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Strategic alliance between two companies

Every investor wants to see his stocks pay off – or he wouldn't be in the markets. But finding the right investment, the 'one' that will bring in the high returns, can sometimes be challenging. A smart investor will apply a few basic, common-sense rules – and stick to them. One of the basic rules of investing is "buy low, sell high." This will naturally bring us to the low-cost, small-cap side of the stock market. While big names get the headlines, the small-cap stocks offer the highest returns.(Bloomberg) -- Tesla Inc.'s aspirations in China were dealt a major blow over the weekend after the government ordered that almost all the cars it's sold in the nation -- more than 285,000 of them -- be fixed to address a safety issue.The State Administration for Market Regulation said in a statement on Saturday that the action involves 211,256 locally produced Model 3 vehicles and 35,665 imported ones, as well as 38,599 China-made Model Ys. The California-based carmaker only began deliveries ofLearn about three Vanguard funds that have a five-star rating from Morningstar that specialize in investing in specific niches of the securities market.A junior oil explorer may have just found indicators of what we think could be the last great onshore oil discovery on Earth, and supermajors could soon take noticePeter Thiel transformed a tiny Roth IRA worth approximately $2,000 into a $5 billion tax-free behemoth, according to an article from the investigative news site ProPublica. "You would have to tread very carefully," said Michelle Gessner of Gessner Wealth Strategies in Houston, Texas. "I don't think it's impossible for the average person to do their own smaller scale version of it," said Malcolm Ethridge, executive vice president at CIC Wealth in Rockville, Md., and host of The Tech Money podcast.The legendary investor says these are the key takeaways for investors and consumers.Using technical analysis of the charts of those stocks, and, when appropriate, recent actions and grades from TheStreet's Quant Ratings, we zero in on five names. While we will not be weighing in with fundamental analysis, we hope this piece will give investors interested in stocks on the way down a good starting point to do further homework on the names. Heartland Express Inc. recently was downgraded to Hold with a C+ rating by TheStreet's Quant Ratings.The mothership message board is less popular than ever among die-hard retail investors, and that could be great news for the future of retail investing.Long before most other nations, the Asian superpower saw the potential in Bitcoin's underlying tech to spawn the next internet and a new form of money. First in a series.BEIJING/HONG KONG (Reuters) -He Shuang, a student at a U.S. university stranded in her home city of Chongqing in southwest China during the pandemic, has added more than 300 domestic brands to her list of favourites on Alibaba's Taobao online mall. A surge in online shopping after people were forced indoors due to COVID-19 last year, a recovery in the market since then, and infrastructure that allows vendors to scale up swiftly have also propelled demand for local brands. "Once you try, you find the quality of local products is as good as foreign products," said the 19-year old He, who favours home-grown labels from Carslan eye shadows and Feiyue sneakers to Bestore Co snacks and Miniso homeware.Cryptocurrency markets will likely stay under sell pressure for the next few weeks, but data points indicate this bear may be short-lived.(Bloomberg) -- It was a rough few months, but Ark Investment Management's Cathie Wood is back.Inflows are picking up, the firm's pile of assets under management is growing once again, and her flagship fund has gained 26% since its May low. Now the question is, can she keep it going?The stock picker turned cult figure, who seemingly got every call right as the coronavirus outbreak reshaped the U.S. economy in 2020, earlier this year suffered her first major blow since emerging into the mainstreamIntellia Therapeutics (NTLA) investors probably can't wait for the new week to kick into action. On Saturday, the company released interim data from the Phase 1 trial of its collaboration with Regeneron on an experimental therapy for transthyretin amyloidosis (ATTR) – a protein misfolding disorder. The data showed that for the six people that received a single 0.3 mg/kg dose of NTLA-2001, there was an 87% mean reduction in serum TTR, while there was a maximum 96% serum TTR reduction following aAfter a bullish end to the week, a Bitcoin move through to $35,500 levels would support the broader market.Cardano (ADA) has reached a new milestone, as its total staking addresses pass the 650,000 mark.This week's packed slate of economic data reports will include an update on the labor market and new data on consumer confidence, offering fresh looks at the pace and perception of the COVID-19 recovery for many Americans.Social Security recipients should get a major cost-of-living adjustment next year amid a steep rise in the prices of everything from gasoline and cars to bacon. See: Social Security Cost-of-Living...In this article, we will discuss the 10 best dividend stocks to buy according to billionaire Ken Griffin. If you want to skip our detailed analysis of Griffin's history and hedge fund