

Concept and nature of strategic planning

Strategic planning

Strategic planning is a set of interactive and overlapping decisions leading to the development of an effective strategy for a firm

Strategic planning is the process of deciding on the objectives of the organisation on changes in the objectives on the resources used to obtain this objective and on the policies that will govern the acquisition, use and disposition of these resources

Characteristics of strategic planning

- it emphasizes upon the basic mission and goal of the organisation
- it is a top level management activity
- it is normally long term in nature
- it deals with uncertain environment by forecasting opportunities and threat in the environment and designed to improve the organisation relation with its environment
- it is comprehensive and unified plan for the development of shared resources of the organisation

sets the direction of the organisation activities for attaining corporate objective

Significance of strategic planning

1) Focus on objective: - strategic planning clarifies the objective of the organisation towards which its resources will be directed

2) Reduction on environmental uncertainty:- strategic planning facilitates environment scanning it helps in reducing environmental uncertainty by identifying key factors for the success of the business

3) Competitive strength: - strategic planning is very useful to fight competition in the market and to have control over the market

4) Better utilisation of resources: - strategic planning helps them effectively and better utilisation of resources

Strategic planning process

Step 1 determination of mission and purpose the strategic planning process begins with spelling out a business mission and tentative plan that may be pursued in future it represents a long-term vision of what the organisation seeks to do and the reasons why it exists

Step 2 environmental scanning:- environmental analysis the management can develop an environmental threat and opportunity profile which will assess the impact of various environmental forces on the business analyse the external environment of a firm consists of economic, social, technological, market and other forces that affect its functioning

Step 3 organisational analyses in order to analyze organisational strength and weakness it is very important to know the current domain of the firm from which includes

- the range of the product or services provided by the firm
- geographical coverage of the firm local, national and international
- Firm's differential advantages for example special competitive strength, firm structures such as fuel efficiency or working capacity of the organisation and the management.

Step 4 for developing strategy alternative strategic alternative may be developed and analysed in the light of organisation strengths and weaknesses and opportunities and threats it faces this involves SWOT analysis it remains strength, weakness, opportunity and threats. After identifying the environmental opportunities, threats and Organisation strengths and weaknesses, the next step in the strategic planning process is the consideration of the strategic alternative for choosing the most appropriate strategy according to the limited factor

Step 5 evaluation of strategic alternative at strategic alternative has its own merits and demerits, which need to be analysed carefully the management should examine various

alternatives in the light of forecasted possibility and constraints and also the strength and weakness of the company

Step 6 Choice of strategic alternative of formulation of strategy the last in strategic planning is the choice of the appropriate For the attainment of the specified object the management should select that strategic alternative which is best suited to the organisation capability in other words it must utilize the existing strength of the organisation to the maximum level.

Strategic alternatives

Types of strategy the major option in strategy formulation a be divided into the following broad categories

Stability strategy of this strategy is most frequently used by the business organisation under the strategy the business will concentrate on utilizing its present resources so as to develop at competitive strength with in a restricted product market configuration in other words company will continue in the same or similar and with the same or similar objective.

Growth strategy growth strategy provide answer to the question like what is the purpose of drone what is what will did the rate of growth fast will be growth plan be implemented it is divided into three parts

1) **Intensive growth strategy** it is strategy of aggregation or expansion under which growth is achieved by expanding the scale of operation it means it involves the expansion of forms product range and market

2) **Diversification strategy:-** under this strategy the company's seek increased sales by developing new products for a new market the diversification does not add variety in any one product but introduce entirely different types of products

3) **Integrative strategy** two or more forms may decide to combine or merge to form a bigger Enterprises when one form observe another form it is called merger or absorption it is followed by the negotiated settlement if one company acquires control over another company it is for the acquisition and takeover

Retrenchment strategy:- under the strategic company may decide to read range from its personal present position in order to survive your improve its performing such a strategy in Navy adopting during a session or when the company is entering heavy loss it is defensive strategy adopted by company to solve a problem caused by internal mismanagement changing the market condition it is adopted out of necessity to avoid the losses and to survive in the uncertain environment examples are turnover strategy and disinvestment and liquidation strategy

Combination strategy: - a multi product company engaged in several types of business can adopt the strategy of stability and expansion and retrenchment other simultaneous give the different types of or as different time in the same in the strategy, we are using the two strategies at the same time so it is called the combination strategy.