

Evaluation of formal strategic planning business essay

[Business, Strategic Management](#)



What is strategic planning. As in daily life when people have choices or plans to make, down to the simplest things as in, ' what will we do this weekend?', businesses need to form plans or strategies to know their way forward with a goal for the business to reach in order to maintain the success of the business and to achieve objectives.

All members within a group must know of the plans made in order to follow them with the desire to be successful within their environment for continued growth, success and also to move with the ever changing world in which we live. It is important for management to set out a game plan to continually strengthen the performance of their company. A strategic plan will state how a business should conduct themselves for a period of time in order to achieve these desired goals, this can be seen as a means to an end, looking forward to where changes need to be made and setting out a plan in order to reach that point using strategic methods. Jasparro R. J. (2006) states that strategic planning can help companies to ' think and act strategically, develop effective strategies, clarify future directions, establish priorities, improve organisational performance, build teamwork and expertise, and deal effectively with a rapidly changing environment'.

This has proven difficult in recent years and the following report will go into more depth as to the reasons why certain conditions may impact Strategic Planning.

Nature of Formal Strategic Planning

To form a plan, a business will have to look at both the external and internal environments surrounding their specialist area. It is at this point a company will decide on their competences and look at what the company is best at doing. They may then look at how they can expand on their strengths and look at what their competitors are doing within the same area. They need to know what makes them special and stand out from the crowd, what makes customers turn first and foremost to them, then look at the options they have at that moment in time to maintain the momentum and the returning business. It is at this point in the planning stage that they may look at perhaps 'not' doing something which may be good for the company at a later date and maybe it is not the right time to make such changes yet. There should be a clear distinction between formulation and implementation. Formulation is in the planning process, implementation is carrying out the plans made using SWOT and PESTEL.

Five Forces Analysis is a technique for identifying the forces which affect the level of competition in an industry and scenario planning is a technique that builds various plausible views of possible futures for a business. The five forces framework takes into account the potential entrants to the market (threat of entry), buyers (buying power), suppliers (bargaining power), substitutes (threat of substitutes) all leading toward Competitive Rivalry as outlined below:

Porters Five Forces Templatefromthevirtualconsultancy. com

PESTEL, an analytical tool which considers external factors and helps a business think about their impacts, allows us to look at Political, Environmental, Social, Technological, Economic and Legal factors which might affect companies. This is a broader plan than a SWOT analysis which concentrates more on the internal factors of a company, on the Strengths, Weaknesses, Opportunities and Threats. Both SWOT and PESTEL need to be taken into account when considering major changes for any company.

Key Characteristics of Strategic Planning

Upon consideration of PESTEL and SWOT, a company will be required to look closely at their present work ethics and see where changes are required to help the company improve. Companies also have to limit their weaknesses and see opportunities for the business to thrive for the future. External

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matters will need to be considered such as recession, the time of year, inclement in weather, looking at the global market, is there a need to outsource certain aspects of the business, will this be cheaper for the company, will it cause more threats? The characteristics of strategic planning are weighing up PESTEL and SWOT matters and forming a plan to overcome or take advantage of the market in which they are in at that specific moment in time. The strategy needs to be frequently reviewed against prevailing external and internal environments. An Intended Strategy is when a company will write down their plan for employees and management to follow, this plan may become a Realised Strategy when this will need to be reformed and another plan made to reach the next level. Sometimes however, these plans are not met and a company will need to sit down with their board of directors and look at an Emergent Strategy, this could be down to major changes within their market, inclement in weather for some companies or many other factors but companies are still required to find a way out of their Unrealised Strategy and to move on from that with another Intended Strategy. Planning is a huge factor in Formal Strategic Planning.

Evaluations of Formal Strategic Planning

In evaluating strategic planning, business intelligence interprets a need to constantly monitor how the strategy and the objectives are being implemented and to note whether or not the company have overcome problems using their plan or not. If they have not, then the way the strategic plan was set out will need to be restructured to combat the problems and

redesigned to provide competitive advantage for the organisation. Drago, W., Clements, C. (1999) indicates that leadership qualities of management and staff should be taken into consideration when applying any strategic plan. This article outlines the necessity to draw on the strengths of your staff and their traits to incorporate this into your overall strategic plan helping you to attain the overall outcome required.

Advantages/Strengths of Formal Strategic Planning

Strategic planning models the future of the company and allows everyone to see that they are working toward the same mission statement or the same goal. It outlines a paradigm showing strengths and a focus on where the company sees its future. It can add stability to the workforce who can see the company making future plans. Failure to make plans could mean a company becoming stuck in the middle if they have not differentiated enough to gain market share.

