STRATEGIC PLANNING PROCESS
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Introduction to strategic planning:
There are any numbers of ways of defining the concept of strategic planning as well as developing it. According to George Steiner, one of the initial contributors to develop this type of planning concept, strategic planning is the systematic and more or less formalised effort of an organisation to establish basic organisational purposes, objectives, policies, and strategies and to develop detailed plans to implement them. During the initial stages of the development of the strategic planning concept, there was some overlapping between strategic planning, long range planning and tactical planning as can be seen from the above definition of Steiner. However today there is complete separation between strategic and tactical planning with some of the steps of the long range planning being carried out as part of the strategic planning.

According to another well-known author on this subject, George Morrisey, strategic planning provides a framework for carrying out strategic thinking, direction, and action leading to the achievement of consistent and planned results. Seven specific elements comprising such a framework are

- Mission
- Strategic Analysis
- Strategy
- Long-term objectives
- Integrated programs
- Financial Projections
- Executive Summary.

There is no single and foolproof way of doing strategic planning. Planning system must be designed to fit the unique characteristic of the organization. For our purpose, I have defined strategic planning as a process through which an organisation can plan its strategies in advance in a formal way to achieve its mission even when there is little or no information on the unfolding of the scenario in the future.

Difference between strategic planning and other forms of planning:
Before we try to learn more about the concept of strategic planning, it may be useful to know how it differs from other type of planning concepts like long range planning and tactical planning. As mentioned above, while developing strategic planning there is considerable amount of uncertainty and lack of information on the future. However, it is not so in the case of both long range planning and tactical (short-term or optional) planning. Tactical planning is based mostly on analytical process whereas the strategic planning on intuition. In the case of long range planning both intuition and analysis are used.

Strategic planning incorporates mission, vision and strategy which are more intuitive rather than analytical. Long range planning has frequently been an extrapolation of history, projecting future results based on current and past experience. On the other hand, to do effective strategic planning, it is necessary to be creative and be able to project future, which may have no resemblance to the current or the past. The tactical or short-term planning helps to translate strategic planning and long range planning into measurable results using analytical techniques based on concrete data. Also the middle and lower level management can carry the tactical planning whereas long range and strategic planning have to be done by the top management.
It is possible to “proceduralize” the tactical and even the long range planning process since both of them are dependent upon hard data and there is less uncertainty. But it is not possible to proceduralize the strategic planning process. Both the tactical and long range planning are annual, quarterly or monthly activities. But the strategic planning is an on-going activity. If strategic planning is properly done and turns out to be correct, then any number of tactical errors can be made and the organisation will survive. On the other hand, if the strategic planning itself is faulty, even the excellent operational management cannot avoid the impending disaster. The tactical planning may help to minimise cost or maximise production of a product in the short-run. If there is no consumer demand for that product itself, any brilliant tactical plan to produce at the lowest possible cost is of no use.

Strategic planning is an effective way to take a look at the entire operations as an integrated system and thereby prevent sub-optimisation of the system. An effective strategic planning process brings to the attention of the top management key critical factors and issues that may affect the organisational effectiveness on a timely manner and helps to establish appropriate priorities for dealing with them before it is too late.

An example to illustrate strategic planning:

To illustrate further the difference between strategic and tactical planning and also to give some flavour of the complexity of carrying out successful strategic planning, it may be useful to take a look at a concrete example. Deciding what type of refinery to build or whether to build a refinery at all to meet future requirements of a country involves strategic planning. However how to operate a refinery or which crude oils to run in the refinery or how much crude oil to run to meet the current product requirements involves operational or tactical planning. It is not easy to predict with any kind of accuracy the product requirement of even a country in a free market economy. If the refinery is designed to meet export requirements, then the uncertainty involved in forecasting the regional or world petroleum product demand would be even more.

Before the first oil shock of 1973, when the world oil demand was going up rapidly, it was forecast that there would be a world-wide shortage of refining capacity. A number of refineries were built based on this forecast. Since the demand at that time for fuel was very strong, it was further forecast that there would be no need to build complex refineries with an ability to upgrade lower valued fuel oil into higher valued gasoline and distillates. However, the two oil shocks which resulted in high crude oil prices completely changed the scenario of product demand creating a surplus refining capacity. Since the reduction in petroleum demand came as a result of decreased demand for fuel oil, difference between fuel oil and light products like gasoline and middle distillates widened. Only those refiners who had the foresight to invest in high upgrading capacity were able to make huge profits and all others lost money for many years. Many refineries were closed down.

