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WHAT KIND OF STRATEGIC PLANNING SYSTEM DO YOU NEED?

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In an earlier article we proposed a scheme for strategic planning, focusing on large, diversified corporations.[1] Our approach was presented in fairly general terms without outlining specific corporate settings. Since companies differ in size, strategies, structure, and style, and are likely to change with the passage of time, a successful planning system must be carefully tailored to suit the specific needs of the corporation concerned.

In this article we shall discuss how planning systems design may be applied to particular corporate settings, including recommendations not only for the larger, often diversified corporations, but also for smaller and typically more homogeneous companies. We shall specify seven important design characteristics and alternatives to these designs, for what may be appropriate for one company may not work at all for another, and what seems to work today may not be the solution a few years into the future.

The seven classes of systems design factors we shall consider are as follows:

1) Communication of goals.
2) The goal setting process.
3) Environmental scanning.
4) Executives' focus.
5) Role of the planner.
6) Link planning and budgeting.
7) Nature of feedbacks and revisions.

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1 Vancil, Richard F., and Peter Lorange, "Strategic Planning in Diversified Corporations," Harvard Business Review, Jan.-Feb. 1975.

We shall indicate how each of the above design issues may be approached for two classes of situational archetypes: homogeneous or diversified corporations, and new or mature planning systems.

The diversified corporation is typically large and multi-divisional, the homogeneous corporation relatively small, having only a few, often highly interrelated, divisions. Whether the company has had a planning system in operation for a relatively long time, i.e., a mature system, or for a relatively short time, i.e., a new system, is particularly relevant in the case of large, diversified corporations, in which relationships among organizational levels are likely to change, necessitating change in the design of the planning system. For smaller, more homogeneous corporations, on the other hand, there is less change in relationships among organizational levels; thus, the maturity of the system is here of less concern.

We are of course simplifying in considering only these two situational archetypes. There are undoubtedly other relevant factors that should be considered when describing a corporation's setting. And although we present the situational factors as dichotomized, most real-life companies are probably positioned somewhere on a continuum between these two extremes. Nevertheless, we feel confident that the discussion will be useful to the practitioner in search of a way of implementing planning in his company, with the caveat that he be prepared to modify our suggestions to the particulars of his own setting. With this said, let us proceed with a discussion of the adaptation of each of our seven classes of systems design factors to the situational settings.

1. Communication of Goals

A common problem in the design of a formal planning system occurs when the organization requests corporate guidelines in order to carry out the planning task. A division manager, faced with the uncertainty of how to tackle the planning assignment, may ask, implicitly or explicitly, "Tell us where you want us to go, and what you expect from us by way of performance, and we'll present a plan of how to achieve it." Similar questions may arise from functional managers when asked by the divisions for functional strategies and programs. These questions are not unreasonable, but acceding to them may violate the very purpose for which formal planning is being undertaken. To determine how goals should be communicated and how specific they should be is an important design issue for the planning system, and the "right" answer will differ from company to company.

When the president of a homogeneous firm (or the general manager of a division of a diversified firm) initiates the programming process, he shares with his functional subordinates his thoughts about the objectives and strategy of the business. In most situations, however, he does not make explicit his performance goals for the business. Instead, he asks his functional managers to devise a set of action programs that will implement the strategy of the business in a manner consistent with its objectives. All the managers involved know that one result of the programming process will be a mutually agreed-upon set of performance goals for the business, but they also realize that there is no need to anticipate the results of the programming process by trying to establish goals before the programs have been created and evaluated. This would be unnecessarily time-consuming and burdensome, and might create false

expectations among functional management.

The programming process is oriented much more toward the analysis of alternative actions than toward the establishment of business goals. The primary reason for this is that the functional managers involved in programming tend to have (properly) a parochial point of view. They have a somewhat shorter time horizon than the general manager and focus their attention on one special function of the business. The general manager is the only executive who puts all the functional pieces together. He is the one who decides which subset of alternative action programs should be selected in order to achieve the goals that he has set for the business. Functional managers do not need to know what the general manager's goals are, but rather that he wants them to recommend the best possible set of action programs.

