

Systematisation of Corporate Planning

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Abstract

The systematization of corporate planning is a subject that provokes the research interest due to the increased importance of strategic and long-term planning for the corporate development. This article analyzes some problem areas related to the differences between the essence and the procedures of long-term and strategic company planning. The aim is to highlight some views of strategic and long-term planning in companies and the distinguishing features between these categories, draw the attention of contemporary managers to pursuing and combining different methods depending on the characteristics of the company's activity and the environment in which it operates.

Keywords: *corporate planning, management, strategic decisions, firm economic.*

JEL classification: M21, L21.

Introduction

At the time of increasingly keen competition more and more managers are focusing their attention on long-term and strategic planning of the organizations they are in charge of. In the countries of Western Europe, Australia and the USA, this is one of the leading issues not only in big corporations, but also in the small and medium ones.

Because of the big differences in the size of the environment and the enterprises across the USA, Western Europe, and Bulgaria, comparisons of the practices in long-term and strategic corporate planning are hard to draw. In Bulgaria there is an intensified interest in long-term planning as a part of the management of enterprises. Over the last four-five years this topic has been discussed at even a wider scale in both theoretical and practical aspects. It is interesting that enterprises such as M-tel, Globul, Praktiker, Vivatel, BTC, Overgas, Orgachim, Mall Varna, etc. already have established or are in the process of completion and operation of structures for long-term planning. These structures are mainly facilitating the development of

organizations through the identification of potential risks, which can put in jeopardy the achievement of the planned goals.

Long-term planning is related to the determining of future goals, which the organization is aiming to attain, and the most suitable ways for their achievement, with compliance between the opportunities available to the enterprise and current trends in the development of the sector. All activities of the personnel are coordinated by means of a long-term plan. The evaluation of the role and significance of long-term planning as a part of the management of the enterprise is quite interesting.

Today the troublesome aspects of long-term and strategic corporate planning, which are related to corporate culture and human resources management at the enterprise, to financial management and marketing, etc, are increasingly discussed. Similar contemporary studies on the issues of planning at enterprise level provide a reason for us to think that this is a topical issue and deserves the attention of the specialists in different management areas.

1. Concept of the significance and the time horizon of corporate planning

The finding that planning is a major function of management is an acknowledged fact by the theory and practice of management. It is the planning's objective to adapt the organization to the changes in the external environment and to determine what should be done and by whom it should be done. Planning could be considered also an ability to see in the future of the enterprise and the results of its activity as well as the resources necessary for the achievement of the goals set. The end practical goal of planning is a system of solutions, which should be adopted today for ensuring effective activity of the enterprise and its growth in the future, to be developed.

In this respect planning is related to:

- Making known the development perspectives, the risks and dangers, which the company has to overcome.
- Choosing the way of development i.e. – determining the objectives and the strategy.
- Evaluation, preparation and implementation of the necessary innovations and changes.
- Coordinating of the activities and directing of the management of the separate structures and sub-structures for the achievement of the set goals.
- Establishing of criteria for control and evaluation of the work of the structural bodies of the enterprise.
- Improving the abilities of the management staff for the adoption of decisions under the conditions of insecurity and risk.
- Straightforward allocation of resources, etc.

If we lend a broader perspective to planning, we will be able to see it not as an single act, but as an interrupted process, which is related not only to the elaboration of plans but also to their concrete implementation, evaluation and analysis of the achieved results, and, if necessary – to the making of corrections. Given this we can say that the significance of planning in corporations grows bigger therefore the interest of managers in the variety of plans and opportunities for their practical application increases.

2. Different types of plans

Corporate plans could be divided by their characteristics into the following:

- According to their importance for the development of the organization – strategic, tactical, and operational.
- According to the factor “time” – long-term, mid-term, and short-term.
- According to the management level they are developed at – corporate, business, and operational solutions, or plans, respectively.
- According to the object of management – economical, social.
- According to the extent of determination – determined, undetermined etc.

These characteristics, of course, do not exhaust the variety of all possible plans present. In the present article our attention is focused on plans of the first and the second groups of classification.

According their significance for the development of the organization, plans are strategic, tactical, and operational (Паназов, 2006). The strategic ones are related to the determining of key corporate goals and strategies for the achievement of the desired compliance between the opportunities of the organization and the environment. They provide the management staff with general guidelines for action in various situations, which could emerge in the course of the activity. Strategic plans view mostly the products, the technology, according to which they are produced, and the markets of the company. Their role is to serve as a framework for drawing up the tactical and operational decisions at a later stage.

