

# Despite the potential advantages

[Business](#), [Management](#)



Discuss the proposition that despite the potential advantages of formal strategic planning approaches, it is of limited benefit to organisations operating in uncertain and dynamic environments. About this discussion, I would like to introduce two steps. First step, I want to introduce the potential advantages of formal strategic planning approaches. Then I will introduce the second step: some important reasons about the formal strategic planning is of limited benefit to organisations operating in uncertain and dynamic environments.

Finally, the main purpose of this paper is to prove the formal strategic planning is of limited benefit to organisations operating in uncertain and dynamic environments. My conclusion will emphasize it again. First, how should we understand the formal strategic planning? The objective of the formal strategic planning is to convey that a company's strategic planning process includes specific systematic procedures used to gain the involvement and commitment of those principal stakeholders affected by the plan (J. Richard Falshaw, Keith W.

Glaister, Ekrem Tatoglu, 2006). What is the purpose of strategic planning? Generally, formal Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to carry on this strategy. In order to determine the direction of the organization, it is necessary to know its current position and the possible ways through which it can pursue a particular course of action strategic planning do with at least one of three key questions: " What do we do? " " For whom do we do it? " and " How do we excel? (J. Scott Armstrong, 1986) OK, I have a simple introduction about the character and purpose of formal strategic planning.

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Then we must make clear about the structure about formal strategic planning approaches. There is common view about strategic planning researchers that the strategic planning process consists of three major parts: (1) Formulation (which includes developing a mission, setting major objectives, assessing the external and internal environments, and evaluating and selecting strategy alternatives). (2) Implementation. (3) Control. J. Richard Falshaw, Keith W. Glaister, Ekrem Tatoglu, 2006). Some famous formal strategic planning approaches include SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), Balanced Scorecards, Scenario planning, PEST analysis (Political, Economic, Social, and Technological), STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors). What are potential advantages of formal strategic planning approaches? Generally, formal planning has these advantages: 1. Formal plans represent a useful standard. . It is fully formulated; communicated plan is an important motivational device. 3. The analysis and survey by all those participating in the planning process is useful and can improve the companies' understanding of it's position. 4. Plans which swift actions in anticipation of future changes in the environment is a better approach to strategic management than an advertisement to events. Take me for example, for 20 years, contradictions between the planning and process schools of strategy have shaped the debate on strategy planning.

Here we illustrate that a scenario-based approach to strategic planning can serve as a new management tool in the field with the potential to overcome differences between the two opposing schools of strategy. The scenario-based approach to strategic planning builds on the strengths of traditional

scenario planning. It is an open and creative approach that considers many strategy options and takes multiple perspectives into account. Synchronously, it overcomes the weaknesses of traditional scenario planning by offering a systematic process to scenario creation that is built on specific management tools and is easy to implement.

The outcome of this approach is an important strategy that is complemented by several strategic options derived from different scenarios (Torstenwulf Philip Meissner and Stephan Stabner , 2010). Torstenwulf Philip Meissner and Stephan Stabner (2010) illustrate the benefits of scenario-based approach using experience gained in a consulting project in the German photovoltaic industry. And they further proof that the approach can thus be used in an extremely flexible way to account for the increasing volatility of environmental developments.

These advantages of our approach are apparent in the illustrative case study presented. By combining traditional scenario planning, strategic thinking, real-option reasoning and strategic planning, this approach makes the intricacy, dynamics and volatility of the current business world manageable. On the other hand, the approach can be applied for different time horizons. Our project experience leads us to believe that the approach increases the effectiveness and efficiency with which strategic planning can be conducted in practice (Torstenwulf Philip Meissner and Stephan Stabner , 2010).

I have illustrated Torstenwulf Philip Meissner and Stephan Stabner's research about Scenario planning, so we can make clear about the potential advantages of formal strategic planning approaches. About the limited

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benefit to organisations operating in uncertain and dynamic environments, I think there is a lot of evidence to prove this case. The major change for managers is guaranteeing competitiveness as well as profit capacity for their companies in turbulent environments. The rate of change in the business setting has never been as fast as it is currently (Grant, 2003).

In Torstenwulf Philip Meissner and Stephan Stabner's research, they also think What formal strategic planning seems to be lacking most is the flexibility and open system that allow for the responsiveness and creation required in dynamic, complex and uncertain environments (Torstenwulf Philip Meissner and Stephan Stabner , 2010). In the environment of globalization, the world is changing more and more rapidly. Managers must face a series of unexpected events. For example, like financial crisis, economic downturn and Arab Spring. Each incident and formal strategic planning approaches in test managers.

In the past, plan researchers have not concentrated on uncertain settings. The majority of the existing devices in strategic management unreservedly presume a benign environment that is basic yet not very dynamic. (Harrington, Lawton and Rajwani, 2005). For firms to thrive in an uncertain future, they have to develop realistic strategies on the basis of many options that react to the prerequisites of various likely futures opposed to one strategic guarantee. (Grant, 2003). So how to treat the formal strategic planning is of limited benefit to organisations operating in uncertain and dynamic environments?