Because of its action orientation, the programming process tends to have relatively little continuity from one year to the next. The objectives and strategy of the business may not change, but each year it is necessary to re-examine all existing programs and try to devise new ones. Thus, even though the programming activity commonly uses a time horizon of three to five years, relatively little attention is paid to the tentative goals established in the preceding year. The focus, instead, is on the current situation, on the best set of action programs now, and on the development of an achievable goal for the forthcoming year. The nature of the programming process seems to be approximately the same in a homogeneous corporation as in a division of a diversified firm. However, the actual flavor of the programs will depend entirely on a given unit's strategy and business.

The diversity of the portfolio of businesses facing corporate

management is often so great that its capacity for in-depth perception and familiarity with each business diminishes. Consequently, it has to rely on the relatively unconstrained inputs from the divisions.

Division managers do heed corporate guidance in the form of broad objectives, but it is usually desirable for corporate management to delay the development of an explicit statement of corporate strategy and goals. This forces the division manager to think through his business with a long-term, external focus; the fewer constraints placed on his thinking, the better. Another reason for delaying the specification and communication of corporate goals to division managers is that corporate management is also changing the approach it takes to an old task. In the absence of a formal planning process, corporate management may have developed explicit goals for itself, but it cannot be sure that the goals will seem appropriate when viewed in the context of a set of independently-arrived-at divisional goals. Divisional recommendations permit corporate management to do a better job of corporate goal setting.

In corporations which are in a more homogenous set of businesses, however, one will expect more explicit communication of corporate-divisional goals. Both corporate and division management will then be in situations which permit a more intimate mutual understanding of what corporate and divisional goals are and should be. More explicit goal communication in this case will utilize available knowledge about the businesses at both corporate and divisional levels. Failure to communicate goals explicitly will diminish the effectiveness of the planning process.

2. The Goal Setting Process

A major issue in the design of a planning system is the goal setting

process itself. From the point of view of the division manager, are the division's goals to be established by corporate management or by the division manager himself? This issue is sometimes cast as a dichotomy, the choice being between "top-down" goal setting or "bottom-up" goal setting. As a practical matter, of course, both corporate and divisional management must agree upon divisional goals. An important issue, however, concerns which level in the hierarchy initiates or first suggests what the divisional goals should be. The same issue arises between the general manager and functional managers of a homogeneous firm. The design of the planning system can have a strong influence on how this issue is resolved.

The goals for a homogeneous business that emerge from the programming process are tied to an approved set of action programs. Until the general manager of the business has decided which programs should be approved, it is impossible for each of the functional managers to set goals for his sphere of activity. Once a set of action programs is selected, therefore, the performance goals for each functional department are more or less automatically determined. In this sense, functional goal setting is a top-down process. The functional managers propose action programs, but it is the general manager with a business-wide perspective who decides which programs to undertake and what the goals for his functional subordinates should be. This mode of functional goal setting seems to prevail in the homogeneous corporate archetype as well as in divisions of diversified firms. However, the specifics of functional goals will of course be tailored to the setting of each business.

When it comes to "tailoring" the corporate-divisional goal setting process to a company which is in a relatively diversified set of

businesses, "capacity-limitations" at the corporate level will dictate a relatively bottom-up approach. A major share of the goal setting initiative should probably come from the divisions, since intimate monitoring of the diverse set of business conditions will be necessary. When divisions operate in a set of more homogeneous business settings, however, corporate initiative in the goal setting process should be more pronounced.