performance, go directly to the 5 Best Dividend Stocks to Buy Now According to Billionaire Ken Griffin. The self-made billionaire Ken Griffin began investing in […]In this article, we discuss the 10 stocks to buy to profit from post-COVID economic recovery. If you want to skip our detailed analysis of these stocks, go directly to the 5 Stocks to Buy to Profit from Post-COVID Economic Recovery. Inflation fears and a cryptocurrency slump in recent weeks have hit some of the […](Bloomberg) -- The cryptocurrency aficionados' mantra that Bitcoin is equivalent to digital gold is winning converts among the world's biggest holders of the precious metal.In India, where households own more than 25,000 tonnes of gold, investments in crypto grew from about $200 million to nearly $40 billion in the past year, according to Chainalysis. That's despite outright hostility toward the asset class from the central bank and a proposed trading ban.Richi Sood, a 32-year-old entrepreneur i Leer en español Ler em português The widely accepted theory of corporate strategic planning is simple: using a time horizon of several years, top management reassesses its current strategy by looking for opportunities and threats in the environment and by analyzing the company's resources to identify its strengths and weaknesses. Management may draw up several alternative strategic scenarios and appraise them against the long-term objectives of the organization. To begin implementing the selected strategy (or continue a revalidated one), management fleshes it out in terms of the actions to be taken in the near future. In smaller companies, strategic planning is a less formal, almost continuous process. The president and his handful of managers get together frequently to resolve strategic issues and outline their next steps. They need no elaborate, formalized planning system. Even in relatively large but undiversified corporations, the functional structure permits executives to evaluate strategic alternatives and their action implications on an ad hoc basis. The number of key executives involved in such decisions is usually small, and they are located close enough for frequent, casual get-togethers. Large, diversified corporations, however, offer a different setting for planning. Most of them use the product/market division form of organizational structure to permit decentralized decision making involving many responsibility-center managers. Because many managers must be involved in decisions requiring coordinated action, informal planning is almost impossible. Our focus in this article is on formal planning processes in such complex organizations. However, the thought processes in undertaking planning (as described in the opening paragraph) are essentially the same whether the organization is large or small. Therefore, even executives whose corporate situation permits informal planning may find that our delineation of the process helps them clarify their thinking. To this end, formalizing the steps in the process requires an explanation of the purpose of each step. Three Levels of Strategy Every corporate executive uses the words strategy and planning when he talks about the most important parts of his job. The president, obviously, is concerned about strategy; strategic planning is the essence of his job. A division general manager typically thinks of himself as the president of his own enterprise, responsible for its strategy and for the strategic planning needed to keep it vibrant and growing. Even an executive in charge of a functional activity, such as a division marketing manager, recognizes that his strategic planning is crucial; after all, the company's marketing strategy (or manufacturing strategy, or research strategy) is a key to its success. These quite appropriate uses of strategy and planning have caused considerable confusion about long-range planning. This article attempts to dispel that confusion by differentiating among three types of "strategy" and delineating the interrelated steps involved in doing three types of "strategic planning" in large, diversified corporations. (Admittedly, although we think our definitions of strategy and planning are useful, others give different but reasonable meanings to these words.) The process of strategy formulation can be thought of as taking place at the three organizational levels indicated in Exhibit I: headquarters (corporate strategy), division (business strategy), and department (functional strategy). The planning processes leading to the formulation of these strategies can be labeled in parallel fashion as corporate planning, business planning, and functional planning. We have to define these notations briefly before constructing the framework of the planning process: Exhibit I Structure of a divisionalized corporation Corporate planning and strategy—Corporate objectives are established at the top levels. Corporate planning, leading to the formulation of corporate strategy, is the process of (a) deciding on the company's objectives and goals, including the determination of which and how many lines of business to engage in, (b) acquiring the resources needed to attain those objectives, and (c) allocating resources among the different businesses so that the objectives are achieved. (See the sidebar, "Objectives and Goals," for definitions of objectives and goals as used in this article.) It is worth