1. **Introduction**

The construction industry is the largest industry in the world. It is the second most important sector in our country Ethiopia. In 2016 It contributes 9.5% of GDP of the country (Ministry of Construction). The industry is more challenging than other industries due to:

* Its unique nature;
* Every project is one-of a kind;
* Many conflicting parties are involved;
* Projects are constrained by time, money and quality;
* Being subjected to influences resulting from the pace/ rapidity of technological change in other sectors of the economy
* İncreasingly stringent regulations
* Changing client desires as a result of variations in tastes, aspirations and purchasing power
* High risk.

strategic management addresses the challenges of operating a construction organization.

1. **Strategic management**

The term ‘strategic management’ is concerned with the development of strategic vision, setting out objectives, formulating and implementing strategies and introducing corrective measures for the deviations (if any) to reach the organization’s strategic intent. It is any management action taken to realize a strategy, in particular to realize the vision which results from creative strategic thinking;

It is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. Successful strategists in the business area are not only engaged in strategic thinking, they also move on to the next step of strategic management.

David (1997) defines strategic management as the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then re-evaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

One of the major role of strategic management is to incorporate various functional areas of the organization completely, as well as, to ensure these functional areas harmonize and get together well. Another role of strategic management is to keep a continuous eye on the goals and objectives of the organization. In the following sections we will discuss the important concepts of Strategic Management**.**

* 1. **Strategy**

There is no single universally accepted definition of strategy. However, there are different perspectives put forward by strategy authors through which the concept of strategy can be understood.

Oxford Advanced Learner’s dictionary defines strategy as a plan designed for a particular purpose.

Johnson, Scholes and Whittington (2006), defined strategy as the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

It is also defined by Porter, (1996) as it is about competitive position, differentiating you in the eyes of the customer, adding value through a mix of activities different from the ones used by competitors.

Mintzberg et al, (2003) on the other hand defined strategy as it is a pattern that integrates an organizations major goals, policies and action sequences into a well formulated strategy. Wheelen and Hunger, (2008) said that strategy forms a comprehensive master plan that states how the organization will achieve its mission and objectives.

In general:

* Strategy is a well-defined roadmap or a goal post to be achieved of an organization.
* It defines the overall mission, vision and direction of an organization.
* The objective of a strategy is to maximize organization‘s strengths and to minimize the strengths of the competitors.
* Strategy bridges the gap between “where we are” and “where we want to be”
  + 1. **Features of Strategy**

1. Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
2. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
3. Strategy is created to take into account the probable behaviour of customers and competitors. Strategies dealing with employees will predict the employee behaviour.
4. Strategy is a well-defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors.
5. Strategy, in short, bridges the gap between “where we are” and “where we want to be”.
   * 1. **Components of Strategy**

There are five components or sets of issues within a well-developed strategy:

1. Scope: - The scope of an organization refers to the breadth of its strategic domain the number and types of industries, product lines, and market segments it competes in or plans to enter. Decisions about an organization's strategic scope should reflect management's view of the firm's purpose or mission. This common thread among its various activities and product-markets defines the essential nature of what its business is and what it should be.
2. Goals and objectives. Strategies should also detail desired levels of accomplishment on one or more dimensions of performance such as volume growth, profit contribution, or return on investment over specified time periods for each of those businesses and product-markets and for the organization as a whole.
3. Resource deployments. Every organization has limited financial and human resources. Formulating a strategy also involves deciding how those resources are to be obtained and allocated, across businesses, product-markets, functional departments, and activities within each business or product-market.
4. Identification of a sustainable competitive advantage. One important part of any strategy is a specification of how the organization will compete in each business and product-market within its domain. How can it position itself to develop and sustain a differential advantage over current and potential competitors? To answer such questions, managers must examine the market opportunities in each business and product-market and the company's distinctive competencies or strengths relative to its competitors.
5. Synergy. Synergy exists when the firm's businesses, product-markets, resource deployments, and competencies complement and reinforce one another. Synergy enables the total performance of the related businesses to be greater than it would otherwise be: the whole becomes greater than the sum of its parts.
   * 1. **Levels of Strategy**

There are three basic levels of strategy that are typically used by organizations.

1. **Corporate Strategy**: - This is the first level of strategy in the business world, which sits at the ‘top of the heap’. Before you diving into deeper, more specific strategy, better to outline a general strategy that is going to oversee everything else to be done. At a most basic level, corporate strategy will outline exactly what businesses you are going to engage in, and how you plan to enter and win in those markets. It is easy to overlook this planning stage when getting started with a new business, but you will pay the price in the long run for skipping this step. It is crucially important that you have an overall corporate strategy in place, as that strategy is going to direct all of the smaller decisions that you make. For some companies, outlining a corporate strategy will be a quick and easy process. For example, smaller businesses who are only going to enter one or two specific markets with their products or services are going to have an easy time identifying what it is that makes up the overall corporate strategy. If you are running an organization that produces and sells Hollow Concrete Blocks, for instance, you already know exactly what the corporate strategy is going to look like – you are going to sell as many blocks as possible. However, for a larger business, things quickly become more complicated. so the complexity of your corporate strategy will need to rapidly increase. Before you get any farther into the strategic planning of your business, be sure you have your corporate strategy clearly defined. Top management team is responsible for this level
2. **Business Strategy: -** It is best to think of this level of strategy as a ‘step down’ from the corporate strategy level. In other words, the strategies that you outline at this level are slightly more specific and they usually relate to the smaller businesses within the larger organization. Even in smaller businesses, it is a good idea to pay attention to the business strategy level so you can decide on how you are going to handle each various part of your operation. The strategy that you highlighted at the corporate level should be broad in scope, so now is the time to boil it down into smaller parts which will enable you to take action.

This level answers the question of how you are going to compete. It is formulated to convert the corporate vision in to reality and applicable in those organizations which have different businesses and each business is treated as strategic business unit (SBU).

1. **Functional Strategy: -**This is the day-to-day strategy that is going to keep your organization moving in the right direction. Just as some businesses fail to plan from a top-level perspective, other businesses fail to plan at this bottom-level. This level of strategy is perhaps the most important of all, as without a daily plan you are going to be stuck in neutral while your competition continues to drive forward. As you work on putting together your functional strategies, remember to keep in mind your higher level goals so that everything is coordinated and working toward the same end. It is at this bottom-level of strategy where you should start to think about the various departments within your business and how they will work together to reach goals. Your marketing, finance, operations, IT and other departments will all have responsibilities to handle, and it is your job as an owner or manager to oversee them all to ensure satisfactory results in the end. Again, the success or failure of the entire organization will likely rest on the ability of your business to hit on its functional strategy goals regularly. As the saying goes, a journey of a million miles starts with a single step – take small steps in strategy on a daily basis and your overall corporate strategy will quickly become successful.
   1. **Benefits of Strategic Management**

Benefits of strategic management can be classified as financial and non-financial but non- financial benefits can help organizations to maximize their financial benefits.

**Financial Benefits**

It has been shown in many studies that firms that engage in strategic management are more profitable and successful than those that do not have the benefit of strategic planning and strategic management. strategic management helps organizations financially by improvement in sales, improvement in profitability and    
improvement in productivity.