Tactical and operational plans are related to issues such as investments, revenues, expenditures, and financial results. They differ from the strategic ones in terms of scope and character of the issues they are dealing with, the conditions under which they are elaborated, the frequency and periodicity of their occurrence, the period of time they are active for, etc.

The practical dimension of strategic and tactical planning is related to the intention an amount of money to be invested in a field of operation new for the company as well as to the consideration of the course of activity of this operation. Once having planned to undertake a new market step, the management staff does not turn back and brings to fore all possible resources for the realization of this idea. That was the approach adopted for the planning of production of chips at the beginning of the eighties of last century, for example, for new technologies such as

digital TV sets, mobile engineering, and LCD equipment, for example, in the 90-ies of last century (Agov, 2007).

Strategic decisions and plans need to be reconsidered not only in terms of their meaning, but also in the context of the “time” factor. Very often between long-term and strategic decisions and plans a sign of equality is drawn, which is not considered the right approach. In some cases long-term decisions and plans, practically are not of high significance for the development of the organization.

Or, on the contrary, decisions adopted as short-term ones, can turn out to be vital for the future prosperity of the company. For example, the biggest producer of mobile phones worldwide, the Finnish company Nokia, opened a plant near the Romanian city Cluj. The plant now has a personnel of 500 employees (workers and administrative staff), who at the end of 2009, when the plant will start using its full capacity, will amount to 3500 people. It will produce telephones and spare parts for the more insolvent parts of Europe, the Middle East, and Africa. The decision for the building of the plant in Cluj, which was officially opened in the third quarter of 2008, was adopted within a very short period of time in April 2007 and the plant was built only within seven months (Articles, 2008). With regard to this a difference between the strategic and long-term decisions, and strategic and long-term plans, respectively, should be made. The most important difference between long-term and strategic planning is the interpretation of future – (the time element). Long-term planning suggests that future could be forecasted by means of extrapolation from the historically detected tendencies in development. On figure 1 this is shown via the wave-like dotted line, which continues straightforward (Ansoff, 1999).

The jagged line describes the typical procedure of setting goals for the needs of long-term planning. The senior management of the company usually stakes on better future results compared to those in the past and agrees with its employees on the attaining of higher indicators. A typical result of such a practice is the setting of optimistic goals not in line with the real results. In the companies where management is good, results are usually higher than what exploration suggests, although they look like (on figure 1) “teeth of a saw”.

Within the companies with worse management, real results look like “teeth of a saw” too but they are below the outlined goals.

When performing strategic company planning, unlike long-term planning, the assumption that the future would surely be better than the past is not present and the extrapolation method is not used. That is why as a first step, an analysis of the company’s perspectives is developed to make clear the tendencies, potential dangers, chances as well as the individual “emergency” risk situations, which can change the course of development.

The results of the analysis and perspectives are shown on figure 2. Analysis can protect the company from forecasts going beyond the limits of comprehensiveness of management as it is often the case when extrapolation is used.