differentiating between objectives and goals, since these terms are used separately here. Objectives are general statements describing the size, scope, and style of the enterprise in the long term. They embody the values and aspirations of the managers, based on their assessment of the environment and of the capabilities and health of the corporation. For example, the financial objective of a large, diversified, multinational corporation might be to rank in the top 10% worldwide in compound rate of growth in earnings per share. Goals are more specific statements of the achievements targeted for certain deadlines. At the corporate level these statements are likely to include such aspects as sales, profits, and EPS targets. Annual budgets constitute goals at all levels in the organization. Business planning and strategy—Business planning, leading to the formulation of business strategy, is the process of determining the scope of a division's activities that will satisfy a broad consumer need, of deciding on the division's objectives in its defined area of operations, and of establishing the policies adopted to attain those objectives. Strategy formulation involves selecting division objectives and goals and establishing the charter of the business, after delineating the scope of its operations vis-à-vis markets, geographical areas, and/or technology. Thus, while the scope of business planning covers a quite homogeneous set of activities, corporate planning focuses on the portfolio of the divisions' businesses. Corporate planning addresses matters relevant to the range of activities and evaluates proposed changes in one business in terms of its effects on the composition of the entire portfolio. Functional planning and strategy—In functional planning, the departments develop a set of feasible action programs to implement division strategy, while the division selects—in the light of its objectives—the subset of programs to be executed and coordinates the action programs of the functional departments. Strategy formulation involves selecting objectives and goals for each functional area (marketing, production, finance, research, and so on) and determining the nature and sequence of actions to be taken by each area to achieve its objectives and goals. Programs are the building blocks of the strategic functional plans. Obviously, these levels of strategy impinge on each other to some extent—for example, the corporation's choice of business areas overlaps the scope of division charters, and the delineation of the markets by the division can dictate, at the department level, the choice of strategy in the marketing function. But the distinction remains valid and useful. Three-Cycle System An important point to note about the planning process is that it requires formal interaction among the managers at different times. The more formal aspects—business planning, functional planning, and budgeting—are a way of organizing the interaction among managers at different levels in the hierarchy; one way of conceptualizing the planning process is as a series of meetings where executives are trying to arrive at decisions about actions to be taken. In each meeting, obviously, the basic question being addressed is the same: "What should we do?" A detailed answer to that question is best developed by breaking it into a series of more specific questions dealt with in several meetings. These questions include: What are the objectives and goals of our company? What sort of environment can we expect to operate in? What businesses are we in? What alternative strategies could we pursue in those businesses? What other businesses should we enter? Should we make entry through an acquisition or through our research? What is the best combination of existing and new businesses to achieve corporate goals? What programs should the divisions undertake? What should each division's operating budget be? The series of agreements among individuals in the corporate hierarchy begin on a very broad level and then are framed in progressively more detailed terms. The options are numerous in the early stages of this ordering process but narrow gradually to the final choice: a set of specific goals (budgets) for each responsibility center in the corporation. Initially, only a small group of corporate executives is involved in the process; later, more and more managers at lower levels become involved. The process eventually engages all the managers who must be committed to making the strategy work. The reason companies adopt a complex planning process such as that shown in Exhibit II is made clear by the example of a multibillion-dollar, diversified corporation, headquartered in Europe and multinational, which had a well-established budgeting process but found "negotiating" the final budget in the closing months of each year to be difficult. The company was divisionalized, but it had decentralized very little initiative for examining strategic options. Exhibit II Steps in the planning process Top management, increasingly uneasy over its ability to resolve all the strategic issues implicit in the budget, decided to ask the divisions to prepare formal five-year plans for its approval before drawing up the final corporate budget. The controller's department was to coordinate the preparation of the detailed plans. The company moved from a one-cycle planning system to a two-cycle