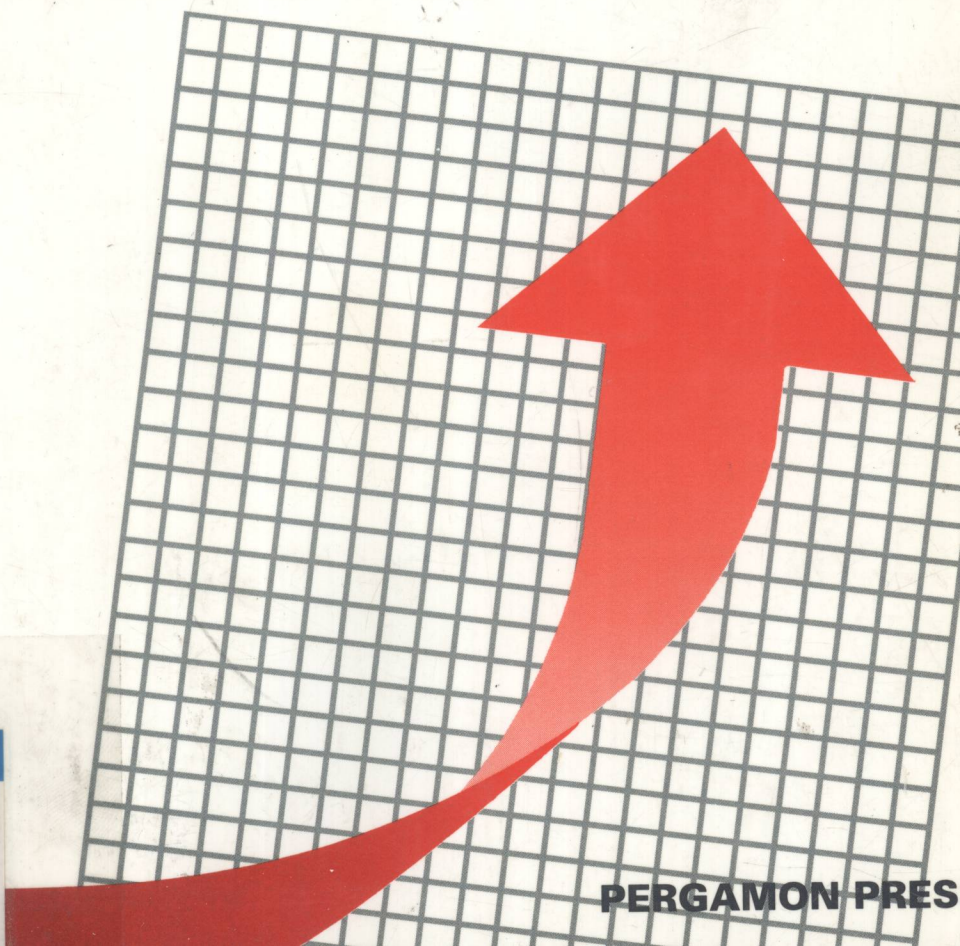


FOURTH EDITION

INTRODUCING CORPORATE PLANNING

GUIDE TO STRATEGIC MANAGEMENT

David E. Hussey



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Introducing Corporate Planning

Guide to Strategic Management

FOURTH EDITION

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Foreword to the First Edition

I AM not a professional at writing forewords to books. Querying whether I should write one at all, I sat down with two sheets of paper at my side on which I could write short quotations. One was headed "Agree"—the other headed "Disagree".

After a little while I found a third sheet was needed—the "Agree" page was full . . . but to my surprise the "Disagree" page had only one entry!

It is therefore with very great pleasure that I can truly recommend this book to a wide audience.

It has been written by a man "who dun it"! David Hussey is well qualified to write this book as he has personally been closely involved in the long-range corporate planning of three companies in the United Kingdom. As L.R.P. or corporate planning is such a relatively new infant in the management scene in the U.K., this means he was one of the first to introduce it into a company in this country.

I liked this book because it has a realistic approach to the subject. His introduction points out that he is anxious to lay particular emphasis on corporate appraisals, the use of assumptions and the practical systems of making plans work. How much I cheered at this point, for the difficulties which corporate planning sometimes runs into spring from mistakes in one of these areas.

A company fails to appreciate the inherent danger of inadequate investment in labour-saving machinery or research and development, nor realises the export potential it currently has for one of its products.

Great expertise is spent on complex sophisticated forecast models, operation research is widely used, and no one stops to question the underlying assumptions on which the whole of the mathematics is based.

