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The Policy Process of Corporate Planning

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The Policy Process of Corporate Planning

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I. Introduction

For any business to succeed it is important for it to plan in advance for stability and profitability. Most Nigerian businesses are characterized by a high degree of volatility inherent both in their start-up and growth processes researches have proved that to be a function of poor or lack of planning. Accomplishing business aims require knowledge of certain management techniques. One of these techniques is business planning. Planning is a key aspect of the management process. It is basically a decision-making process by which an organization decides what it wants to achieve, how it intends to achieve it and in what form. At this point, one can see planning as being concerned with ends, means and conduct. Cole (1996:122) define planning as the process of taking steps to agree on the means by which aims and objectives will be achieve. From the definition of Cole, we can summarise that planning is preparing a course of action, setting company objectives, determining strategy and selecting courses of action.

The importance of business planning cannot be over-emphasized. Planning helps to anticipate future situations, or conditions and their likely consequences (Onuoha 199:173). The forecasting nature of planning allows for a means of meeting any unforeseen situation. Etuk (1995:141) sees planning as an intellectual process that usually proceeds the activity being planning. Since business separate in an uncertain environment, every manager owes it a duty to do some planning if the business must compete favourably with others in the industry. Some managers are only restricted to operational function, others engaged in planning implementation while a few others handled planning formulation. Irrespective of managerial responsibility, better planning depends more on the ability of the manager to make specific assumptions about current and past events in the environment and predict how well to counter any negative impact on the business.

Corporate planning in business has assumed greater prominence in recent times, and it identifies the direction which the organization is to take over the next 2-5 years, or in some cases up to 10 years, and the resource that are to be deployed to guarantee that the plan is put into operation. This type of planning according to Imaga (2000:01) covers the entire fabric of the organization and is the concern of the top-most management from where it descends to all. It is a known fact that in the competitive struggle among big business enterprises to capture the markets and to retain leadership in the markets, the good planners are the winners and non-planners the losers. Statistics abound that indicates that 60% of small and medium scale business in Nigeria face due to poor corporate planning, hence contributing to widen the poverty gap among the people. It is against this background that the choice of this essay is not only timely but crucial particularly when designed as it is to periscope barriers to effective planning as it affect Nigeria business.

The objective of the paper which in the main, are drawn from the fore going are to;

(a) appraise the various issues in policy processes and corporate planning
(b) show the relationship between corporate planning and the budgetary process
(c) highlight the problems impeding policy process and corporate panning and
(d) draw conclusion.

II. Theoretical Issues

The importance of corporate planning has been stressed by various scholars including Imaga (2000:1), Ericson (1998:41) and Cole (1996:128). According to Ericson, corporate planning and policy, to a business, is important in three dimensions; confidence boasting insurance against unexpected risk and management discipline. These virtues are the embodiment of planning as the foundation to every business success. The word "corporate" came from the Latin word "corpus" which means body. Thus business planning at strategic level is an ongoing process by which the long-term objective of an organization may be formulated, and subsequently

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attained, by means of long-term strategic actions tailor-made to make their impact on the organization as a whole. How much this definition captures the nature of Nigerian business organization is to be reasoned on the basis of rudimentary and informal business activities that enveloped the Nigeria economy. Most businesses in Nigeria are sole proprietorship and the see nothing important in formal planning which of course is why they are lacking the going concern character (Akpan 2001:8).

The policy and planning aspect of a business deals with setting of the overall objectives of the organization. It proceeds to appraise the various options or alternative combination of customer needs, technical feasibility and viability, ability to meet needed financial resources etc. policy makers are the planners of every business entity and they are in a better position to take decisions considered best of all options after a careful analysis of how it will impact on other interest groups. Once an organization has set out its corporate aims or objectives, it can start the process of how it intends to achieve them. This calls for a policy statement which to a greater extent will indicate to the managers what the organization will and will not, do in pursuance to its overall purpose and objectives. It is important at this point to show a distinction between policy and objectives of a business organization. Objectives state the aim or goal. But, the other way, objective provides a framework or parameter within which action can take place to achieve goal. They are merely "mean" to an end (Greg 1998:22). Policies enable managers to take actions or they guide managerial decisions. They are statements of conduct and can never be considered actions in themselves.