**Non-Financial Benefits**

strategic management offers tangible benefits, such as an enhanced awareness of external threats, an improved understanding of competitors' strategies, increased employee productivity, reduced resistance to change, and a clearer understanding of performance-reward relationships. Strategic management enhances the problem-prevention capabilities of organizations because it promotes interaction among manager’s at all divisional and functional levels. Interaction can enable firms to turn on their managers and employees by nurturing them, sharing organizational objectives with them, empowering them to help improve the product or service, and recognizing their contributions. In addition to empowering managers and employees, strategic management often brings order and discipline to an otherwise floundering firm. It can be the beginning of an efficient and effective managerial system. Strategic management may renew confidence in the current business strategy or point to the need for corrective actions. The strategic-management process provides a basis for identifying and rationalizing the need for change to all managers and employees of a firm; it helps them view change as an opportunity rather than a threat. Greenly stated that strategic management offers the following benefits:

* It allows for identification, prioritization, and exploitation of opportunities.
* It provides an objective view of management problems.
* It represents a framework for improved coordination and control of activities.
* It minimizes the effects of adverse conditions and changes.
* It allows major decisions to better support established objectives.
* It allows more effective allocation of time and resources to identified opportunities.
* It allows fewer resources and less time to be devoted to correcting erroneous or ad hoc decisions.
* It creates a framework for internal communication among personnel.
* It helps integrate the behavior of individuals into a total effort.
* It provides a basis for clarifying individual responsibilities.
* It encourages forward thinking.
* It provides a cooperative, integrated, and enthusiastic approach to tackling problems and opportunities.
* It encourages a favorable attitude toward change.
* It gives a degree of discipline and formality to the management of a business.
* It helps in Clarity of strategic vision for the organization
* It enhances the problem solving and problem preventing capabilities of the firms.
* Ithelps in bringing order and discipline to the activities of the firm in its both internal processes and external activities.
* It focuses on what is strategically important to the organization and better understanding of the rapidly changing business environment.
  1. **Strategic Management Process**

Strategic management process is the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance. It is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet all the present and future competitor’s and then reassesses each strategy.

Strategic management process has the following Three basic stages.

1. **Strategic Formulation Stage**

Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision. At this stage an organization should focus on developing a vision and a mission, identifying its external opportunities and threats and internal strengths and weaknesses, establishing long term goals and objectives, generating alternative strategies and choosing specific strategies to pursue and setting policy guidelines. The process of strategy formulation basically involves the following steps. Though these steps do not follow a rigid chronological order, however they are very rational and can be easily followed in this order.

|  |  |
| --- | --- |
| * **Setting Organizations’ objectives** - The key component of any strategy statement is to set the long-term objectives of the organization. While fixing the organizational objectives, it is essential that the factors which influence the selection of objectives must be analyzed before the selection of objectives. Once the objectives and the factors influencing strategic decisions have been determined, it is easy to take strategic decisions. * **Evaluating the Organizational Environment** - The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors’ strengths and weaknesses. * **Setting Quantitative Targets** - In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments. * **Aiming in context with the divisional plans** - In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. * **Performance Analysis** – This includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist. * **Choice of Strategy** - This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities. |  |

1. **Strategic Implementation Stage**

Strategy implementation is the process by which strategies and policies are put into action through the development of programs, budgets and procedures. At this stage an organization should focus on establishing annual objectives, creating an effective organizational structure that suits the organization’s aims, preparing budgets, motivating employs, developing decision making process, managing human resources and developing and utilizing information systems. This is where the strategies generated and selected in the previous stage are put to use. This requires a lot of discipline, commitment and sacrifice by both the managers and the employees for these strategies to be successfully implemented, as formulated but not implemented strategies serve no useful purpose to the company.

Implementing a strategy involves the following main steps

* Developing an organization having potential of carrying out strategy successfully.
* Disbursement of abundant resources to strategy-essential activities.
* Creating strategy-encouraging policies.
* Employing best policies and programs for constant improvement.
* Linking reward structure to accomplishment of results.
* Making use of strategic leadership.

1. **Strategic Evaluation Stage**

This is the final step of strategy management process. At this stage a firmanalyses and evaluates the effects of implemented strategies and revise them according to the effective ness and performance of the organization, changes in the external and internal factor that serve as basis for this strategies and then take corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation meets the organizational objectives.

The process of Strategy Evaluation consists of following steps

* **Fixing benchmark of performance -** While fixing the benchmark, strategists encounter questions such as - what benchmarks to set, how to set them and how to express them. In order to determine the benchmark performance to be set, it is essential to discover the special requirements for performing the main task. The performance indicator that best identify and express the special requirements might then be determined to be used for evaluation. The organization can use both quantitative and qualitative criteria for comprehensive assessment of performance. Quantitative criteria includes determination of net profit, earning per share, cost of production, rate of employee turnover etc. Among the Qualitative factors are subjective evaluation of factors such as - skills and competencies, risk taking potential, flexibility etc.
* **Measurement of performance -** The standard performance is a bench mark with which the actual performance is to be compared. The reporting and communication system help in measuring the performance. If appropriate means are available for measuring the performance and if the standards are set in the right manner, strategy evaluation becomes easier. But various factors such as managers contribution are difficult to measure. Similarly divisional performance is sometimes difficult to measure as compared to individual performance. Thus, variable objectives must be created against which measurement of performance can be done. The measurement must be done at right time else evaluation will not meet its purpose. For measuring the performance, financial statements like - balance sheet, profit and loss account must be prepared on an annual basis.
* **Analyzing Variance -** While measuring the actual performance and comparing it with standard performance there may be variances which must be analyzed. The strategists must mention the degree of tolerance limits between which the variance between actual and standard performance may be accepted. The positive deviation indicates a better performance but it is quite unusual exceeding the target always. The negative deviation is an issue of concern because it indicates a shortfall in performance. Thus in this case the strategists must discover the causes of deviation and must take corrective action to overcome it.
* **Taking Corrective Action -** Once the deviation in performance is identified, it is essential to plan for a corrective action. If the performance is consistently less than the desired performance, the strategists must carry a detailed analysis of the factors responsible for such performance. If the strategists discover that the organizational potential does not match with the performance requirements, then the standards must be lowered. Another rare and drastic corrective action is reformulating the strategy which requires going back to the process of strategic management, reframing of plans according to new resource allocation trend and consequent means going to the beginning point of strategic management process.
  1. **Elements of strategic management process**
     1. **SWOT Analysis**

It is a strategic management tool that assists an organization in discerning their internal Strengths, and Weaknesses, and external Opportunities, and Threats, to determine its competitive position in the market. It provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates. As such, it is instrumental in strategy formulation and selection. It also helps in ascertaining the factors that influences the efficiency and effectiveness of any product, project, or business entity.

**Strengths**: The strengths of a company are the core competencies, in which the business has an edge over its competitors. They are the qualities that enable an organization to accomplish his mission. They cover aspects such as:

* Strong financial condition
* A large customer base.
* Strong brand name or a unique product
* Latest technology or patents
* Influential advertising and promotion.
* Cost Advantage
* Quality in product and customer service

**Weaknesses**: Weaknesses can be described as the areas of limitations of the business, that hinders the growth of the company and even leads to a strategic disadvantage. Weaknesses are the qualities that prevent an organization from accomplishing his mission and achieving his full potential. These weaknesses deteriorate influences on the organizational success and growth. These are the areas which need improvement to perform competitively. It encompasses:

* Obsolete facilities and outdated technology.
* The unit cost of a product is higher than the competitors.
* No or less internal control.
* Less quality in products and services offered.
* Weak brand image.
* Financial condition is not very sound.
* Underutilization of plant capacity.
* Lack of major skills or competencies, and intellectual capital.
* lack of access to the best natural resources
* lack of access to key distribution channels

**Opportunities**: Opportunities can be understood as the condition, which is favourable or beneficial to the organization in the business environment, that the business could exploit to gain an advantage. These include:

* Looking for areas of development, by utilizing skills and technology to enter new markets
* Adding new products to the existing product line to increase customer base.
* Forward and backward integration.
* An unfulfilled customer need
* Acquiring rivals businesses.
* Joint ventures, mergers and alliances to increase market coverage.

**Threats**: Threat implies an adverse condition which can lead the business enterprise to losses, and can also harm the overall position and reputation of the enterprise. It entails:

* A downtrend in market growth.
* A new entrant to the market.
* Substitute products that can decrease sales.
* Increasing the bargaining power of customers and suppliers.
* New regulatory requirements
* Changes in a demographic environment that will decrease demand for firm’s product.

**Importance of SWOT Analysis:**

**Logical framework of analysis**: SWOT Analysis equips the management with an insightful framework for eliminating issues in a systematic manner, that can influence the condition of business, formulation of various strategies and their selection.