system, as shown in Exhibit III. The result was a flood of paper work and very little strategic thinking on the division managers' part. Exhibit III Examples of one-, two-, and three-cycle planning processes When top management reviewed the first set of five-year plans—a 20-pound packet of neat notebooks—it decided the results were unacceptable. It made suggestions to the divisions and requested a new set. This process was repeated no fewer than five times during the summer and early fall before all sides reached agreement and the budgeting could proceed. After this experience corporate management agreed that the procedure needed much improvement. So in the following year the company installed a three-cycle system. The first step required no comprehensive financial projections; instead, each division manager was asked to identify three or four strategic issues for presentation and discussion at headquarters. Agreement on those issues set the stage for orderly functional planning and budgeting, which had been so cumbersome before. An important point to note about Exhibit II is its demarcation vertically, by cycles, and also horizontally, by activities at the three managerial levels. The degree of involvement at these levels is different in each planning cycle. In the first cycle, corporate executives and division managers are primarily involved. A division manager draws his functional subordinates into discussions about the unit's strategy, but the functional managers' role usually remains informal. At this point the division manager regards the strategy as "his"; then, seeking the head office's endorsement, he formalizes it for better communication. Once the division's strategy is set, the second cycle begins; here functional managers play a much more important part. In both that cycle and the budgeting cycle, they have the primary responsibility for developing detailed programs and budgets. The division manager and his staff are involved more or less actively in these two cycles, while top management limits itself to a review of division proposals. Exhibit II, of course, makes no pretense of depicting the planning process as it is universally practiced; it is only illustrative. Nor is the process as neat and orderly as it appears here. For one reason, the process does not start from scratch each year; the previous year's efforts feed into the first cycle. Moreover, while managers plan, the world keeps turning; so during a cycle events may oblige them to hold many meetings involving two levels. First Cycle The first cycle of a formal planning process serves a dual purpose: (1) to develop a tentative set of agreements between corporate management and the division managers about overall strategy and goals, and thereby (2) to provide focus for the more detailed planning in the next cycle. The process of reaching these initial agreements requires three discrete activities: establishing corporate objectives, drawing up division charters, and setting corporate goals. The ensuing discussion centers on these activities in a hypothetical (but representative) corporation whose fiscal year corresponds with the calendar year. Establishing Corporate Objectives In the initial dialogue between corporate and division management—starting in early February—the two groups form a statement of the corporation's purpose and objectives. Naturally, its scope and the degree of detail provided vary greatly from one company to another. Company X prepares a detailed statement, starting this year with the general assertion that it is a "systems-oriented, high-technology, multinational, and socially conscious company." The principles set out mainly for strategic planning include breakthrough strategies (such as "seek projects, internal or external, waiting for application rather than invention"), resource management (such as "continuous emphasis on market orientation as opposed to product orientation"), financing ("utilization of the borrowing power of subsidiaries to escape the provisions of the debentures and foreign investment regulations"), public relations ("genuine concern for the quality of life, inside and outside the company"), acquisitions, joint ventures, licensing ("export and import technology in the form of licenses or joint ventures, including third countries"), and so on. The preparation of such a statement gives division managers guidance as they begin strategic planning for their businesses. So as a minimum the statement must include the intended company policies for allocating resources among the divisions. In effect, such policies constitute a statement of strategy for the entire corporation—although many businessmen are uncomfortable using the term "strategy" in such an abstract sense. Therefore, the delineation of an explicit statement of corporate strategy is often deferred until the final step in the first cycle. Whether corporate strategy should be enunciated early or late in the planning process depends primarily on the degree of diversity in the company's businesses. In general, the more diverse the corporation, the less feasible it is to develop an explicit, cohesive strategy for its businesses and, therefore, the more desirable it is to make the resource allocation policies explicit at an early stage. On the other hand, less diversified companies frequently delay preparing a strategy statement until the division heads have