A regular question in the minds of businessmen is "if corporate planning and policy making has any influence on the improvement of organizational future, why is it not universally applied in business organization? The observer would not want to observe at this point that though this concept in relatively new, the major setback in its application rest squarely on the attitude of the organisation's owners. On this note. Cole (1996:135) is of the view that those taking the shareholder view will tend to adopt a narrower range of policies than those holding the stakeholder view. Imaga (2000:12) in collaborating Cole's position also agreed that the attitudes of the most influential managers or owners of business toward planning in general and their acceptance of certain fundamental percepts of the comprehensive planning process must change positively if business organization must reap any profit. Imaga stressed that if their attitude is negative because of a misunderstanding of what is involved, disbelief in the value of planning or reasons of self-interest, the establishment of effective corporate planning will be difficult and prolonged at best. King, (1956:11) in condemning the attitude of anti-corporate planning manager advised that "the most important requirement for a business success is that the company's top management must really believe in a forward planning program".

Most entrepreneurial pursuit failed at the gestation stage of operation due to lack or inadequate planning. Equally, chances of success exist if proper planning technique is adhered to. The development of corporate planning in business is a post world war II phenomenon. However, the advance economics had embraced this philosophy early enough but it is not the case with the Nigeria entrepreneurs who are still blinded with profit motives than laying a solid strategies that may earn them the profit and growth. From the foregoing, it could be deduced that corporate planning and policy adopts a systematic and integrated approach in the ruining of a business. The policy maker and planning must necessarily look beyond a particular unit or department of an organization but rather perform such function in the manner of a systems approach to management.

III. The Managerial Planning Process

Every manager has some planning job to do irrespective of the level at which he operates. Planning like decision making is most effective when it is systematic. Planning according to ken (1998:22), at its best, means that decision made today will produce useful results at a later date. Results that flow from organizations mission and goals. The Planning process is dynamic, involving many variables that must be considered and linked in putting together the plan.

As management functions of (planning, organising, direction and controlling) are interactive and interwoven, so it is applicable to the steps in managerial planning (Wight, 1974:162). Every organization should therefore monitor closely the implementation sequence as a failure in one step may affect the other Wright (1999:62) Onuoha (1999:173) and Stanton (1981:02) view the planning process as a decision making process and classified the steps into five sequence.

The first step assess the current conditions of the organization. Before goals and objective can be established, the current state of the firm must be assessed. In strategic planning for example, this may include the firm resources as well as marked trends, economic indicators and competitive factors. This step basically assesses the company's strength and weakness. The second step takes a look at the determination of goals and objectives. Goals are future states or conditions that contribute to the fulfillment of the organization's mission. Objectives are short-term, specific, measurable targets that must be achieved to accomplished organizational goals.

Establishment of action plan is the third step in the process. This implies prescribing means to achieve objective planned course of action are called strategies

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and tactics, and are usually differentiated by scope and time frame. In some instances, managers simply do not know what action to take, for example, productivity increase can be achieved through a variety of mean including improved technology, employee, reward system and improved working condition.

The establishment of action plan in closely followed by the allocation of resource as the fourth step. This deals with the budgeting of resources for each important plan. Resource are defined as the financial, human time or other assets of an organization. Expenditure of resources linked to an activity.

The fifth step in the process is the actual implementation of the plan. Implementation concerns the delegation of tasks objective-driven action and collection of feedback data. Without effective implementation, the fourth preceeding steps are meaningless. Implementation involves using resource to put a plan into action. In most organization, the manager must implement plans through others, motivating them to carry out the plan. Implementation is followed with strict control measure. Some scholars take it for a sixth steps while others it with the implementation process. Whatever the situation, controlling includes all managerial activities dedicated to ensuring that actual results conform to planned results. Managers must provide information that reports actual performance and permit comparison of the performance against standards.