For the first year or two of a formal planning effort, the best approach in most situations is to allow the initiative for recommending divisional goals to rest on the division manager. This approach serves to enhance his sense of running his own business and encourages broad strategic thinking at the divisional level. Subsequently, after the corporate and divisional managers have had some experience in hammering out a mutually agreeable set of divisional goals, the division manager's annual proposal for divisional goals will not be as unconstrained as in the early years. It should be stressed that divisional goal setting is really a negotiation and, although it is formalized as an annual event in the planning process, the cumulative experience of previous negotiations tends to improve the effectiveness of the goal setting process. The systems designer can help to nurture this development by creating a system that maintains a proper top-down/bottom-up balance, given the particular situational constraints. This may be accomplished by withholding an explicit statement of corporate goals while requiring the division manager to recommend goals for his division.

3. Environmental Scanning

A formal planning system will have two major functions: to effect an integrated, coordinated and consistent long-term plan of action, and

to facilitate adaptation of the long-term efforts of the corporation to changes in the environment. When introducing and developing a formalized system for strategic planning, a common tendency is to concentrate on the integrative aspects of the system; because of the inherent difficulties of designing an effective adaptive system, there tends to be a bias against the adaptive capabilities of formal planning systems.

Corporate management of both homogeneous and diversified companies will usually wish to provide all division managers with a more or less detailed set of forecasts on assumptions about the future business environment. Since each division will be doing the strategic planning for its business more or less independently of the other divisions, corporate management will be aided in its task of reviewing the business plans if all divisions use the same set of economic and other environmental forecasts. Perhaps even more fundamentally, by providing division managers with data which give them a closer appreciation of the future environment, corporate management helps insure that each division's strategy is externally focused.

Corporate environmental scanning data may play an important role as an input to acquisitions and/or divestitures. Data for this important business portfolio modification activity will come primarily from environmental scanning. In fact, an important determinant for the success of an acquisition program will be the quality of the scanning effort. Needless to say, an adequate handling of this scanning effort will be particularly crucial for the highly diversified corporation. Emphasis on diversification will normally not be that high in the case of the more homogeneous corporation.

General environmental data scanned by the corporate level itself

might thus be instrumental in changing the emphasis of the overall portfolio. Normally, of course, it will be the quality of the business plan data, provided largely by the divisions themselves, that might prompt such shifts in business mix. In highly diversified corporations the task of monitoring environmental changes is too immense to be performed by top corporate management alone. Division management, therefore, will be expected to study the external environment that may be relevant to their particular business. Even if these circumstances do not neessitate delegation of the scanning task, as in the case of the more homogeneous corporations, corporate managers will provide only a minimal number of environmental assumptions, primarily economic forecasts, in order to reinforce the importance of division thinking about future environmental conditions. As a rule, environmental guidelines given to the divisions from corporate will be more elaborate in the more homogeneous corporation than in the highly diversified corporation.

The type of environmental data that is relevant for a particular business, and the degree of detailed forecasts necessary, may vary considerably from one division to another. For example, a division that has a large share of the market for a consumer product used primarily by middle-and upper-income teenagers and young adults might devote considerable effort to analyzing demographic trends and changes in per capita income. A fairly accurate forecast of the size of the total market five years hence is possible, and would be useful in appraising the potential for growth in that product line. Similarly, businesses involving products with rapidly changing technology may devote more attention to forecasting future technological advances, and those operating internationally will appraise political trends in foreign countries.

It should be the primary responsibility of each division to undertake an adequate analysis of the environment for its business. However, while a division in a highly diversified corporation will be expected to do this more or less entirely on its own, the divisions of a more homogeneous corporation might receive more common data from the corporate level.

Initially, the scanning effort may consist largely of a systematic gathering of data about markets, competitors, and technological changes; that is, forming a data bank. Thus, scanning during the early stage of planning might be characterized as a predominantly <u>statistical</u> effort.

In a mature planning system, however, there is a danger that the environmental scanning effort may become a number-gathering routine or an end in itself and may not lead to the kind of <u>strategic</u> analysis of environmental data which is desirable. Consequently, it is necessary to ensure that the scanning efforts become more strategic in nature as the planning system matures. This is done by requiring the managers to analyze the data for major strategic implications.