How encouraging to see a planner address himself to the practical problems of getting the plan actually implemented. How vital this is, because the plan in itself does not produce increased profits but the action which springs from it. For in David Hussey's own words, there is only one justification for corporate planning: "a belief that it can increase profits".

There is therefore no theoretical thesis; this is treating the subject with

balance so that the objections to introducing corporate planning are aired and we quickly learn just where plans can go wrong. When one sees the way British firms have in some cases rushed into corporate planning, it is well to study what should be avoided as well as what should be done.

If British industry is to make her way in the seventies, it must be aware of the great dangers that lie ahead and take action. However, inadequate management can swing to the other extreme and not appreciate some of the inherent strengths that British industry has got, particularly when compared to the rest of Europe. It is therefore vital to stimulate the use of professional corporate planning in this country, for only in this way can the resources of industry of the country be properly utilised and economic growth be firmly based.

H. F. R. PERRIN

*Chairman of the Society for
Long Range Planning (1967-1970)*

Acknowledgements

CHAPTER 4 of this book is based on an article "The Corporate Appraisal" which I wrote for the December 1968 edition of the journal *Long Range Planning*. I thank the publisher for allowing me to use this material.

My especial thanks are due to Professor Bernard Taylor for the help and encouragement I received from him during the preparation of the manuscript of the first edition.

I should also like to thank those authors and their publishers who have enriched this book by allowing me to quote from their works.

Individual credits appear on the appropriate pages.

Thanks are also due to John Robertson and the Shell Chemical Co. Ltd. for their help and permission to use certain material on the Directional Policy Matrix (Chapter 9).

Introduction to the Fourth Edition

WHEN PREPARING the fourth edition of this book I was struck by the changes in planning terminology that have taken place since the first edition was written in 1969. At that time I was concerned to use the term *corporate planning*, rather than the other popular but less well descriptive term *long range planning*. Both are still understood today, but in the 1970s the term *strategic planning* began to be used to stress the main purpose of corporate planning. This emphasis was already clear from the book, and I stayed with the original usage. By the late 1980s the “in” term was *strategic management*, although this was not new and had been coined in the early 1970s. Most of the changing emphases suggested by this term were of course captured in the various editions.

Strategic management is the current fashionable term. It has differences of meaning compared to previous terms, which are explained in this edition. However, those who have evolved in the subject may find that what they are doing is strategic management, even though they may be calling it something else. I remember listening to Igor Ansoff in the early 1970s, and being surprised that this “new” thing, strategic management, accurately described the philosophies that I had been following under a different banner. Of course the cynics might argue that it is likely that many more people are following an earlier concept, which they are now calling strategic management, the name being the only change to have taken place. It is easier to change labels than to alter behaviour.

Over successive editions I have moved with the evolution of the subject, and expanded both the behavioural and analytical scope of the book. In this new edition I have bowed to modern usage, and have used the term *strategic management*, where appropriate, as the preference. *Planning* is still used as a shorter description, mainly to prevent endless repetition of phrases such as “the process of strategic management”. Job titles for professionals in the process usually include the word *planning*, so I have retained this where appropriate.

Fortunately the change of words does not mean that the book has had to be completely rewritten, as everything it previously contained

remains relevant. But the subject develops, and in this edition I have included additional material on implementation, value based planning, competitor analysis, climate and culture, the relation of management development to strategy, innovation, globalisation, and strategic alliances. Textual material on other topics has been updated where relevant.

In the late 1960s when the first edition was written most managers were men, and a female chief executive was unlikely. There has been some movement in the last 20 years or so, although not as much as I should have liked to see, and the probability that women are in the key roles has increased. At the new manager level there are possibly as many women as men who are potential readers of this book. Rather than ask readers to assume that, whenever the male form is used, I mean either sex, I have tried to rewrite the book to make it easier for women as well as men to identify with it. This has meant rewriting passages that suggested a male dominated world. If I have missed a few, I hope it will nevertheless be apparent that I am against discrimination in any form, whether on grounds of sex, nationality, ethnic origin, or religion.

Perhaps the redirection of thought towards people issues is symbolic of how I think strategic management will change over the next decade. I believe that the human resource aspects of strategy will be seen as more important, and will overlay every stage of the strategic management process.

