

Corporate Planning: Features, Process and Analysis | Management

David Hussey (Corporate Planning: Theory and Practice) defines corporate planning as follows:

“Corporate planning includes the setting of objectives, organizing the work, people and systems to enable those objectives to be achieved, motivating through the planning process and through the plans, measuring performance and so controlling progress of the plans and developing people through better decision-making, clearer objectives, more involvement, and awareness of progress.”

Process of Corporate Planning:

Major steps involved in corporate planning are as follows:

(i) Environmental Analysis and Diagnosis:

The first steps (which is, in fact, the background step), involved in corporate planning is environmental analysis and diagnosis. (A detailed account of this step is attempted subsequently, in the discussion about corporate planning).

(ii) Determination of Objectives:

All planning starts with a determination of the objectives for the plan; and corporate planning is no exception to this generality. In corporate planning, after environmental analysis and diagnosis, the planners determine objectives for the company as a whole and for each department of it; which become the beginning point of corporate planning.

All objectives of corporate planning must represent an integrated or coordinated system of objectives. In order to make corporate planning a realistic approach to attaining objectives; objective setting for corporate planning is done in the light of environmental analysis and diagnosis.

(iii) Strategy Formulation:

Strategy formulation is the core aspect of corporate planning. Strategy is, in fact, the weapon of the planner devised for attaining objectives of corporate planning. It is easier to set objectives; it is difficult to realize them. Strategies facilitate the attainment of objectives.

There is no doubt about it that success of strategies is the success of corporate planning; and vice-versa. Strategy formulation is also done in the light of environmental analysis and diagnosis.

(iv) Development of Tactical Plans:

Strategies are translated into action plans called tactical plans or operational plans. Tactical plans are necessary for implementation of strategies leading to the attainment of corporate planning objectives. For example, if the strategy of a company is to develop the skills and talents of manpower for realizing objectives; then designing of suitable training programmes would amount to making tactical plans.

Corporate planning and strategy formulation have a long-term perspective; while tactical plans have a short-term perspective, as the latter are to be implemented immediately, in the usual course of organisational life.

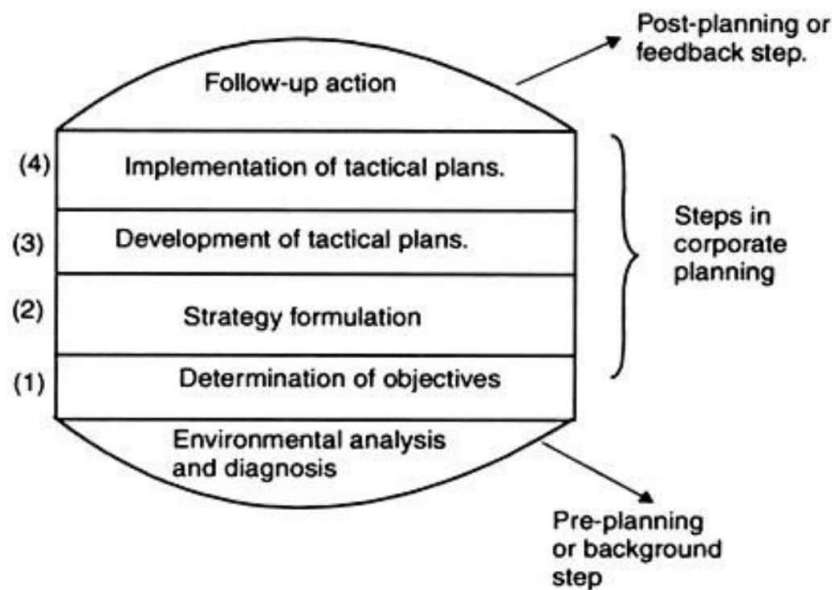
(v) Implementation of Tactical Plans:

Mere paper planning is no planning; unless and until it is put into practice. As such, tactical plans are put into a process of implementation, just at the right time, as decided by management. For implementation purposes, necessary communications are made to the operating staffing; who are also provided with necessary facilities to implement the tactical plans.

