What can Corporate Planning Learn from National Planning

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Corporate planning today is at a cross-road.[2] Since the 1970s and 1980s, when the basic principles of corporate planning were developed through a massive body of literature and research,[3] practically every company of any substance has established elaborate corporate planning systems and attaches a great deal of importance to its corporate plans. From the mid-2000s, however, corporate planning has come under attack. A spate of studies, both conceptual and empirical, seeks to cast doubt on the role and utility of planning in modern corporates.[4]

The situation is reminiscent of the experience with national planning, with about a twenty-five year lag. It may be recalled that national planning came into prominence in the 1950s and 1960s beginning with India's decision to adopt national planning as the centre-piece of its development strategy, and its sequential adoption by many developing countries as they emerged from colonialism.[5] This period witnessed tremendous activity in academic research on planning models and methodologies not only in developing countries, but in developed countries as well. National planning came under attack in the very late-1970s, essentially led by the international multi-lateral agencies (World Bank and the IMF), but also drawing upon considerable support from the academic community. By the early 1980s, national planning was in full retreat and was retained by just a few countries such as India.

However, in the late 1990s, national planning began to make a come-back, although with a changed nomenclature. Ironically, this process was led by the World Bank itself, which required all countries seeking Bank assistance to prepare a "Poverty Reduction Strategy Paper" (PRSP), which were nothing but national plans under a different rubric. Unfortunately, during the intervening two decades, planning had completely dropped off the academic radar screen, and there was very little capacity available to prepare PRSPs. The net result was that many of the PRSPs were prepared by the Bank with virtually no development of local capacity and little impact on academic trends.[6] This has had the most unfortunate effect of forcing countries

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[2] In this paper we use the term 'corporate planning' to refer specifically to 'corporate ***strategic*** planning', and not to the other various plans that corporates prepare such as production plans, marketing plans, manpower plans, etc:

[3] Indeed, two special purpose journals focusing on corporate planning have been established during this period: "Strategic Management Journal" and "Long Range Planning". Major thinkers in this area include names like H.I Ansoff, R.A. Burgelman,, K.M. Eisenhardt, H. Mintzberg, etc:

[4] See for instance Dye (2006), Garvin (2004), Grant (2003), Mankins (2004), Mankins and Steele (2006).

[5] Prior to this, national planning was confined mainly to the communist countries. Post World War II, the demands of reconstruction also led many developed market economies to also adopt planning.

[6]Even in India, which persisted with planning and encouraged its study in universities, there has been little academic output in this area in recent years.

which value planning as a strategic tool to reinvent the wheel.[7]

The purpose of this paper is not so much to examine the utility, or lack thereof, of corporate planning, but more to draw upon the much longer experience of national planning to reflect upon three issues which have proved contentious in the corporate planning literature. The first is the distinction between strategy and planning which was at the heart of the famous Mintzberg vs. Ansoff debate of the 1990s, and which continues to be an unresolved issue.[8] There is general agreement that the vision for a company is inherently an entrepreneurial function, but the difference lies in the who and how of converting the vision into a strategic blueprint. Mintzberg (1994) points out that whereas strategic planning is an analytical activity, strategic *thinking* is inherently a creative one. These require very different kinds of aptitudes and skill-sets, and should therefore be kept distinct.

The second issue relates to the time dimension or the planning horizon and the manner in which this influences the strategic planning approach. A major concern in this regard is articulated by Mintzberg (1994) as the “fallacy of prediction”, which refers to the implicit assumption that the environment remains stable while the plan is being implemented. The charge is that formal plans become obsolete by the time they are implemented, and therefore are a futile exercise.

The third issue relates to the institutional structures through which plans are evolved and implemented. The degree of decentralization is clearly an important component of this, and has been a topic of much research and debate. However, what is less studied is the impact of planning processes on different components of the institution and the disenchantment that gets created within the organization. Indeed, internal resentment has been the downfall of many national planning systems, and it appears that something similar is happening to corporate planning as well.[9]

In this paper, we examine the historical development of national planning in India to identify and inform the manner in which these three issues existed in the Indian context, and the lessons that can be learned from the experience.[10] Clearly, national and corporate planning are not exact counterparts, but some of the learnings can migrate across the differences.

The Planning Experience in India

Since its independence more than 67 years ago, India has followed a path of planned development, which has by and large served it well. This section seeks to place the issue of economic planning both in its historical context and also in terms of the criticisms that have been leveled against it from time to time.

It may be useful to begin with some brief reflections upon the shifts that have taken place in our development strategy and in our attitudes and approaches towards growth and development

[7] South Africa began preparing its first plan in 2010 and discovered that there was virtually no expertise available that could be usefully drawn upon.
[8] See Mintzberg (1990), (1991), (1994) and Ansoff (1991), (1994).
[9] The major cause of the demise of national planning of course arose from the state vs. market ideologies, but internal resistance also has had a significant role to play.
[10] Ideally, to get generalizable results, it would be desirable to examine cross-country experiences with national planning. In its absence, this paper may be treated as a case study.

over the years, and to present a point of view which may be at variance with some of the recent popular discourse on the subject. There has been a tendency in recent years to treat the development strategy followed by India as an undifferentiated *continuum*, with little substantive variation from Plan to Plan. Nothing could be further from the truth. Indian development strategies have evolved from one Plan to another in response to the objective conditions of the economy and to the challenges of the moment. Some of these changes have been strikingly bold and original, others more modest; but change there has been.

The first Five Year Plan was not really a plan at all, but an agenda for the reconstruction of a badly damaged country in the aftermath of the Partition. It is the Second Five Year Plan which set the stage for formal planning in the country. The politically mandated objective of the Plan was to increase the growth rate of GDP to the maximum feasible given the limitation of resources. The principal constraint at that time was the availability of savings, and existing growth theories and models held little hope for any dramatic improvement over an extended period of time. The decision to convert the savings rate from a constraint to an additional objective bore the *imprimatur* of Prof. P.C. Mahalanobis, who was not a politician but a technocrat. The emphasis on the establishment of heavy industries through public investment, both as a means of rapid industrialization and for raising the low savings rate of the economy, was certainly original in its conception.[11] It reflects the tremendous confidence that our political leadership of that time, led by Pandit Nehru, had in the analysis and judgement of technocrats that it chose a path which was largely untrodden. The phased reduction of the savings constraint and the need for maximizing short run growth also required planning to be done over multiple time horizons. Thus, the perspective plan was set for 15 years, while the operative plan was for 5 years, and annual plans to concretise the resource allocations.