This people bias embraces the management of change. The need to manage change can be rephrased as a need to think more about the implementation of strategy. This has been a neglected area, in practice and in the literature, and I foresee a need for strategic management to put as much emphasis on making strategy happen as it currently does on formulation. This again brings in a much greater element of the "soft" skills. More organisations will give attention to structure and culture at the time they make plans, instead of waiting until they feel the pain. Management development will be much more closely aligned to company objectives and will be seen by many more businesses as a powerful tool in implementation and culture change. This requires, at least in the U.K., much more creative thinking than many companies currently bring to their management training, and a realisation that in a global operation there is a need to blend centralised control with national differences.

I am less willing to predict what the next fashionable term will be that will replace *strategic management*. Whatever change of emphasis does take place, I am convinced that the task will be adding to, rather than replacing topics in the book. As long as readers find the book useful, I am happy to keep it relevant and up to date.

Management life in the 1990s is going to be more complex, more global, and more people oriented. Will strategic management be equal to the new challenges? It *has* to be for organisations to survive and prosper. For those of us who are involved in strategic management, the 1990s will be an exciting time.

Horsham, West Sussex

D. E. HUSSEY

Introduction to the Third Edition

PLANNING, I am pleased to say, is not a static subject. Most of the significant developments of recent years have focused on strategy, and there are many powerful analytical tools available which have come into common use since the first edition of this book. The second edition added a chapter on strategic portfolio analysis. In this new edition yet another new chapter has been added, on competitive analysis and competitor profiling.

This general emphasis on strategy in the world at large is encouraging. Although corporate planning has brought a great deal of benefit, it has failed to affect corporate strategy in a majority of companies. The corporate plan in many businesses still tends to be a consolidation of the plans of divisions and subsidiaries, instead of a top management view of the strategies of the whole. Consequently corporate strategic decisions tend to be taken separately from the “plan”, an inevitability unless appropriate attention is given to corporate strategy from the start.

I also believe that many organisations fail to perceive the strategic issues correctly, and therefore produce the wrong answers. There is a sort of boundary to perception which is shared among managers, so that they produce solutions which would be entirely logical if the perception had been correct. It is a little like European man of the Middle Ages who made very logical decisions in the secure knowledge that the world was flat. It is this perceptual boundary which I believe has contributed to the decline of many industries in the United Kingdom, and possibly elsewhere. The value of the newer methods of strategic analysis is that they re-order information so that new perceptions emerge, and different solutions become possible. Kenichi Ohmae has it right when he argues for more strategic thinking (*The Mind of the Strategist*, Penguin 1983).

In addition to the new chapter on competitor analysis I have re-written the section on organisation, and added a new section on manufacturing strategy.

The organisation section was a little dated when it appeared in 1971. I have changed the approach to this section, drawing on research on the link between strategy and structure, including the contingency theory of organisations and discussing some of the recent findings on the way

management skill requirements change with the life cycle of the business. I believe that the question of managerial "fit" with different strategies is one that will attract more research in the future.

Important ideas on manufacturing policy have been around for some time, but have not received much attention from planners. The concepts discussed in this section are not new, but only the learning/experience curve concept has received wide attention in the planning literature.

The book continues to add my own experience to the basic principles. I have used the newer strategy analysis techniques in a variety of consulting assignments and can bear witness to their power and usefulness. As before, the objective is to provide a book with a practical value for students and practitioners of planning.

Horsham, Sussex

D. E. HUSSEY

Introduction to the Second Edition

IN THE nine years since I wrote the first edition of this book there have been many developments in the field of corporate planning.

What has happened? Firstly, there has been a considerable growth, worldwide, in corporate planning in private and public sectors. It is now difficult to find a significant organisation which does not give some attention to this important element of the management task. Disappointingly, the growth in the quantity of corporate planning has not always been matched by an overall increase in quality. It is easy to find “planning” organisations, but much more difficult to find ones which are really getting the most out of their planning efforts.

Empirical knowledge of planning is now supported by a significant body of research into how organisations plan, what they get out of it, and why there are failures and successes. The benefits of good planning have been demonstrated by careful research: as have many of the pitfalls that lead to bad planning. For me the strongest emphasis that comes out of the research is the need to give equal attention to careful analysis *and* the behavioural issues around planning. Internal political issues loom very large, since planning may not only change the power and influence structure of the organisation, but may also be seen as a threat by the inadequate. Most planning failures come to grief over these human behavioural issues. They are much harder to correct than a faulty analysis. So a message which I would emphasise, which did appear in the first edition but which has now been strengthened, is to treat the “people” issues in planning with great thought.

