of these organisations are funded by way of grants and donations from Government and public trusts. Discretionary powers of internal management team are thus subject to the overall regulation of the funding bodies. The personnel of some organisations like research institutes, social and cultural organisations, often are committed more to their profession or to a cause or ideal. Their allegiance to the organization is thereby weakened. Rewards and punishments are subject to restraints due to the intangible nature of services, external funding and the professional commitments of employees.

Because of these characteristics of not-for-profit organisations, partly because of their diversity inter se, and since strategic planning techniques have developed out of the experience of large business enterprises, top management of not-for-profit organisations are said to be less likely to engage in strategic planning. Wortman in his study in the American context found that such organisations tended to be managed much more in a short-term operational sense than in a strategic sence. According to Hofer and Schendel also. ―There is some evidence that some of these organisations have no strategies at all. Rather, they seem motivated more by short-term budget cycles and personal goals than by any interest in re-examining their purpose or mission in the light of altered environmental circumstances.

General Summary

There are different definitions of strategy. A comprehensive one refers to the determination of basic long-term objectives and of courses of action and allocations of resources to achieve these aims. Policies are general statements or understanding which guide managers' thinking in decision making. Both strategies and policies give direction to plans. They provide the framework for plans and serve as a basic for the development of tactics and other managerial activities.

Major kinds of strategies and policies need to be developed in areas such as growth, finance, organization, personnel, public relations, products or services, and marketing. Professor Porter identified three generic competitive strategies related to overall cost leadership, differentiation, and focus.

To implement strategies effectively, mangers must communicate the strategies and planning premises to all who should know them and must make sure that the plans contribute to and reflect the strategies and goals they serve. Mangers also must review strategies regularly, develop contingency strategies, and be sure that the organization structure of the enterprise fits its planning program. Mangers need to make, learning about planning and implementing strategy an ongoing process.

Planning premises are the anticipated environment. They include assumptions or forecasts of future and known conditions. Effective premising requires proper selection of premises, development of alternative premises for contingency planning, provision for consistency, and communication of the planning premises.

The orgnisation of Business Policy' or Policy and strategy' as a field of study for executives and students of management is based on the experience of corporate enterprises and the history of success and experience of corporate enterprises and the history of success and failure of business firms over time. Business Policy or strategy formulation is the outcome of top management decisions bearing on the future of on going enterprises. a formal approach to such policy-making requires conceptualization and systematic application of knowledge and skill.

Strategic planning and management forming the core of business policy study include top management responsibilities of defining the business mission and objectives, formulation of strategic alternatives, choice of strategy and its implementation. These responsibilities have made it obligatory for individuals who occupy or aspire for higher executive positions to develop an understanding of ideas and realities in the total organsiational context. The ability to sense what information is needed and relevant and how it should be ordered to facilitate comprehensive understanding involve scientific-analytical approaches to knowledge, problems and decisions. But more than that it also involves the exercise of informed judgement which is an art, and there is no certainty of outcome of such judgement.

Once the creative and analytical aspects of strategy formulation have been settled, the managerial priority is one of converting the strategy into operationally effective action. Indeed a strategy is never complete, even as formulation, until it gains a commitment of the organisation's resources and becomes embodied in organizational activities. Therefore, to bring the result, the strategy should be put to action because the choice of even the soundest strategy will not affect organizational activities and achievement of its objectives.

Therefore , Effective implementation of strategy is a must for the organization.

What if:-

① Policies are guides for managerial action. Should policies be permanent or subject to ready change?

② A Manager states that in his organization most policies are defined as the result of an appeal rather than being formulated and this has the advantage of having policies where most needed and avoiding unnecessary policy statements. Do you agree with the manager? What roles are performed by policies formulated in various areas?

③ The term strategy is frequently used to denote specific course of action that can be taken to achieve an organisation's goals usually in the context of a competitive environment‖ . How does strategy differ from Policy and Tactics?

④ The chief executive of a large textile unit manufacturing high-priced fabrics faces competition from the new entrant in the field. The chief executive of the unit asks you to design suitable strategy for it. How will you proceed?

⑤ What actions can be taken for the successful implementation of a strategy?

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