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## CORPORATE POLICIES AND SUGGESTIONS FOR BETTER USE OF STRATEGIC PLANNING BY COMPANIES: “THE CAHORA BASSA CASE”

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**Abstract:** Strategic planning is a management tool in which an organization defines where it wants to go and provides evidence of the means to achieve its objectives. When drawing up the strategic plan, the values and mission of the business are highlighted. They guide the entire strategy that will be used. Many organizations mistakenly imagine that they are planning, but what they are actually doing is not planning at all. They end up confusing it with other processes of perceiving the future, which can wrongly influence the path to success. The study presented here is the result of doctoral research and aims to understand the relevance of corporate policies and propose suggestions for better use of strategic planning in the context of improving corporate economic performance. As this is a qualitative study of an exploratory nature to interpret reality within a complex vision, we used a case study, making a bibliographical analysis for theoretical support and a documentary analysis of the company Hidroelétrica Cahora Bassa (HCB). The results indicate that HCB's strategic plan is well structured and has underlying corporate policies. However, it has some flaws that could compromise its effective implementation. The study therefore proposes: an analysis of the behavior of equipment suppliers and the surrounding market; greater involvement of senior management in the process of controlling the implementation of the strategic plan and drawing up a periodic control matrix, preferably to be analyzed at meetings of the Board of Directors; clear identification of the priorities of the problems to be solved; and drawing up a communication plan and involving employees in the implementation of the Strategic Plan.

**Keywords:** Strategy; Organizational Policies and Strategic Planning.

## INTRODUCTION

Strategic planning (SP) has been used to guide managers in their quest for success in the companies they run. Traditionally, it begins with the creation of the organizational identity, i.e. the clear definition of the mission,

vision and values. The second and third stages refer to the analysis of the external and internal environment, respectively. Then, based on these surveys, objectives and strategies can be developed, which will later unfold into policies, plans and procedures. Crozatti (2003) , reinforces this idea by stating that the SP is a management process in which the company identifies the scenario in which it operates, through threats and opportunities and strengths and weaknesses (external and internal environment), and then produces strategic guidelines (policies) to guide the fulfillment of the mission and guarantee the continuity of the process.

However, today's organizations face major challenges in formulating policies and strategic plans, and there is a great need to better structure themselves in order to achieve greater productivity, better quality and competitiveness. These policies are not only intrinsically important to organizations for improving internal and external procedures, but they also make an excellent contribution to economic growth. The study presented here is the result of doctoral research and aims to understand the relevance of corporate policies and propose suggestions for better use of strategic planning, in the context of improving corporate economic performance, proposing to answer the following question: to what extent is HCB committed to strategic corporate management and does it really apply it in its activities?

The research is justified for the following reasons: to contribute to understanding the relevance of implementing strategic business planning in a competitive environment; to contribute to the USTM collection as scientific material and to serve as support for other academic studies.

In order to meet the proposed objectives, the article has been structured into five sections, including this introduction. The following section presents the main theoretic-

cal aspects for a better definition of the topic. This is followed by a description of the specific methodology adopted to carry out this article. The fourth section contains the main results and discussions; and finally, the fifth section presents the article's conclusions.

## LITERATURE REVIEW

### DEFINING CORPORATE POLICIES

Oliveira (2007) argues that in strategic planning, policies are the basis, parameters or guidelines that facilitate decision-making by company executives. However, the same author explains that there is confusion in the literature about the term policy. The first obstacle encountered in the study of corporate policies is related to the wide range of meanings attributed to the term. This difficulty is generally attributed to the lack of differentiation in the English language between *politics* and *policy*, the former referring to the science of governing and the latter to business administration (Bethlem, 1981). There is no consensus on which meaning is the most correct or which will make the greatest contribution to the organization. Below are three ways of defining the term, according to various authors who have dedicated themselves to the study of Strategic Management.

#### The Policy Before The Objective

Leontiades (1982) conceives of policy conceives of policy as preceding the objective, defining it as a broad reason and direction for the organization as a whole, which is complemented by the objective and optimized by the strategy. Thus, policy establishes where top management wants to go. However, despite being quite comprehensive, this perception does not allow policies to occur at an operational level, as a specific rule of conduct for certain situations. On the contrary, it limits the term to a strategic sphere, more distant from the

company's day-to-day concerns. Following the establishment of policies, objectives are determined, which are quantitative measures that complement the general statements of the policy. Thus, it can be seen that the objectives are subordinate to the policies adopted. Next, action plans and strategies are drawn up, all defined in relation to the previous concepts.

### Policies as strategies

Some authors apply the concept of strategy as a synonym for policy. However, even these tend to emphasize the differences between the two and establish conditions under which they can be used with the same meaning. Steiner and Miner (1981) are concerned with making this distinction, presenting the original meaning of strategy at the time it was extended to the field of Management. Strategies were related to behaviors about position and competitive actions, analogous to the warlike meaning of the word. Later, its meaning broadened to include the company's other resources. Finally, the basic interests of a company's management were included in the definition: the aims, objectives, policies and specific strategies of action programs. Like strategies, policies change meaning according to their scope. In general, they are considered "guides for carrying out an action" (Steiner & Miner, 1981:29). However, some scholars, such as Ansoff (1990), Cannon (1968), Chandler (1962) and Newman (1959), call the same set of elements grouped together in the concept of strategy a policy. The result is a semantic confusion that can only be resolved by convention, according to the preference of the author or administrator. The differentiation between policies and strategies is, in Steiner and Miner (1977), set aside when it comes to major top management decisions, but they have different meanings for lower levels.