The Third Plan, conceived during a period of emerging balance of payments problems and falling international prices of primary products, called for a re-thinking of the strategy. A new constraint – foreign exchange – was emerging and had to be taken into account in addition to the savings constraint. There were two possible ways to address this issue: (a) increased emphasis on exports; or (b) reducing imports through directed domestic production. The former alternative would require derailment of the strategy to increase the savings rate, and thereby the long-run productive potential of the economy. Thus, the Third Plan introduced the concept of import substitution as a strategy for industrialization and growth. The genesis of this strategy was partly political and partly technocratic. On one hand, it gelled well with the political desire for national self-reliance; and, on the other, it was consistent with the "export pessimism" of main-line economics of the time. Whatever be the merits of this strategy in hindsight,[12] it received considerable attention, and even acclaim, from academics and practicing policy-makers, and was widely emulated by other developing countries.[13]

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[11] Although the model used for the Second Plan is now known as the Feldman-Mahalanobis model, acknowledging its similarity to the model developed by G.A. Feldman in 1928, the two were developed independently. Nevertheless, while there are commonalities between the Soviet and the early Indian planning models, their mode of implementation was quite different.

[12] The spectacular success stories of Taiwan and South Korea, which followed an overt "export-led" strategy began only about 5 years later.

[13] The Third Plan also saw the involvement of a number of the world's most eminent economists in developing and refining the original Mahalanobis model. In an important sense the theoretical basis of this plan foreshadowed the "two-gap" model of growth which was developed byChenery and Strout in 1966.

There were two other developments of note during this period, both institutional in nature. The first was the explicit recognition of the need to decentralize planning which was mandated by the federal nature of India's Constitution. Thus, the states of the Union were expected to undertake state-level plans within the broad framework and resource allocation of the national plan. Technical support was provided by the Centre to the states for this purpose. Second, the import-substitution strategy required the government to intervene in the pattern of industrialization over and beyond the role of the public sector envisaged in the Second Plan. Detailed sectoral planning using input-output models to determine optimal industry-wise capacity creation by the private sector was institutionalized at this time.

The Fourth Plan came after one of the most difficult periods of Indian economic history. The two-year period 1965 to 1967 witnessed the worst drought in recent memory and consequent famines in large parts of north India. At the same time, all aid was cut off to India by the donor countries on account of the Indo-Pakistan War of 1965, including food aid. This traumatic experience brought food security into the forefront of policy imperatives, which was further buttressed by the observation that sustained industrialization was not possible without adequate provision of wage-goods.[14]Thus, a third constraint was introduced into growth theory – the wage-goods constraint. The necessary efforts to address the agricultural constraint meant greater involvement of the Centre in agricultural development, which was otherwise a state subject under the Constitution. This Plan was also characterised by the introduction of another concept, which has only recently become popular in the international discourse – environmental sustainability.

The Fifth Plan too was path-breaking in that it recognized that growth and industrialization would not necessarily improve the living conditions of the people, particularly the poor – a recognition which only recently finds echo in the development position being taken by the World Bank. The strategic thinking in this instance was purely political and was driven by one of the most potent political slogans of independent India – "Garibi Hatao" –coined by Mrs. Indira Gandhi. This did not require a change in the constraints, but added an extra element to the objectives of the Plan. The concepts of "minimum needs" and directed anti-poverty programmes were innovations of this recognition. However, this also involved the Centre treading further into the domain of the states. The Fifth Plan also marks a point of departure from the Mahalanobis model, and a reversion to the Harrod-Domar model. The significance of this shift has perhaps not been fully appreciated, but it is a clear pointer to the view that was emerging at that time that savings may no longer be the main constraint to long-run growth.[15] In effect, therefore, it could be moved back to being a constraint instead of an objective.

The Sixth Plan, for the first time, explicitly recognized that the success of the Mahalanobis heavy industrialization strategy in raising the savings rate of the country had created a situation where the savings constraint was no longer binding and indeed excess capacities were becoming evident in certain industries. A shift in the pattern of industrialization, with lower emphasis on heavy industries and more on infrastructure, begins here. On the other hand, it also represents a shift towards a more 'technocratic' planning approach, where the plan targets became more

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[14] There was a four year 'Plan holiday' between the Third and the Fourth Plans, which enabled the planners to recalibrate the earlier strategy. This was a political decision, and the planners had to incorporate this into the plan model.

[15] By the mid-1970s, the savings rate in India had doubled as compared to the early 1950s, and had surpassed that of the USA.

'realistic', than 'visionary', which was the characteristic of the preceding four Plans. This persisted for the next three Plans as well. It also marks the beginning of disenchantment with planning within the political leadership.

The Seventh Plan represents the culmination of this shift in perspective, and may justifiably be termed as the 'infrastructure' plan. It was also during this period that a reappraisal of the import-substitution strategy and a shift towards a more liberal trading regime begins. The change in strategy in this case was not decided by the technocrats but by the political leadership, especially Rajiv Gandhi, who was the Prime Minister at the time. However, it was the responsibility of the technocrats to convert the politically dictated strategy to an operational blueprint. With hindsight, the potential risks of the new strategy were clearly not fully appreciated.

The Eighth Plan was overtaken by the foreign exchange crisis of 1991 triggered off by the Gulf War, and the economic reforms that came in its wake. The dramatic events and policy initiatives of the two-year plan holiday period between 1990 and 1992 demanded a full reappraisal of the planning methodology, and the Eighth Plan represents the first efforts at planning for a market-oriented economy. Although the shift in planning did not entirely take place, the economy performed unexpectedly well, recording an average annual growth rate of 6.7 per cent.[16]

Unfortunately, this growth momentum could not be maintained in the Ninth Plan, even though the planning methodology had adjusted substantially to reflect the new conditions.[17] In particular, it recognized that private investment was central to attaining the Plan targets, and that the direction of private investment was driven by the functioning of the financial sector of the country. Thus, for the first time in Indian planning, the financial sector was included as an integral part of the Plan. This added a fourth constraint – the financial constraint – which is quite distinct from the savings constraint. It recognizes that weaknesses in the financial sector can potentially prevent the economy from absorbing all the investible resources available.

