

***Peter Drucker: Why do long  
range planning?***

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# Defining Long Range Planning: What it is not?

#1

It is not forecasting

Implications of accurate forecasting as a function of cost

Price & Location costs for coffee business

Human beings can neither predict nor control the future

Try predicting the news

#2

It does not deal in future decisions

Converging future decisions simultaneously into the present

What futurity do we have to factor into our present thinking and doing

what time spans do we have to consider

#3

It is not an attempt to reduce risk

Rationally choose among risk-taking

The end result of successful long-range planning must be a capacity to take a greater risk

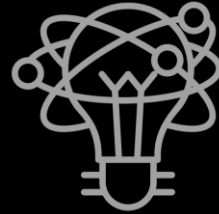
# *Why do long-range planning: 5 key reasons*



Assumption that there would be no change



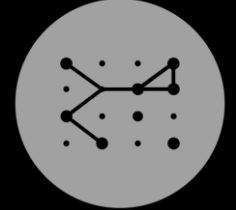
The necessary systematic exploration of the uncertainty and risky decision is increasing



Speed and risk of innovation is increasing at global level



Growing complexity of both business enterprise internally, and of the economy and society



The knowledge economy has changed knowledge accumulation and directing efforts

# *The Psychological Affects of Information Overload*



"I know what I know, and I only go by it; the rest is quite irrelevant, and I won't even look at it".



Or there is a feeling that the universe has become completely irrational so that one decision is as good as the other, resulting in paralysis.

# 8 elements of long range planning

Objective

"objectives" are for entrepreneurs as "life" is for biologists. Yet, we will be as unable to do without "objectives" as the biologists are unable to do without "life"

Assumptions

These are what is believed by the people who make and carry out decisions to be "real" in the internal and external universe of the business.

Expectations

Expectations,-the future events or results considered likely or attainable.

One is the alternative of no action, choice between adaptive and innovating action

Alternative course of action

incompatible with the assumptions, or grossly improbable in the light of the expectations.

There is no such thing as one isolated decision; every decision is, of necessity, part of a decision-structure.

Decision & Decision-structure

This impact always follows Newton's Second Law, so to speak; it consists of action and reaction. It requires effort. But it also dislocates.

Impact-Stage

The results that determines success or failure of the plan with some reference points

Result

## ***The two choices that an entrepreneur has:***

It is not within the decision of the entrepreneur whether he wants to make risk-taking decisions with long futurity; he makes them by definition. All that is within his power is to decide whether he wants to make them responsibly or irresponsibly, with a rational chance of effectiveness and success, or as blind gamble against all odds.

And both, because the process is essentially a rational process, and because the effectiveness of the entrepreneurial decisions depends on the understanding and voluntary efforts of others, the process will be the more responsible and the more likely to be effective, the more it is a rational, organized process based on knowledge.

