

MANAGEMENT

PRINCIPLES AND APPLICATIONS

UNIT-2

PART-X

THE PROCESS OF STRATEGIC PLANNING CONSISTS OF THE FOLLOWING STEPS:

1. Determination of Mission and Objectives:

Strategic planning starts with the determination of the mission for the organisation. The principal objectives for which the organisation has been set up should be clearly defined. Strategic planning is concerned with an organisation's long-term relationship to its external environment. So, the business mission should be fixed in terms of social impact of the organisation.

2. Environmental Analysis:

In order to identify the opportunities and threats, the external environment of the organisation is analysed. A list of important factors likely to affect the organisation's activities is prepared.

3. Self-appraisal:

In the next step, the strengths and weaknesses of the organisation are analysed. Such an analysis will enable the enterprise to capitalize on its strengths and to minimise its weaknesses. The enterprise can utilise the external opportunities by concentrating on its internal capacity. By matching its strengths with the environmental opportunities, an enterprise can face competition and achieve growth.

4. Strategic Decision-making:

Strategic alternatives are then generated and evaluated. After that, a strategic choice is made to reduce the performance gap. The organisation must select the alternative that is best suited to its capabilities. For instance, in order to grow, an enterprise may enter into new markets or develop new products or sell more in the present markets.

Choice of strategy depends upon external environment, managerial perception, the managers' attitude towards risk, past strategies and managerial power and efficiency.

5. Strategy Implementation and Control:

Once the strategy is determined, it must be translated into tactical operational plans. Programmes and budgets are developed for each function. Short term

operational plans are prepared to use the resources. Control should be developed to evaluate performance as the strategy is put into use.

Wherever actual results are below the expectation, the strategy should be reviewed or reappraised. It must be modified and adapted to the changes in the external environment.

Limitations of Strategic Planning:

1. Lack of knowledge:

Strategic planning requires lot of knowledge, training and experience. Managers should have high conceptual skills and abilities to make strategic plans. If they do not have the knowledge and skill to prepare strategic plans, the desired results will not be achieved. It will also result in huge financial losses for the organisation. This limitation can be overcome by training managers to make strategic plans.

2. Interdependence of units:

If business units at different levels (corporate level, business level and functional level) are not coordinated, it can create problems for effective implementation of strategic plans.

3. Managerial perception:

In order to avoid developing risky objectives and strategies which they will not be able to achieve, managers may land up framing sub-optimal goals and plans. Sometimes, short-term commitments also defer making long-term strategies.

4. Financial considerations:

Strategic planning requires huge amount of time, money and energy. Managers may be constrained by these considerations in making effective strategic plans. These limitations are by and large, conceptual and can be overcome through rational, systematic and scientific planning. Researchers have proved that companies which make strategic plans outperform those which do not do so.

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