The other critical point to note about the Ninth Plan is that again for the first time in Indian planning history it recognised the possibility that demand rather than investible resources could become the main constraint to growth and, as a consequence, the conduct of fiscal policy needed to be brought into the planning framework rather than be left entirely to the Finance Ministry.[18] The warning was, however, not entirely taken to heart by the economic administration in the country. The pressures of fiscal rectitude in the face of the implementation of the Fifth Pay Commission award led to a sharp reduction in public investment both at the Centre and the States, which precipitated a cyclical down-turn in the economy. Agricultural failure in three out of the five years exacerbated the problem, with draconian monetary contraction to check accelerating inflation adding to the fiscal contraction.

The Tenth Plan marks the return of visionary planning to India after a long period of

[16] The Eighth Plan, like the two previous plans, was "realistic" in its target, which was set at 5.5%. It should also be mentioned that the plan model continued to be the same as that of the two earlier plans, despite the change in the economic system.
[17] This plan used a macro-econometric model in addition to the standard planning model.
[18] In earlier Plans, the fiscal side was taken into account only to the extent that it affected the availability of Plan resources.

incrementalism. It sought to double the per capita income of the country in the next ten years and to create 100 million jobs over the same period. To a large extent, these targets were motivated by the demographic pattern that had emerged. It was quite clear that the single biggest challenge to Indian planners and policy makers at least for the next two decades would be to provide employment to a labour force which would be growing faster than ever before. The demographic projections indicated that although there was likely to be a steady reduction in the rate of population growth in the country, the growth rate of the working age population had attained a historical peak during the Ninth Plan period at about 2.4 percent per annum and would decline only gradually thereafter. The growth rate of the labour force, however, was likely to be slower at 1.8 per cent per annum, but even this needed to be seen against the past record in creation of work opportunities. During the 1980s and early 1990s the average rate of growth of employment, which is a proxy for work opportunities, had been around 2 percent per year, but it dropped sharply to around 1 per cent during the latter part of the 1990s. Therefore, if the immediate past trends in work creation continued into the future, the country faced the possibility of adding about 2.5 million people to the ranks of the unemployed each year. Such a situation was clearly insupportable.

It was further realised that creation of work opportunities in the macro sense in itself may not solve the problem of unemployment and poverty. Since the growth of the labour force was unevenly distributed in the different regions of the country, the spatial pattern of creation of work opportunities becomes extremely relevant. It would have been naïve to believe that there are no barriers or costs to large-scale migration within the country. How this confluence can be achieved is therefore a planning issue, and cannot entirely be left to the markets. In particular, it was noted that there will always be a tendency for private investment to focus on the already developed regions, which will accentuate regional disparities. Unless public intervention, particularly in infrastructure, could gradually redress the initial imbalance, matters would simply become progressively worse.[19] Therefore, the Tenth Plan laid considerable stress on the issue of regional balance and for the first time had a separate volume on States.[20]

The Eleventh Plan took forward the insights of the Tenth Plan, and introduced the concept of "inclusive growth".[21] Along with the Tenth Plan concerns on employment and infrastructure,[22] the Eleventh added the focus on human resources, especially health and skill-development. The prescience of this became evident during the course of the Plan. As the economy accelerated to a 9 per cent growth trajectory, skills shortages emerged in almost all sectors of the economy other than agriculture. By the middle of the Plan it was clear that skills, and not investible resources, had become the binding constraint on the Indian economy, and would continue to remain so for the foreseeable future. On the other hand, underemployment of the un-or semi-

[19]Three notable interventions of this Plan were the National Highway Development Programme (NHDP), the Pradhan Mantri Gram SadakYojana (PMGSY), a rural roads programme, and the SarvaSikshaAbhiyan (SSA), a universal primary education programme. It should be noted that the latter two interventions were again encroachments in the domain of states.

[20]Indeed, the Tenth Plan provided a consistent state-wise break-down of the principal targets of the Plan in consultation with the state governments.

[21] The term "inclusive growth" is first mentioned in the Approach Paper to the Eleventh Plan, and has since become the dominant catch-phrase in international development discourse.

[22] The Eleventh Plan consolidated the various infrastructure initiatives of the Tenth under the rubric of Bharat Nirman and gave them additional impetus. The other major innovation in this area was the push given to public-private partnerships (PPPs), particularly in power, roads and ports.

skilled labour continued to pose a challenge. Thus, increasing alternative work opportunities in rural areas was a key element of the Plan.[23] However, the objectives of this Plan also led to a further sizeable increase in the involvement of the Centre in matters of the states.

The Eleventh Plan too was overtaken by events. The global financial crisis of 2008-09 and the severe drought of 2009 took their toll. Although the economy recovered fairly rapidly,[24] the growth momentum had been damaged. In addition, the success of the Tenth and the early years of the Eleventh Plan in raising not only the growth rate of the economy, but even more so the incomes of the rural poor, led to a sharp increase in the demand for non-cereal foods. Since the supply response was inadequate, food inflation accelerated and continued to remain in double digits.

The Twelfth Plan, therefore, was framed under not very favourable circumstances. The global economy was slow in recovering from the global crisis, and the Indian economy too had lost its momentum. Corporate investment, which had led the high growth performance of the Tenth and Eleventh Plans, was floundering for a number of reasons including tight monetary policy and regulatory bottlenecks. By now it was clear that the Indian economy was substantially integrated with the global and its growth path could no longer be viewed independently from global developments.[25]This Plan, therefore, was less about new initiatives and more about bringing coherence in the development policy environment. The basic premises of this Plan remained more or less the same as that of the Eleventh with focus on the measures necessary to improve the impact of the initiatives.

Learning 1: Visioning, Thinking and Planning

What then are the lessons that corporate planning can draw from the long and varied experience of national planning in India? The first and most important is that the Ansoff-Mintzberg debate is substantially quite pointless: *strategic thinking and strategic planning are not alternative approaches to developing strategies*. They are both essential and need to be harmonized seamlessly. One without the other can lead to egregious errors. Strategic planning alone can cause the company to become captive to a limited, even a single, analytical construct which may not be appropriate for the challenges being faced. Pure strategic thinking without an analytical framework runs the risk of not being able to identify potential synergies and/or adverse side-effects of a directional change, which could otherwise be taken into account.

