Resource allocation

*__Strategic Plan :__ is the representation of the hopes and aspirations of strategist whereas project implementation is meant for the creation of an infrastructure to enable them to put such a plan into action. Procedure in implementation provides the go ahead signal but nothing really happens until resources are procured and allocated to task for the accomplishment of the objectives.

**__Resource allocation__ :deals with procurement and commitment of financial physical and human resources to strategic Tasks for the achievement of organisational objective.

**It is both a one time and a continuous process. When a new project is implemented it would require the allocation of resources. An ongoing concern would also require a continual infusion of resources.

*Strategy implementation should deal with both these type of resource allocation.

*Several questions have to be dealt with in resource allocation such as

-**what sources can be tapped for resources?**

-what factors affect resource allocation?

-what different approaches could be adopted?

-how does resource allocation takes place?

-what are the difficulties encountered?

As far as procurement of resources his concern there are different types of resources- such as financial, physical and human.

- But Finance is generally considered to be the primary source, it is used for the creation and maintenance of other resources.

-the procurement of physical and human resources will be dealt with in operations and personal functional strategies.

-**Basically there are two types of finances such as** : long term finance and short term Finance. long term finance is required for the creation of capital assets whereas short term finance is for working capital. Both type of finances can be procured from the internal and external sources.

-**Internal sources :** include retained earnings, appreciation provisions, taxation provisions and other types of reserves like development rebate and investment allowance reserve.

-**External sources :** consist of capital market sources such as equity and loans and money market sources such as bank credit, hire purchase Debt, trade credit, installment credit and fixed deposits.

-while both internal and external sources carry benefits as well as disadvantages given a choice business firm would prefer the internal sources.

-on the other hand when company go for modernization, expansion and diversification strategies or creation of a new company then they required additional investment. In this case the external sources of Financing are are tapped. For example SEBI E and Financial Institutions (like IFCI, ICICI, IDBI, IRCI, LIC, UTI etc.), operation of stock exchange

-Though the primary support for working capital is provided by commercial banks.

**After the procurement of financial resources the strategist set out to implement the strategies in the right way. The first task is to distribute the resources within the organisation two different SBU's, divisions, departments, functions, task and individuals.

VARIOUS INSTRUMENTS/APPROACHES TO RESOURCE ALLOCATION

*The main instrument for resource allocation is budget. Broadly, there could be three approaches two resource allocation such as:

-**1st type-top down approach :** where resources are distributed through a process of segregation down to the operating levels. The corporate management consisting of the board of directors, the CEO of and executive committee food beside the requirement and distributor resources accordingly.

****The top down approach is usually adopted** in an entrepreneurial mode of strategy implementation.

-**2nd type-is a bottom up approach** : where resources are allocated after a process of aggregation from the operating level.

-**3rd type-is this approach is a mixture of the above 2** and involves and iterative form of strategic decision making between different levels of Management. This approach has been termed as strategic budgeting. Besides the strategic budget There are several other means song resource allocation such as BCG matrix, PLC and so on.

STRATEGIC BUDGETING: it is a common technique used as a planning, coordination and control device in management. It is carried out in in a sequential manner between different managerial levels and assumptions made before the formulation of budget. The operating management meanwhile prepares operational plans and sets target which are coordinated with the corporate objective through the executive management. Based on resource availability and corporate guidelines the strategic budget is prepared by the executive level committee and it is presented by the top management for approval and sanction. The strategic budget is then communicated down the line and task of implementation taken up. More importantly it takes into account strategic factors such as environmental changes and their likely impact on the implementation of strategies and the corporate core competencies and their probable effect on the objective achieving capability of the organisation. This is the reason why it is termed as a strategic budget.

BCG based BUDGETING: BCG matrix can also be used for resource allocation. In BCG matrix, SBU's or products are identified as stars, question mark, cash cows and dogs. Investment and cash flow decision can be made on the basis of the type of multi SBU, multi division aur multi department company where resources have to be allocated.

PLC based BUDGETING: resource allocation would be linked to the different stages in a products life cycle. A product in the introduction and growth stages may attract more resources and these may be diverted from the high profit yielding products that have reached the maturity stage of their life cycle.

CAPITAL BUDGETING: resource allocation for new projects or products could be done on the basis of capital budgeting. Existing project, in cases of restructuring and modernization, could also use capital budgeting for resource allocation.

ZERO based BUDGETING: zero based budgeting is an operations planning and budgeting process that requires each strategist to justify resource allocation demand, note on the basis of the previous years budget but on "Ground Zero", which is based on a fresh calculation of cost each time a plan is to be implemented. The strategic plan is divided into operational plan, goals and activities. Resource requirements are calculated every time A budget is prepared. ZBB can be used for effective resource allocation among competing units on the basis of strategic priority since Cost are related to benefits for each strategic task undertaken.

PARTA SYSTEM: the barter system is and Indigenous form of control device used for exercising management control.Though essentially parta is a control tool news for the daily assessment for net cash inflow from operations, before tax and dividends, the budgeted parta is a pre determined amount agreed upon between the chairperson of the company and the business unit incharge.The total parta system is a daily budgeting and reporting system.