

2.3 POLICIES

2.3.1 POLICIES OF PLANNING

The Strategic Planning Process

1. **Input to the Organization:** Various Inputs (People, Capital, Management and Technical skills, others) including goals input of claimants (Employees, Consumers, Suppliers, Stockholders, Government, Community and others) need to be elaborated.
2. **Industry Analysis:** Formulation of strategy requires the evaluation of the attractiveness of an industry by analyzing the external environment. The focus should be on the kind of compaction within an industry, the possibility of new firms entering the market, the availability of substitute products or services, the bargaining positions of the suppliers, and buyers or customers.
3. **Enterprise Profile:** Enterprise profile is usually the starting point for determining where the company is and where it should go. Top managers determine the basic purpose of the enterprise and clarify the firm's geographic orientation.
4. **Orientation, Values, and Vision of Executives:** The enterprise profile is shaped by people, especially executives, and their orientation and values are important for formulation the strategy. They set the organizational climate, and they determine the direction of the firm though their vision. Consequently, their values, their preferences, and their attitudes toward risk have to be carefully examined because they have an impact on the strategy.

5. **Mission (Purpose), Major Objectives, and Strategic Intent:** Mission or Purpose is the answer to the question: What is our business? The major Objectives are the end points towards which the activities of the enterprise are directed. Strategic intent is the commitment (obsession) to win in the competitive environment, not only at the top-level but also throughout the organization.
6. **Present and Future External Environment:** The present and future external environment must be assessed in terms of threats and opportunities.
7. **Internal Environment:** Internal Environment should be audited and evaluated with respect to its resources and its weaknesses, and strengths in research and development, production, operation, procurement, marketing and products and services. Other internal factors include, human resources and financial resources as well as the company image, the organization structure and climate, the planning and control system, and relations with customers.
8. **Development of Alternative Strategies:** Strategic alternatives are developed on the basis of an analysis of the external and internal environment. Strategies may be specialize or concentrate. Alternatively, a firm may diversify, extending the operation into new and profitable markets. Other examples of possible strategies are joint ventures, and strategic alliances which may be an appropriate strategy for some firms.

9. **Evaluation and Choice of Strategies:** Strategic choices must be considered in the light of the risk involved in a particular decision. Some profitable opportunities may not be pursued because a failure in a risky venture could result in bankruptcy of the firm. Another critical element in choosing a strategy is timing. Even the best product may fail if it is introduced to the market at an inappropriate time.
10. **Medium/Short Range Planning, Implementation through Reengineering the Organization Structure, Leadership and Control:** Implementation of the Strategy often requires reengineering the organization, staffing the organization structure and providing leadership. Controls must also be installed monitoring performance against plans.
11. **Consistency Testing and Contingency Planning:** The last key aspect of the strategic planning process is the testing for consistency and preparing for contingency plans.

2.3.2 PLANNING PREMISES

According to H. Weihrich and H. Koontz, "Planning premises are identified as the anticipated environment in which plans are expected to operate."

According to C.B. Gupta, "Planning premises are the critical factors which lay down the boundary for planning"

Premises are the assumptions of the future environment on which plans are to be carried out. Premises are anticipated environment. It is to forecast sales volume, cost, political and legal environment, technological change, availability of labor.

Premises are important because they give important information's

about future to managers. Establishment of premises is important step in planning. Premises are the forecast of future expectations about:

- (a) Demographic trend: - It is related with human population, its distribution, size, composition and migration.
- (b) Future economic business condition: - Related to business cycle. Condition of business cycle such as growth, prosperity, recession and recovery.
- (c) Forecast about political and legal of the country.
- (d) Technological change and innovations
- (e) Resource availability
- (f) Socio cultural forces

Types of Planning Premises

Different types of planning premises are:

- 1. Internal and External Premises
- 2. Controllable, semi-controllable and non-controllable premises

Tangible and Intangible premises

Internal and external premises:

Internal premises originate from factors within the enterprise. They relate to premises. Sales forecasts, personnel forecasts (skills and abilities of personnel) etc. These premises may be strengths or weaknesses of the organization. Strength represents a positive attitude which provides strategic advantage to the company over competitors and weakness is a limitation or constraint that provides strategic disadvantage.

Managers analysis their strengths and weaknesses through corporate analysis and when corporate analyses (internal) is combined with environmental analyses (external), it is called SWOT analyses (Strength, Weaknesses, Opportunities. Strengths). External premises

originate from factors outside the organization. These are the indirect action environmental factors (social, political, technological etc.) which affect the organization. They are also non- controllable premises beyond the control of the organization.

Controllable, Semi- controllable and non-controllable premises:

Controllable premises are those within the control of a business enterprise. such as, men, Monet, materials, policies, procedure, programmers etc. They can be controlled but a business enterprise to ensure better sales of its products. Semi- controllable premises are those which can be partially controlled by a business enterprise like, labour position on the market. Non-controllable premises are those that lie beyond the control of a business enterprise. Ware, natural calamities and external environment factors are non- controllable premises.

Tangible and intangible premises:

Tangible premises can be estimated in quantitative terms like, production units, cost per unit etc. Intangible premises cannot be quantified, for example, good will of the firm, employer - employee relationships, leadership qualities of the managers, motivational factors that get employees to work etc.