The literature suggests that the most effective corporate plans have been those which have been guided by entrepreneurs themselves.[26] However, what about board-managed, professionally-run corporates, where there is no obvious entrepreneur to take the lead? The

[23]The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the world's largest work-fare programme, was the principal intervention to address this issue.
[24] On the technical side, the eleventh plan introduced computable general equilibrium (CGE) models to complement and supplement the planning and macro-econometric models of the previous plan. This enabled the system to evaluate different policy options for addressing the shocks being faced by the economy.
[25]The Twelfth Plan extended the formal modeling approaches of the three earlier Plans by undertaking a scenario-building exercise using a systems approach, with very good effect indeed.
[26]See Ackelsberg and Arlow (1985), Armstrong (1982), Boyd (1991), Burgelman (2002), Powell (1992).

Indian experience shows that it can be seriously problematic.[27] The second, third, fourth, fifth and tenth plans were instances where the vision was articulated at the highest political level but the strategic thinking was left to the technocrats, who also were responsible for the detailed planning.[28] Each of these plans recorded spectacular success.[29] The seventh plan, on the other hand, is an instance where there was a political vision but little strategic thinking, leading to a situation where the strategic plan was at odds with the vision. The result was a serious economic crisis.[30] The sixth, eighth, ninth and twelfth plans were examples of a lack of vision, with the predictable result of the strategic plan being little more than business-as-usual.[31] The eleventh plan is interesting in the sense that although the political vision was less about growth and more about equity and social development, the economy performed spectacularly well until the global financial crisis hit.[32] This is mainly because this plan essentially built upon the strategy of the tenth plan and reaped the benefits of the momentum that had been created.

The first thing that is quite clear from this experience is that no good strategic planning can ever occur in the absence of a challenging and well-articulated vision. Unfortunately, quite often vision statements are merely platitudes, with the goals and mission statements being little better. A good vision statement must force the strategic thinker to go beyond linear extrapolations with minor bells and whistles of risk management, which is what passes for corporate plans in many cases.[33] Ideally, the vision should be amenable to quantification to a substantial extent so that the planning system is able to work out the targets, the trade-offs, the time dimensionality and the strategies that need to be followed.

It is not necessary that the vision statement itself must be quantitative in nature – the quantitative dimensions can be worked out through a process of interaction between the planners and the leadership. An excellent example of this is the "*Garibi Hatao*" (eliminate poverty) slogan of Mrs. Gandhi as the vision for the fifth plan. This vision forced the planners to first define '*garibi*' (poverty) in a measurable, politically-acceptable manner, and then recast the planning model to include poverty reduction as a specific target. In contrast, the tenth plan vision of doubling per capita incomes in ten years was overtly quantitative in itself.[34]

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[27] In the context of national planning, the political leadership represents both the entrepreneur and the Board. It may be useful to think of the Prime Minister as the entrepreneur, who is personally invested in the economic success of the country. However, this is usually only true of single-party governments with charismatic leadership. In the case of coalition governments, the Cabinet is the counterpart of theBoard with the Prime Minister as the Chairperson.

[28] The second plan was led by Prof. Mahalanobis; the third and fourth plans by Pitamber Pant; the fifth by Prof. SukhomoyChakrabarty; and the tenth plan by this author.

[29] In each of these cases, there were strong charismatic Prime Ministers at the helm: PanditJawaharlalNehru in the second and third plans; Mrs. Indira Gandhi in the fourth and the fifth; and Mr. Atal BehariVajpayee in the tenth, although heading a coalition.

[30] In this instance, there was a single-party government headed by Mr. Rajiv Gandhi as the Prime Minister. However, Mr. Gandhi did not believe in planning, and reportedly termed the Planning Commission "a pack of jokers". Little wonder then that there was total demoralization in the planning set-up.

[31] In each of these cases there was a coalition or a minority government with relatively weak leadership.

[32] This is of course not to say that the equity and social development objectives were not achieved. They were to a very substantial extent. The eleventh plan period witnessed the most rapid reduction in poverty in India, and considerable progress in primary education.

[33] This point has been forcefully made by Burgelman (2002). The Indian experience more than bears it out.

[34] Mr. Narendra Modi's slogan "Beti Bachao, BetiPadhao" (Save the daughter, educate the daughter) is another example of a quantifiable vision.

The second point which is amply clear from the Indian experience is that the strategic thinker should always lead the planning system. Translating a vision into a strategy is inherently a creative process, and requires a mind that is not tied down by the nitty-gritties of the formal analytical framework of planning. Typically, developing a good plan begins with identifying a set of alternative strategies for achieving the vision, and then examining each strategy in terms of its feasibility and effectiveness. The first step is a creative process, the second technical. A planning system led by a narrowly-specialised technical expert runs the danger of the vision getting shoe-horned into the existing analytical framework and completely missing the alternative pathways.[35] It may be thought that having a strategic thinker as a part of the strategic planning team could obviate this problem. The reality is otherwise. In any hierarchical system, which is the characteristic certainly of the government and probably of most corporates, the approach and views of the head of any unit will always dominate. It is usually a very rare person who will entertain contrarian views of a subordinate.

Having said this, it also needs to be pointed out that the person leading the planning system must be familiar with the formal analytical techniques used in evaluating alternative strategies. This does not necessarily mean that the strategic thinker should also be an expert on planning techniques, but the person must certainly have an understanding of the applications and limitations of different analytical approaches.[36] If not, then the complexities of planning models can overwhelm the person, who may then not be able to gauge whether or not the strategic approach is being appropriately reflected in the analytics.[37] This can actually lead to a choice of an inappropriate strategy.

What then should be the attributes of a good head of the strategic planning function? Clearly, the person should be creative with a broad understanding of the environment in which the company operates and of the different facets of the company's operations. In other words: a "big picture" person. The person must also have deep respect for and appreciation of the utility of formal analytical techniques.[38] Finally, as already mentioned, the person must have a fair degree of familiarity with the formal tools of corporate planning. It should be clear from this description that finding such a person is not very easy, and a common tendency is to go with persons with a specialization in corporate planning. This may turn out well, provided that such a person has had experience in other facets of corporate management as well, butit may indeed be a better strategy to look for persons with a more general academic background with time spent in corporate planning.

