DR.MANGLA SRIVASTAVA

**DEPTT OF COMMERCE,JCC,JAMSHEDPUR**

**SUB:MANAGEMENT PRINCIPLES AND APPLICATIONS**

**B.COM(HONS) SEM-III**

**TOPIC - STRATEGIC PLANNING**

As per **Mark Zuckeberg “** The biggest risk is not taking any risk......In a world that changes really quickly, the only strategy that is guaranteed to fail is not taking risk.

**1.MEANING OF STRATEGIC PLANNING;** It is “ a process through which managers formulate and implement strategies geared to optimising strategic goal achievement, given available environmental and internal conditions.”It is based on extensive environmental scanning.

It helps to know where we are and where we want to go given the strengths and weaknesses of the organisation. It is “ a thorough self-examination regarding the goals and means of their accomplishment so that the enterprise is given both direction and co-hesion.”

**2.FEATURES OF STRATEGIC PLANNING:**

It has the following features:

**A .Process of questioning:-**It answers questions like where we are and where we want to go, what we are and what we want to be.

**B. Time horizon:-**It aims at long term planning, keeping inn view the environmental opportunities.

**C. Focus of attention:** It focuses organisational strengths and resources on high priority activities rather than routine and day to day activities.

**D. Pervasive process:-**It is done for all organisations, at all levels. It involves top executives more than middle or lower-level managers

**E.CONTINUOUS PROCESS:-**Strategic planning is a continuous process that helps to adapt to the changing, dynamic environment.

# 3.IMPORTANCE OF STRATEGIC PLANNING:

Strategic planning is important for the following reasons:

**A. Financial benefits:-** Firms have good sales, low costs and high profits if they make strategic plans.

**B. Guide to organisational activities:-**Strategic planning unifies efforts towards long-term goals. It guides members to become what they want to become and do what they want to do .It focuses on specific goals and helps to move in the right direction.

**C. Competitive advantage:-**Firms with competitive advantage have better sales and financial performance. Strategic planning helps to anticipate problems before they arise and solve them before they become worse.

**D. Minimise risk:-**It minimises risk by making investments in safe business opportunities. There are low chances of making mistakes and choosing wrong objectives. Failure to anticipate risk can be fatal.

**E. Beneficial for companies with long gestation gap:-**The time gap between investment and income generation from those investments is called gestation period. During this period, Changes in environmental forces can affect the decisions and plans may, therefore, fail.

**F. Promotes motivation and innovation:-**It involves top-level managers who are committed to objectives. This promotes motivation and innovation.

**G. Optimum utilisation of resources:-**It makes best use of resources to achieve maximum output. Resources are scarce and used in areas where they are required the most.

# 4.LIMITATIONS OF STRATEGIC PLANNING.

# A. Lack of knowledge:-Managers should have high conceptual skills and abilities to make strategic plans.

# B. Interdependence of units:-If business units at different .

# C. Managerial perception:-If managers do not want to frame risky objectives and strategies,, the plans may be sub-optimal.Sometimes, short-term commitment also affect long-term strategies.

# D .Financial considerations:-Managers may be constrained by time, money and energy in making strategic plans.

# 5.PROCESS OF STRATEGIC PLANNING

# The basic steps followed in strategy formulation as follows:

# A. Objective formulation:- Strategies are goal-oriented. Goals explain the reason why business exist.

# B. Analyse the impact of environment:-Environmental analysis is the “ systematic assessment of information about the firm’s external environment during the strategic planning process to identify strategic opportunities for the company as well as major threats, problems, or other possible impediments.”

# C. Analyse resource position of the firm:-Firms identify their strengths and weaknesses in relation to environmental threats and opportunities . Resources are limited

# D. Establish alternative strategies:- The following strategies should be adopted:

# A. Strategy to concentrate.

# B. Strategy to diversify.

# C. Strategy to enter international markets.

# D. Strategy to enter in to joint ventures.

# E. Liquidation strategy

# F. Retrenchment strategy