

الفصل الثالث عشر

Strategic Planning

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-  Strategic Planning: Definition.
-  Problems of Strategic Planning.
-  Steps of Strategic Planning.
 - 1- Defining the corporate vision and mission.
 - 2- Specifying achievable Aims and objectives.
 - 3- Developing strategies.
 - 4- Setting policy guidelines.

Strategic Planning

1- Strategic Planning: Definition

Overview:

Strategic planning is a management tool, period. As with any management tool, it is used for one purpose only: to help an organization do a better job- to focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organizations direction in response to a changing environment. In short, strategic planning is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it, with a focus on the future. (Adapted from Bryson's Strategic Planning in Public and Nonprofit Organizations).

A word by word dissection of this definition provides the key elements that Underlie the meaning and success of a strategic planning process: The process is strategic because it involves preparing the best way to respond

to the circumstances of the organization's environment, whether or not its circumstances are known in advance; nonprofits often must respond to dynamic and even hostile environments. Being strategic, then, means being clear about the organization's objectives, being aware of the Organization's resources, and incorporating both into being consciously responsive to a dynamic environment.

The process is about planning because it involves intentionally setting goals (i.e., choosing a desired future) and developing an approach to achieving those goals.

The process is disciplined in that it calls for a certain order and pattern to keep it focused and productive. The process raises a sequence of questions that helps planners examine experience, test assumptions; gather and incorporate information about the present, and anticipate the environment in which the organization will be working in the future. Finally, the process is about fundamental decisions and actions because choices must be made in order to answer the sequence of questions mentioned above.

The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it, and how to do it. Because it is impossible to do everything that needs to be done In this world, strategic planning implies that some organizational decisions and actions are more important than

others - and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success.

The strategic planning can be complex, challenging, and even messy, but it is always defined by the basic ideas outlined above-and you can always return to these basics for insight into your own strategic planning process.

In simple words, strategic planning is the long term planning, its time horizon is usually five years or more. The top management takes control of it.

R. Appleby distinguishes between strategic and tactical planning as following.

Strategic Planning: involves deciding upon the major goals of an organization and what policies will be used to achieve them. It involves a longer time period and relies on more unreliable long - term forecasts and occurs at more senior levels in an organization (e.g. political and technological changes).

While tactical planning involves deciding upon how resources will be used to help the organization achieve its strategic goals. It relies more on past records and involves shorter time periods. T. Wheelen and D. Hunger see strategic planning as an externally oriented planning and strategy formulation for an organization.

They add that when a company seeks to increase its responsiveness to changing markets and competition it should think strategically.

Planning is taken out of the hands of lower level managers and concentrated

in a planning staff whose task is to develop strategic plans for the corporation. Consultants often provide the sophisticated and innovative techniques that the planning staff uses to gather information and forecast future trends.

Top management typically develops five - year plans with help from consultants but minimal input from lower levels.

F. David sees that strategy formulation (strategic planning) includes developing a business mission, identifying an organization's external opportunities and threats, determining internal strengths and weaknesses, establishing long-term objectives, generating alternative strategies, and choosing particular strategies to pursue.

Strategy- formulation issues include deciding what new businesses to enter, what businesses to abandon, how to allocate resources, whether to expand operations or diversify, whether to enter international markets, whether to merge or form a joint venture, and how to avoid a hostile takeover.

Since no organization has unlimited resources, strategists must decide which alternative strategies will benefit the firm most. Strategy-formulation decisions commit an Organization to specific products, markets, resources, and technologies over an extended period of time.

Strategies determine long-term competitive advantages. For better or worse, strategic decisions have enduring effects on an organization and

major multi functional consequence. Top managers have the best perspective to fully understand the ramifications of formulation decisions; they have the authority to commit the resources necessary for implementation.

Strategic Planning and Long - Range Planning

Although many use these terms interchangeably, strategic planning and long-range planning differ in their emphasis on the "assumed" environment. Long-range planning is generally considered to mean the development of a plan for accomplishing a goal or set of goals over a period of several years, with the assumption that current knowledge about future conditions is sufficiently reliable to ensure the Plan's reliability over the duration of its implementation. In the late fifties and early sixties, for example, the US. economy was relatively stable and somewhat predictable, and, therefore, long-range planning was both fashionable and useful.