It may appear that the most appropriate person to lead the strategic planning function would be the Chief Executive Officer (CEO). This is in any case axiomatically true –strategic planning must

[35]Such shoe-horning is evident in Indian planning during the fourth, sixth, seventh and eighth plans.

[36] Ideally, the head of strategic planning would combine the creative and the technical, but such people are a rarity. In the Indian case, only Prof. Mahalanobis, a polymath, met both criteria. Of the remaining seven, four were experts on planning models (Prof. Chakravarty (fifth plan),S.P. Gupta (sixth and seventh plans), S.R. Hashim (seventh and eighth), and Kirit Parikh (eleventh)); and three were more general development economists (Pitamber Pant (third and fourth), Y.K. Alagh (fifth and sixth), and P. Sen (ninth, tenth and twelfth)).

[37] Sometimes, alternative strategies may require different models for proper evaluation, which complicates matters even further.

[38]It is not uncommon for creative strategists to hold analytics in contempt, and this mostly arises from their own lack of understanding. Such a person is most unsuitable for leading the planning unit, and may at best be a sounding board for the head.

always be a part of the CEO's office. In relatively small companies, and/or companies in limited lines of business, an arrangement with the CEO as the strategic thinker and a specialized planner working under him will probably work very well indeed.[39] However, in large, diversified companies with multiple strategic business units (SBUs), such an arrangement will almost certainly be sub-optimal for two compelling reasons. First, in large complex businesses, the technical aspects of planning will also be very complex and will be difficult to understand for a person without the appropriate background. Second, and much more importantly, such companies need to provide a channel for appeal and dispute settlement between the strategic planning unit and the other SBUs – a point we shall return to later in this paper. The only person who can effectively play this role is the CEO, who should therefore be seen to be at arm's length from the strategic planning exercise.[40]

Learning 2: Uncertainties, Time Horizons and Analytical Methods

Although Mintzberg was substantially right in stressing the primacy of the strategic thinking function, his critique of formal planning methods is completely misplaced. His "fallacy of prediction" – the possibility that the environment may change before the plan is fully implemented – does not in any manner negate the utility of formal planning. It should be remembered that visioning is always about the future; and the future is always uncertain. Thus, any strategy, which is essentially about realizing the vision, whether it is limited to strategic thinking or developed further through formal analytics, must necessarily cope with uncertainty. The inherent fuzziness of the future can be no justification for fuzziness of the strategy since ultimately all strategies must translate into concrete steps that the company has to take in order to realize its vision.

The range of steps that a company may have to take can be very wide; each of which having very different characteristics in terms of: (a) the time required to implement the change; (b) the ease with which it can be reversed or aborted; and (c) the preconditions that may need to be created for it to be implemented.[41] Thus, all strategies have to operate in a sequence of over-lapping time horizons determined by the time required for implementing each concrete step of the plan. Each of these time horizons will be associated with varying degrees of uncertainty.[42] Pure strategic thinking alone can never even hope to cope with the complexity involved – formal analytical modeling is essential.

But the issue is even more complex than that. Standard strategic planning techniques identify factors over which the company has control, albeit in different degrees, and those over which it does not. The latter form the constraints which are assumed or estimated to move in a particular way within which limitations the company has to optimize on the objectives using the

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[39] In such companies, the very existence of a strategic planning unit implies that the CEO appreciates the value of technical planning. Moreover, the planning models are relatively simple and not difficult to understand. See Ackelsberg and Arlow (1985).

[40] In Indian national planning, the appellate function was performed by the Prime Minister when there were differences between the Planning Commission and the Ministries/States.

[41] Almost all changes will involve decisions and commitment of resources on investment, manpower deployment, training, branding, marketing channels, and so on. Most managers are usually quite familiar with these issues, especially regarding sequencing of steps, since they are at the heart of the 'critical path method' (CPM), which is routinely used in project management.

[42] Uncertainties will always be higher the longer is the time horizon since these are cumulative.

factors which are within its control. The greater the degree of control, the lesser is the uncertainty for any given state of the external environment.

Sometimes, however, the most effective strategies require that the binding constraint be directly addressed so that the constraint itself becomes an objective. Such situations are usually identified by strategic thinking, but the solutions are not easily amenable to simple heuristics. Attempting changes in a constraint almost always induce uncertainties in the *internal* dynamics of the organization in complex non-linear ways, which adds to the uncertainties of the external environment. The internal and external uncertainties can interact in most non-obvious ways, and it is necessary to characterize these possibilities as completely and accurately as possible. Moreover, addressing constraints usually requires a longer time horizon than optimizing proximate objectives, which simply makes things that much more difficult.

During the process of implementing a strategic plan, the environment will almost certainly change as rightly pointed out by Mintzberg. Some of these changes may not require any alteration to the basic strategy, but others may. Even when no fundamental change is warranted, there can be changes required in the manner in which the factors controlled by the company are deployed. The heuristic, or non-analytical, solution to coping with such inherent uncertainties over the strategic planning horizon is to characterize strategic planning as a process of 'learning', whereby the strategy is suitably modified as it unfolds and the impacts of changes in the internal and external conditions become progressively more evident.[43]The real issue is not whether learning is important – it unquestionably is – but the methodology by which the modifications to the strategy are made – heuristically or formally.

Can the Indian national planning experience throw any light on this debate? To begin with, it needs to be explicitly recognized that corporate planning faces far greater external uncertainties than national planning, but generally tends to have greater control over internal factors.[44] Keeping this important distinction in mind, it may be useful to recapitulate some aspects of the Indian experience.

During the early years of planning in India, the Government had a relatively high degree of control over the development process. Public investments accounted for more than 65 per cent of all investments in the country, and much of the remaining private investments were also controlled through industrial licensing. As a result, it was possible to unambiguously lay out a feasible path from the initial position to the target through what are called 'consistency models', which take into account differences in time horizons of different investment decisions and ensure equilibrium at every point in time.[45] Most national planning models fall into this category. Such models are also capable of handling the possibility of addressing the binding constraint as an objective. Thus, all the Indian plans from the Second to the Eighth used only such models, with varying constraints and degrees of disaggregation.