developed strategic proposals for their own businesses. Many large corporations are divisionalized, but not so many are highly diversified. The more common practice is to delay the definition (or redefinition) of corporate strategy until it can be stated in fairly explicit terms. Drawing Up Division Charters In mid-March headquarters calls on each division manager to (a) write or review the "charter" of his division, specifying the scope of its activities and his objectives for the business as he defines it, and (b) propose a strategy for the business and a tentative set of goals for the coming year. Giving the initiative to the division manager at this step challenges him to think strategically about the scope of his activities and then propose a charter broad enough to permit him to contribute significantly to achieving corporate objectives. Formalizing this step in the planning process is an important device by which corporate management widens the horizons of division heads. An explicit charter also serves two secondary purposes: (1) it increases the likelihood of clear agreement between the top executives and the division manager about the scope of his activities, and (2) it reduces the risk of redundant efforts or competition between divisions. Establishing a division's charter is not a discrete activity; it is inextricably connected to the task of identification and analysis of alternative strategies that exploit the charter selected. Obviously, the decision based on this analysis is crucial because the long-term performance of any division is a function of the strategy it adopts, and the performance of the company as a whole is likewise a function of the strategies of its particular businesses. Although the initiative for identifying and analyzing strategic options lies with the division manager, guidelines that headquarters gives him for presentation of his proposals affect the way he pursues the task. Increasingly common is a request by corporate management that when he proposes a strategy and specifies goals, at the same time he also present a statement of the alternative strategies which he has evaluated and rejected. The intent is not to permit the head office to second-guess the division manager's thinking, but to ensure that he used strategic thinking in arriving at his recommendations. In mid-May, four to ten weeks after headquarters presents its request for division proposals, the unit's manager presents his recommendations to the corporate management group. The presentation consists at least of an integrated proposal for the division's charter, its objectives, the strategy to be pursued, and tentative goals. The recommendations may also include a general statement of the action programs that would be developed to implement the strategy (developed in more detail in the second cycle) and a crude estimate of the resources that would be required. Detailed financial data are usually not included at this step because such information is not necessary to evaluate the strategy and because the effort of preparing it may go to waste if the recommendations are modified. In the ensuing discussions, which extend over several meetings in late spring, corporate management and each division chief work toward reaching an agreement about the appropriate division strategy and goals. Setting Corporate Goals By the middle of June top management has prepared an explicit statement of corporate strategy and goals. In some companies this document is, in effect, a set of decisions on how resources are to be allocated among the divisions, as well as a forecast of the results expected from each. In most cases, however, the statement is not intended to constitute a final resource allocation decision; rather, it is designed to provide feedback to the division managers about the corporate implications of the agreed-on business strategies. The presentation and discussion of corporate strategy and goals are also commonly used as a device to initiate the second cycle of the planning process. The sum of the recommended division goals is likely to be inadequate to achieve the goals envisioned by headquarters for the entire organization. In trying to close this "planning gap," corporate management has only three choices: 1. It can improve division performance by pressing, during the review of division recommendations, for more aggressive strategies and more ambitious goals. 2. It can divert company resources into more promising businesses. This move may give rise to an acquisition program. 3. It can decide that the corporate goals are unrealistic and scale them down. The fact that the corporation's goals normally are more or less the sum of those division goals sought by top management implies that headquarters is concerned with rather minor adjustments of this portfolio of goals. If so, the first cycle of formal planning has the salutary effect of providing an annual "mid-course correction" to the trajectory of the combined businesses. Momentum is a factor in the continued success of a diversified corporation—as with a rocket headed for the moon—and a wise chief executive does not dissipate it needlessly. Rather, he nudges the bundle of energies represented by his division managers, trying to make minor adjustments early enough to be nondisruptive and at the same time affect the corporation's position several years ahead. Occasionally—perhaps