On the other hand, strategic planning assumes that an organization must be responsive to a dynamic, changing environment (not the more stable environment assumed for long-range planning). Certainly a common assumption has emerged in the nonprofit sector that the environment is indeed changeable, often in unpredictable ways.

Strategic planning, then, stresses the importance of making decisions that will ensure the organization's ability to successfully respond to changes in the environment.

Strategic Thinking and Strategic Management

Strategic planning is only useful if it supports strategic thinking and leads to strategic management - the basis for an effective organization. Strategic thinking means asking, "Are we doing the right thing?" Perhaps, more precisely, it means making that assessment using three key requirements about strategic thinking: a definite purpose be in mind; an understanding of the environment, particularly of the forces that affect or impede the fulfillment of that purpose; and creativity in developing effective responses to those forces.

It follows, then, that strategic management is the application of strategic thinking to the job of leading an organization. Dr. Jagdish Sheth, a respected authority on marketing and strategic planning, provides the following framework for understanding strategic management: continually asking the question, "Are we doing the right thing?" It entails attention to the "big picture" and the willingness to adapt to changing circumstances, and consists of the following three elements:

- formulation of the organization's future mission in light of changing external factors such as regulation, competition, technology, and customers.
- development of a competitive strategy to achieve the mission.
- creation of an organizational structure which will deploy resources to successfully carry out its competitive strategy.

Strategic management is adaptive and keeps an organization relevant. In these dynamic times it is more likely to succeed than the traditional approach of "if it ain't broke, don't fix it."

What Strategic Planning Is Not?

Everything said above to describe what strategic planning is can also provide an understanding of what it is not. For example, It is about fundamental decisions and actions, but it does not attempt to make future decisions (Steiner, 1979). Strategic planning involves anticipating the future environment, but the decisions are made in the present. This means that over time, the organization must stay abreast of changes in order to make the best decisions it can at any given point - it must manage, as well as plan, strategically.

Strategic planning has also been described as a tool- but it is not a substitute for the exercise of judgment by leadership. Ultimately, the leaders of any enterprise need to sit back and ask, and answer, "What are the most important issues to respond to?" and "How shall we respond?" Just as the hammer does not create the bookshelf, so the data analysis and decision-making tools of strategic planning do not make the organization work they can only support the intuition, reasoning skills, and judgment that people bring to their organization.

Finally, strategic planning, though described as disciplined, does not typically

flow smoothly from one step to the next. It is a creative process, and the fresh insight arrived at today might very well alter the decision made yesterday. Inevitably the process moves forward and back several times before arriving at the final set of decisions. Therefore, no one should be surprised if the process feels less like a comfortable trip on a commuter train, but rather like a ride on a roller coaster. But even roller coaster cars arrive at their destination, as long as they stay on track.

The essence of strategic planning is to help a company develop and sustain advantage in the marketplace through unique agility, superior products and/or superior service. Strategic planning is "strategic" because it requires an understanding of how the external environment impacts a firm's ability to create value. What are our competitors doing? Are consumer tastes changing? What businesses should we be in? How do the various parts of our company fit together? Strategic planning is "planning" because it recognizes that decisions made today will produce important results at a later date.

"You may not be interested in strategy, but strategy is interested in you."
Leon Trotsky .

WHAT IS A STRATEGIC PLAN?

A Strategic Plan maps out

- Where firm is headed.
- Short and long range performance targets.

- Actions of management to achieve.
- Outcomes.

A Strategic Plan consists of :

- A strategic vision & business mission.
- Strategic & financial performance objectives.
- Comprehensive strategy for achieving the objectives.

2- Problems of Strategic Planning

There are many problems which face the process of putting and implementing strategic planning. The following are some of these problems:

1- Time Span:

The greater the time span, the greater the number of mistakes. Present conditions are usually dominant in the planner's mind when he initiates a plan and these may be overstressed.

For example, a new building for a computer based upon present ideas (i.e. for use by the finance function only) may be found to be too small; if, in fact, all functions make use of the computer, a larger computer building may be needed. A good illustration of the effect of time on planning can be seen by comparing long-and short-term weather forecasts.