4. Executives' Focus

What should be the focus of the various executives involved in the planning effort? What roles will the division manager, the functional manager, and top management play? We shall consider these questions and whether plans should be relatively more quantitative or qualitative, more concerned with financial detail or with broad strategic analysis.

Preparing a functionally-coordinated set of action programs for a homogeneous business may require a great deal of cross-functional communication. Much of this interchange is most efficiently expressed in dollar or other quantitative terms, such as numbers of employees, units of product, square feet of plant space. Focusing on financial or

quantitative detail in the programming cycle is appropriate for two reasons. First, it helps to insure that each functional manager understands the specific dimensions of a proposed program and has thought through the implications of executing it. Secondly, dealing with the financial implications of alternative programs in some detail permits the general manager of the business to select more confidently the subset of programs to be implemented. In practice, the financial and quantitative aspects of functional planning become progressively detailed as the programming process continues, culminating in very specific plans that constitute the operating budget. This seems to be the functional managers' focus regardless of the type of company or maturity of the system.

In a highly diversified corporation the focus of corporate management is to ensure that a timely strategic outlook is taken by each division and the focus of division management is primarily on achieving that outlook. Division managers should be permitted to develop as much financial detail to support their proposals as they think is desirable, particularly during the early years of planning. This permissiveness may result in the creation of more financial detail than is really necessary for strategic business planning. After a year or two, therefore, the corporate requirements for financial detail to support division proposals should be made explicit--and should be explicitly minimal. Division managers should be asked to shift the focus of their efforts to the identification and analysis of strategic alternatives, using their expertise to estimate quickly the financial implications of these alternatives. This new focus is the one that was intended from the beginning, of course, but it is difficult to achieve at the outset of formal planning. Failing to shift the focus is an even greater danger;

the planning activity will become a "numbers game" and will never achieve its purpose. This will be a serious stumbling block to all division level planning. The biggest opportunity loss from this will probably be encountered by the more diversified companies.

If, on the other hand, the company operates within a relatively homogeneous set of businesses, quantitative detail is less likely to jeopardize strategic outlook, since the corporate level will have a better understanding of the strategic issues of the businesses. One will expect the division manager's outlook to be more quantitative in such settings.

Considering that, prior to the initiation of a formal planning activity, the division manager may never have seen or prepared long-range financial projections for his business, preparing them should be a useful activity in itself. Such projections help him to lengthen the time horizon of his thinking; he is being asked to make his intuitive economic model of the business more explicit in order to be able to forecast changes in the financial performance of the business. Despite the fact that his total planning assignment may be divided into several steps of "narrowing-down," his primary attention may tend to focus on the final and familiar step, the budgeting step. The result is that, the first time through a formal planning process, a division manager's efforts tend to be financially oriented and, in many respects, analogous to long-range budgeting. The systems designer, who is aware of the new pressures that formal planning poses for a division manager, should design the formal requirements of the system to mitigate these pressures.

The chief executive will have a focus distinctively different from the rest of his organization. He will be concerned with the overall balance--the strengths and weaknesses--of the portfolio of businesses

in which the company is engaged. He will have to consult with the division managers to be sure of the soundness of their business plans. He will have to allocate resources to the divisions, consistent with the long-term business portfolio balance that he is attempting to achieve. Occasionally, dramatic changes in the portfolio balance will occur when an acquisition or divestiture is being undertaken. The planning for such moves is part of top management's planning focus and rarely that of division managers; the only exception will be when the merger is reasonably small and falls within the division's business. In that case the merger will be analogous to an internal strategic project of the division. In a highly diversified corporation there will be a relatively strong emphasis on portfolio adjustments through acquisitions and/or divestitures, and the planning system should reflect this.