**Presents a comparative report**: The analysis facilitates in presenting systematic information about the internal and external environment. This helps in making a comparison of external opportunities and threats with internal strengths and weaknesses, as well as reconciling the internal and external business environment, to help the managers in choosing the best strategy, by considering various patterns.

**Strategy Identification**: Every organization has its strengths weakness, opportunities and threats. So, the SWOT Analysis acts as a guide to the strategist to reckon the exact position, i.e. where the business stands, so as to identify the primary objective of the strategy under consideration.

SWOT Analysis in general helps the company’s management in designing a business model specific to the firm. The model perfectly suits or aligns the company’s resources or competencies, as per the needs of the business environment, wherein the organization operates and helps in gaining a competitive advantage over the rivals. This will increase the profitability, market share and the chances to survive in the dynamic competitive business environment.

### Limitations of SWOT Analysis

There are certain limitations of SWOT Analysis which are not in control of management. These include-

* Price increment;
* Inputs/raw materials;
* Government legislation;
* Economic environment;
* Searching a new market for the product which is not having overseas market due to import restrictions; etc.
* Insufficient research and development facilities;
* Faulty products due to poor quality control;
* Poor industrial relations;
* Lack of skilled and efficient labour; etc

### Mission

### The statement of the role by which an organization intends to serve it‘s stakeholders

### It describes why an organization is operating and thus provides a framework within which strategies are formulated, what the organization does (present capabilities), who all it serves (Stakeholders) and what makes an organization unique

### Mission delineates the firm’s business, its goals and ways to reach the goals. It also explains the reason for the existence of business. Moreover, it is designed to help potential shareholders and investors understand the purpose of the company.

Mission statements usually exist at top level of an organization but may also be made for various organizational levels.

Mission statements can be classified in to two:

* 1. **Customer-oriented missions.** Customer-oriented missions define organization’s purpose in terms of meeting customer needs or providing solutions for them. They provide more flexibility than product-oriented missions and can be easily adapted to changing environment.
  2. **Product-oriented missions.** Product-oriented missions focus on what products or services to serve rather than what solutions to provide for customers. These statements provide less flexibility for the company because most products have short life cycle and offer limited market expansion.

**Important features of Mission**

* Mission must be feasible and attainable.
* It should be clear enough so that any action can be taken.
* It should be inspiring for the management, staff and society at large.
* It should be precise enough,
* It should be unique and distinctive to leave an impact in everyone ‘s mind.
* It should be analytical,
* It should be credible.
  + 1. **Vision**

It is A view of an organization’s future direction and business course; a guiding for what the organization is trying to do and to become. It also describes dreams and aspirations for future moreover it describes where the organization wants to land. It is a base for the planning process. Every single component of the organization is required to follow its vision.

An effective vision statement must have following features

* It must be unambiguous.
* It must be clear.
* It must harmonize with organization ‘s culture and values.
* The dreams and aspirations must be rational/realistic.
* Vision statements should be shorter so that they are easier to memorize.
  + 1. **Goals**

A goal is a desired future state that an organization tries to achieve. It specifies in particular what must be done if an organization is to attain mission or vision. Goals make mission more prominent and concrete. Well-made goals have the following features:

* precise and measurable.
* look after critical and significant issues.
* realistic and challenging.
* must be achieved within a specific time frame.
* include both financial as well as non-financial components
  + 1. **Objectives**

objectives are time-based measurable actions, which help in the accomplishment of goals. They are defined as goals that organization wants to achieve over a period of time. They are the foundation of planning. Policies are developed in an organization so as to achieve these objectives. Formulation of objectives is the task of top level management.

Effective objectives have the following features:

* Not single for an organization, but multiple.
* Should be both short-term as well as long-term.
* Must respond and react to changes in environment, i.e., must be flexible.
* Must be feasible, realistic and operational

The difference between objective and goals may be drawn in terms of the following four dimensions.

**1) Time Frame**: Objectives are timeless, enduring, and unending; goals are temporal, time-phased, and intended to be superseded by subsequent goals. Because objectives relate to the ongoing activities of an organization, their achievement tends to be open-ended in the sense of not being bounded by time.

**2) Specificity**: Objectives are stated in broad general terms, dealing, with matters of image, style and self-perception. These are aspirations to be worked in the future. Goals are much more specific, stated in terms of particular result that will be accomplished by a specific date.

**3) Focus:** Objectives are usually stated in terms of some relevant environment which is external to the organization goals are more internally focused and carry important implications about how resources of the organization are utilize or will be utilized in future.

**4) Nature:** Objectives are more generalized statements like maintaining market leadership, striving continuously for technological superiority, etc. A goal may imply a resource commitment requiring the organization to use those resources in order to achieve the desired outcomes.

1. **Strategic Planning**

2.1. Definition of planning

Strategic planning takes its roots from the theory of planning, and therefore, it is

significant to understand the specific conditions for planning which are characteristic for all types of plans.

One of the main management functions including the ability of an organisation to

look in the future and to prepare oneself for an action enabling the achievement of the objectives set forward is planning. An organisation operates successfully if its management is capable of predicting future events. This function may be defined as follows:

‘planning is the organisation’s process of defining its objectives, due diligence and the development of its strategic, tactical and operational activities’. In other words, planning is the designing of the desirable future and of effective ways for its achievement. In fact, planning is selection, therefore, planning is plausible and possible only when alternative options for action occur.

The meaning of planning is generally related to the fact that it helps to increase the level of efficiency and effectiveness in an enterprise which, on its turn, discloses and reduces the potential enterprise risks, enables a focused coordination of all processes taking place in an enterprise, streamlines and strengthens these processes as well as increases the ability to be flexible and adapt to changes taking place in the external environment. In a more narrow sense it could be said that planning is the process of a systematic preparation of decisions concerning future events.

Planning has its own specifics, which is expressed by the following conditions:

* planning is performed prior to the commencement of the work - planning is a provisional decision-making process;
* the need for planning arises when the achievement of the desirable state of affairs depends on the adoption of a range of interrelated decisions;
* the desirable state of affairs would not set in if certain activities are not taken.

By combining the above given definitions each underlining one single characteristic

of planning we have come to the result that planning is the process of a timely adoption and assessment of interrelated decisions in the situation when the desirable future state of affairs would not set in if special measures are not taken

planning as a function of management has the following main objectives

* Prevention of the adverse effect of uncertainty and change;
* Focusing on the main objectives;
* Provision of the economic functioning of the system;
* Creation of possibilities for control and its streamlining.

Special place within the system of these objectives is assigned to control which is

considered as further planning and as means for ensuring the performance. Control, of course, has its own functions, for example, checking of the efficiency of day-to-day operations and others, but it is, however, one of the main tools, indicators for the manager used in the management process.

Classification of the types of planning

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| **Types of planning** | | | | |
| **By content**:  • Strategic  • Tactical  • Operational | **By level**:  • National economy  planning  • Regional planning  • Industry planning  • Organisational planning  • Organisational unit  planning | **By object**:  • Definition of mission  and objectives  • Resource planning  (labour, capital, land)  • Activity planning  • Performance results  plan | **By area of activity**:  • Designing  • Procurement  • Production  • Distribution  • Sale  • Service | **By term**:  • Short-term  • Medium-term  • Long-term |

**By content** planning is classified as follows:

* Strategic planning is aimed at the identification of new opportunities, development of new products etc. for an organisation;
* Tactical planning is aimed at the research and identification of the existing opportunities of an organisation (resources, products, results etc.);
* Operational planning is aimed at the realisation of the existing opportunities of an organisation.

**By level** planning is classified as follows:

* National economy planning comprises the planning of the entire national economy of a particular state as a single complex of development;
* Regional planning means the planning of a development complex of any particular region.
* Sectoral planning is a component part of national economy planning with certain peculiarities.
* Organisational planning depends on the planning objectives of an organization and the arrangement of an organisation, and includes planning of activities by departments, services, units etc.