2- Unforeseen Events and Lack of Communication:

Many events obviously unforeseen, but planning can be aided by techniques giving suggested probabilities of events taking place. Wider consultation with workers is needed, to enable them to understand the nature of obstacles and the reason why management is taking a certain course of action to overcome them.

3- Lack of Information:

Knowledge is power, information is very important for planning. Planners meet problems in gaining information or the information never reaches them; the planning task isn't an easy one. If the information we have in the present is not enough or not real, and a plan constructed on these basis its never going to meet the needs.

4- Size of Organization:

A dispersment of departments in a large organization is a major problem especially if managers can't meet or agree on common ideas. Departments can hardly define the mission or objectives of the organization as a result every one is going in a separate direction. The information collected for planning is dispersed and far apart and never meets as a result planning becomes almost impossible.

5- Political Changes:

Political changes are very hard to predict and can never be on a solid basis. Politics can greatly affect the long term planning of one firm because government regulations in turn are greatly influenced as a result. One plan can be layed down for some years ahead but its application can become impossible due to any slight political circumstance this as a result leads to a crises, where the plan needs new adjusting. As a result the long range plan always needs attending to prevent problems acquiring inside firms.

6- Technological Changes:

Technology every second is in a constant change, every minute something new appears, very complicated microchips that change the whole world upside down. A firm needs to put into consideration those changes and constantly innovate its strategic planning to prevent catastrophes in its departments. Working with technology can make things a lot easier and save money, effort and time. What is only needed is constant awareness of the surrounding technological advances to make planning affective.

3- Steps of Strategic Planning:

F. David identifies six steps for strategic planning as shown in next figure.

C. Gable identifies five steps for strategic planning as following:

A Comprehensive Strategic Management Model

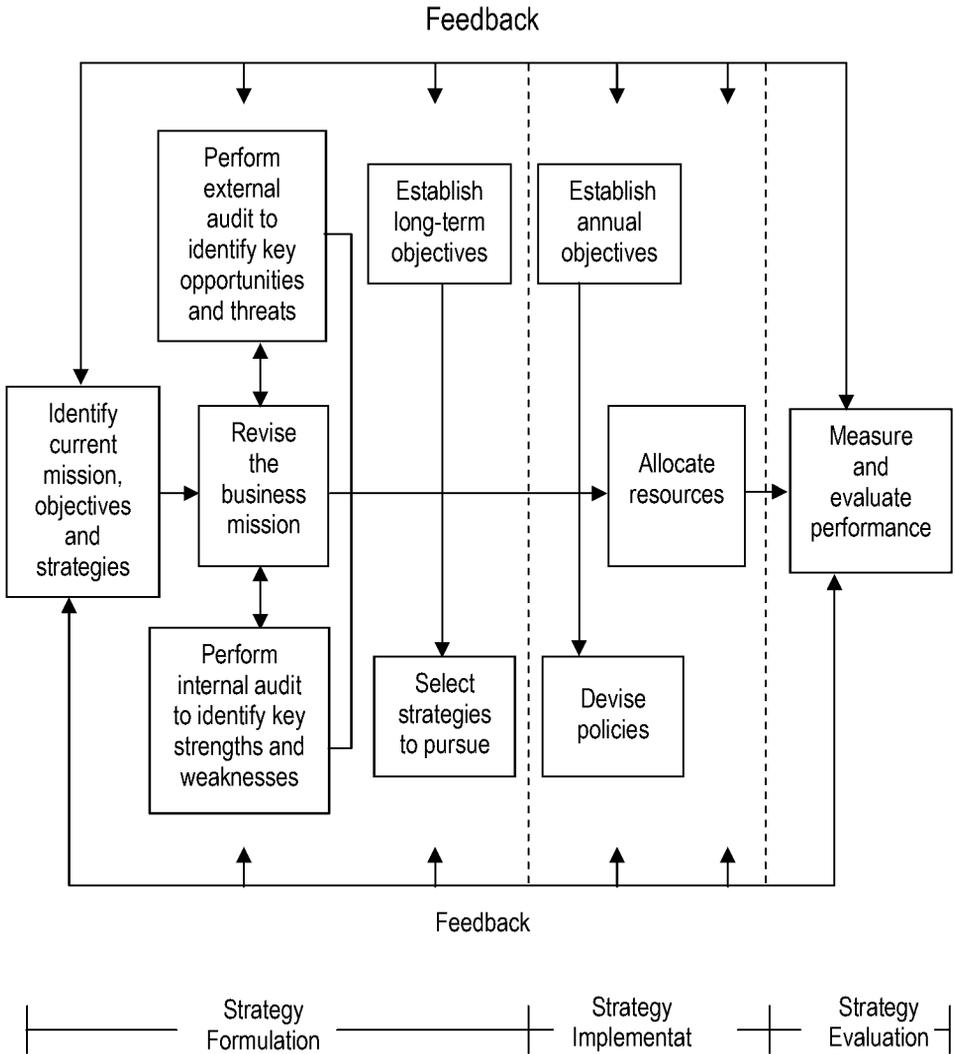


Figure (5)
A Comprehensive Strategic Management Model

- 1- Seeing the challenges
- 2- Sorting the challenges
- 3- Setting the goals
- 4- Devising strategic action
- 5- Monitoring and measurements.

The main point in the first and second steps is doing the situational analysis through seeing and sorting the challenges. C. Gable sees the situational analysis as a tool to identify:

- 1- Strengths.
- 2- Weaknesses.
- 3- Opportunities.
- 4- Threats.

T. Wheelen and D. Hunger see that the strategic planning process includes four steps as following:

- 1- Defining the corporate vision and mission.
- 2- Specifying achievable aims and objectives.
- 3- Developing strategies.
- 4- Setting policy guidelines.

The following is a brief description for these steps:

1- Defining the corporate vision and mission:

Articulating Vision and Mission:

A Vision:

Vision statement: a sentence or two describing a company's long-range aims, such as achieving dominant market share or attaining a reputation for world-class quality.

The vision is a desired future state - aspiration of the organisation.

A strategic vision widely shared among all employees functions similar to how a magnet aligns iron filings.

When all employees are committed to firms long-term direction, optimum choices on business decisions are more likely. Individuals & teams know intent of firms strategic vision. Dally execution of strategy is improved.

SPECIFIC QUESTIONS THAT HELP FORM STRATEGIC VISION:

- What business are we in now?
- What business do we want to be in?
- What will our customers want in future?
- What are expectations of our stakeholders?
- Who will be our future competitors? Suppliers? Partners?

- What should our competitive scope be ?
- How will technology impact our industry?
- What environmental scenarios are possible?

A mission statement is like an introductory paragraph: it lets the reader know where the writer is going, and it also shows that the writer knows where he or she is going. Likewise, a mission statement must communicate the essence of an organization to the reader. An organization's ability to articulate its mission indicates its focus and purposefulness. A mission statement typically describes an organization in terms of its:

- Purpose-why the organization exists, and what it seeks to accomplish.
- Business - the main method or activity through which the organization tries to fulfill this purpose.
- Values- the principles or beliefs that guide an organization's members as they pursue the organization's purpose.

Whereas the mission statement summarizes the what, how, and why of an organization's work, a vision statement presents an image of what success will look like. For example, the mission statement of the Support Centers of America is as follows:

The mission of the Support Centers of America is to increase the effectiveness of the nonprofit sector by providing management consulting, training and

research. Our guiding principles are: promote client independence, expand cultural proficiency, collaborate with others, ensure our own competence, act as one organization.

We envision an over increasing global movement to restore and revitalize the quality of life in local communities. The Support Centers of America will be a recognized contributor and leader in that movement.

With mission and vision statements in hand, an organization has taken an important step towards creating a shared, coherent idea of what it is strategically planning for.

At the end, a draft mission statement and a draft Vision statement is developed.

P. Drucker confirms that it is important to decide what is the mission of a business. This is usually a very difficult decision, but so essential, as it makes it much easier to state clear and realistic objectives, strategies and Plans.

An organization's mission is the purpose or reason for the organization's existence. It tells what the company is providing to society-ether a service like house cleaning or a product like automobiles.

