Long-Range Planning

A long-term plan is a document that acts like a map or guidance, clearly establishing where you are headed and how you are going to get there. It allows you to accurately prioritize works, and monitor your progress towards the end-goals. This process liberates you from the troubling cycle of a day-to-day planning.

In the long term, companies want to solve problems permanently and to reach their overall targets. Long-term planning reacts to the competitive situation of the company in its social, economic and political environment and develops strategies for adapting and influencing its position to achieve long-term goals. It examines major capital expenditures such as purchasing equipment and facilities, and implements policies and procedures that shape the company's profile to match top management's ideas.

Goals of Long-Range Planning in Business

Long-range business planning includes developing a mission statement, vision statement and ongoing business goals and strategies necessary to move the company's vision and mission forward.

1. Mission and Vision Statements-

Long-range business goals make business teams and individuals accountable for moving forward a company's mission and vision. The mission statement articulates the purpose for the organization's existence. For example, a mission statement for a bicycle manufacturer might be to offer high-quality bicycles at value prices.

A vision statement is more specific and expresses the change a company aspires to make. As an example, the bicycle manufacturer's vision statement might be to "become the largest-selling bicycle manufacturer by 2020." Based on the mission and vision statements, top-down business objectives are developed by senior managers in the form of long-term business goals.

2. Forecasting-

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Long-term business planning involves developing long-term goals based on assessing historical sales and other operating data. Using forecasting techniques in business planning helps leaders make informed predictions that can be used in developing long-term goals.

Relevant internal data about the company's performance, as well as external data about the industry, might be used to establish strategic long-term goals that are SMART: an acronym for Specific, Measurable, Attainable, Relevant and Timely goals.

3. Managing the Future-

Managing the future of the company lies at the heart of setting long-term business goals. This is particularly true of strategic business planning, which is "a total concept of the whole business involving a framework and process that guides its future. Long-term planning involves assessing a company's current market position, setting goals for where to take the company in the future, and establishing tactics for moving the company from where it is to where its leaders want it to be in the future.

4. Direction and Motivation-

Long-range business planning helps business leaders to think differently about the company's direction. It also provides motivation and insight into the type of performance necessary to meet business goals. This is especially important when significant internal change is required to maintain competitive advantages.

For example, a long-term goal might be to increase revenue for a particular product by 20 percent over a five-year period. This long-term goal gives management a measurable direction and provides employees a target by which to measure performance progress.

5. Identify Emerging Opportunities-

During long-range planning, a business owner tries to uncover trends in the marketplace that could be developed into revenue opportunities for his company in the upcoming years. Opportunities emerge from changes in consumer tastes or needs, new technologies, untapped geographic markets and customer groups, and even changes in government regulation. Long-

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range planning helps the business owner look beyond the current challenges that the business faces, and scan the business environment for what's coming next.

6. Stay Ahead of Competitors-

One goal of planning is to turn current weaknesses into long-range strengths that help the company build a sustainable competitive advantage. Some weaknesses can be mitigated within the time frame of a one-year business plan. Others require more time. For example, a weakness in research and development capabilities — bringing innovations to market on a regular basis — may require a multi-year effort to attract new engineering and research personnel, and an expansion of research facilities and technology within the organization.

7. Ensure Adequate Capitalization-

In the long-range plan, the business owner prepares a long-range capital budget that shows the cost of the projects he intends to accomplish over the next three to five years. This budget, when to compared to the long-range cash flow forecast, shows him whether the company will generate enough internal cash to fund all of the projects without putting the company in a cash shortage position. The owner may find that outside capital will be required from investors or lenders. Because securing capital can be a lengthy process, anticipating the cash needs well in advance makes it more likely that the funds will be available when needed to complete the projects.

8. Create a Forward-Looking Business Culture-

The process of doing a long-range plan year after year results in the company's owner and management team developing heightened awareness of the business environment they operate in, and better ability to predict what will happen over the long term. The process also results in the creation of a system to gather information about the environment that will be useful for the management team to use in preparing the plan. Ideally, planning will become an ongoing process that is integrated into the company's culture.

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