

The role of strategic planning in organizations

Business, Strategic Management



This paper is about analyzing the effectiveness of the role of Strategic Planning in any Organization. This research will take insight of the issues related to strategic planning. It will gradually discuss the current market and business world and its trends. Later, this paper will develop a structure of steps taken by an organization in planning for longer time with strategic thinking. Different perspectives of strategic thinking will be taken under consideration and their relevance in improvement of organizations' business will also be analyzed. Objective of this paper is to provide a theoretical framework of planning and implementing strategically in any organization and its importance in the success. Eventually the paper will not be doing any case study but surveying the theoretical issues involved in strategic planning.

Introduction

The business in current market situation has become a very tough work. It needs a good approach that can make it popular in between customers. The companies are trying to make profit by adopting several policies and approaches. The company's managements are trying by hook or crook to become the leading in their product category. There is very large difference between the previous market conditions and now a day's driving force. Presently the consumers decide that what are the products companies should produce and what are the changes they need to make in their currently available products or services. The consumers have become very important in the recent business scenario.

In any organization, planning is very important for the successful future. The management needs to plan properly according to the market situation and resources available in the organization. Traditionally, managers were used to plan according to the current profitability conditions. The planning for the longer future can't be done according to this approach. The managers are required to plan strategically to overcome any probable risks and they are also expected to take consideration of any opportunistic situation. With this approach the planning will be more realistic and the company may exploit the changes in market situations at any point of time. It helps in making organization more dynamic and proved several alternatives in the case of problematic situations.

This paper is analyzing the theoretical background of the strategic planning and will take into considerations its importance in organizational planning. It will discuss that how an organization with strategic planning may beat a traditionally planning organization. It will analyze efficiency improvement with the strategic planning approach adoption by an organization.

Strategy

Any company who is trying to become major power in market has to have a properly defined strategy. Strategy is the term which is used to define specific outline according to which the company is going to act in future. It gives a well designed structure that the company will follow in coming time. Strategy is decided according to changing market trends, changing customer's needs, changing stake holder's interests and changing actions of

competitors. Company need to have proper information about the target they are going to achieve. As per the target they set a strategy.

Strategic Planning

Organizations have definite values and missions. Their stakeholders have several expectations from the company and its operation. Company should regulate their proceedings under some stretch or domain. The management of the company work, regulation of its actions, deciding the proper strategy for future, and successful implementation and evaluation of all the strategy comes under the process of Strategic Management. The process of strategic management involves step by step actions of analyzing the company's current status both internally and externally. There are several issues that are needed to deal by company management like political, economical, social, and technological. Every organization is now necessarily required to operate under these issues. These issues are very critical and decide the success of the company. The customer satisfaction and role of organization towards the society greatly ensure the company well running.

Strategic Planning is the process of assessing the current situation of an organization, framing the strategy according to the current needs, implementing the decided strategy accurately, and then reviewing the effects to make proper modifications in the strategy decided before. The strategic management is a very important aspect for every corporation and it is a long term planning and takes a lot of time, labor, money etc. Strategic management involves every level of the company and it affects the operation of most of the departments. Strategic Management tends to

change the basic functionality of the organization according to the changing situations that arise in the outer environment. The strategies are derived from some ideal principles and they are customized according to the organizational need. The strategy formulation is preceded by the assessment of company's status, so the requirement gathering phase is the first step of the strategic management. In this first phase, the assessment of the firm is done using some methodologies like SWOT analysis, PEST analysis etc. Here as per the scope of current discussion we will consider only the PEST analysis.

Adoption of any strategy comprise of several steps. There has to be proper analysis of the company situation and status of market in its category, after that the strategy is formulated. Further the implementation of formulated strategy is done. Implementation is followed by the evaluation process. Some of these processes may go side by side, and these different stages may overlap with others. All the stages are controlled by the company's higher management and they try to make proper coordination between all the employees and executives. The synergy is very much important for the success of any organizational process. Commitment in the executives inspires fellow employee to act according to the vision of the company. Vision and mission of the company also play important role in the strategy adoption process. All the steps in the strategic planning are given below. These steps are basic design of framework of implementing the strategic thinking approach.