Two important rules of behavior apply to the chief executive. First, he should never allow himself to get so involved in the development of business plans that he is trying to do the planning job on behalf of the division managers. Such interference might inhibit the division from coming up with a realistic business plan to which it will commit itself. Second, before corporate can interact with any one division, it will need to collect information from <u>all</u> the divisions and evaluate the whole. Only then can it give divisional feedback, ensuring that the portfolio point of view is being maintained in the narrowing-down process. Adhering to these two principles is of course even more essential in the case of the highly diversified corporation than in the case of the more homogeneous corporation.

5. Role of the Planner

A major issue in the design of the planning system is the role to be played by the planner himself. It must be emphasized that strategic planning is a line management function. A sure route to disaster is to have plans produced by staff planners and then issued to managers. Strategic planning is essentially a people-interactive process, and the planner is one of the cast of characters involved. He needs to have a clear understanding of what his proper role is if the process is to function effectively.[2] It is important to distinguish between the the corporate level planner and the division level planner, since their roles are quite different.

The business planner's role is effectively that of staff planning assistant for the general manager of a business. He must coordinate the planning activities of the functional managers, but he is even more concerned with the problem that his general manager faces in selecting the best subset of alternative action programs. Only the general manager--and his staff planning assistant--have a business-wide perspective of the alternatives, and it is the assistant who must do the bulk of the analysis. Cast in this analytical role, the planner may become a very influential member of the general manager's executive team. If he uses his power sensitively, his effectiveness with his peers running the functional departments need not be diminished. They can appreciate the need for cross-functional analysis of program alternatives. The entire team is searching for the "right answer," in the substantive sense of the

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2 See Ackerman, Robert W., "Role of the Corporate Planning Executive," Vancil, Richard F., Editor, Formal Planning Systems-1972, Harvard Business School, Boston, 1972.

right package of action programs. Managing the planning process is an almost incidental role for the general manager's planning assistant in that he merely formalizes the analysis that leads to a coordinated set of action programs. This description of the business planner's role will fit corporate planners of small homogeneous corporations as well as division planners of the highly diversified corporations. A strong, independent divisional planner might be highly effective in the latter case in order to facilitate the "lonesome" process of divisional planning.

The corporate planner's organizational status can have significant symbolic value in conveying to division managers both the importance of formal strategic planning and the difference between it and conventional budgeting. The corporate planner's role is best conceived of as that of a systems caretaker. He is trying to help corporate management do a better job of resource allocation among the divisions, and one way to do that is to assist the division managers in strategic planning for their businesses. A further planning function at the corporate level is that of dealing with acquisitions and divestitures.

The planning system may be seen as setting the "rules of the game" for planning. Managing and implementing the system should be an explicitly stated management task and assigned to the corporate planner. Since systems maintenance is the primary function of his job, he should have a thorough understanding of the working of a planning system in order to be able to monitor its evolutions and maintain consistency. What about a corporate planner who in addition to or instead of managing the system is becoming involved in substantive aspects of the plans? Will this jeopardize his effectiveness as a neutral systems maintainer?

In highly diversified corporations the corporate planner will probably have less of a chance to get into the substance of the plans. His role as a caretaker for maintaining the effectiveness of the planning system is essential in this case. Also, lack of familiarity with each business precludes participation by the corporate planner in developing the divisions' plans. In a more homogeneous corporation, on the other hand, a combined role of maintaining the planning system and being more involved in specific substantive planning issues seems more natural for the corporate planner. In particular he may conduct business forecasting studies which can be utilized in planning for the entire set of relatively homogeneous divisions. Even in a mature system, however, he should not lose his perspective on the systems maintenance task.

