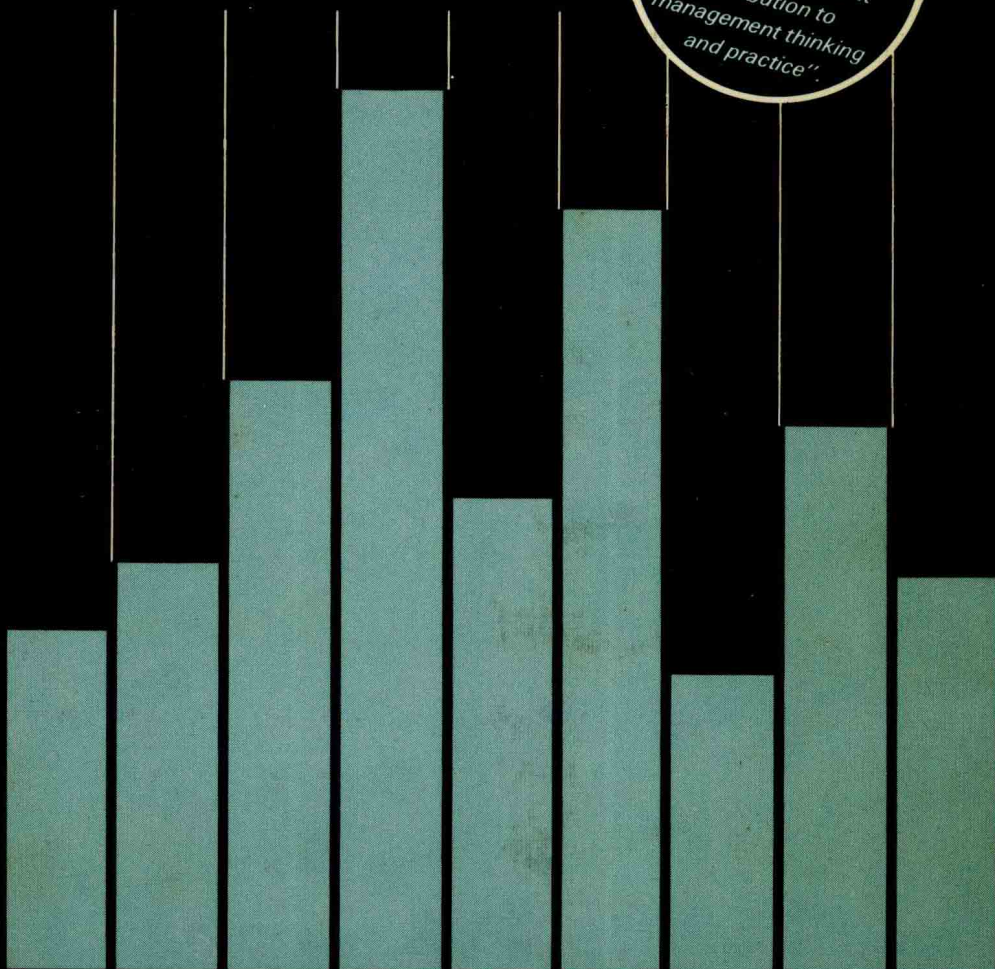


# **CORPORATE PLANNING**

**Theory and Practice**  
2nd Edition

**David  
Hussey**

Co-winner of  
the 1974 John Player  
Management Author  
Award for  
*"the most significant  
contribution to  
management thinking  
and practice"*



**Pergamon Press**

# Corporate Planning Theory and Practice

by

**D. E. HUSSEY**

*Managing Partner  
Harbridge House Europe*

SECOND EDITION



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## Preface to the Second Edition

THIS book is already well-established as a basic text in Corporate Planning and this Second Edition arrives at a crucial time in the development of Corporate Planning.

The environment of the 1980s offers the prospect of increasing uncertainty, more intense competition and even more dramatic change.

