

What is Strategic Planning and process and benefits ?

Strategic planning is the art of formulating business strategies, implementing them, and evaluating their impact based on organizational objectives. The concept focuses on integrating various business departments (accounting and finance, research and development, production, marketing, information systems, management) to achieve organizational goals. The term strategic planning is synonymous with strategic management, only that the former is used in the corporate world and the latter in the academic setting.

The concept of strategic planning originated in the 1950s but only became popular in the mid-1960s and the mid-1970s. During that time, managers and the entire corporate world believed that strategic planning provided answers to most if not all business problems. In the 1980s, however, the hype reduced since some plans did not produce the expected returns. Its application was later revived in the 1990s and remains relevant in modern business.

Strategic Planning Process

The application of strategic planning in business is a result of difficult managerial decisions that comprise good and less desirable courses of action. The development and execution of strategic plans is a well-thought-out plan performed in three critical steps:

1. Strategy Formulation

In the formulation of strategies, the business assesses its current situation by performing an internal and external audit. Strategy formulation also involves identifying the organization's strengths and weaknesses, as well as opportunities and threats (SWOT Analysis). As a result, managers get to decide which new markets they can venture or abandon, how to allocate the required resources, and whether to expand its operations through a joint venture or mergers.

Business strategies result in long-term effects on organizational success; only top business executives understand their impact and are authorized to assign the resources necessary for their implementation.

2. Strategy Implementation

After the strategy formulation, the company needs to establish short-term goals (usually one-year goals), devise policies, and allocate resources for their execution. It is also referred to as the action stage and is the most important phase of strategic planning.

The success of the implementation stage is determined by the firm's ability to nurture an environment and a culture that motivates employees to work. A manager's interpersonal skills are critical during this stage.

Effective strategy implementation also involves developing a functional organizational structure, maximum utilization of information systems, and redirecting marketing efforts.

3. Strategy Evaluation

Any savvy business person knows that success today does not guarantee success tomorrow. As such, it is important for managers to evaluate the performance of various strategies after the implementation phase. Strategy evaluation involves three crucial activities: reviewing the internal and external factors affecting the implementation of the strategies, measuring performance, and taking corrective steps.

All the three steps in strategic planning occur in three hierarchical levels: the corporate, middle, and operational levels. Thus, it is imperative to foster communication and interaction among the employees and managers in all the levels so as to help the firm to operate as a functional team.

Benefits of Strategic Planning

The volatility of the business environment causes most firms to adopt reactive strategies and not proactive ones. However, reactive strategies are short-term, causing firms to spend a significant amount of resources and time. Strategic planning helps firms prepare beforehand; it lets the company initiate influence instead of just responding to situations.

1. Helps formulate better strategies using a logical, systematic approach

It is still the most important benefit. Some studies show the strategic planning process makes a significant contribution more than the decision itself.

2. Enhanced communication between employers and employees

Communication is crucial to the success of the strategic planning process. It is initiated through participation and dialogue among the managers and employees, which shows their commitment to achieving organizational goals.

Strategic planning also helps managers and employees to show commitment to the organization's goals. It is because they know what the company is doing and the reason behind it. Strategic planning makes organizational goals and objectives real, as the employees can understand the relationship between their performance and compensation. As a result, both the employees and managers become innovative and creative, which fosters the growth of the company further.

3. Empowers the individuals working in the organization

The increased dialogue and communication across all the stages of the process strengthens the employee's sense of effectiveness, initiative-taking, and imagination. It explains the need for companies to decentralize the strategic planning process by involving lower-level managers. A good example is that of Walt Disney Co., which dissolved the strategic planning department and assigned the roles to Disney business divisions.

Wrap Up

Today an increasing number of companies are using strategic planning to formulate and implement effective decisions. While it consumes an inordinate amount of time, effort, and money, a well-thought-out strategic plan fosters growth, goal achievement, and employee satisfaction better and faster.