In this essay, " A causal analysis of formal strategic planning and firm performance: Evidence from an emerging country", the nature of the <https://assignbuster.com/despite-the-potential-advantages/>

external environment (difference from very uncertain and unstable to certain and stable) will influence the organization structure made by the companies. It is argued that in uncertain and dynamic environments the most effective organization structures start to be more organic when in stable and more certain environments more artificial structures will be received (Keith W. Glaister et al, 2008).

Although some studies have found that certain parts of strategic planning are relative with performance, theory also predicts that these relations will be influenced by external environment. If one of the purposes of strategic planning is to point the organization in its association with the external environment, so organizations that precisely project and estimated environmental changes should display an extraordinary or specific level of performance. In this sense strategic planning may be more useful in an uncertain environment than a calm one.

So the relative between planning and performance may be stronger in an uncertain environment, and weaker in a calm environment. There exist, however, some opposite arguments that strategic planning is more likely to have a positive influence on firm performance in relatively less uncertain environments where future conditions are easier to anticipate (J. Richard Falshaw, Keith W. Glaister, Ekrem Tatoglu, 2006 ). About a company's future development, the external environment of the strategic analysis is very important. Robert M.

Grant referred this point in his essay " Strategic Planning in a Turbulent Environment: Evidence from the Oil Majors", First, a view of the external environment: This typically included guidance as to some characters of

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energy markets over the planning period? -For demand, supply, prices, and margins? -which were not so much forecasts as a set of assumptions relating to prices and supply and demand conditions that provided a common basis for strategic planning across the firms. Second, corporate management provided most direction to the planning process through a statement of priorities, guidelines, and expectations.

A key part of this direction was setting company wide performance targets (e. g. , 'raise return on capital employed to 12%,' 'reduce costs per barrel by 10%,' 'a 110% reserve replacement rate,' 'reduce the ratio of debt to equity ratio to 25% by 2000'). Guidance often concern to resource allocation, e. g. , 'to shift investment from downstream to upstream,' 'to refocus on core businesses,' 'to take advantage of opportunities in China and East Asia,' 'to increase the proportion of gas in our hydrocarbon reserves (Grant, 2003).

In the process of management of the company, what is the role of analytical formal planning in dynamic environment? Different people have different views; Grant thought strategic planning is a responsible. Increasing volatility and indeterminacy of the external environment was accompanied by two changes in strategic planning responsibilities: first, a shift of decision-making responsibility from corporate to business-level managers; second, a shift of planning responsibilities from planning staff to line managers (Grant, 2003).

There is other view; Hamel and Prahalad argue that the role of strategy should be not adapting an existing industry structure but rather to change it. " They see the role of competitive creation as identifying the orthodoxy in a present strategy and redefining the terms of engagement to exploit this

orthodoxy. And the emerging Infocom mega-industry provides an interesting laboratory for testing the adequacy of existing frameworks for competitive strategy. They are not designed to deal with the kind of turbulence that we are witnessing in this industry.

Strategists may have to assume a low role in dealing with turbulence. When being a pioneer and an innovator will help, it is not enough. Investing in and growing a customer base can strengthen the chances of success, but success in the end is determined by industry forces outside the companies' control. "Co with the flow" is not an inspiring strategy but perhaps the best a company can do when face turbulence (Chakravarthy B, 1997). Each method is not a panacea.

Although formal strategic planning approaches have many advantages, it also makes limited benefit, like Scenario planning. However, the approach has only been applied in a few companies to date. Therefore, research on a larger scale is necessary to determine the performance of the scenario-based approach to strategic planning (Torstenwulf Philip Meissner and Stephan Stabner , 2010). Evidence of the impact of environmental turbulence upon strategic planning is limited. Cross sectional studies have produced contradictory findings.

Long evidence is fragmented, but more consistent: in response to increasing environmental turbulence, strategic planning systems actually have changed from the highly formalized processes of the 1960s and 1970s (Grant, 2003). In conclusion, formal strategic planning approaches indeed have a huge potential advantage. Some famous formal strategic planning approaches include SWOT analysis, Balanced Scorecards, Scenario planning, PEST

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analysis and STEER analysis have many advantages. If companies do not have strategic planning, it is bound to be about to disappear.

If companies ignore the strategic planning, it is bound to be lagging behind the development of enterprise. According to previous research and study about strategic planning, strategic planning can mobilize workers to actively increase the cohesion. It also can make enterprises competitive mechanism enhanced. Strategic planning can be summed insufficient and the shortfall, it is an important measure in the steady development of enterprises. I've used a lot of evidence fully proved these points.

About the formal strategic planning is of limited benefit to organisations operating in uncertain and dynamic environments, I also have used many evidences and examples to prove it. In general, with the development of the times, companies as an open system, it focuses on the external environmental factors there will be more and more, more and more diversified development trend, and thus the external environment faced by the enterprise will become more complex and uncertain. Even Scenario planning, Torstenwulf Philip Meissner and Stephan Stabner have pointed it had many potential advantages.

They also said, in an increasingly complex, dynamic and volatile world , Scenario planning has only been applied in a few companies to date (Torstenwulf Philip Meissner and Stephan Stabner , 2010). Finally, I must emphasize once again, in the environment of globalization, the world is changing more and more rapidly. Managers must face a series of unexpected events. In a word, formal strategic planning approaches indeed

have many potential advantages; it is of limited benefit to organisations operating in uncertain and dynamic environments.

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