3. **By unit** planning is classified as follows:

* Establishment of the mission and objectives of an organisation;
* Resource planning – the planning of finance, personnel, investments, real estate etc.
* Activity planning – includes the specifics of a particular activity at any planning level.

4. **By area of activity** planning is divided into all stages of product development:

* Designing of products;
* Supply of resources;
* Manufacturing of the product;
* Distribution of output;
* Sale of products;
* Customer service.

5. **By term** planning is traditionally divided as follows:

* Short-term planning in an organisation means the development of any plans for the period less than or equal to one year (monthly, quarterly, semi-annual, annual plans);
* Medium-term planning in an organisation means the development of any plan for a period from 1 to 5 years;
* Long-term planning in an organisation means the development of any plans for a period of more than 5 years

2.2. Definition and benefits of Strategic Planning

Strategic Planning is one of the component of strategic management which is the process of involving everyone in matching the vision, mission, and core values of an organization with the current situation to focus tactical activities now and in the future. Strategic planning focuses on establishing organizational direction, setting priorities and identifying obstacles and opportunities that may limit or enable you to carry out your mission. In modern organizations executives included every level of the organization in developing and implementing the overall strategy

Strategic planning must anticipate unexpected events, randomness, and chaos to provide a good strategy. Good strategic planning allows a company to develop a sustainable competitive advantage.

Itis an organizational management activity that is used to set priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders are working toward common goals, establish agreement around intended outcomes/results, assess and adjust the organisation's direction in response to a changing environment.

Strategic planning produces fundamental decisions and actions that shape and guide: what an organisation is, who it serves, what it does, and why it does it, with a focus on the future.

Strategic planning has important benefits for organizations. some benefits are listed as follows;

* Defines mission, vision & values
* Establishes realistic goals, objectives & strategies
* Improves coordination of the activities and more efficient allocation of organisation’s resources.
* Improves awareness of the external and internal environments, and clearly identifies the competitive advantage.
* Provides base to measure progress
* Develops consensus on future direction
* Builds strong teams
* Strengthens the firm’s performance
* For better communication between managers of the different levels and functional areas.
* On average, organisations using strategic management are more successful than the organisations that don’t.
* Allows the organisation to become more proactive than reactive.

2.3. Strategic planning process

There are many different models and action steps for strategic planning. Typical steps for one approach is described below.

1. **Agree on a strategic planning process** - This session provide an understanding of what strategic planning is and how it is done; discuss its potential value to the organization, in terms of providing a common vision and focus, with agreed-upon goals and strategies; Consider the costs of doing strategic planning, in terms of staff and Board time and other resources – and what might need to be given up in order to develop a plan; if the organization is in crisis or is financially or organizationally unstable, it may be difficult or unwise to enter into a strategic planning process until the immediate problems and needs have been successfully addressed; Consider whether the organization is "ready" for a long-range plan or whether it may best focus on a short-term plan, perhaps doing a one-year plan and then undertaking longer-term planning at the end of that year; If strategic planning seems appropriate, consider what procedures or steps can be used to establish and implement a strategic plan; Agree upon a process and establish responsibilities for the various steps in the process.
2. **Carry out an environmental scan.** This helps provide an understanding of how the organization relates to its external environment. The scan usually includes an external component -- identifying and assessing opportunities and threats in the external environment -- and an internal component -- assessing organizational strengths and weaknesses. This process is often referred to as "SWOT": strengths, weaknesses, opportunities, and threats analysis.

The external component of the environmental scan should include a review of the target or service community and the broader environment in which the organization operates, to identify the opportunities and threats facing the organization.This might include the following:

* Consider forces and trends in the broader community, political, economic, social, and sometimes technological
* Look carefully at the immediate target community or service area to determine its status and needs, and specifically those of current and potential clients and beneficiaries of the organization's services and advocacy.
* Consider opportunities and challenges related to resources and funders.
* Look at actual and potential collaborators and competitors

The internal component of the environmental scan includes an assessment of the organization's strengths and weaknesses.This may include a number of components or approaches.

* You may want to assess current organizational performance in terms of financial and human resources (inputs), operating methods or strategies (processes), and results or outcomes (outputs). If the organization does not have extensive objective measures of its outcomes, perceived performance can be partially determined through asking clients and stakeholders.
* It is often valuable to identify critical success factors for the organization.
* The organization might want to review or formalize organizational values and operating principles.

1. **Identify key issues, questions, and choices to be addressed as part of the strategic planning effort.** This may mean specifying "strategic issues" or questions that the organization should address, and setting priorities in terms of time or importance. If there is little disagreement about issues and priorities, it may be possible to move immediately to the organizational vision and then goals. If there is no agreement on general directions and organizational goals, it may be important to explore issue priorities and identify critical choices.
2. **Define or review the organization's values, community vision, and mission.** Be sure there is consensus on why the organization exists, what goals or outcomes it seeks to achieve, what it stands for, and whom it serves. If it has specific mandates –things it must do or not do based on its articles of incorporation or bylaws, or long-term contracts or grants – then these should be clearly defined. Consider beginning your strategic planning by agreeing on the followings:

* **Organizational core values or operating principles** – those beliefs or principles that guide the organization; these values are shared by Board and staff, strongly held, and not easily changed.
* **Community Vision** – your vision for the community; it might be viewed as your image of what the community you serve would be like if your values were shared and practiced by everyone. Note that this is your vision for the community, not your vision of what the organization will look like in the future.
* **Mission –** the stated purpose for your organization’s existence; it might be viewed as your organization’s public statement of the contribution it promises to make to help accomplish the community vision.

1. **Develop a shared vision for the organization.** In some strategic planning efforts, a vision for the organization is developed after a vision for the community has been discussed with the assumption that a shared organizational vision may be dependent upon a shared vision of what society should become. Whenever this is done, it is important to agree on where the organization wants to be in the future.
2. **Develop a series of goals or organizational status statements which describe the organization in a specified number of years – assuming it is successful in addressing its mission.** It is usually a short step from the vision to goals – sometimes the statements describing the vision are essentially goal statements. It is extremely valuable to transform the vision into a series of key goals for the organization, preferably in the form of status statements describing the organization. goals might cover a variety of categories such as program, resources, status, relationships, institutional development, governance etc…
3. **Agree upon key strategies to reach the goals and address key issues identified through the environmental scan.** The major emphasis should be on broad strategies, including current and new program, advocacy, collaborative, or other approaches. These strategies should be related to specific goals or address several goals. The process requires looking at where the organization is now and where its vision and goals indicate it wants to be, and identifying strategies to get there.

Whatever the specific approach used, specific criteria for evaluating and choosing among strategies should be agreed upon. Strategies can be evaluated and selected, or prioritized based on the following or other agreed-upon criteria.

**Value** – Will the strategy contribute to meeting agreed-upon goals?

**Appropriateness** – Is the strategy consistent with the organization's mission,

values, and operating principles?

**Feasibility** – Is the strategy practical, given personnel and financial resources and

capacity?

**Acceptability** – Is the strategy acceptable to the Board, key staff, and other

stakeholders?

**Cost-benefit** – Is the strategy likely to lead to sufficient benefits to

justify the costs in time and other resources?

**Timing** – Can and should the organization implement this strategy at this

time, given external factors and competing demands?

1. **Develop an action plan that addresses goals and specifies objectives and work plans on an annual basis.** Once the longer-term elements of a strategic plan have been developed, it is time to ensure a specific work plan to begin implementation. Strategic planning recognizes that strategies must reflect current conditions within the organization and its environment. Thus it is rare to attempt to develop detailed annual objectives except for the first or perhaps the first and second year covered by the strategic plan. However, annual action plans are needed. Annual program objectives should be time-based and measurable.
2. **Finalize a written strategic plan that summarizes the results and decisions of the strategic planning process.** There is no set format, but be sure to include the outputs of each major step. The box at the end of this document provides one possibility.
3. **Build in procedures for monitoring, and for modifying strategies based on changes in the external environment or the organization.** Be sure progress towards goals and objectives and use of strategies is monitored regularly, with strategies revised and annual objectives developed yearly, based on the progress made, obstacles encountered, and the changing environment. Have procedures for taking advantage of unexpected changes such as more sympathetic elected or appointed officials, improvements in the economy, changes in local funder priorities, or changes in the target population.