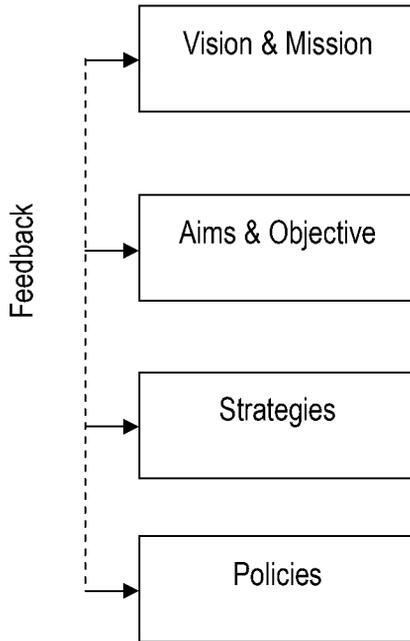


Figure (6)
The Strategic Planning Steps

A well - conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of the company's operations in terms of products (including services) offered and markets served.

It may also include the firm's philosophy about how it does business and

treats its employees. It puts into words not only what the company is now, but what it wants to become management's strategic vision of the firm's future.

The mission statement promotes a sense of shared expectations in employees and communicates a public image to important stakeholder groups in the company's task environment.

An organization's MISSION:

- Reflects management's vision of what firm seeks to do & become.
- Provides clear view of what firm is trying to accomplish for its customers.
- Indicates intent to stake out a particular business position.

WHY BOTHER TO DEFINE "WHO," "WHAT," & "WHERE"?

Helps managers avoid trap of ;

- Trying to move in too many directions.
- Being so confused about firm's direction that effective actions are NOT taken move in ANY direction. To successfully chart firm's future managers must.
- Know where firm is now.
- Have view of where it ought to be headed.
- Recognize time to shift to a new direction.

Once an organization has committed to why it exists and what it does, it must take a clear-eyed look at its current situation. Remember, that part of strategic planning, thinking, and management is an awareness of resources and an eye to the future environment; so that an organization can successfully respond to changes in the environment. Situation assessment, therefore, means obtaining current information about the organization strengths, weaknesses, and performance information that will highlight the critical issues that the organization faces and that its strategic plan must address.

These could include a variety of primary concerns, such as funding Issues, new program opportunities, changing regulations or changing needs in the client population, and so on. The point is to choose the most important issues to address. The Planning Committee should agree on no more than five to ten critical issues around which to organize the strategic plan.

The products include: a data base of quality information that can be used to make decision; and a list of critical issues which demand a response from the organization - the most important issues the organization needs to deal with.

2- Specifying achievable aims and objectives:

Once an organizations mission has been affirmed and its critical issues identified, it is time to figure out what to do about them: the broad approaches to be taken (strategies), and the general and specific results to be sought

(the goals and objectives). Strategic, goals, and objectives may come from individual inspiration, group discussion, formal decision-making techniques, and so on-but the bottom line is that, in the end, the leadership agrees on how to address the critical issues.

This can take considerable time and flexibility: discussions at this stage frequently will require additional information or a reevaluation of conclusions reached during the situation assessment. It is even possible that new insights will emerge which change the thrust of the mission statement. It is important that planners are not afraid to go back to an earlier step in the process and take advantage of available information to create the best possible plan.

The product is an outline of the organization's strategic directions-the general strategies, long-range goals, and specific objectives of its response to critical issues.

Objectives are those ends that must be achieved in order to carry out a mission.

In other words, objectives are the end results of planned activity.

They state:

- 1- What is to accomplished?
- 2- By whom?
- 3- Should be quantified if possible?

The achievement of corporate objectives should result in the fulfillment of a corporation's mission.

The term " goal " is often used interchangeably with the term "objective".

In this research, we prefer to differentiate the two terms. In contrast to an objective, a goal is an open-ended statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for completion.

C. Gable states the following characteristics for an effective goal or objective:

- Relevant.
- Agreed to.
- Understandable.
- Reachable.
- Quantifiable.
- Assignable.
- Visible.
- Flexible.
- Inspirational.

Purpose of Setting Objectives Is to:

- Convert mission into performance targets.
- Create yardsticks to track performance targets.
- Create yardsticks to track performance.