1. At the root of our uncertainty is the unstable political environment in the Middle East and the threat to the world's oil supplies.
2. Partly as a result of recurrent oil crises, and the huge transfer of funds to the oil producers, we may expect continuous problems with inflation and fluctuations in the value of major currencies.
3. At the same time, European business will have to cope with low economic growth, depression in world markets and the collapse of traditional industries (shipbuilding, steel, textiles, etc.) under the onslaught of competition from the newly developing countries.
4. Also Western societies will have to adapt—in the office, the factory and the home—to make way for a new industrial revolution based on microprocessor technology.
5. As a consequence of these changes we may expect a period of industrial and social conflict in Western societies as people face conditions which resemble the 1930s—a period of high unemployment, reductions in real wages and cuts in public services.

The supporters and the critics of Corporate Planning both agree on one point—that operational plans and budgets are insufficiently flexible to cope with the turbulent environment of the 1980s.

Corporate Planning as practised in the 1960s and early 1970s now appears to us as a first-generation planning system, based on a comprehensive rational model and lacking important dimensions.

Among the criticisms of conventional planning systems are the following:

1. They project present operations into the future and make it difficult to foster new ventures and cutback mature operations.
2. They view a planning as a detailed budgeting process rather than providing a broad framework for organisational change and innovation.

3. They build a pattern of forecasts and targets based on extrapolation of past trends rather than an exploration of alternative futures.
4. They assume that decision-making is the sole prerogative of management whereas in fact many decisions are the result of complex interactions with governments, trade unions and social interest groups.
5. They are structural around the annual planning cycle whereas strategies and plans need to be updated continuously through various informal processes.
6. They consider the external environment in terms of national economic trends, whereas the important factors for the organisation are frequently socio-political, technological and international.
7. They tend to direct organisations towards eye-catching but risky ventures—acquisitions, diversification and international expansion, based on dubious notions of synergy, thus diverting management from the more important task of getting higher productivity from existing operations.

The aim of David Hussey's book is to enable readers to review the present state of the art in Corporate Planning, and the range of approaches now available.

The book is designed for experienced Corporate Planners and Senior Managers responsible for Planning in private and publicly-owned business organisations. It will also be useful to junior managers and students preparing for a career in business.

BERNARD TAYLOR

Professor of Business Policy,  
Administrative Staff College,  
Henley

## Preface to the First Edition

THIS is an encyclopaedia of a book—a handbook where the practitioner and the student can find an intelligent and readable assessment of current thinking and practice in the fast-moving field of Corporate Planning. The book is divided into five parts.

Part I (The Concept and the Need) analyses the concept of corporate planning as “a total approach to running a business”, while Part II (The Changing Environment) is concerned with monitoring and forecasting the environment—economic, social, political and technological. In Part III (The Making of Strategy) the author examines the appraisal of the organisation’s resources, and the attempt to match them with opportunities in the environment. This section deals with setting objectives, evaluating alternative policies, the production of overall guidelines or strategies and detailed plans for purchasing and production, marketing and distribution, personnel and organisation, international operations, acquisitions or mergers and research and development. This revised edition also includes a chapter which describes recent developments in Strategic Portfolio Analysis.

Part IV (Operational Planning) deals with the problem of putting plans into practice through the medium of profit improvement programmes and project management.

The final section is concerned with “installing” planning systems—the human problems which arise and the possibilities offered by the use of computers and quantitative approaches. There are forty-eight illustrations, nearly two hundred references, and the book ends with a fifty-page European Bibliography of Corporate Planning.

Most books on planning cover a particular aspect—the concept, the definition of objectives, the formulation of strategy, financial planning, marketing planning, the use of corporate models or the problem of introducing planning systems. This book deals with them all. Many books on planning are too theoretical. They tend to be filled with general concepts, elegant charts, and mathematical equations but they give few specific examples. David Hussey’s text is amply illustrated with references to actual cases and he also includes a specimen Strategic Plan, sample Marketing and Production Plans and a Planning Manual outlining a complete planning system. The book also covers a number of topics which are inadequately covered in planning literature: corporate planning for international operations; the ethics and morality of planning and particularly the social responsibility issue; the use of futures forecasting in planning; and the integration of strategic planning with current operations, through the use of continuous Profit Improvement Programmes.