6. Link Planning and Budgeting

The chronological steps in our planning system represent an orderly and gradual process of commitment to certain strategic alternatives. Each step in the process is, theoretically at least, linked to the steps that preceded it. In financial terms, this linkage may be quite explicit; a division's profit forecast prepared in the first planning cycle may subsequently become the profit commitment for next year's operating budget. Although few companies expect to achieve this financial linkage in narrowing down the alternatives, all the parties involved in the process should understand the intended relationship between the cycles. How fast or slow this narrowing down should be is a situational design question, depending on the particular corporate setting. A tight linkage between planning and budgeting indicates that relatively more substantive narrowing down commitments have been made at an earlier stage. A loose linkage, on the other hand, implies that the narrowing down process is slower and will occur mainly during the latter part of the process, in

the budgeting stage. Exhibit 1 shows examples of rapid versus slow narrowing down profiles. Notice that a company which does little narrowing down at the early stages will face the task of considering a vast number of strategic issues during the budgeting stage. This implies that either the company must be equipped with an adequate organization to process an immense and peaky budgeting workload, or that some alternatives will be neglected or disregarded altogether, with the result that the quality of the company's allocation decisions is likely to suffer.

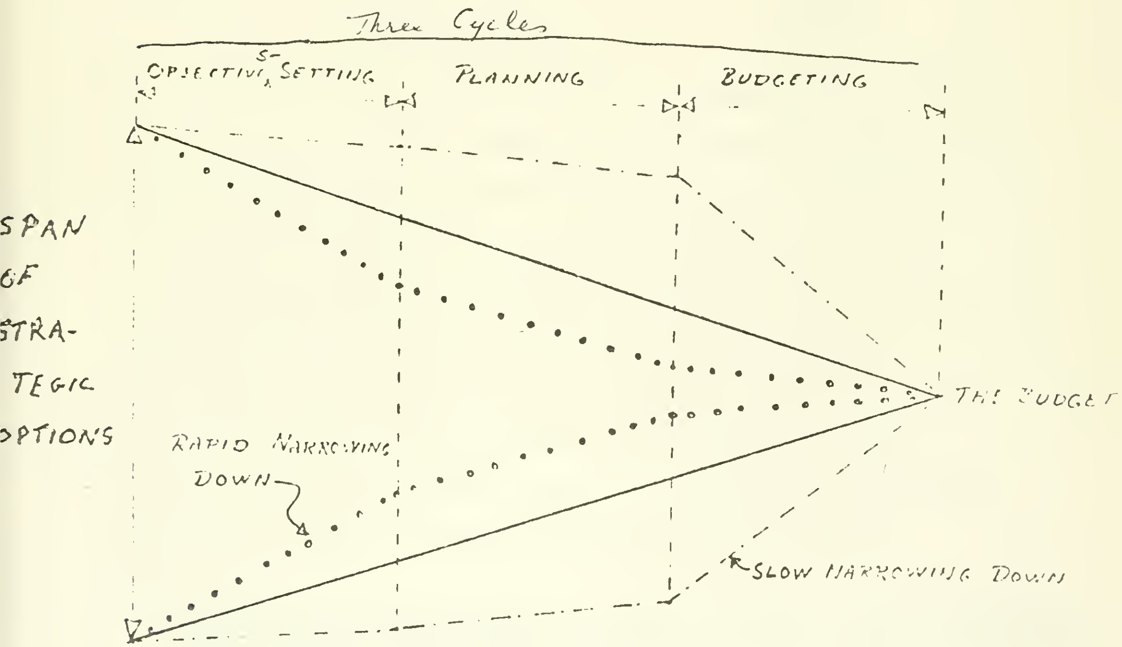

EXHIBIT 1

Exhibit 1. Examples of Slow vs. Rapid Narrowing Down Profiles, Implying Loose vs. Tight Linkage Respectively between the Cycles of the Planning Process.

A company which is engaged in a set of homogeneous businesses may wish to undertake an early or rapid narrowing down, since the divisional and corporate executive groups involved will be thoroughly familiar with the few businesses in question. The highly diversified corporation, on the other hand, faces "capacity constraints problems" at the corporate level, calling for a somewhat slower narrowing down, with more concentration on the budgeting stage. Equally valid here is the principle of striving for as much early narrowing down as will be feasible.