Mission & Objectives

The mission of a company is the business vision that tells the goals that firm wants to achieve in given point of time. It also includes the major purpose of the firm's business like only profitability or also considering the corporate social responsibility issues. The objectives of a company can be derived from the organization's visionary targets and the financial & strategic goals. The financial goals could be like achieving a sales target or growth rate.

Environmental Scan

The strategic planning needs to consider the risks, alternatives and opportunities involved in the company's business operations. For this purpose the managers should do environmental scanning, both internal and external. It can be done by the SWOT analysis, PEST analysis, and analyzing the Porter's five forces of analyzing rivalry.

SWOT – Strength, Weakness, Opportunities, Threats

This analysis will help in estimating the company's capability and simultaneously the competitor's efficiency. The strengths of the company tell about its business competencies and the expertise that is present in the firm. The weakness gives information on the areas where the firm is lacking in the performance. Threats are analyzed from the competitors and other sources. Opportunities analysis will provide the economic developments and technological improvements that may affect the company business and where the managers can take advantage in making the profit.

The analysis of industry could be done using Porter's five force analysis method:

Supplier Power: Type of products and capability of manufacturing and supplying. The level of integration with companies and the threat of forward integration. It will analyze the influence that a supplier can put on the company.

Buyer Power: The estimation of the demand and the customers influence on the company's product line. Also it tells about the bargaining power of the buyers and the profitability from the potential customers.

Threats of New Entrants: Threats from new entrants to be analyzed so that the strategic planning can be done accordingly. These new entrants may influence the company's established strategies in time to time. So this factor should be taken into consideration.

Threat of Substitutes: The product line of the company that gives profit in the business can be threatened by some substitute products. So, during strategic planning it is needed to have a backup plan in these types of situations.

Degree of Rivalry: This analysis is very important in deciding the type of strategy that is to be adopted for the business. The rivalry influences the organizations approach and strategic thinking should consider these and accordingly should be aggressive or mild in nature.

PEST analysis gives the external scan of the industry at macroscopic level.

Political condition should be analyzed before making any plan for the longer term. These conditions influence very much the company's operations in terms of profitability. These issues should be properly discussed and accordingly amendments should be made in the strategies. Economic condition analysis gives the direction for the strategic goals. It provides the alternatives that company may choose to integrate the plans with its mission. Social condition analysis is required for the appropriate estimation of the risks involved related to social conditions like labor laws etc. The social scanning will help in assessing the opportunities that may arise from there. Technological scanning gives a way for the improvement in the business performance and gives more through backup for the strategic planning

Strategy Formulation

The environmental scanning gives the alternatives and risks to the company management. These should be assessed properly by top level management and feasibility study of the alternative are required before taking any firm decision on the strategies. The analysis done by managers provides the more filtered list of goals and the way to reach there. Also the list of risks involved is also formulated. This gives the final strategies that is to be implemented

Strategy Implementation

The implementation of strategies formulated is not a very instantaneous phenomenon. This should be done in proper framework like firstly making the stakeholder understand the need of its implementation and later making

and participative team to look after this. This should be done in way opening spiral like starting from small section to the whole company.

Evaluation & Control

This is last but very important phase of the strategic planning. After the implementation of strategies, it should be ensured that the adopted strategy is being functioning as per plan are some section of company is facing problems. Any rectification should be done immediately and employees should be encouraged for the proper functioning of these strategies.

Importance of Strategic Planning

Strategic planning helps company in improving the rate of projects success. It provides a support for the performance enhancement. As we have seen that strategic planning involves the integration of company's mission with the strategic objective, so it also helps in making a different image in market. The company operations become effective as the things are done after proper assessment of the risks and alternatives. The strategic planning is supported by the hypothesis driven approach in planning. The opportunistic thinking about the future helps in making business better.

Conclusion

From the above description of methodology of adopting a strategy it can be easily understood that the strategic planning is very important for the organization. It can be of short term or long term approach but it helps a lot in improving the performance of the company. The steps involved in the strategic management include all the events that are occurring internally or externally, so it gives very good response to the company's business.

Current business world has become very competitive and organizations have to have some strategy to overcome the action of its competitors. So Strategic Management is very important for the current market scenario.