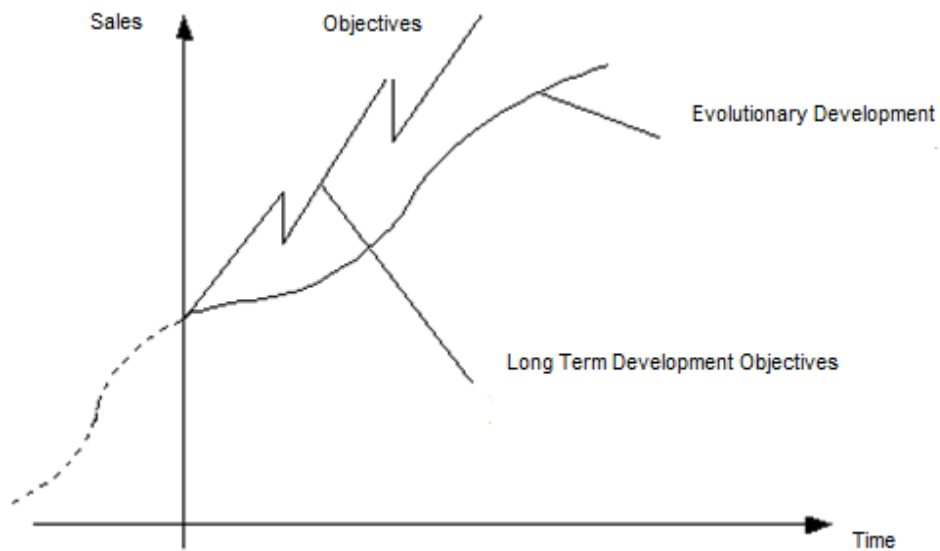


Figure 1 A gap between objectives and desired results in long-term planning

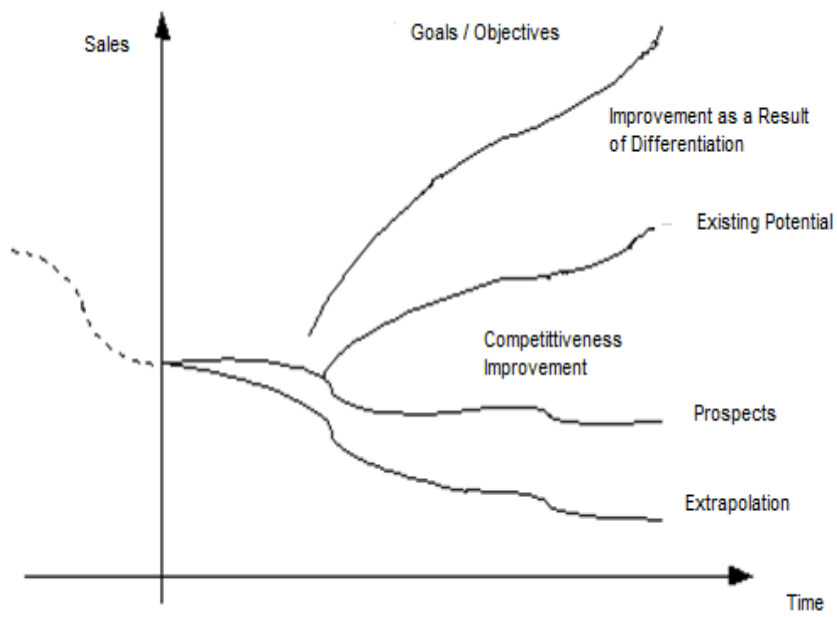


Figure 2 A gap between objectives and desired results in strategic planning

As a second step an analysis of the positions of the competitive struggle is made. The task of this analysis is to determine how the results of the company's work can be improved through improvement in competitiveness strategy applied to the company's fields of operation. Usually, the analysis of the competitive positions shows that the company is aiming to optimize its activities developing the most perspective of all directions and removing the less perspective ones. Research in this direction always has continuation related to the choice of strategy: setting the priorities and allocation of the resources among the different kinds of activities for ensuring the implementation of the future strategy.

The general level of the results the company can rely on is shown via the line of the existing potential (present possibility). If the company is satisfied it continues the planning in the direction of development of the technical and operational plans. In many cases, though, the line of the present opportunities is unsatisfactory. Then as one and only possibility remains diversification.

Adding the results expected from the new activities to the line of the current opportunities, the company formulates the general objectives and tasks shown in figure 2. Their implementation depends on how energetically the present management will back them and to what extent it can secure resources for their implementation (Ansoff, 1999).

Conclusion

The differences between the essence and the procedures of long-term and strategic company planning could be summarized in several directions.

In long-term planning the objectives are becoming action programmes, budgets, and plans for the achieving of cost-effectiveness of the individual branches of the company.

In strategic planning extrapolation is replaced by a similar analysis, which could be related to the perspectives and aims for the development of the strategy. Strategic planning is implemented by means of projects limited within a certain period of time and requiring participation of the company's all operating branches. After completing the project, the team is dismissed and the participants are going back to their departments where they regroup to start the implementation of a new project. Therefore strategic planning has a dynamic character and is based on temporary organizational forms (Ansoff, 1999, p.p. 282 -283).

To sum up, it could be said that long-term planning meets the company's needs in those cases when future is related to the past and the present. However, when the future has nothing to do with the present and the past, the need for strategic planning emerges.

In principle, long-term plans are made for a period larger than five years. In this respect, though, there cannot be a unified standard. Each company should determine the (long) term of its plans according to the sector it is active in and the characteristics of its activities.

Long-term as well as strategic planning cannot help the enterprise attain its goals if the developed plans are not successfully implemented. With regard to this it is necessary the managers to know in detail the means they have at hand for the realization of their corporate plans. These means include power, persuasion, and policy (Stonehouse, 2002), and have their practical manifestation.

The laid out views of strategic and long-term planning in companies and the distinguishing features between these categories, draw the attention of contemporary managers to pursuing and combining different methods depending on the characteristics of the company's activity and the environment in which it operates. Whether to put the stress on long-term or strategic planning to a large extent depends on the complexity and the novelty of the tasks resulting from the environment. The choice of a contemporary reaction is related to the rate of change and the extent of predictability and availability of information for the resolving of the issues on top of corporate agenda.

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