[43] In the literature, this approach is referred to as the "Learning School" (see De Geus (1988), Mintzberg (1990, 1991) and Burgelman (2002)) as opposed to the so-called "Design School" (see Armstrong (1982), Huff and Reger (1987), Ansoff (1991, 1994) and Eisenhardt and Martin (2000)), which emphasizes the importance of technical modeling.

[44] For instance, national plans do not really have to cope with the actions of competitors. The presence of competitors requires corporate strategic plans to adopt a more "game-theoretic" approach, which is never the case with national plans.

[45]In popular discourse these are often referred to as "input-output" models.

Even with such high levels of control, there were times when external shocks could not be accommodated within the formal structure of the models. There were three notable episodes – the drought cum war during 1965-67, the oil-price shock of 1973-74, and the Gulf War in 1990 – when the Plan had to be put on hold to address the challenges arising from these shocks.[46] Nevertheless, the planning models came back into their own once the necessary adjustments had been carried out, with some recalibration of the model structure and parameters.

However, more fundamental forces came into play from the Seventh Plan onwards. The relaxation of industrial and import controls that took place during this period gradually reduced the government's ability to control the actual path taken by the economy.[47] By the end of the Eighth Plan, the government's share of investment had dropped to 34 per cent and it had virtually no direct control over the investment decisions of the private sector. This fact alone required a re-evaluation of the planning methodology.

A significant beginning in this direction was made in the Ninth Five Year Plan. In sharp contrast to the past, the Ninth Plan did not lay down investment patterns in a deterministic manner. It indicated:(a) the sectoral investment requirements using the standard planning model; (b) the investments that are likely to be made by the private sector through econometric estimation; and thereby (c) the areas which may receive excessive or insufficient resources. Such an analysis focuses attention on the sectors which require either direct public investment to fill the gaps or policy change in order to achieve the desired targets. However, the projected sectoral investments were obtained from a partial equilibrium approach, rather than a proper econometric model, which missed out on inter-sectoral consistency. This approach was further strengthened and refined in the Tenth Plan with full-scale macro-econometric models being specifically commissioned for the Plan in order to ensure that the private sector projections met the requirements of inter-sectoral consistency.

A more important conceptual issue arising from reduced levels of control relates to the nature of the planning problem itself. In a controlled or directed economy, it is only necessary to work out a feasible path from the initial condition to the target. In a largely market economy this is not sufficient. Although working out the traditional feasible path continues to be necessary, it needs to be complemented by an assessment of the path the economy is likely to take on a business-as-usual basis. The planning problem then is how to move from the projected path to the desired either through direct government intervention or indirectly through altering private behavior by using policy instruments. The Eleventh Plan faced this issue and attempted to use computable general equilibrium (CGE) models to inform policy choice. Thus, in addition to the standard planning model, the Eleventh Plan had two other models: (a) a projection model as in the Tenth Plan; and (b) a model which adequately captures the effect of policy measures on key behavioural parameters.

By the time the Twelfth Plan was being formulated, it was realized that India's exposure to the global economy was of such magnitude that it could no longer be treated as being peripheral to the planning exercise. Thus the global economy introduced a new and large source of

[46]These periods are referred to as "Plan holidays". In each of these cases, the principal policy formulation role was played by particular Ministries and not by the Planning Commission.
[47] The reforms after 1991 were the culmination of this process which began in 1984.

uncertainty to Indian planners. Thus, the Twelfth Plan extended the formal modeling approaches of the three earlier Plans by undertaking a scenario-building exercise using a systems approach. In other words, as the degree of control diminished and sources of uncertainty increased, Indian planning progressed from a single planning framework to a cocktail approach to modeling. Considerable work, however, remains to be done in developing a multi-model framework which can allow such analyses to be done in a more integrated manner.[48]

The main lesson arising from the Indian experience, therefore, is that although the fact that the world does not stand still is incontestable, but that does not mean that formal planning cannot cope with the challenges. The appropriate question to ask is that whether there are planning methods which can address such dynamic changes in the environment. The answer is that there are, and more need to be developed through greater and not less academic research. The real trick is to identify the techniques suitable for addressing the types of changes being anticipated. More often than not, this will require the use of multiple models as was the Indian experience. This fact again underscores the necessity of the head of the planning function being aware of the various formal planning techniques so that the 'learning' is formalized through the choice of an appropriate 'design'.

Learning 3: Consultation, Decentralisation, and Feedback

The principal function of planning, whether in a country or in a corporate, is to evolve a shared commitment to a common vision and an integrated strategy not only in the higher echelons, but among all stakeholders. No strategy can be successful unless each component of the system works towards a common purpose with the full realisation of the role that it has to play within an over-all structure of responsibilities. For this to happen, it is not sufficient that the vision and the strategy are clearly articulated in a formal document which is communicated and is readily available to all players in the organization, and appropriate orders issued for compliance and implementation. The *process* through which the final strategic plan is evolved and implemented can be at least as, if not more, important than both the product (i.e. the strategic plan) and the communication strategy.

An inappropriate process of formulating a strategic plan can have a number of most undesirable effects which adversely affect the quality of the plan and even more so the quality of its implementation. The national planning experience in India clearly illustrates the dangers of faulty processes, which led to progressive disenchantment with the plan, and eventually culminated in the demise of planning in 2014. This appears to find echo in the recent spate of attacks on corporate planning which, if allowed to continue, will eventually lead to a similar outcome. In drawing parallels between the two, it of course needs to be borne in mind that the complexities involved in a federal, democratic political system are considerably greater than in any corporate, no matter how large. In this respect, corporates are more akin to centrally-controlled nations than to democratic polities, but the issues remain the same as evidenced by the problems that have been faced by such countries.

To begin with, it is important to acknowledge that strategic planning is always and everywhere a

[48]It does not seem possible, at least at this stage, that one grand unified model will be able to address all the dimensions of the planning problem as outlined above.

top-down function. Development of a strategy requires a system-wide perspective which is usually available only at the apex level of the organization, whether it is the central government or the corporate headquarters; and even there only in the unit charged with tracking developments across all staff and line functions. There is, however, a contrarian point of view which believes that a strategic plan can and should be evolved by aggregating plans developed at the subordinate levels – often referred to as 'bottom-up' planning – by simply ironing out over-laps and contradictions. The argument offered is that such 'bottom-up' planning leads to a much higher degree of 'buy-in' or 'ownership' of the strategic plan among all stake-holders than any top-down approach.