IV. Barriers to Effective Corporate Planning

Corporate planning with its organization-wide perspective is not always easy to accomplish. A number of uncontrollable variable constraints the achievement of corporate objectives and goals. Onuoha (1999:185) spotted rapid environmental changes as a principal factor impending effective Planning. This charges, be maintained, include technological, political, social and economic instabilities in the nation. It must be observed that the degree of instability of charge varies considerable from industry and among firms within an industry.

Planning, it must be noted is all about effective change where necessary. Some managers resist change. Likely reasons for such resistance: a preference for familiar goals and plans, fear of exposing their managerial incompetence and sheer selfishness to welcome weight opinion of other colleagues. Grey (1990:221) held the view that some managers are not willing to spend time in forecasting, analyzing and evaluating plans claiming that an already developed contingency plan could be invoked to remedy any unforeseen circumstances. This stereo-type method of corporate planning creates serious impediments in arriving at the targeted goal Okon (1991:14), Imaga (2000:161) and Onuoha (1999:186) all pointed accusing fingers at the laissez-faire managerial practice in delegating sensitive responsibility such as corporate planning to their subordinates. This situation give room to poor planning as the subordinate may either be inexperienced or too fresh to handle such schedule. The problem is equally compounded by the way managers treats planning as an independent entity from other management functions. This separation does not allow for a flow in the coordination of managerial duties. It must be emphasized that corporate planning works in an organization in a system perspective approach: which of course calls for the inter-relationship of management functions.

Other barrier identified by many scholars as being lethal to successful planning are:

(a) Management failure to actually employ plans as standard for assessing managerial performance.
(b) Lack of congenial and supportive climate for planning.
(c) Absence of regular review and evaluation of long-range plans.
(d) Management failures to explicitly define and set company goals that are in line with the organization's current strength.
(e) Insufficient management time and resources committed to planning.

V. Overcoming Corporate Planning Barriers

The success of a business firm is the ultimate aim of an entrepreneur, and as such he must be conversant with the elements in the environment that may aid or impede success. Many renowned scholars such as Nwachuwu (1998:42), Stanton (1990:12), Grey (1999:225) and Onuoha (1999:186) have suggested the following measures in ameliorating planning constraints which in effect will offer some benefits at long-run;

(a) That planning is a top management responsibility, therefore the total commitment of top managers to planning function must not be compromised ranging from policy formulation to strategic review of policies and plans.
(b) That irrespective of how beautifully designed and promising a business plan may appear, failure to communicate to, promising a business plan may appear, failure to communicate to, integrate and educate organization members about the plan m ay lead to poor implementation. This aspect emphasizes the importance of communication.
(c) Managers and members of an organization should recognize the limit of planning. Managers should purge themselves of the illusion that planning is a panacea for solving all organizational problems. Equally. There is absolute need for flexibility in

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implementing plans, as its rigidity could be dangerous to goal attainment.

(d) Individual managerial cherished values should give way to other views that seek to promote the growth of the organization; managers should be challenged by peers and superiors. Objective criticism of opinions should be appreciated in good faith and be seen in the light of organization's interest.

Management must not lose sight of developing a sound contingency plan to cushion the effect of uncertainties and avoid a crisis management approach in the event of problem.

We want to add that when business policies properly formulated, plans well designed, it can reduce conflict and role ambiguity. This will give individuals a clear picture of what is expected of them and productivity will improve. Noticeable, however are executive lawlessness in our organizations, but where business plans are carefully and rationally promulgated, superior will know their limit and may be more pruned to dealing fairly with subordinates; and the use of arbitrary power checked.

A good plan offer a greater in dealing with uncertainties, this, we feel will be feasible where the planning and policy managers have in-depth knowledge of forecasting and predictability in the industry. We are also at this point, of the opinion that, since planning and policy making is an intellectual process, only the literate managers should be saddled with this important responsibility if organizational growth must be achieved.