- Establish performance goals requiring stretch.
- Push the firm to be inventive, intentional, focused Setting CHALLENGING but ACHIEVABLE objective guards against.
- Complacency.
- Drift.
- Internal confusion.
- Status quo performance.

EXAMPLES OF TYPES OF OBJECTIVES

Financial Objective's

- Increase earnings growth from 10 to 15% per year.
- Boost return on equity investment from 15 to 20%.
- achieve & maintain a AA bond rating.

Strategic Objectives

- Up firm's market share from 18 to 22%.
- Overtake rivals on quality or customer service.
- Attain lower overall costs than rivals.
- Become leader in new product introductions.
- Achieve technological superiority.

3- Developing Strategies:

Strategies are broad programs of activity to achieve organization objectives. They are a guide as to how resources are to be deployed to achieve the objectives.

In other words, a strategy of a corporation forms a comprehensive master plan stating how the corporation will achieve its mission and objectives.

It maximizes competitive advantage and minimizes competitive disadvantage.

Examples: Strategic & Financial Corporate Objectives

**EXAMPLES: STRATEGIC & FINANCIAL
CORPORATE OBJECTIVES**

EXXON

Provide shareholders a secure investment with a superior return.

ALCAN ALUMINIUM

To be the lowest cost producer of aluminum & to outperform the average return on equity of the Standard and Poor's industrial stock index.

Figure (7)

WHY THE REASON A FIRM'S STRATEGY IS CONSTANTLY EVOLVING:

Because firms often need to react to

- Changing market conditions.
- Moves of competitors.
- New technologies & production capabilities.
- Evolving customer needs & preferences.
- Political & regulatory changes.
- New windows of opportunity.
- Fresh ideas to improve current strategy.
- A crisis situation.

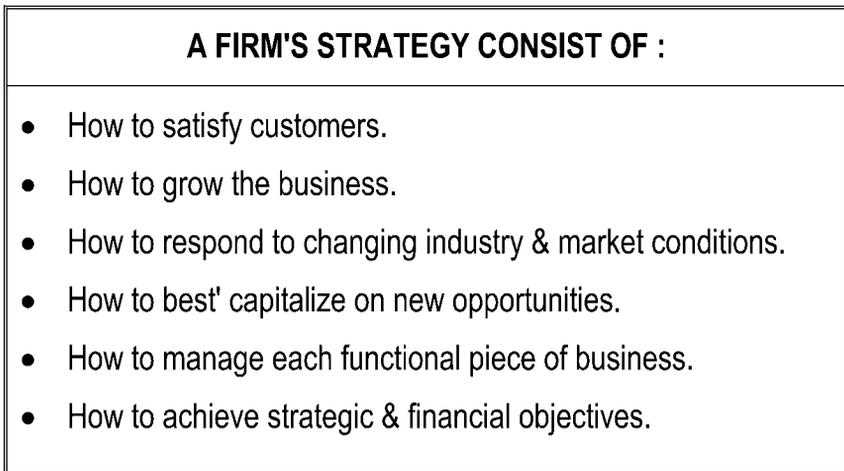


Figure (8)

GOOD MANAGEMENT OF STRATEGY MATTERS BECAUSE :-

- Powerful execution of a powerful strategy is a proven recipe for success.
- Crafting & implementing strategy are CORE management functions.
- To qualify as WELL -MANAGED, a firm should
 - Have an attractive strategy.
 - Demonstrate proficiency in executing strategy.
- A good strategy is strong enough to overpower rivals & flexible enough to overcome obstacles.
- Without proficient strategy execution, firm cannot achieve peak performance.

T. Wheelen and D. Hunger explain that the typical business firm usually considers three types of strategy : corporate; business, and functional:

a - Corporate Strategy:

corporate strategy describes a company's overall direction In terms of its · general attitude toward growth and the management of its various businesses and product lines.

Corporate strategies typically fit within the three main categories of: stability, growth, and retrenchment.

b- Business Strategy:

Business strategy usually occurs at the business unit or product level, and

it emphasizes improvement of the competitive position of a corporation's products or services in the specific industry or market segment served by that business unit. Business strategies may fit within the two overall categories of competitive or cooperative strategies.

c - Functional strategy:

Functional strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. It is concerned with developing and nurturing a distinctive competence to provide a company or business unit with a competitive advantage.