While 'buy-in' among stake-holders is certainly an important consideration in formulating plans,[49] the 'bottom-up' approach completely misses the whole point of strategic planning. It may be recalled that strategic planning is about achieving a long-term corporate vision which cannot be attained through a 'business-as-usual' approach, and requires addressing factors not in control of the company by deployment of factors over which the company has control. At subordinate levels, it is more than likely that the SBUs will consider what they are currently doing to be the best for the company, and will simply reiterate the business-as-usual. Even if they do not, it will always be the case that even internal factors will be seen to be outside the control of the concerned SBU, which will necessarily distort the subordinate plan away from that which is optimal at the corporate level. These problems cannot be corrected merely by addressing over-laps and contradictions, and dictates a 'top-down' approach.

Having said this, it needs to be reiterated that 'buy-in' is extremely important to the success of any plan, and this cannot happen merely through exhortations or clever communication strategies. The process of formulating and implementing the strategic plan has to be designed in such a manner that it inculcates a sense of ownership and commitment among the lower tiers of the organization. There are two other equally compelling reasons why the process is important. The first is information: different tiers of an organization have information which may not be available in other tiers. The second is accountability: no tier of the organization should be able to claim that it does not bear some responsibility for failure.

There are three dimensions which need to be taken into account while designing an appropriate process of strategic planning and implementation. The first is consultation. It has long been established that a major factor in inculcating ownership is a sense of participation. It is clear that all stake-holders cannot, and indeed should not, directly participate in formulating the plan. There are two aphorisms which succinctly capture why this is necessarily so: *"Too many cooks spoil the broth"* and *"Missing the wood for the trees"*. Strategic planning, and especially strategic thinking, is all about focusing on broad patterns and cutting out the noise. Excessive participation by lower tiers almost always leads to excessive focus on details which are deemed paramount at the SBU level and retards the distillation of the essentials.[50]Insufficient participation is just as bad. Not only is there no sense of ownership, which also reduces accountability, but important information may be lost. A *via media* between these extremes is a carefully designed process of consultation which simultaneously meets the need of eliciting all

[49] The 'buy-in' argument is much more important in national planning than in corporate planning, since national planners have to be sensitive not only internal stake-holders but also to the external, mainly political, fall-out of the plan, which is not the case in companies where the 'buy-in' is entirely internal.
[50] Excessive participation is as bad as a 'bottoms-up' approach, perhaps even worse.

relevant information and inculcating a sense of participation and ownership.

The second dimension is decentralization. No matter how well designed the consultation process, it cannot either elicit or utilize the variety of detailed information that exists within the organization. More importantly, it cannot be the principal modality for building accountability into the implementation of the plan. This particular requirement demands that subordinate units, which are ultimately responsible for implementing the plan, are given sufficient leeway to plan their own activities and modes of implementation without compromising the broad objectives of the plan. In other words, a balance needs to be struck between over-centralisation, on the one hand, and anarchic freedom at the SBU level, on the other. This balance has to be reflected in the level of detail that the strategic plan goes into.

The third dimension is feedback, which is not so important in actually designing the strategic plan itself, but is crucial to the 'learning' and re-designing process.[51] However, the feedback design and parameters should be drawn up at the time of formulating the plan if it is to be really effective. It should be made clear that feedback is not synonymous with monitoring – an error that is commonly made in designing management information systems (MIS). Monitoring is essentially an audit activity meant for tracking the progress of implementation of the plan against the specified measures and time-lines. Feedback, on the other hand, relates to the information required by the planners to judge whether the assumptions and assessments made by them at the time of plan formulation are borne out by later developments, which enables them to recalibrate the plan suitably.

The national planning experience in India is most instructive in terms of the processes that were employed and their impact on the effectiveness of the plans. The second and third plans had very little by way of consultations, but that did not really affect either the ownership or accountability since there was a very high level of decentralization. The plans scrupulously stayed away from all areas which were in the domain of the states by the Constitution, which were left to the states to design and implement. They were also not overly prescriptive with regard to the domains of most central Ministries other than laying down the broad contours of policy. In view of the limited coverage of these plans, both the information and the feedback needs were relatively modest and could be obtained without any great information flow from the subordinate units.

The downside of this hands-off approach was that since each state was left to its own devices without any real central guiding principle, they formulated their own plans independently of each other. The net result was a wide array development experiences across the states of the country, leading to increasing divergence between them. The second problem was that there was no rational basis for the Centre to determine the amount of central funds that should be allocated to each state for their development needs. This led to a certain degree of resentment among states, who accused the Centre of allocating funds on a political basis rather than on any objective economic or development criteria.

This arrangement began to change from the fourth plan, and gained momentum from the fifth. In the forty years since, the encroachment of the Centre into domains of the states has

[51] The feedback on the plan itself is subsumed under the consultation dimension. Here the term feedback refers to the information flow that is generated in the course of implementation of the plan.

increased progressively from agriculture to social protection (anti-poverty programmes) to a wide variety of social services. As a consequence, the national plan increased steadily in both scope and level of detail.[52] Correspondingly, the planning process too became increasingly more elaborate and complex. It is instructive to examine the extent to which these processes met the needs of ownership, information and accountability in terms of the three dimensions of process design; namely consultation, decentralization and feedback.

The consultation process operated in three tiers. First and foremost, it was embedded in the structure of the Planning Commission, which had divisions corresponding to each Ministry of the Central government as well as a state plans division. The function of these divisions was to constantly interact with their counterparts in the Ministries and the states in order to keep abreast with developments. These divisions were thus able to provide relatively detailed information on an on-going basis to the division concerned with formulating the plan.[53] They, however, did little in terms of either ownership or accountability; and, indeed, may have actually been damaging in terms of these two dimensions.