(vi) Follow-Up-Action:

After the tactical plans have been put into practice; a review of progress is done i.e. an examination of what results are following from the implementation of the plan and what feedback action is necessary, for the betterment of the corporate planning process.

The following chart depicts the corporate planning process:



Environmental Analysis and Diagnosis:

(I) Environmental Analysis: SWOT Analysis:

Introductory Observations:

SWOT analysis is a key concept in the world of corporate planning and strategy formulation. SWOT is also called TOWS by some management people. In fact, TOWS is SWOT; just written backward, i.e. SWOT and TOWS one and the same thing.

Concept and purpose of SWOT analysis:

The acronym SWOT stands for the following elements of environment as shown below:

S	→	Strengths	} Internal environment
W	→	Weaknesses	
O	→	Opportunities	} External environment
T	→	Threats	

Out of these four words, the first two refer to the internal environment of the company; while the last two refer to the external environment of business.

The purpose of SWOT analysis is:

- (i) To capitalize (i.e. to take best advantage) on the strengths of the company.
- (ii) To overcome the weaknesses of the company.
- (iii) To exploit fully the opportunities available in the external environment.

(iv) To manage successfully the threats posed by the external environment.

A brief account of environmental analysis:

For a better appreciation of SWOT analysis, it would be necessary to have an overview of the environmental analysis, consisting of:

(I) Internal Environmental analysis and

(II) External environmental analysis

(I) Internal Environmental Analysis:

All that environment which is found within the business enterprise itself, may be termed as the internal environment of business.

For sake of analysis, we can break-up the internal environment into the following major factors:

(i) Philosophical environment, consisting of the mission, values, beliefs and long-term goals of the enterprise and organisational culture.

(ii) Managerial environment, consisting of the management hierarchy, quality of managerial talents and the process of managerial development

(iii) Structural environment, consisting of:

1. Rules, policies and procedures of the organisation
2. Authority-responsibility relationships found in the organisation
3. Communication network
4. Controlling techniques etc.

(iv) Production environment, consisting of:

1. Raw material availability and utilisation system
2. Technology available to the organisation
3. Plant capacity utilisation
4. Quality control system

(v) Marketing environment, consisting of:

1. Marketing research system and procedures
2. Training and compensation of salesmen
3. Advertising and other sales promotion techniques

(vi) Personnel environment, consisting of:

1. Quantity and quality of manpower
2. Systems of training, promotion and compensation of workmen
3. Type and nature of manpower planning

(vii) Financial environment, consisting of:

1. Working capital management
2. Capital budgeting – techniques and procedures
3. Financial discipline enforced in organisation.

(viii) Human relations environment, consisting of:

1. Line-staff harmony and conflicts
2. Management labour relations
3. Workers' relations interest.
4. Public relations etc.

(II) External Environmental Analysis:

All the environment which obtains and prevails outside the business enterprise may be termed as the external environment of business.

Before we undertake a brief account of various external environmental factors; it would be in the fitness of things, to first identify the salient features of external environment as stated below:

(i) External environment is unlimited:

It extends beyond national frontiers. The need, therefore, is to analyse and consider only relevant factors with appropriate dimensions, obtaining an external environmental scenario. It, so to say, has an upper hand over management. Only a few 'hero industrial giants' may have an influence over external environment; but only in a limited way.

(ii) By and large, external environment is beyond the control of management:

It, so to say, has an upper hand over management. Only a few 'hero industrial giants' may have an influence over external environment; but only in a limited way.

(iii) External environment:

It is very complex; and various factors comprised in it may be highly interrelated and interdependent. For example, there is considerable overlapping among political and legal factors; social and economic factors and so on. As such, to analyse external environmental factors in a thorough and precise manner is, in itself, a very complex job.