**N.B** Steps 1-3 occur before a strategic planning retreat, Steps 4-7 during the retreat, and Steps 8-10 after the retreat.

2.4. Essential components of strategic planning

Developing an effective strategic plan for your organization is not an easy task, but with the right guidance, it is absolutely possible. While there are different models that work for different organizations, at the core of strategic planning are universal components that every leader needs to know in order to develop a strategy that works. These components include:

1. The Whys – 5 Reasons to Plan: In order to develop a strategy, start with an understanding of why you need to do this and get the leaders at your organization on board with this. The stronger the realization is to put together a strategic approach, the more committed you and your leaders will be to carry out your plan. Developing strategy takes time and resources. It requires the time and commitment of some of the most highly-paid and highly experienced people in your organization. So, if your team isn’t willing to invest in what is needed, we recommend that you don’t do it. Poor planning is often worse than no planning at all. So, why do you need strategy? Why take time for planning? There are many reasons.
2. To set direction and priorities:

First and foremost, you need a strategy because it sets the direction and establishes priorities for your organization. It defines your organization’s view of success and prioritizes the activities that will make this view your reality. The strategy will help your people know what they should be working on, and what they should be working on first. Without a clearly-defined and articulated strategy, you may very well find that your priority initiatives - the ones that will drive the highest success - are being given secondary treatment.

1. To get everyone on the same page:

If you find that you have departments working to achieve different aims or going in different directions, you need a strategy. Once you define your strategic direction, you can get operations, sales, marketing, administration, manufacturing, and all other departments moving together to achieve the organization’s goals.

1. To simplify decision making:

If your leadership team has trouble saying no to new ideas or potential initiatives, you need a strategy. Why? Your strategy will have already prioritized the activities necessary for success. Priorities make it easier to say no to distracting initiatives.

4. To drive alignment:

Many organizations have hard-working people putting their best efforts into areas that have little to no effect on strategic success. They are essentially majoring in the minors—because their activities aren’t aligned with the priorities. Your strategy serves as the vehicle for answering the question, “How can we better align all our resources to maximize our strategic success?”

5. To communicate the message:

Many leaders walk around with a virtual strategy locked in their heads—they know where their organization needs to be and the key activities that will get it there. Unfortunately, the strategy isn’t down on paper and hasn’t been communicated thoroughly. As a result, few people are acting on it. When your staff, suppliers, and even customers know where you’re going, you allow even greater opportunities for people to help you maximize your success in getting there.

1. **The How**

Many executives see planning, and specifically strategic planning, as a highly challenging and complex activity. The Drivers Model provides an approach that is elegantly simple strategy facilitators define the model in four major steps:

Step 1: Situation Assessment – Where are we now?

Understanding the current situation is vital to identifying the approaches needed to drive success. A full understanding of the current situation includes an analysis of several areas. What follows is a sample list of assessment areas and one or two of the key questions to be answered for each.

* Customers- What are their current and future needs? What are their perceptions of our performance?
* Employees- What are their perceptions of our organization and how we can improve? How can we make them more effective in their roles?
* Industry trends- What have been recent shifts in the industry?

What shifts are anticipated for the future?

* Competitors- How do we compare against our competitors?

What are their recent and anticipated initiatives?

* Performance trends- How are we performing by product, by market, by channel?
* Recent goals and initiatives- How are we achieving against our plan?

How successful have we been with recent initiatives?

* Organization profile- What are our strengths and areas for improvement with

regard to our organization structure, processes, technology,

culture, etc.?

Step 2. Strategic Direction – Where do we want to be?

the information from the situation assessment is combined with the understanding of future trends to develop the vision statement and the mission statement. The strategic direction setting also includes the defining of goals and objectives.

Step 3. Implementation Planning – How do we plan to get there?

Once the objectives are established, the next step is to develop the road map for achieving the direction. For the road map to be viable, however, it must focus on three areas in particular.

* The barriers to achieving the goals and objectives indicate those challenges which the organization must overcome to achieve its strategic direction. Barriers answer the following questions: “Why haven’t we achieved our goals already? What is standing in our way?”
* While barriers address the challenges, the critical success factors identify those key conditions that must be met to achieve the goals. Critical success factors, typically no fewer than two and no more than seven per goal, serve as a guide for determining the strategies to be developed.
* The strategies that are undertaken (i.e., the road map) must drive achievement of the strategic direction by controlling the critical success factors and overcoming the barriers.

Step 4. Monitoring – How will we monitor progress?

Many organizations benefit simply from going through the process of creating a strategy. At this point, everyone is clear on where we are going and how we plan to get there. However, the key value to strategy development comes in the implementation of the plan. Unfortunately, all too often, strategic plans become space fillers on an executive’s bookshelf. To prevent this occurrence, we recommend a structured monitoring process. The structured review involves:

* Assessing progress on strategies
* Grading the current and projected performance against the objectives
* Identifying changes in the environment, new barriers, additional critical success factors
* Making adjustments to the objectives
* Re-establishing priorities for strategies, removing strategies and adding new strategies as needed

1. The Whats - Terms and Definitions

|  |  |
| --- | --- |
| Vision | A picture of the “preferred future”; a statement that describes how the future will look if the organization achieves its ultimate aims. |
| Mission | A statement of the overall purpose of an organization. Describes what you do, for whom you do it and the benefit. |
| Guiding  Principles | General guidelines which set the foundation for how an organization will operate. |
| Goals | Broad, long-term aims that define accomplishment of the mission. |
| Objectives | Specific, quantifiable, realistic targets that measure the accomplishment of a goal over a specified period of time. |
| Critical Success Factors | Major items or issues that must “go right” to achieve one or more objectives. |
| Barriers | Existing or potential challenges that hinder the achievement of one or more objectives. |
| Strategies | Broad activities required to achieve an objective, control a critical success factor, or overcome a barrier. |
| Actions | Specific steps to be taken, by whom and by when, to implement a strategy. |

1. The Who - Knowing How to Choose Facilitator

Experienced, professional facilitators bring with them a series of highly-structured, pre-defined processes that create the framework for your strategic plan. They also have numerous tools and techniques that allow them to adapt to your people and the needs of the group. Strategic planning facilitators are able to help participants excel as a team in focusing on the issues, building a common vision and creating commitment to the actions that will bring that vision into reality.

When dealing with something as critical as a strategic plan, many organizations will invest time and dollars to train and build up the facilitation skills of internal resources to ensure a smooth planning process and desirable results. But, others choose to bring in

outside professional facilitators with years of training, experience and proven results. This is the preferred option especially if:

* You don’t have a clearly-defined, tested and proven approach for the strategic planning process
* There is a lack of experience in effectively facilitating strategic planning
* There are many strong opinions among the planning team
* You, the group leader, are strongly vested in a particular position, but want to be open to other possible
* The discussion is best guided by a neutral party to engender trust or participation

The following six questions are recommended as a guide for facilitator selection:

1. “What questions do you have for me?”

Great facilitators know the 5Ps to prepare for your strategy work the purpose, the products, the participants, the probable issues, and the process. Be wary of facilitators who want to describe how they can help you (their process) before they understand your needs (your purpose, desired products, participants and probable issues).

1. “What is your approach for getting the group interacting and focused?

”Some facilitators have great days but don’t necessarily understand why. Consciously- competent facilitators know the keys to success. They understand what works, what generally doesn’t, and why. Your facilitator should be able to describe techniques to get groups interacting right away, keeping focus and avoiding side issues.

1. “How will you address dysfunctional behavior?”