Very few individuals could have written such a wide-ranging book. Fortunately, David Hussey’s experience extends across many fields: economic and regional planning in Rhodesia, corporate planning in the chemical industry with Union Carbide, in food distribution with Fyffes Group, in pharmaceuticals and food processing with Wander, the makers of Ovaltine, in engineering as Corporate Planner of Otis Elevators Ltd., U.K. and more recently as the Principal of an internal consultancy group which specialises in



corporate strategy and planning. This unusually broad background has enabled him to write a book which is both comprehensive and authoritative. At the same time Mr Hussey's personality comes through; his manner is easy and engaging. The book is altogether a remarkable achievement, and has proved popular with students and managers who want in one volume an up-to-date and authoritative handbook covering the whole subject. The theme of strategic thinking and strategic planning was never more topical than in the present depressed and turbulent environment.

BERNARD TAYLOR

Professor of Business Policy,  
Administrative Staff College,  
Henley

# Acknowledgements

ACKNOWLEDGEMENT of quotations is made in the text with a detailed reference at the end of each chapter. As the quotations I have used make an important contribution to this book, I should like to stress this by giving a summary list of the works quoted.

The definition of *PLAN* from the 5th edition of the *Concise Oxford Dictionary*, © 1964, Oxford University Press, is used by permission of the Clarendon Press, Oxford.

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E. K. Warren, *Long Range Planning: The Executive Viewpoint*, © 1970, is used by permission of Prentice-Hall, Inc., Englewood Cliffs, New Jersey. The influence of this book on the development of my own philosophies has been far greater than is perhaps suggested by the few extracts quoted.

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September 1968: H. F. R. Perrin, "Long range planning: the concept and the need".

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June 1969: M. Kami, "Gap analysis—key to super growth".

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December 1969: K. A. Ringbakk, "Organised planning in major US companies"; K. Pavitt, "Technological innovation in European industry".

December 1970: J. R. Champion, "Corporate planning in CPC Europe"; H. I. Ansoff, J. Avner, R. G. Brandenburg, P. E. Portner, and R. Radosevitch, "Does planning pay?" The effect of planning on success of acquisitions in American firms.

June 1971: J. R. Boulden, "Computerised corporate planning"; G. Teeling Smith, "Medicine in the 1990s"; B. Taylor and P. Irving, "Organised planning in major UK companies".

March 1972: M. W. Pennington, "Why has planning failed?"

December 1972: R. W. Kashyap, "Management information systems for corporate planning and control".

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*Science in History* by J. D. Bernal, Pelican (1969), with acknowledgement to C. A. Watts & Co. Ltd., London.

"Where long-range planning pays off", S. Thune and R. J. House, *Business Horizons*, August 1970

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"Market mortality of new products in the pharmaceutical industry" by G. J. Norwood and M. L. Smith, *Journal of the American Pharmaceutical Association*, November 1971.

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"How to get a better forecast" by G. G. C. Parker and E. L. Segura, *Harvard Business Review*, March-April 1971.

"Can an executive afford a conscience?" by A. C. Carr, *Harvard Business Review*, July-August 1970.

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"Social responsibilities in industry" by N. Wates (lecture to the Runnymede Trust, 5 October 1971).

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"Technological strategies for industrial companies" by J. B. Quinn and "Financing R & D" by H. Rance, both from *Management Decision*, Autumn 1968, are used by permission.

A paper by G. H. Doughty, presented at a Society for Long Range Planning Conference in January 1971, is also referred to.

"The big leap in corporate planning" by I. Carson, *International Management*, April 1972.

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American Heritage for permission to quote from *The Horizon Book of the Elizabethan World*, 1967.

## Introduction to the First Edition

THERE are now many books available on corporate planning and it is therefore important for any new book to try to make a specific contribution. When I wrote my first book, *Introducing Corporate Planning*, I was attempting to fill a need which I myself had felt—and shared with many others—when I first came to corporate planning: the need of new corporate planners, managers, and students for an understandable introduction to the whole of the corporate planning process with the accent on practicality. Concepts were required; but, even more, an explanation of what those concepts meant in the normal business situation.