(iv) External environment is highly volatile and turbulent; in which there are lots of sudden changes, which may even become quite dangerous. This feature of external environment is a serious challenge to management requiring it to remain highly cautious, alert and adaptable.

(v) External environment is subject to perception values i.e. one environmental expert may perceive a particular factor to be favourable; another expert may regard it to be most unfavourable. As such, decision-making based on environmental influences may become highly confused.

Major factors comprised in external environment:

Though due to the overlapping nature of environmental factors, it is quite difficult to identify specific factors comprised in this environment; yet for sake of analysis some major factors of it could be stated as under:

(i) Political factors:

Major sub-aspects of political factors may be:

1. Whether there is a united front government or a single party government
2. Political stability
3. Ideology of the government towards business reflected in its economic and business policies.

4. Taxation attitude towards business
5. Policies of liberalisation
6. Import-export orientation etc.

(ii) Legal factors:

Legal factors constitute the existing legal framework, as applicable to business enterprises.

Some important laws which vitally affect the functioning of the enterprise may be:

1. Commercial laws, especially the Companies Law
2. Industrial laws
3. Taxation laws
4. Import-export regulations
5. MRTP (Monopolies and Restrictive Trade Practices Act)
6. Monetary and fiscal policies etc.

(iii) Social-religious-cultural factors:

In a way, social, religious and cultural factors are inter-wined i.e. they cannot be separated from one another.

Some major aspects of these factors may be:

1. Population growth and trends
2. Level of education in society
3. Craze for a higher standard of living.
4. Urbanization tendencies
5. Demonstration effect carried from the Western economies
6. Consumer awareness

7. Changing social and cultural values etc.

(iv) Competitive factors:

Competitors, so to say, for practical purposes are, by far, the most significant component part of external environment. Policies, strategies, actions and reactions of competitors vitally affect the functioning of an enterprise. In fact, one biggest problem of an enterprise is to ensure its survival amidst intensely competitive conditions.

Consumers, especially target consumers, who become buyers of the goods/services produced; provided by the business enterprise; are, perhaps, the most critical component part of this environment. Their patronage of business products (services), buying capacity, likes, dislikes, preferences etc. vitally ensure profitability for the business enterprise; and help business in realisation of its ultimate objectives.

(v) Technological factors:

Technology, because of advancement in science, has progressed so much that many experts speak of a 'technological revolution'; which the commercial world is passing through technological factors create a dilemma for business enterprises; in that:

(a) If business enterprises do not adhere to latest technology; they might lag much behind under competitive conditions and become obsolete one day; and

(b) If they plan to adhere to the new technology, they may face:

1. Problem of resource crunch
2. Re-organisational problems
3. Resistance to organisational changes by workers, and so on.

(vi) General economic factors:

Among general economic factors, inflationary tendencies are the most significant aspect; as these tendencies are observed all over the world, in the present-day-times.

Some social tendencies which emerge from inflationary tendencies; and which require serious consideration by business enterprises are:

1. A craze for low priced products

2. Tendency to save, rather than spend, as a measure to provide for future contingencies.

3. Managing purchasing on hire-purchase and installment basis etc.

(vii) Financial factors:

Financial factors include the following major sub-aspects:

1. Policies of banks and financial institutions.

2. Stock market environment

3. Control of Central Bank (RBI) and SEBI (Securities and Exchange Board of India) over financial institutions and stock market

4. Structure of interest rates

5. Foreign capital etc.

(viii) Natural environmental factors:

Natural environmental factors usually include the following:

1. Natural resources

2. Climate

3. Geographical features, whether the area is hilly or plain etc.

These and other allied factors vitally affect the functioning of a business enterprise. For example, mode of living and requirements of people in cold-climatic regions are much different from those living in hot areas. Likewise, his system of transportation in hilly regions and plains are much different requiring businesses to adapt their productive and marketing operations, accordingly.