Great facilitators know that the key to dysfunction is preventing it from happening in the first place. Your facilitator should ask you about the participants, their issues and the problems typically seen in meetings. The facilitator should recommend actions such as establishing specific ground rules, holding conversations with particular participants, or other strategies for dysfunction prevention

1. “What type of orientation will you need if we decide to move ahead?”

Great facilitators understand that the more they understand about your business, the less they will slow down the group. They will seek documentation and want to schedule a time to further discuss your organization, your products and your issues.

1. “What do your clients typically say they like about the way you facilitate?”

Listen specifically for what the person doesn’t say. Most facilitators bring neutrality and control to a group. Great facilitators bring much more. Listen for words like ‘great energy level,’ or ‘insightful questions,’ or ‘a process that allowed us to get so much more done,’ or ‘a way of herding the cats without getting anyone upset.’

1. “Based on what you have heard, what might the agenda be for the meeting?”

Great facilitators have a pool of common processes they have customized over and over again for clients. They know these processes cold and, in the middle of a session, can quickly pull from their resource pool and create a customized process on the spot if needed. Therefore, if facilitators are not willing to give you a “first thought” of how they might approach your needs, you might question if they will have the flexibility and speed to change course on the spot if needed.

* 1. Types (Models) of strategic planning

There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. There is no one best model. It is up to businesses to select and alter models based on issues that need to be addressed and goals that want to be reached.

## Basic Strategic Planning Model

Basic or simple strategic planning models are often chosen by new organizations that have minimal experience with strategic planning. They are also effective for businesses that have little time to spend on the [strategic planning process](https://www.bbgbroker.com/workforce-planning-dba-insurance/). As the name states, this is the most basic type of strategic planning that is usually used by small businesses until they become more established.

Basic strategic planning typically consists of creating a mission statement that describes why a business or organization exists. Next, choose your business’ intermediate goals pertaining to what needs to be accomplished first to meet your mission. You will then want to identify strategies that can be used to reach your goals. Create action plans that list the necessary steps that your business must take to properly implement a strategy. As you take action, monitor your progress.

## Issue- or Goal-Based Strategic Planning Model

Many businesses that begin with basic strategic planning models evolve to using issue-based or goal-based planning. This enhancement of the basic model is designed for more established businesses or organizations who want to dive deeper into the strategic planning process. This is the most commonly used type of strategic planning models and does not require all steps to be completed each year.

This type of model typically starts with a SWOT (strengths, weaknesses, opportunities, and threats) analysis, or an assessment of the external and internal forces within a business. Next, the stakeholders identify goals and issues in which the business can use to better prioritize their objectives. The next steps include designing a mission statement, establishing action plans, creating a strategic plan, developing an annual operating plan, and authorizing the budget for the first year. Finally, the plan involves conducting the first year’s operations and monitoring the strategic plan.

## Scenario Strategic Planning Model

The scenario strategic planning model is considered more of a technique than a model. It is often used in conjunction with other strategic planning models and can be highly useful in identifying goals and issues. This model is used by businesses who want to prepare for various scenarios that could possibly occur due to external forces or a change in environment, such as demographic changes or changes in regulations.

This type of planning model begins by identifying vulnerabilities that could affect a business. For each identified change, discuss several scenarios that could result, including best and worst-case scenarios. You will then want to design responses which suggest what a business may do in each scenario. You can then select common strategies that can be used to respond to changes. Finally, make a list of the most common problems that could affect a business over the next three to five years.

## Alignment Strategic Planning Model

An alignment strategic planning model helps create a strong alignment between a business’ resources and mission. This model can be a useful tool when businesses want to fine tune their objectives or determine why their goals are not being achieved as planned. Alignment planning is often recommended to businesses that are experiencing a large number of inefficiencies or other types of internal issues.

This model begins by outlining the business’ resources, mission, programs, and required support. Next, it is important to identify what aspects of the business are working well and which ones need further adjustment to reach a desired effect. You will also need to identify ways that these adjustments can be made. Finally, you will need to include these adjustments as strategies in your plan. This last step is one of the most important and should be the main focus of the model.

## Organic Strategic Planning Model

Organic or ‘self-organizing’ strategic planning models are in contrast to other planning models that follow more linear, methodical approaches. This type of planning requires continual reference to common values and shared reflection around current processes. Organic planning often uses a technique known as story boarding to allow participants to develop their own ideas before sharing them with a larger group. It also allows stakeholders to play a more active role in meetings.

The organic strategic planning model begins by clarifying the businesses’ cultural values using storyboarding and dialogue techniques. Next, the plan consists of articulating the group’s vision for the business using the same techniques. It is important to dialogue regularly to discuss what the group will do next. Organic planning requires a great deal of patience and a solid focus on learning over method. The results should be spontaneous and unexpected. Accomplishments can then be translated into goals.

**3.1. Feasibility Study**

Feasibility study is simply defined as precise reviews and examinations to decide the feasibility of different investment alternatives.

It is the study of a proposed project to indicate whether the proposal is attractive enough to justify more detailed preparation. A feasibility study is part of the process of project identification, preparation and selection. It involves the process of appraising projects or group of projects and then choosing to implement some of them. Therefore, it is an extremely important stage in project management.

Availability of adequate market, Growth potential of the project, Investment, operation and distribution costs, Demand and supply factors, Social and environmental conditions will be taken as key factors to be considered in feasibility study.

3.1.1. **Feasibility Study Procedures**

Generally, there are no specific approaches to carry out feasibility studies for all types of projects. However, there are consensus procedures to carry out feasibility studies phases. The traditional feasibility study and its new trends are the most famous procedures used mainly for private projects and many of the public projects. The traditional feasibility study implies the collection and arrangement of data of different project alternatives to extract information and measurements to appraise each alternative in order to support decision-making. Usually, it is divided into the following steps.

Pre-feasibility study

Detailed Study

Legal Analysis

market analysis

Technical analysis

administrative analysis

Financial analysis

Socio-political analysis

Economic analysis

Environmental analysis

Project Appraisal

Implementation

**Fig 1. Traditional Feasibility Study Procedure**

***Pre-feasibility Study (Concept and Initiation Phase)***

This step implies the discussion of the investment idea. It may include representation of the investment idea with a simple legal, marketing, technical and engineering, Organization, financial, environmental, economical, or social criterion that lead to a primary approval or refusal of the idea.

***Detailed Feasibility Study (Design and Development Phase)***

Theoretically, the detailed feasibility study includes more detailed studies of the investment idea with a detailed legal, marketing, technical and engineering, Organization, financial, environmental, economical, or social criterion that lead to project appraisal. Generally, the tasks associated with such studies include the followings

Legal Analysis includes the legal aspects of the project, any legal issues forbidding the project and any legal modifications required to proceed in the project.

Commercial/market analysis aspects of a project include the arrangement for marketing output produced by the project, and the arrangements for the supply of inputs needed to build and operate the project. On the output side, careful analysis of the proposed market for the projects production is essential to ensure that there will be an effective demand at a remunerative price e.g questions to be asked include: where will the products be sold?, is the market large enough to absorb the new production without affecting the price?, if the price is likely to be affected, by how much?, what share of the total market will the proposed project supply?, are there appropriate facilities for handling the new production. On the input side, appropriate arrangement must be made. The questions to be asked include: do market channels for inputs exist?, and do they have enough capacity to supply new inputs on time? What about the financing of suppliers of inputs and credit for the users to purchase these supplies? The commercial aspects of the project also include arrangements for procurement of equipment's and supplies. The questions to be asked include: are procurement procedures such that undue delays can be avoided ?, are there procedures for competitive bidding to ensure fair prices? Who will draw up the specifications for the procurement?

It also includes distribution arrangements including warehousing and storage arrangements *Market analysis* can be achieved through: descriptive approach, price efficiency technique or industrial organization technique.