VI. Corporate Planning and the Budgeting Process

Business organizations develop projects and programme and get them implemented through the use of budgets. In fact organizations formulize, budgeting becomes a major ingredient of the entire planning process. This suggest that budgeting provide managers with a framework for the formulation of objective and goals. Etuk (1995:148) defines a budget as simply a device for controlling operation by comparing what is being done with estimates of what should be done. Budgets are expressed in quantitative terms. Budgetary control take the targets of desired performance as its standards then systematically collates information relating to actual performance and identifies the variances between target and actual performance. The extent to which Nigerian Managers develop and implement their budget is questionable. Not much attention is given budgeting exercise in our system, a situation that contributes to business failure. Budgeting like any other managerial activity is not always easy and smooth, a number of factors seem to impede effective budgeting and planning. One of such is the rapid changes in the economic and social environment. Although all business are subject to some change, the extent of instability and complexity caused by social dynamic varies considerably from industry to industry and among organizations within an industry, this of course makes the strict compliance to budget a mirage. Greg et al (1990:111) and Stanton as quoted in Okeke (1989:20) are of the view that though budgeting allows for the monitoring of performance against standard, its usage must be cautious because if unrealistic targets are set, it is bound to lower employee moral and productivity. Equality, efficiency may be hidden if improper assessment tool is applied in measuring targets. These constraints therefore necessitate a call for regular and continues evaluation of actual performance. Suffice to add however that the installation of a perfect budgeting system is not feasible given a short period of time.

Budgets are an important instrument of planning, but they are subject to change both in the total amount made available and in the specific utilization of a giving allocation. These changes according to Imaga (2000:122) are the consequences of the more inclusive activity of comprehensive planning. Whereas budgets in themselves are primarily tools of planning, the process of budgetary control is both a planning device and a control device. The primary aims of budgetary control system include.

i. Establish short-term business plans.
ii. determine progress towards the achievement of short-term plans.
iii. ensure coordination between key area of the organization.
iv. Provide a controlled flexibility for meeting changes in the sort-term Cole (1996:22).

It must be mentioned that a fully prepared budgeting programme will not in itself improve the management of an enterprise unless it is properly implemented. All persons in the enterprise must be fully involved in the preparation and execution of budgets otherwise budgeting will be ineffective. Budget may be frustrated factors such as poor funding, lack of raw material, government policies, labour unrest etc.

VII. Conclusion/Recommendations

One factor responsible for the poor business future in Nigeria is lack of ineffective business policy and corporate planning. Grey (1990:223). Private and public business operate on subsistent level because their operators lack focus and necessary skills to acquire vital planning inputs. Informal planning that seems to provide the framework for some Nigerian business is often accused of lacking a follow-up culture and appropriate evaluation tool. Operators thus become discretionary in the application and sometime misapplying what they have conceived as corporate planning and policy. This often signal the collapse of the business.

Planning is a major component of the management process, which is concerned with defining

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ends, and conduct at every level of organization life. Business planning at corporate/strategic level is a continuous process by which the long-time objectives of an organization may be formulated and subsequently attained, by means of long-term strategic actions. The success or failure of any organization can be determined by extent to which engages in effective planning. Every planning effort have a sequence of steps which must be followed carefully in order to arrive at targeted goals.

Corporate planning and policy is very import because of the benefit of reducing conflict and ambiguity, producing a greater capacity to deal with uncertainty and enhancing the performance of other management function. Budgeting as a subset of planning function helps to appropriate organization's resources judiciously and provide a parameter for measuring actual performance against standard. Since budgeting is a forecast or a projection of expected income and expenditure, it should not end more preparation and approval but it requires but it requires monitoring and control. Policy in itself should be drawn in such a way that there is a correlation between actual plans and budgeting otherwise implementation of corporate decision will be difficult.

We recommend that top managers should always assess the current condition of the firm before formulating corporate policy and planning. It is through the revelation of the strength and weaknesses that realizable goals can be set. Also budgeting should be a guiding principle in managerial function, as these will ensure prudency, efficient allocation and utilization of the resource and financial discipline.

The role of communication in translating plans into action should not be underrated. Members need to be properly informed and educated especially where changes are involved. Training of principle officers should be viewed with emphasis. Trained manpower will offer effective forecasting and provide vital information for corporate planning. Every entrepreneur should engage business forecast. Construction criticism and business advice should be welcome and appreciated for the organization's interest irrespective of the level where the advice originated.

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