The nine years have also seen improvement in planning analysis techniques. Computerised corporate models, which were available at the time, have become very widespread in use. A plethora of software is now commercially available, and it is possible to learn a great deal from the experience of others. Portfolio analysis is becoming well established, although it is still probably a minority technique, bringing with it the concept of analysing a business into strategic business areas of varying

degrees of desirability. These developments have resulted in a completely new chapter: a chapter which should help diversified companies to improve their use of corporate planning.

We have also learnt a great deal about the relationships of the organisation with the business environment. For the next decade at least, the technological changes, seen as most important in early corporate-planning literature, will take second place in their impact on corporate strategy to social and economic factors. To reflect this I have expanded the section of the book which deals with the environment.

The aims and objectives of this book remain unchanged. It is to provide a clear, understandable introduction to the subject which will help any one involved in it. Those who wish to probe deeper into any aspect are referred to the reading list, which has been expanded.

May 1978

D. E. HUSSEY

Introduction to the First Edition

THERE CAN be few developments in the science of management which have excited the business world more than corporate long-range planning. Virtually unknown in the U.K. five years ago, it has burst like a rocket over the management scene, infecting many with enthusiasm and creating a new type of manager—the professional corporate planner. Seminars on corporate planning are the order of the day, and many articles and a number of books have been published about it.

The rapid development of interest in corporate planning is reflected in the growth of the Society for Long Range Planning, which in its first 2 years of existence reached a membership of nearly 1000 people.

Most of the books and many of the articles have originated in the U.S.A., where the formal planning approach to business has been practised a little longer, but with equal enthusiasm. Like all sound management practices, corporate planning is now international in character. The Society for Long Range Planning has a number of members outside the U.K., and its official journal *Long Range Planning* is international both in its editorial concepts and its actual circulation.

Despite the enthusiasm with which many chief executives have turned to planning, and despite the keenness and ability of their planners, it is apparent that many companies face complex problems in converting to a system of management based on the corporate-planning approach.

I know from personal involvement in seminars on planning, from informal meetings with senior managers and practising planners, and from the letters and telephone calls requesting help which I have received from time to time, that the same difficulties are frequently met by numerous companies.

In this book I have tried to provide chief executives, senior managers and planners with an answer to some of these problems. I believe that it will be of particular help to the chief executive contemplating the introduction of corporate planning, and that it will be of value to those line managers who are caught up in a corporate-planning process, or who take a general interest in the development of the science of management. It is also designed to serve as an introduction to planning for practising planners.

No one book, however great the ambitions of the author, can do justice to the subject of corporate planning, and I hope that those finding the subject interesting will be encouraged to read some of the other books listed in the bibliography. In fact I would recommend the newly appointed planner to this course, since he may require a more detailed knowledge on certain aspects of planning than I have been able to give.

As far as possible the use of technical or pseudo-technical jargon has been avoided. An attempt has been made to roll back the clouds of mystery which many managers still see round the subject of corporate planning. I have positioned planning as a profit-making exercise, rather than something with an “airy-fairy” approach. At the same time I have not conducted an exercise in persuasion. I believe that no chief executive should be bludgeoned into installing a system of corporate planning, and that before he decides that planning is the thing for him he must be fully aware of the implications of his decision on him personally and on his management team. Failure here carries the seeds of destruction, and is behind the disappointment that has accompanied the introduction of planning in some companies. This book provides a guide to the chief executive so that he can assess the situation before reaching a decision.

One of the basic questions frequently asked is “How do we begin corporate planning?” The book provides a management guide to the introduction of planning, based on personal experience.

It also seeks to guide those who ask the question “How do we obtain the co-operation and participation of line management in corporate planning?” This problem has often been raised as a real cry from the heart by planners. It is the fundamental basis for a good system of corporate planning and appears as a recurring theme in virtually every area of planning discussed in the book. The solutions given are based on practical experience.

Many have voiced complaints that the books they have read do not give them a system which they can apply in their own companies. This, of course, is an unrealistic wish for there can be no such thing as a universal system of planning that can be lifted out of the textbook and installed without modification as an aspect of industrial life. This book shows how a system of planning can be devised, and it has been written with the real-life problems of planners very much in mind. The methods described will in principle suit all companies, and the detailed systems, based on those actually in use in several companies, may fit the needs of many businesses with little adaptation.

Perhaps the most fundamental issue the book tries to tackle is the identification of a basic philosophy behind a good system of corporate planning. Too many companies have entered into formal planning too hastily and too lightly, and many have not recognised that there are principles on which they should be working. While management