Technical analysis concerns projects inputs (supplies) and outputs (production) of real goods and services.It is extremely important, and the project framework must be defined clearly enough to permit the technical analysis to be thorough and precise. The other aspects of project analysis can only proceed in light of the technical analysis. Good technical staff are essential for this work; they must be drawn from consulting firms or technical assistance agencies abroad. Technical analysis may identify gaps in information that must be filled either before project planning or in early stages of project implementation. It gives an indication of the capacity of operations, type, complete design, construction process and method within the project. It also includes the quality of machinery and equipment's. There should be provision for maintenance of the machinery and equipment's, the location and layout of the project and planning schedules are also part of the technical analysis. It also includes appropriateness of technology – this will depend on the level of development in the community

Technology should be examined at two levels:

* The technology used must be suitable for the realization for a specific objective of a given project
* The technology must also be examined for suitability according to the prevailing socio-economic environment

Organizational /Administrative analysis- A whole range of issues in project preparation revolves around the overlapping institutional, organizational, and managerial aspects of projects. This factors clearly have an important effect on the project implementation. Frequent questions asked is whether the institutional setting of the project is appropriate and, whether the socio-cultural patterns and institutions of those communities that the project will serve must be considered. For projects to be carried out successfully, they need to relate properly to the institutional structure of the country and region

This may include structure of companies, partnership and other organizational set up. Other factors may include the projects manpower requirements, transportation of machinery, maintenance and commissioning e.g for the turn key projects

Terms and conditions which are adhered to by contactors must be carefully weighed to ensure that they are in line with the overall project objectives.

Financial analysis-The financial aspects of project preparation and analysis include the financial effects of a proposed project on each of its various participant.

In construction projects, the participants include contractors, consultants, Regulatory bodies, financial institutions such as Banks, Insurances etc.

The analyst will need budget projections that estimate year by year future gross receipts and expenditures, this should include the costs associated with production and the credit repayments from users must make to determine what remains to compensate the user for its labour, management skills and capital.

The analyst of income will also permit assessment of incentives for users to participate in the project?, what will be the probable change in the income?, what will be the timing of this change?, how likely are price changes or fluctuations that could affect the income severely enough that users will refuse to run the risk of participating in the project?, what will be the effect of subsidies arrangements on the income, and what changes in government policy might affect the income earned by users? will new subsidies be needed to provide sufficient incentives for the project to proceed.

An analysis of the financial aspect of the project administration will also be needed. The questions to be asked include: what investment funds will the project need and when?, what will be the operating expenses when the project is underway?, will these expenses depend on budget allocations or will the project produce sufficient revenue to cover for its administration costs?

There must be a clear evidence that the project will have a net gain if it has to be feasible. All the initial project costs as well as the operation costs should be carefully considered .

Economic analysis- It is basically concerned with the followings:

* + How to identify effects of a proposed project to the society
  + Quantification of the effects of the proposed project
  + Pricing of costs and benefits to reflect their values to the society
  + In economic analysis, shadow prices are used while in financial analysis the market prices are used

The economic aspects of project preparation and analysis require a determination of the likelihood that a proposed project will contribute significantly to the development of the total economy and that its contribution will be big enough to justify using the scarce national resources it will need

The point of view taken by economic analysis is that of the society as a whole. The financial and economic analysis are thus complementary – the financial analysis takes the viewpoint of the individual participants while the economic analysis take the viewpoint of society. However, because the same discounted cash flow measures are used in financial analysis to estimate returns to a project participant and in the economic analysis to estimate returns to society, confusion between the two analysis always arises, but there are three important distinctions between the two analyses approaches.

First in economic analysis, taxes and subsidies are treated as transfer payments i.e the new income generated by a project include taxes the project can bear during production, and any sale taxes buyers are willing to pay when they purchase the projects products. These taxes , which are part of the total projects benefit are transferred to the government which acts on behalf of the society as a whole and are not treated as costs. Conversely, a government subsidy to the project is a cost to the society, since subsidy is an expenditure of resources that the economy incurs to operate the project. In financial analysis, such adjustments are normally unnecessary, since taxes are usually treated as a cost and subsidies as a return.

In financial analysis, market prices are normally used. These takes into account taxes and subsidies and from these market prices, comes the data used in the economic analysis.In economic analysis, however, some market prices may be changed so that they more accurately reflect the social or economic values. These adjusted prices are called as shadow or accounting prices. In economic analysis, interest on capital is never separated and deducted from the gross return because it is part of the total return to the capital available to the society as a whole, and additionally, it is this total return including interest that the economic analysis is designed to estimate. In financial analysis, interest paid to external suppliers of money may be deducted to derive the benefit stream available to the owners of capital, but interest paid to the entity from whose point of view the financial analysis is being done is not treated as a cost, because the interest is part of the total return to the equity capital contributed by the entity, and hence it is part of the financial return that entity receives.

Social analysis- projects should consider the social patterns and practices of the client the project will serve. More frequently, project analysts are expected to examine carefully the broader social implications of proposed investments, Social consideration should be carefully considered to determine is a proposed project is responsive to national objectives e.g the case of creating employment opportunities , and also issues that are dealing with income distribution within the society. For social reasons, when governments what to emphasize on growth in particular regions, they would encourage projects that can be implemented in these areas

Environmental analysis- here Pollution and Environmental degradation shall get attention

***Project Appraisal***

In this step, the expected economic and social revenues of the project are evaluated and analyzed using a variety of techniques to decide the project feasibility. Traditionally, investment decisions on public projects are made by the investing government based on the cost-benefit analysis and economic viability of the projects. The most common methods for the assessment of financial viability are the payback period, average account rate of return, net present value (NPV), and internal rate of return (IRR) methods. Decisions derived from these methods are based on the forecasts of base-case cash flows. However, public projects are characterized by high capital outlays, long lead times, and long operating periods, which lead to inadequate cash flows forecasting.

***New Trends in Feasibility Studies***

Many new trends have been introduced to enhance the traditional procedure, among the most commonly used are the followings

1. Use of historical data and experiences for the input

It is no longer required to pass through all the steps of the traditional approach. Historical data and experiences about the market, technical and engineering requirements, and financial and economical input may be used directly to cover many parts of the traditional approach. This new trend aims at saving a lot of time and cost spent to cover previously known information.

1. Ready Made studies

These are industrial profiles for many small and medium size projects. Those studies are concentrated into few pages and are available in banks and fund organizations to encourage investments in some projects. Usually, those studies do not have a market study, as they are assumed to cover a real market gap. Generally, the study includes many items as a general description of the project, the expected capacity of the production, the nature and requirements of the suitable location for the project, and the raw materials required to the production including their quantities and prices. Besides, it includes the production method, required equipment invested capital money, operating costs, and expected revenues.

1. Other gap analysis

Usually, the traditional feasibility study concentrates on the demand gap as a quantity where **Demand Gap = Demand – Supply.** New trends advocate the analysis of other types of gaps between the supply and the demand and try to cover those gaps by new products or services. This includes the price gap, quality gap, seasonal gap, and geographic gap.

1. Technical future aspects

Studying the technical future of the project and not only the economic future as in the traditional feasibility studies approach. In this new trend, the expected development in the product, its quality, and its influence on the price is studied.

1. New shape (5M)

New shape for the steps of the traditional feasibility study including the study of what is called the 5M (market, money, machines, materials, manpower). This new trend assumes that all types of projects commonly have the above five elements.

