

Rationalization of Business Planning Through the Current Dynamics of Tourism

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Abstract

Business organizations traditionally, plan their activities to perform in a more organized way. This study has been designed to investigate the basic reasons for which organizations tend to employ planning process. This conceptual study has been based on the literature review and explored that the business organization follow planning for at least ten key reasons. In general, the tourism sector in particular not necessarily represents any major gaps with other business organizations and as an obvious effort adopts the planning in almost all steps.

Keywords

Business Planning, Tourism, Business Organizations, Off Track Funding

I. Introduction

A business plan is the groundwork for the formation and expansion of activities of a business establishment. This is a fundamental component for a business entity and is a crucial tool for raising investment potentialities. In most cases, the business plan is produced for illustrating the vision of the business and to convince others for helping to attain the vision. The business plan is a formal account of set business objectives, the rationale behind those objectives and preparation to reach them (Barrow, 2009; Lee, 2011; Luther, 2011). The process involves detailed overview of the organized business activities through highlighting its' current assets and potential resources.

II. Importance

In a normal meaning, people individually or in groups make plans for solving 'wicked problems' or improving the existing situations. 'Wicked problems' in business refer to those which are by nature difficult to solve due to their complex characteristics (Protzen and Harris, 2010; Stella, 2010). The importance of a business plan lies to its' affectivity for predicting business opportunities, ways of exploiting them, assisting in partnership selection, tracking the follow up organizational progress, revitalizing business after start-up and moving up investment finance for carrying business growth (Wheeler and Hunger, 2010). The business planning is an essential phenomenon for meeting the information requirements of relevant stakeholders, setting the strategies for potential investors and future expansions. The planning of business is a vitally important criteria for any business organization and its' lack can lead to business failure (Baye, 2010; Alexander et al., 2010). Business organizations are required to have a plan for continuing the accomplishment, to be aware of inner issues for making success, defining or documenting the obligatory strategies, maintaining the set tactics, flourish and become more victorious. Business organizations necessitate planning for implementing a course for managing resources more effectively. Again, the business plan is important as this can provide the investment potentials for generating profitability (James, 2010). Leaving beyond the realm of business organizations, demand for planning has expanded to national tourism context. "For international visitors to be attracted to the country, Japan will have to move

beyond its lip service 'Yokoso! Japan' campaign slogan, and formulate a long-term tactical and strategic marketing plan" (Uzama, 2009). As in Bangladesh, the 'Rupomoy Bangladesh (Beautiful Bangladesh)' slogan has failed to bring any positive contributions in promoting tourism. Along with bureaucratic problems, lack of marketing approaches and business planning has worsened the entire situation (Rubaiya, 2011).

III. Reasons for Business Planning

In the tourism sector, business and marketing activities are central gadgets for demand stimulation (Schubert and Brida, 2009). Hence, planning as a powerful catalyst has inflated to the individual level tour operator or travel agent, termed as the 'Personal Business Continuity Planning' (Kadam, 2010; Lindstrom et al., 2010). In general, organizations in tourism engage in business planning for at least ten key reasons:

First, tourism business organizations need planning to understand their existing position in order to frame the future policies and action plans (Holloway et al, 2009). The present situation analysis mainly highlights the design of business prototype, primary product or service launch, business commitments from customers, details of revenue generation including funding or investment potentials. The options of funding are limited and competitive. Tourism business organizations are required to have analytical knowledge on their business capabilities in order to formulate policies for the 'off-track' funding options like peer-to-peer lending, venture capital financing, asset-based loans, microloans, factoring and accounts receivable financing or even the merchant cash. The main ground for looking for additional funding from non conventional sources can be the economic turmoil or limited availability of resources from traditional financial institutions (Robinson, 2010).

Second, the tourism business entities are expected to have planning for the concise explanation of offered products or services and ways for positioning them in the market for grabbing the maximum opportunities. Again, planning is expected to offer guidelines to create loyal customers, to set the competitive features of the products/services and to maintain the ties between the product/services and the market. Traditionally, public interaction, value addition, consumer trust and branding represent peer importance in tourism business planning (Baumgarth, 2010; Kracht and Wang, 2010; Nigel, et al., 2011). Traditional planning errors like ambiguity in service/ products description and inability to take hold of market benefits through team efforts can lead to failure of the entire business planning process (Huang, et al., 2010).