One of the troubles with introductory books is that they identify a need additional to the one they set out to satisfy. A detailed study of the menu, and an understanding of the nature of the more obscure dishes, may improve the pleasure of dining out but does not itself satisfy the appetite. A taste of the *hors-d'œuvres* leaves the diner hungry for the *entrée*.

In a way it might be claimed that this new book is an attempt to supply the *entrée*. I hope that in turn this will stimulate an appetite for the rest of the meal; for this the reader must dine elsewhere. It is because no one writer can ever hope to cover the whole breadth of the subject that frequent reference is made to the views and work of others, and the whole book is rounded off with a very detailed bibliography of European sources which has been prepared by Peter Kettlewell. (Those who require a list of American sources, other than the references in the text, may find it in G. A. Steiner, *Top Management Planning*, Macmillan, 1969.)

An *entrée* has to be more substantial than the “starter”. I have described the various concepts of corporate planning in considerable detail, frequently illustrated with vignettes from real companies or comprehensive examples of how the concepts might be applied. Thus there are samples of (among other things) how a strategic plan, a marketing plan, and a production plan might be written, and a complete planning manual (showing a planning system). These major examples represent hypothetical companies but draw from experience in real situations.

The blend of theory and practice is taken further in a section of the book which examines the problems of corporate planning and the way in which it can be successfully introduced into a company for the first time. This is supplemented by chapters on some of the more important techniques used in planning: this can be no more than an introduction as each individual technique is a subject in its own right.

The aim of the book is to be comprehensive and comprehensible: to present the subject as a complete process of management, a total approach to the running of a business: to delve deep into the theory and concepts and yet not to forget the fact that theory is only of value if it can be shown to be possible to apply it.

The book is designed to meet the needs of students of all kind—be they those undertaking a formal course of tuition at a university or similar body, or be they practising managers and corporate planners who seek to become masters of their subject.

Few serious books can be written without help, and this one has been no exception. Professor Bernard Taylor, of the Administrative Staff College, Henley, gave much advice when the framework of the book was designed. The bibliography was the result of the zeal and hard work of Peter Kettlewell. My wife gave a great deal of secretarial help, although it was Miss Vera Dauris who mostly had to battle with the task of producing a readable typescript from my manuscript, despite the fact that much of it was written during innumerable train journeys, a fact reflected in the legibility of the writing. Many others provided material or allowed me to discuss particular facets of the book with them: some receive specific acknowledgement in the text; others wish to remain unknown. Other authors and publishers, again specifically acknowledged, allowed me to quote from their work. Above all, I owe a debt to all those who have contributed to my personal knowledge, which includes those managers with whom I have worked, many participants at seminars, conferences, and discussion groups, and, of course, the acknowledged masters of the subject. To all these I should like to say a sincere “thank you”.

# Introduction to the Second Edition

PLANNING philosophy has evolved since the first edition of this book was published. Although much of the book still fulfils its original objectives, there has been a need to bring it up to date; to incorporate new thinking and research findings.

The most obvious change is the addition of another chapter on strategy, dealing with strategic portfolio analysis techniques and industry structure analysis. This brings the number of chapters in "Part III: The Making of Strategy" to nine.

Strategic emphasis is stressed elsewhere, and additional material has been inserted in Chapter 3 to show how a process of planning can be developed to emphasise strategy. If there is one major fault in planning practice it is a failure to recognise that strategic thinking is the most important task: bottom up operational plans prepared in isolation from central strategy tend to be a waste of time. I hope that emphasis I have given will help readers to avoid the arid desert of voluminous "numbers plans", and move them towards major strategic thinking.

Additional research findings have been referenced in Chapters 2 and 21.

The bibliography by Peter Kettlewell has been extended by the addition of several more years of data by Geoffrey Morris. This provides a comprehensive information source, quite separate from the many references given in the text. In order to help readers find further reading, I have included my own annotated recommended reading list.

These major changes, together with the many minor textual alterations, provide a comprehensive guide and text book which I hope will continue to serve practitioners, managers, teachers and students. I welcome the many contacts with those interested in planning which the first edition has brought me, and hope that the second edition continues to encourage these.

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