inevitably—a major corporate shift is necessary, affecting one of its businesses. Care must be taken to isolate the effect on the remaining businesses. In late spring a couple of years ago, for example, top management of a major diversified corporation went through its usual review of division strategic plans. One operation, created to develop a substantial new business for the corporation, presented its usual story: "Buying market share in this high-technology business is very expensive, break-even is still two or three years away, and additional investment of several hundred million dollars is required. But the eventual profits will be enormous." The division's management concluded that it was progressing about as expected and that its strategy was sound, and it recommended continued aggressive investment. With minor modifications, top management approved the proposal. Three months later the company abruptly announced that the business would be discontinued and the investment written off. Poor planning? Obviously, the decision to enter the business was a mistake. But implementation of that decision, and the planning done to minimize the investment exposure without compromising the chances for success, were probably sound. There are two important lessons here about the process of corporate planning: 1. Strategic decisions—like this divestment—are not made in accordance with some precise timetable. They are made whenever top management reaches the conclusion that interference in a unit's affairs is necessary. 2. Formal planning procedures are not intended to facilitate strategic decisions such as this—if only because a division manager rarely recommends the disposal of his operation. Rather, formal corporate strategic planning has the more modest, if no less crucial, purpose of seeking to optimize the collective thrust of the continuing businesses. Approving a division's strategic plan but closing the unit three months later is not hypocrisy or poor planning. The ax is much more merciful than the slow strangulation of providing inadequate resources. In the meantime, until the ax falls, division management must prove the viability of its business. For its part, headquarters must not fail to recognize the difference between a sound plan and a sound business. A sound plan deserves approval, but only top management can decide whether the business is sound enough to continue implementation of that plan. Second Cycle The second planning cycle also has two purposes. First, each division head and his functional subordinates should reach tentative agreement on the action programs to be implemented over the next few years. Second, the involvement of functional managers in the long-range planning process should deepen and sharpen the strategic focus of the business and thus provide a better basis for the even more detailed budgeting task to follow. The division manager in Company X initiates the functional planning process in the middle of June after reaching tentative agreement with top management about his organization's charter, objectives, strategy, and goals. In the first planning meeting with subordinates, he briefly reviews the corporate/division dialogue that has just concluded and describes the approved division objectives and strategy. At this time he usually does not make explicit the sales or profit goals, even though tentative agreement on targets has been reached. There are two reasons for dealing in generalities at this point. First, being specific might constrain the thinking of the functional managers, who have the chance in this cycle to make a creative contribution toward achieving the division's objectives. Second, division goals will become final only when corporate management has approved the unit's programs and allocated resources to implement them. Long-range planning by functional managers is conceptually a simple process, being limited by the tentative agreements reached in the first cycle. It is operationally more complex than the planning activity in the first cycle, however, since it requires substantially more detailed plans and involves many more people. The purpose of such "programming"—so called because the activity focuses on specific programs—is to translate the division's externally oriented business strategy into an internally directed, coordinated set of activities designed to implement it. Inasmuch as the resources available for implementation are always limited, programming must help ensure their optimal use. Obviously, the scope, magnitude, and duration of a program depend on the nature of the goal. In the broadest sense, a product division of a diversified corporation might be conceived of as a "program." The division manager's goal may be stated in simple financial terms and extend over several years, and his discretion may be constrained only by a charter for his product line and the availability of corporate resources. In such a situation, the division program may be international in scope, almost unlimited in breadth of product line, and may involve hundreds of millions of dollars in expenditures. At the other end of the spectrum, the sales manager for a district in the northeast region of that division may have been charged with improving market penetration by 10% over the next 18 months. His actions also fulfill the definition of a program. Formalized Programming The need to formalize the