**Advantages and Disadvantages of Different Procedures**

|  |  |  |  |
| --- | --- | --- | --- |
| **Procedure** | **Application** | **Disadvantages** | **Advantages** |
| Traditional feasibility  study | - All types of projects  (new and extension)  - Big to small size projects | - Require a heavy front-end loading both in term of cost and time  -Needs extensive documentation | Precise input |
| Use of historical data and experiences for the input | - Frequent projects  - Industrial projects | - Historical data may be  misleading or subjective  - Documentation is external to the work | - Save a great amount of time  and cost to cover input |
| Ready Made  studies | - Frequent projects  - Industrial projects  - Small and medium  size projects | - No market studies as they  assume to cover a real market gap  - Historical data may be  misleading or subjective  - Documentation | Save a great part of time and costs  - Encourage investments in  some projects |
| Other gap  analysis | - All types of projects  (new and extension)  - Big to small size projects | - A great concern on the market  and gap analysis could lead to  weakness of other input  - Needs extensive documentation | Precise input |
| Technical  future aspects | - All types of projects  (new and extension)  - Big size projects | - Require a heavy front-end  loading both in terms of cost  and time  - Needs extensive documentation | - Precise input  - More emphasis on the future influence of the project |
| New shape  (5M) | - Projects that had the 5M elements as main elements | - Assume that all types of  projects had the 5M elements  as a common  - Limited studies to the 5M  elements | - Save a great amount of time  and cost |

3.2. Action Planning

Action planning is the process that guides the day-to-day activities of an organisation or project. It is the process of planning what needs to be done, when it needs to be done, by whom it needs to be done, and what resources or inputs are needed to do it. It is the process of operationalizing your strategic objectives. That is why it is also called operational planning. When an action plan or an operational plan are presented as the basis for a funding proposal, or for a loan application, or to get others to buy into a process or project in some way, they are often referred to as “business plans”.

Action plan has three key elements

1. Definition of the CSI
2. Establishment of the goal that will be achieved relative to the CSI and the success indicators that will be used to gauge progress toward the goal
3. Identification of the major actions to be taken to reach the goal, and for each action:

a. What will be done?

b. By when it will be done?

c. Who will be accountable for accomplishing the action?

d. What resources will be required to take the action

The CSI clarifies the basis for the action plan, and includes:

- What is the definition of the issue?

- What is the current state of the issue?

- What are major forces currently impacting the issue?

- What are major forces that will impact on this issue in the coming years?

- What will be the impact of addressing/not addressing the issue effectively?

- What will it take to address the issue effectively?

Goal: Having clarified the basis for the CSI, the goal should reflect the outcome that will be targeted relative to the CSI, within the time period of the strategic plan (e.g., 5 years). Effective goals should meet the SMART criteria:

* Specific
* Measurable
* Achievable
* Realistic
* Time-bound

Action plan: With a clear goal and success indicators, the next step is to generate the major actions in time sequence that will be taken to achieve the goal.

* What is the action to be taken (Out puts)
* By when the action will have been taken
* Who will be accountable for ensuring the action is successfully taken
* What additional resources will be needed in order to take the action (money, use of assets, time, etc.)

**Basic Action planning Model**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activities** | **Time frame**   * **begin by,** * **Complete by** | **Person responsible** | **Costs/inputs**  **(Resources)** |
|  |  |  |  |

**OUTPUTS**

Outputs are the “what” that must come out of activities if a result area is to be achieved and the strategic plan is to be successful. They are the results of the activities. The key result areas of strategic plan become the goals of action planning.

**TIMING**

There are two aspects to timing in action planning:

* When to do it; and
* How to plan the time needed to carry out activities.

You need to do action planning as an extension of your strategic planning process. But you also need to do it regularly in between strategic planning processes and reviews.

Action planning is something you do whenever you know what you want to achieve and you need a plan to spell out the activities required to achieve it. It is not usually a good idea to do detailed action planning for more than a year in advance. Changes in context, in strategy, in assumptions may require changes in what you actually do in the longer term.

When it comes to planning the time needed, the key is usually **sequencing**: doing things in the right order and making sure that you don’t get held up because something that should have been done earlier hasn’t been done, and is now holding up the whole process.

When you have completed your action planning process, it is useful to do a summary of your time plan, as a checklist for you and for other stakeholders such as donors or beneficiaries. This will enable you to see at a glance when your busiest periods are likely to be and to prepare for them in advance. In the section on Planning Activities: Step-by-Step, when must steps happen? we suggest a way to summarize activities and time-frames.

**RESOURCES**

The resources you need to carry out an action plan include: Finances, People, Materials, Services, Transport. What all this usually means is **money**. Your budget will summarise the financing resources that you need in order to carry out your action plan. You cannot prepare a budget until you have an action plan. In summary, then, action planning is the process in which you plan what will happen in the project or organisation in a given period of time, and clarify what resources are needed to make it possible.

**Implementation**

Implementation means transforming a plan into action. It means taking steps to see that strategic objectives are achieved by carrying out action plans. All the planning is worth nothing if there is no implementation.

There is no magic formula to ensure that implementation takes place. It requires:

* Effective **work plans** at the team/ departmental level;
* **Individual plans** that are based on the team work plan and on organizational priorities
* **Good management**.

**THE WORKPLAN**

In the section Planning Activities: Step-by-Step, you can work through the development of a workplan that:

* specifies the tasks to be done;
* who is going to be responsible for doing them;
* when they must be done; and
* the resources needed.

Each functional work unit in the project or organization needs to have a work plan that covers up to about one year of activities.

Shorter periods may be better, at least for the detailed work plans. This workplan then becomes the guideline for daily progress within the work unit and creates a basis for co-ordinating activities across the whole project or organisation.

If a work unit is involved in more than one key result area (which is very likely), then it needs : a work plan for each set of activities, an integrated work plan for everything to which it is committed. This will enable it to prioritise, reschedule, and allocate resources in such a way that the work gets done.

**INDIVIDUAL PLANS**

Once each working unit, and the organisation overall, know what is expected of them, each individual staff member needs to translate this into what it means for him or her good management requires that those with responsibility for ensuring that the work gets done know what they can expect of staff, and that staff know what is expected of them. Individual work plans are done on the basis of how this can best be done. Once each staff member has his/her own workplan, this can form the basis of a review and support process. It is always best to get people to take responsibility for working out their own workplans. This applies to both professional and administrative staff.

**MANAGEMENT**

The role of management, whether it is collective management or hierarchical management, is to:

* help staff members set standards for productivity and quality;
* monitor performance – how is it going, what problems are developing, what achievements need acknowledgement, what can be done to provide support?
* meet with staff members regularly to review progress and provide support and feedback;
* deal with things that are going wrong.

There are many different management styles. None of them is “wrong” or “right” but some will work better in a particular situation than others:

The followings are some of the management styles

* A directive style is one where the person or people doing the managing know what they want and expect to get it, although with some negotiation and compromise.
* A participatory style is one which is willing to negotiate almost everything if the management structure can be convinced that an alternative might well work.
* A team style is one which leaves it up to the team to negotiate the basis on which performance will be defined and assessed, and only tries to influence this through participating actively in the team.
* An assertive persuasion style is one in which management knows what it wants and sells it effectively so that staff members buy into it.

Whichever style you use in your organisation or project, management is necessary. Without some sort of oversight and review process, in relation to individual performance as well as unit performance, successful implementation becomes very difficult. Unless someone is responsible for dealing with it when things go wrong, the entire organisational or project action plan can be ruined.

**Monitoring**

Monitoring in the context of action planning is the ongoing assessment of how an organisation or project is performing against its action plans. It addresses questions such as:

* Are outputs being achieved within the timeframes set?
* Are resources being efficiently and effectively used?
* Are we doing what we said we would do and if not, why not?
* Are work units meeting their objectives?
* Are individuals meeting their objectives?

Monitoring is an internal function. It goes on continuously in any well-managed organization or project.It helps those in leadership positions to;

* determine whether the organisation or project is implementing its action plan effectively and efficiently.
* account to other stakeholders for what is happening in the project or organisation.
* Learn from mistakes and
* take corrective action when necessary.

**Monitoring process**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Expected**  **indicator** | **Actual situation** | **Any deviation** | **Probable**  **reason for** **deviation** | **Lessons and**  **recommendations** |
|  |  |  |  |  |

It is not necessary to add complicated record-keeping to your work in order to monitor. In most cases you can use the simple systems you already have. Make sure that things such as: Attendance registers, Officer reports, Time sheets, Financial record systems, Minutes of meetings etc.

**Challenges in Action Planning:**

There are three key challenges that come up in the action planning process.

* Engaging the right people in action teams
* Coordinating across action plans
* Being realistic about time-frames