Linkage will probably be looser and narrowing down slower in a company which has just embarked on formalized planning than in one with a long history of planning. During the start-up phase relatively more emphasis should be put on allowing division managers to come up with "inventories" of creative ideas for their businesses and encouraging their strategic thinking, differentiating that activity from long-range budgeting with its related requirement of divisional performance fulfillment. As the system matures, however, a gradual increase of narrowing down can occur without jeopardizing the creative aspect of planning. A natural result of this progress is that the linkage between the planning cycle and the budgeting cycle will become increasingly explicit.[3]

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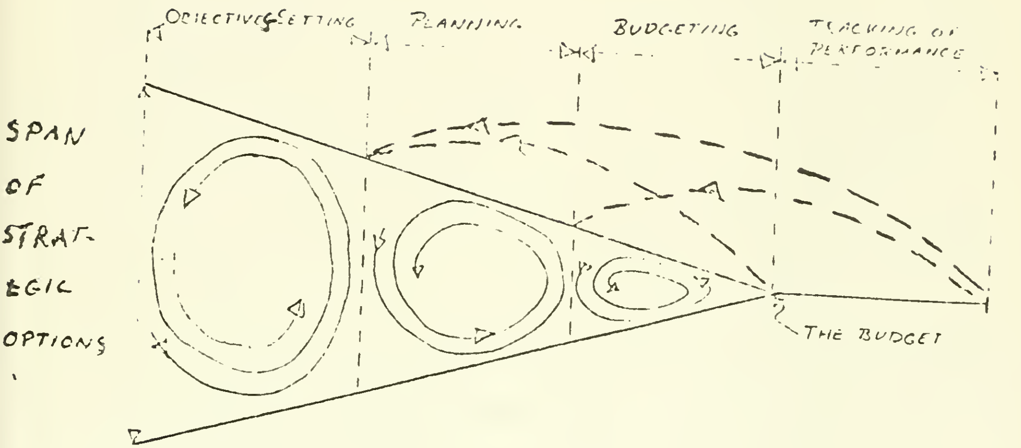
3 Shank, et. al. have identified three general types of linkage; content linkage which will address similarities (tight linkage) or lack of similarities (loose linkage) between aspects of the contents of the plans and the budgets; timing linkage which indicates whether planning and budgeting are undertaken at about the same time (tight linkage) or whether the two activities are spaced out in time (loose linkage); and organizational linkage which focuses on whether the planning and budgeting functions are the responsibility of the same office (tight linkage) or are split between separate offices. See Shank, John K., Edward G. Niblock, and William T. Sandalls Jr., "Balance, 'Creativity' and 'Practicality' in Formal Planning," Harvard Business Review, Jan. - Feb. 1973.

7. Nature of Feedbacks and Revisions

The other major design issue relating to the integration of planning with other management systems is the nature of the feedbacks and revisions that might take place between the cycles of the planning process. For instance, assume that several assumptions underlying the narrowing down decisions made during the objectives-setting and planning cycles do not hold when the budgeting cycle is reached. The reason may be simply that the assumptions have changed with time. When do such changes require the re-setting of objectives and/or revision of plans? We propose that companies in different situational settings should have different feedback/reaction procedures.

In our framework for long-range planning, issues normally go back and forth between organizational levels several times before consensus is reached. However, such iteration between the cycles in the narrowing down process should be kept to a minimum, for if the participants in the planning process know that they may easily modify their plans at later stages, they will lack the incentive to make sincere and binding decisions. Exhibit 2 illustrates the nature of the iterations and constrained feedback-loops that should be part of the planning process (solid lines). It also indicates the type of iterations and feedbacks that might jeopardize an effective narrowing down, and which should be kept to a minimum (dotted lines).