programming process grows as functional interdependence in the business increases and as more time is required to evaluate the effectiveness of alternative functional plans. Formalization is designed to improve the specification of programs and the matching of programs and goals. The charter and strategy for the business and the objectives and goals that top management has set for it limit the functional manager's strategic planning. Within those constraints, however, he may still enjoy very broad discretion concerning the best course to take. His challenge is to devise more effective ways to combine the available resources in order to achieve his goals. A useful way to look at the specification of programs is in terms of the chronology for involvement of the functional departments. In a typical manufacturing enterprise there are four types of programs to be developed: Existing revenue programs. An example is the development of a set of marketing programs for the existing product lines. New revenue programs. Planning the development and introduction of new products is an example. Manufacturing programs. Typically, sales forecasts by product line are furnished to the manufacturing function, which develops the programs necessary to meet the revenue goals in the marketing programs. Support programs. Managers of other functional support activities, such as administration, may also get involved in the development of programs. The programming process, even when formalized, is inevitably haphazard because it requires repeated interaction among the departments. The intended result is a plan that is integrated like the two sides of a coin. On one side is the set of action programs and on the other a coordinated statement of the resources needed by each functional manager to execute his part of the program. A major purpose of the formal programming process is to review the ongoing programs to see whether they can be expected to fulfill the goals for which they were designed. Or, if more effective programs have been devised, the existing ones must be modified or discontinued. At the same time, some "old" programs may be nearing completion, and new ones will need approval if the goals are to be met. Programming also involves coordination of functional activities to ensure that the selected programs can be implemented efficiently. Each functional department must understand the implications of a set of programs for its own activities, and the department manager must accept the tasks assigned him and the resources to be made available to him. In our mythical Company X, after much analysis and discussion the division manager and his functional subordinates finally agree by the end of August on a set of programs to recommend to headquarters. This time, in contrast to the first, a more elaborate presentation is in order and a large number of managers—corporate and division, line and staff—may attend. Third Cycle The third cycle of the formal planning process needs little explanation. Naturally, throughout the planning process top managers and division executives often discuss the allocation of resources among the divisions. But it becomes the focus of attention in the last step of the second cycle, when the divisions have completed their program proposals and sent them to the head office for approval. At this point (mid-September at Company X), decisions on allocation of resources can be made, subject to final approval when the detailed budgets are submitted (in mid-November). These general points are worth making here: Resource allocation is almost always a very informal, unstructured process, heavily dependent on the skill in advocacy and political weight of the executives concerned. Since it is also a continuous process, by the end of the second cycle the risk of serious mismatch between programs and resources is unlikely—if headquarters/division communications have been good. Although programs may have an expected life of several years, resources are usually allocated for only one year at a time. Whether top management will make a commitment to meet next year's needs will depend on the scale and timing flexibility of the program in the competition for resources. Although resource allocation to projects is based on a perception of the desirability of each, corporate planning attempts to ensure that each also fits into a portfolio of undertakings. Raising the Odds The formal long-range planning process in large, diversified corporations is both simple and complex. Conceptually, the process is very simple—a progressive narrowing of strategic choices—although it may involve many steps along that path. Operationally, the process is far more complex than the activities we have described because the formal part of the process is only the tip of the iceberg. Good strategic planning can take place only when qualified managers engage in creative thinking—and creativity, by definition, cannot be produced on a schedule. Yet there is little doubt that formalizing the planning process is worthwhile; it ensures that managers at all levels will devote some time to strategic thinking, and it guarantees each of them an audience for his ideas. While formal strategic planning cannot guarantee good ideas, it can increase the odds sufficiently to yield a handsome payoff. A version of this article appeared in the January 1975 issue of Harvard Business Review.