It can be argued by some that this was just a random chance (oil shocks). No one could have forecast oil shocks and its effects on refining investment. Those who built complex refineries were just lucky. But a stronger argument can be made that those (though not many) who invested in upgrading did take strategic factors like the ascending power of OPEC in controlling crude oil prices, enormous amount of wealth being transferred to OPEC and its potential impact on world economy, possibility to replace fuel oil by coal etc into consideration. This simple example clearly shows not just the complexity involved in doing strategic planning but also the need for such a process.

Need for strategic planning:

It is not that there is no uncertainty involved in tactical planning or we have all the information to plan for the future while doing the operational planning. It is just that the degree of uncertainty in operational planning as in the case of operating refinery is considerably less in comparison to situations where we need to do strategic planning. Operations research techniques like linear programming are routinely used
to optimise refinery operations. If the assumptions like pricing of products, costing of different crude oils and processes, product demand are wrong, the actual results will give reduced profits or sometimes even losses. But this situation can be improved by better planning during the next cycle. There are no analytical tools available to come up with strategic planning. If the refinery built is not of the right kind or if there is no demand for its output, then the loss incurred would be enormous. Many times there would be no second chance to recover the losses by improved planning. As mentioned earlier, one can afford to make errors during tactical planning and they can be corrected. But such is not the case with strategic planning. It is this aspect that makes strategic planning very important and also extremely difficult.

**Developing mission statement:**

According to a truism attributed to Koran, “If you do not know where you are going, any road will take you there.” Similarly to develop a useful and successful strategic planning, it is absolutely necessary to have a well thought-out mission statement. As some planning experts argue, the development of the mission statement is the single most important activity in the entire strategic planning exercise. Mission describes the concept of one’s organisation, the nature of the business in which one is involved, who will be served by the organisation and finally the principles and values under which the organisation will function. Mission statement can also include the vision expressing the dream for which the organisation will strive.

**SWOT analysis:**

Once we develop the mission statement, we should do what is referred to as SWOT analysis. SWOT analysis involves taking a look at the strengths, weaknesses and opportunities the organisation has to carry out the mission statement and the threats it faces today or may face in the future. The SWOT analysis looks simple on the surface. But carrying out an objective SWOT analysis is not a simple exercise. Human tendency always is to exaggerate the strengths and opportunities and to ignore weaknesses and threats.

In addition to SWOT analysis, we can also perform what is popularly referred to as GAP analysis. In this case, we try to analyze where we are with respect to where we want to go. A systematic and brutally frank GAP analysis will provide a good deal of insight to undertake the next step. Depending upon the situation, we can choose either SWOT or GAP approach or a combination of them.

Next step is to develop different strategies to overcome the weaknesses and threats using our strengths and opportunities to implement our mission statements and accomplish goals that we have set up as part of the mission statement. By this time we would have developed a good insight, concerning the critical factors on which depends our success or failure to achieve the mission statement. We need to list those critical success factors so that we can pay more attention to them while implementing our strategies. Throughout the execution of the strategies, we need to continuously pay attention to the critical success factors. It is easy to be overwhelmed by many unnecessary details and to ignore what may be the important factor for the success of the project. The process of identifying the critical success factors helps us in avoiding this common problem.

**Steps involved in developing a strategic plan:**

I have summarized below the steps involved in doing strategic planning for our situation which is different from the one for an industrial sector or a business enterprise.

1. Develop or restate the mission statement
2. Give a brief analysis of the accomplishment of the company/organization.
3. Perform a SWOT analysis.
4. Develop project proposals to achieve the mission.
5. Prioritize the proposals.
6. If necessary develop a long-range forecast (both of cashflow and human resources) to find out if financial and human resources are available to carry out the project proposals.
7. Develop strategies to implement the proposed projects.
8. Identify Critical Success Factors for implementing the strategies successfully.
9. Develop different scenarios to study the robustness of strategies using the long-range cashflow model.
10. If needed go back to step four and reiterate the process until strategies developed can assist the organization in achieving the mission under most of the likely scenarios.
11. Develop a contingency plan based on the analysis of scenario planning in step nine and analysis of the critical success factors.
12. Give a short summary of the strategic plan in less than three or five pages.

Conclusion.
In writing this paper, I have given a 12-step model to develop strategic planning. However, it should be stressed that it is not necessary to go through all of them in a systematic way. It may not be even necessary to go through any one of the steps once the mission statement has been developed. What is important is to have an insight into the environment that will affect the achievement of the mission. Strategic planning document should be extremely brief and deal with only the critical success factors and key strategies. The 12-step model is just one of the approaches to help develop an insight. If there are individuals in the organization who have such an insight, then developing a strategic plan becomes an easy exercise. However it is not the case often and that is why there is a need to go through the 12-step model suggested above.