EXHIBIT 2


OBJECTIVE SETTING
PLANNING
BUDGETING
TRACKING OF PERFORMANCE
SPAN OF STRATEGIC OPTIONS
THE BUDGET

<u>Exhibit 2. Iterations and Feedback Loops. Solid Line Loops Indicate Desirable Loops. Punctured Lines Indicate Loops to Be Kept to a Minimum.</u>

In this and the following paragraphs we shall describe three causes for unscheduled revisions. First, a company may want to change its plan (and its budget) when major unexpected occurrences jeopardize the soundness of its <u>resource commitments</u>. (Such an environmental "happening" would be the impact of the oil crisis on, say, a major airline's strategy and plan.) It is then necessary to revise the plan and establish new budget in order that resource allocations can still be with the long-term prospects of the company. This kind of change occurs relatively rarely. (This does not imply, however, that the budget will be revised only rarely. Performance deviations often lead to budget alteration, but generally this does not invalidate the underlying strategic rationale for resource allocations or necessitate revision of plans.)

The second type of change in plans that might be prompted by feedback relates to <u>divisions' business plans</u>. It might be appropriate to revise business plans for a division when any of its competitors make major strategic moves, threatening the effectiveness of the long-term strategy. It is important that feedbacks calling for business plan revision do not lead to unnecessary change of corporate level plans and/or other divisions' business plans.

The third type of feedback that might prompt revision occurs when major problems arise in the <u>general funds flow patterns</u> on which the corporate portfolio plan is based. For instance, a general economic recession might hit the funds generating capacity of most of the divisions, or the market for outside financing might unexpectedly dry up. In such instances corporate management might wish to revise its overall pattern

of resource allocation, beyond merely making equal cuts across the divisions. This type of plan revision should not be necessary when only one or a few divisions fail to fulfill their funds generation promise; normally one or a few of the other divisions will have done better than expected, and the funds flow pattern for the portfolio as a whole will even out. The highly diversified corporation will probably be able to count on these "portfolio averaging out effects" to a large extent and will thus not have to institute the same elaborate feedback/plan revision procedures as a less diversified, highly integrated corporation.

Finally, given the time-consuming nature of planning, particularly during the start-up stage, when a lot of organizational learning has to take place and the degree of financial detail is probably still rather high, there will be a limitation as to how much revision one can undertake particularly in an immature planning system. The option to institute more elaborate feedback/plan revision procedures is less constrained in more mature systems.

We have discussed seven issues that are pertinent to effective implementation of planning systems design in different corporate settings --highly diversified as opposed to relatively homogeneous corporations, and corporations that have just recently embarked on formal planning as opposed to those with planning experience. We shall summarize the discussion by means of Exhibit 3.

Systems Design Issue	Situational Settings		
		Diversified Firm	
	Homogeneous Firm	New Planning System	Mature Planning System
1. Communication of Goals	Explicit	Not Explicit	Explicit
2. Goal-Setting Process	Top-Down	Bottom-Up	"Negotiated"
3. Environmental Scanning	Statistical	Statistical	Strategic
4. Executives' Focus	Financial	Financial	Strategic
5. Role of the Planner	Catalyst and Analyst	Catalyst	Catalyst and Analyst
6. Linkage of Planning and Budgeting	Tight	Loose	Tight
7. Nature of Feedbacks and Revisions	Much	Little	Some

Exhibit 3. Systems Design Issues in the Planning Process

In conclusion, we wish to reiterate three important general considerations about planning systems implementation. First, the choice of systems design depends on the nature of the company at hand; thus, careful analysis of a company's situational setting will be a necessary preliminary step before deciding on an appropriate system. Issues to be considered might include assessment of past and present strategy, organizational structure, style(s) of people in the line, and existence of management technologies in the organization.

Second, the design issues discussed in this article and listed in Exhibit 3 should be seen as tools at management's disposal, all of which _must_ be considered by the President. If he overlooks any of the issues, he may jeopardize the functioning of the entire system.

Third, any company should be viewed as a dynamically evolving entity whose situational setting is subject to change. The result is that the design of the planning system must constantly be updated to be effective. Thus implementation of a planning process is a continuous task requiring vigilance and insight on the part of management.