Third, tourism business organizations and the concerned parties like the stakeholders or potential investors expect to get a clear scenario of the current and future business market situation on different variables like size, niches, growth, substitutes or even profit or loss. The tourism business organizations employ planning for the market diagnosis that can be comprised of the demonstration of market attractiveness, the core areas of competition, the target market selection with the understanding of their purchasing behavior and product or service positioning in the market. The business planning offers organizations ways for engaging in

market competition through product performance, quality, pricing, discounts, product or service support (Jon, 2009; Ahmed, et al., 2010; Letchfield, 2010). At this stage, planning can lead business organization to face disastrous consequences, if the accuracy of evidence is unsupported by the market data or elementary first-hand market research. Failing to analyze the market competitors those can create unbalanced competition to take control of larger market share can also have to negative impacts on the business activities. Lack of focus on the market place with competition, approach, position and consumer behavior in the planning process surely results in business failure (Tsiotsou and Ratten, 2010).

Fourth, planning helps the organizations to construct a link with target market and the product or services through demonstrating the ways of involving marketing, promotion, selling, distribution strategies and allowing them to understand details of the functions of retailers, wholesalers and distributors. The business planning offers guidelines for processing or fulfilling the order, stocking and dispatching of products and the involvement of third party suppliers. In business, planning process should encompass developing the product or service capabilities than portfolio of capabilities those are inconsistent to market requirements (Avella and Bustelo, 2010).

Fifth, organizations entail planning to assess the existing or potential competitors. The fundamental competitor analysis allows getting information on the identification, dimension, product/service range or financial strengths of the competitors. An effective business plan explores further details than the analysis of general marketing competition and highlights on the potential or future market entrants (Etro, 2007; Tony and Chris, 2010). However, at this stage of competitor analysis, organizations are severely affected, if the planning fails to predict the enduring competitions, substitute products or services and act in accordance for reducing risks (Couter and Vanbrabant, 2008).

Sixth, planning is required for understanding the processes of product or service generation. Operational part of the tourism business plan is expected to outline the attached elements of service product making as resource materials, labor, facilities with places and modes of production. Quality is a key aspect for tourism service product differentiation and ensuring competitive advantages (Hudson, 2010). Communication with the audience in simple statements regarding service generation and delivery has always been a challenge (Bell, 2010). The common weakness of planning at this stage is the irrelevant explanations through using technical words beyond the readers' knowledge and ignoring the risks associated with the process of production.

Seventh, business organizations anticipate employing human resources with relevant industry experience, marketing or promotional skills. The nature of inter relationship and commitments between the entrepreneur with the work force; work force with the customers are aspects those are deserved to be clarified through a business plan for facing the ongoing advancement in the sector. Planning and designing the human resource structure is expected to highlight newer concept as the 'Tour Representative' or the 'Cafeteria Award' approach with traditional policies and practices (Nickson, 2011). At this point, gap between skills portfolio with the requirements of job profile leads to employ 'least fit' candidate and directs the organization towards the diverted track of mediocre where the entrepreneurs with the whole team of employees are not assessed based on their suitability or merit (Ross and Pryce, 2010).

Eighth, in general, business plan explains basic statement of the financial facts that is generally prepared through using the available and projected market data. The key focus of attention that a business plan offers is to express the financial hypothesis on each of the basic contents, authorizing the suppositions and the demonstration of supporting the base of the cases (Fridson and Alvarez, 2010). Inaccurate financial projections obviously guide the tourism business organizations to experience financial shortfall and cuts in expenditure (Middleton and Clarke, 2009).

Ninth, planning helps the organization to understand the required amount of funds. The protuberance of financial stuffs shows the financial support and funding prerequisites. The potential investors expect to learn about the required amount of money for the premises, staff, capital spending, research or development, market test, return of investment and so on. This is why, information on time, level of stage and the background against which a proposed fund will be drawn are vital components those are visualized through the business plan (Camillis, et al., 2010). At this step, wide of the mark financial estimations for the investment requirements, targeted time of the break even and return of investment consequence to financial losses with reducing confidence of the investors (Zhang, et al. 2010).

Tenth, business organizations are essentially required to assess the current and potential competitor analysis and market risks. A sound business plan outlines the identification of risk factors, ways of minimizing impending risks with categorizing the factors regarding their severity. Refinement of the list can identify core or peripheral risk factors and thus to frame policies for minimizing their effects even before the start up of the business (Saraniemi and Kyland, 2011; Oh et al., 2010). The misanalysis of risks usually has unconstructive effects and misleads the set targets of products or services, marketing strategies, technological or human resources management (Alexander, 2008; Connor, et al., 2010).

IV. Conclusion

The business planning in a technology oriented and highly competitive world represent significant importance. In tourism business, the planning process is a pivotal phenomenon and requires an effective set framework. The successful business planning is expected to explore gaps between the goals and realities. Thus to sort out the possible remedies and assist in formulating policy frameworks. Hence, planning represents the overall outlines of the business organizations to exist or flourish in the global business arena.

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