Through planning, it can be said that companies will learn their market better, know their competitors views and decide whether they need to change their product or become more diverse sticking to a related market or taking their products into another dimension. For example, Virgin began in the early eighties with Virgin music, moving onto Virgin Atlantic and now they have broadened to Virgin media and phones. They recognised that they needed to change their market at specific times in order to continue expansion through planning or foreseeing the future of the company thus increasing their market power. In the early days, Virgin music was used to

balance cash flows in order to move into the Virgin Atlantic area and spread risks throughout different branches of the same company.

Disadvantages/Weaknesses of Formal Strategic Planning

It can be said that in today's economic environment that planning is not always effective, as the market is changing constantly, almost on a daily basis making it difficult to plan anything at all.

It is difficult to control anything which is out of our own hands as per the external factors mentioned earlier within this report. A business model could be flawed and may not have had enough thought put into in the initial process which could lead to failure for a business. Personnel could change and a company may need to restructure a plan according to a new setup of staff. A number of external or internal factors or changes can make targets unobtainable. When plans change, and an emergent approach is required to combat weakness in the formal planning, it can reflect that management aren't focused totally on the initial goal with a willingness to compromise which could prove time consuming and inefficient due to its flexibility.

Mintzberg (1994) states that ' strategic planning often spoils strategic thinking, causing managers to confuse real vision with the manipulation of numbers', this reflects upon the fact that managers can lose sight of reality and instead remain focused on the strategic plan instead of their vision and may not have a desire to change.

Uncertain Dynamic Environment

It is indicated in a journal written by Pateli, A. G., Giaglis, G. M. (2005) that researchers are linking performances between business models and strategic planning to take into account strategy, industry and resource based effects outlining that companies are required to look at the broader spectrum and link outside influences with their internal influences. The strategy influence indicates considering such matters as where a company is within their market area, should they expand, should they outsource, are their staff equipped to deal with change, is training required, the need to focus on goals and realise if their potential could be realised or perhaps moving towards a different area entirely for the moment in order to survive as a business.

The industry influence will concentrate more on the internal market, looking directly at competition and forward planning, find out if they are equipped to cope with such changes and if not, what steps are required to be taken in order to stay ahead of the game.

Johnson G et al (2008) indicates that knowledge complexity of an industry or organisational complexity with larger companies (perhaps local governments with various sectors) makes it difficult to plan anything strategically within the global recession. Managers need to be aware of constant environmental scanning and know what is going on around them in order to know the future direction they face. Using emergent strategies may work best for companies. In this environment, companies will be aware of the constant forces of change outwith their control and realise ways in which to overcome these.

Political issues are constantly changing too and at present we face the possible emergence of an Independent Scotland. Although it is said that Scottish people will have more say over one's government and more political freedom, they also face greater economic risks, less security and more differences with England and possible further insecurities with the Euro. Obviously for individual companies, this could be a time of considerable change and a need to be equipped to face both outcomes. Businesses will need to look closely at both scenarios and have emergent strategies to deal with problems they may face.

Challenges of Uncertain Dynamic Environment

Within our Uncertain Dynamic Environment, despite the potential advantages of formal strategic planning approaches, it can be of limited benefit to organisations. In a highly volatile global economy, there is a need to act quickly and effectively to change and uncertainty.

Contribution/Roles of Formal Strategic Planning in Uncertain Dynamic Environment

The role of formal strategic planning comes under scrutiny in an uncertain dynamic environment as it can be shown to have some sort of effect if a company has proven effective in its ability to foresee external Scenarios are visions of the future, a look at what may happen.

Conclusion

Is planning worth it? Planning is not necessarily strategic thinking. Thinking is intuitive and entrepreneurial based on ideas and a foresight for something a person or a company might want in the future. This is based on questions of ‘what if?’ and complex thinking. Planning is bureaucratic and can mean that management are overly complicated which can result in faulty decisions. A plan created by a bureaucracy could be overburdened by needless steps and obstructions that would hinder actually getting the task completed in a timely and efficient manner. Bureaucracy is often taken to mean inefficiency and absence of practical considerations. Orders made by people that do not have to follow those orders and really do not understand (or possibly even care) what their orders actually require.

However, a certain amount of planning within any business or life decision has to be made to a certain degree with a view to being totally versatile in order to make major changes as and when required to move to the next level.

Strategic planning is not easy and has challenges, but the hurdles could be worth overcoming.