The second tier of consultation was the Steering Committees and Working Groups that were set up by the Planning Commission prior to the preparation of each plan. The Steering Committees were chaired by the concerned Member of the Planning Commission and included the Secretaries to all Ministries concerned with the broad subject area. The Working Groups were established by the Steering Committees to go into the details of sub-components of the subject area, and were chaired by the Secretary of the most relevant Ministry.[54] These Working Groups included not only officers of the Planning Commission and the Ministries, but also representatives of selected state governments, academics and other domain experts.[55] This methodology was very successful in eliciting high levels of information and expertise, and did contribute substantially to ownership of the plan at the official level of the Central government. It was, however, not designed for generating political buy-in, and neither was it effective in obtaining ownership at the state level. Indeed, as will be explained later, it may have contributed to alienation among the states. The record on accountability too is mixed.

The third tier of consultation was aimed at the political level. This was carried out through meetings with state governments usually led by the Chief Ministers. The main consultation was on what is referred to as “The Approach Paper to the Plan”, which was essentially a document laying out the strategic thinking underlying the plan. Subsequently, the Approach Paper and the final plan document were placed before the National Development Council (NDC) for approval, at which time the political leadership in principle could demand changes in these documents.[56] This procedure could have elicited a fair degree of buy-in, provided that the follow-up processes were better. As things stood, the state level consultations were meticulously documented, but

[52] A rough indication of this expansion is given by the fact that the second plan was only 140 pages long whereas the twelfth is nearly 1400.
[53] The Perspective Planning Division of the Planning Commission was ultimately responsible for both strategic thinking and the technical aspects of formulating the plan.
[54] For the most part, the reports of these Working Groups, suitably harmonised by the Steering Committees, formed the basis of the sectoral chapters of the plan document.
[55] In later years, this was expanded to also include representatives of civil society and industry – the other important stake-holders. At its peak, this process involved nearly 6,000 persons.
[56] The NDC is the apex decision-making body on all development matters in India. It is composed of the entire Union cabinet and Chief Ministers of all states, and is chaired by the Prime Minister.

no feed-back was ever provided on which suggestions were accepted and which were not along with appropriate justification. The net result was that states, quite rightly, felt that that this consultation was merely a façade for the Centre to do as it pleased. The NDC meetings were even more *pro forma* and the states had good reason to believe that their views did not count.

The decentralization process became progressively worse over the years, and steadily eroded the degree of buy-in, first among states and then even among the Ministries. Its effects on accountability were even worse. Originally, the Centre transferred a block grant to states for development purposes, which were used by the states to fund programmes designed and implemented by them.[57] Later, carve-outs were made from the total state allocations for specific purposes of national importance, but the design and implementation were left to the discretion of the state governments. Up to this point, there was considerable ownership of the plan by the states despite their reservations about the consultation process. This began to change from the fifth plan itself, with central ministries becoming more involved in matters belonging to the domain of the states through what are called "centrally sponsored schemes" (CSS). The CSS were programmes implemented by the States but partially funded by the Centre.[58]

Initially, the CSS were designed by the Central ministries and this unified design was imposed on all participating states. The states not only resented this imposition, but had little accountability for failure of these schemes. To make matters worse, the CSS not only reduced the funds available to the states from the central allocations, but also reduced the amount they had available from their own funds. This was a further blow to ownership by the states, and a source of even greater resentment. During this period, the Planning Commission did not interfere with the design and implementation of the CSS, except to undertake cost-benefit appraisal of the proposed project. This approach ensured that there was full ownership of these schemes and full accountability at least in the central ministries. Later, however, the Planning Commission also started to interfere with the design of the CSS. This was the kiss of death, since it removed both ownership and accountability among not only the states but also the central ministries. To a large extent, the eventual demise of the Planning Commission was probably the outcome of this over-reach, since it led to wide-spread resentment in all other tiers of government.

In so far as the feedback process is concerned, to state it baldly: there was none whatsoever at any time.[59] There were no doubt elaborate monitoring processes, and the Planning Commission had a full-fledged evaluation wing which periodically assessed both the central programmes and the CSS. However, as has already been mentioned, monitoring and evaluation (M&E) are distinct from feedback. In the first place, M&E are both audit procedures and, as such, are usually resented by the subjects of these activities.[60] Feedback, on the other hand, tends to inculcate a sense of participation since it elicits not just facts but also opinions. Secondly, while M&E are about enforcing accountability, feedback is about understanding the consistency

[57] Reacting to the charges of politicisation of allocations during the second and third plans, the Central government started to allocate block grants on the basis of a formula approved by the NDC – the so-called Gadgil formula – from the fourth plan onwards.

[58] The states were required to contribute a particular proportion of the total funds in order to access the Centre's share.

[59] The structured interaction between the divisions of the Planning Commission and the central ministries was the nearest that came to a feedback process.

[60] Evaluation can have non-audit dimensions if well designed, but this was not the case in India.

between objective, design and action, which can create an accountability of a different type altogether. Thus, although the Planning Commission undertook a detailed mid-term appraisal of the progress of each plan and designed course corrections when necessary, these were rarely informed by an understanding of the design problems embedded in the original plan.

In brief, therefore, although the Planning Commission did have an understanding of the importance of processes, these were not thought through in terms of their impacts on the various components of the larger system. All too often, the form was mistaken for the substance. The net result of such faulty processes was a steady build-up of disenchantment and resentment, which culminated in the eventual demise of the Commission, and perhaps of planning itself in India.

The main learning from this experience is that the planning unit of any large organization needs to devote a careful thought to the planning process as to formulating the strategic plan itself. This is not a technical exercise, and involves a deep understanding of people and of organizational behavior, which is yet another reason why the head of planning should probably not be a technical expert. The second learning is that a strategic plan should confine itself to strategy and not extend itself to detailed design, which should be left to the lower tiers. This involves laying out the objectives, the targets, the time path and the resources. All else is detail, which is best done by others. The third learning is that in the course of formulating the strategic plan, there will inevitably be serious differences of opinion between the planning unit and the SBUs. These differences need to be resolved before the strategic plan is finalized. The resolution can only be done at a level higher than that of the planning unit, and this role has to be played by the CEO.

A Postscript

The experience with national planning the world over has been that its true utility has been appreciated only when it ceased to exist. While in existence, it has been the subject of much criticism and resentment, most of which emanated not from the plan itself but from faulty processes. This has an important implication for the manner in which corporate planning is taught and researched. In most management programmes, the focus is on analytical tools of planning and little or no attention is paid to the process. This needs to be corrected expeditiously if corporate planning as a discipline is not to suffer the same fate as national planning in India.

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