Business firms use all three types of strategy simultaneously. A hierarchy of strategy is the grouping of strategy types by level in the organization. This hierarchy of strategy is a nesting of one strategy within another so that they complement and support one another (see next figure). Functional strategies support business strategies which, in turn, support the corporate strategy (ies).

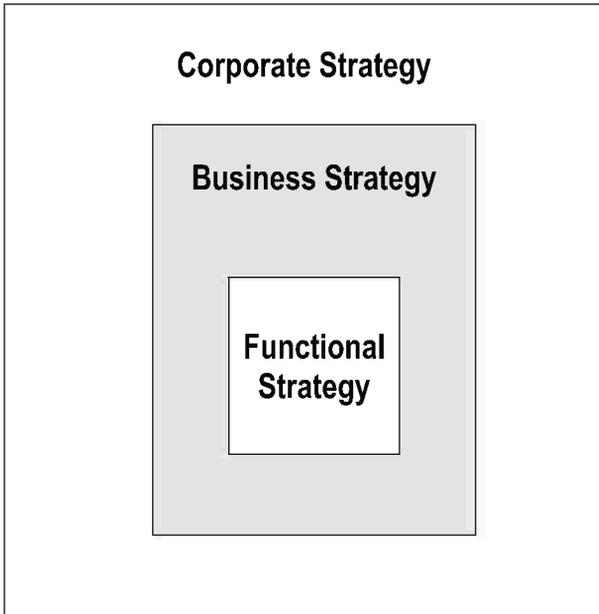


Figure (9)
Hierarchy of strategy

4- Setting Policy Guidelines:

R. Appleby defines policy as a guide to the action or decisions of people.

Similarly, T. Wheelen and D. Hunger see policy as a broad guideline for decision making that links the formulation of strategy with its implementation.

Policies are directives issued from a high authority, and provide a continuous framework for the conduct of individuals in a business - they are in effect a type of planning.

Companies use policies to make sure that employees throughout the firm make decisions and take actions that support the corporation's mission, objectives, and strategies.

In other words, policies are expressions of a company's official attitude towards types of behaviour within which it will permit, or desire, employees to act.

They express the means by which the company's agreed objectives are to be achieved and usually take the form of statements, telling members how they should act in specific circumstances.

Policies reflect management thinking on basic matters and inform those interested in the activities of the company about the company's intentions regarding them.

Examples of Policy:

A brief indication will be given now on some of the major types of policies.

- Product policy involves deciding upon the products to make and depends upon many factors, particularly upon market conditions. Such a policy in turn generates other policies, e.g. marketing, finance and research.
- Production policy deals with, for example: what proportions of plant should be devoted to flow or job or batch production? What items to make or to buy? What use should be made of by-products?

- Market policy involves determining distribution channels, pricing structure of products, volume and type of advertising, credit policy, method of subdividing territory and remuneration of salesmen.
- Purchasing policy involves what organizations buy and to what extent, and what are the alternative sources of supply.
- Human resources policy involves methods of training, education, pension schemes, incentive plans, management succession and development, benefits, union relations.

All other functions need policies, but the above will serve to indicate the necessity for clear-cut policies in all sections of an enterprise.

Rules and procedures are often confused with policies.

Rules are more specific than policies and they usually entail penalties for misuse. A policy establishes a guiding framework for rules. Policies are broader than rules and are usually stated in more general language.

Finally, the mission has been articulated, the critical issues identified, and the goals and strategies agreed upon. This step essentially involves putting all that down on paper. Usually one member of the planning Committee, the executive director, or even a planning consultant will draft a final planning document and submit it for review to all key decision makers (usually the board and senior staff). This is also the time to consult with senior staff to

determine whether the document can be translated into operating plans (the subsequent detailed action plans for accomplishing the goals proposed by the strategic plan) and to ensure that the plan answers key questions about priorities and directions in sufficient detail to serve as guide. Revisions should not be dragged out for months, but action should be taken to answer any important questions that are raised at this stop. It would certainly be a mistake to bury conflict at this step just to wrap up the process more quickly, because the conflict, if serious, will inevitably undermine the potency of the strategic directions chosen by the planning committee.

The product is a strategic plan !