## **Politics differs from strategy and purpose**

Finally, there is a third meaning of policy, which differs from objectives and strategies. It states that policies limit strategic planning, with guidelines on how to act at both higher and operational levels.

According to Giuzi (1987) , organizational policies are guidelines for administrative action to achieve the goals and objectives set for the organization. Owens (1954) reinforces this idea by defining corporate policies as principles for the conduct of a company, a general course of action followed by people who are responsible for running the business and relations with *stakeholders*.

Both definitions allow for broad or narrow interpretations, depending on the organizational level in question. This third definition will be used in the continuation of the study, which, although similar to the previous concept (policy/strategy), preserves the distinction between the terms and allows for a better analytical review.

## **FORMULATING ORGANIZATIONAL POLICIES**

One of the actions provided for in the formalization of strategic planning is the formulation of corporate policies. The creation of corporate policies is influenced by three different fields (Caravantes, 1997): (i) External environment: meaning that policies are formulated based on the company's relationship with competitors, suppliers, consumers, among other *stakeholders*; (ii) Evaluation of competing operations: policies are created based on knowledge of the company's internal capabilities, always observing competing operations and their functioning; and, (iii) Management values: meaning that policies will be affected by the way they think and the characteristics of the people who contributed to their creation. The importance of the last aspect is hi-

ghlighted by Barros et al. (2006) , through the results of their research into the influence of managers on corporate policies, carried out by observing Brazilian publicly traded companies over a 5-year period (from 1998 to 2003). In the study "the results suggest that some corporate policies and the market value of companies can be significantly influenced by the idiosyncrasies of their managers" ( Barros et al., 2006) .

### **The role of policies**

Buskirk (1971) lists five basic functions of corporate policies in the decision-making process, namely:

#### **Standardize the behavior of employees in the organization**

Particularly in large companies, it is difficult to get all work groups to function in the same way or to show similar behavior and results. This tends to lead to incompatibility between areas of the company, since the internal dynamics and even the work aimed at the external public are different. Inconsistent treatment tends to provoke negative reactions from employees and consumers. Policies minimize this problem by standardizing some of the behaviours of all employees and areas of the organization.

### **Ensuring continuity of decisions**

The uniformity of decisions should not only be observed in the breadth of the organization, but also in its permanence over time. Stakeholders expect to be treated uniformly whenever they approach the company. A breach of this expectation causes discomfort. Another occasion when continuity must be guaranteed by establishing policies is when organizational management changes. When a company changes its management body, it risks having behaviors that have already been consolidated as standards lost at the time of the transition. Policies remain unchanged du-

ring this transition. It should be emphasized that policies are not immutable. However, they are designed with the long term in mind, providing the company with stability until the need arises to change them.

### **Optimizing internal communication and aligning expectations between all hierarchical levels of the business.**

Through policies, senior management is able to convey their expectations to employees. New recruits understand the intentions and behaviours expected within the organization more easily and clearly.

### **Decision-making facilitator**

Policy is a decision made in advance (Buskirk, 1971). Once it has been established, it is expected that its determinations will be applied in every situation it covers, so as to avoid transiting through the various organizational levels. The policy proposes procedures or lines of thought that reduce the administrator's decision volume and facilitate the process through standard responses. The caveat in using policies is not to use them indiscriminately, without considering the specifics of the situation. Otherwise, a solution could be forced according to the policy, without the premises actually being those listed in the previous formulation of the problem.

### **Protection against short-term pressures**

As policies are based on the long term, their definition prevents managers from neglecting strategic aspects in favor of immediate interests. There are, of course, cases in which opportunities arise without extensive prior preparation. Extraordinary situations can deviate from the established path to the detriment of something new in the environment. This is particularly observable in dynamic markets and unstable economies. At this point, the policy must be judged appropriately so that it does not hinder the company's corrective and adaptive actions.

## **TYPES OF POLICIES**

According to their sources of conceptualization, policies can be (Oliveira, 2007):

### **Established policies**

They stem from the company's objectives, challenges and goals and are established by senior management in order to guide subordinates in their decision-making process. They usually correspond to strategic or tactical issues. For example, is a policy established by senior management regarding the level of diversification that the company will adopt as the basis for its decision-making process.

### **Policies requested**

They are the result of requests from subordinates to the company's senior management, in order to obtain guidance on how to proceed in certain situations. They usually correspond to operational issues. An example might be a policy for granting credit to customers.

### **Imposed policies**

These come from factors in the company's environment, such as the government, the financial system, trade unions, etc. They usually correspond to strategic issues. As an example, there could be a policy imposed by the unions for the company to have certain factory committees of the CCQ - Quality Control Circle - type.

As for the form of dissemination, policies can be (Oliveira, 2007):

- a) **Explicit:** these are written or oral statements or positions on the information needed by the decision-maker to facilitate their choice between the existing alternatives;
- b) **Implicit:** corresponds to a situation in which the policy is not formalized, because it is not spoken or written.



The same author also classifies corporate policies in terms of their scope:

- c) **General policies** : these represent general principles or laws based on the company's basic operating philosophy (they can be general business, management or management policies).
- d) **Specific policies**: which represent the principles and laws that must be respected by a specific area of the company.

## CHARACTERISTICS OF EFFECTIVE POLICIES

The characteristics of effective policies are (Ziegler, 1972):

- a) flexibility, because the company is in constant interaction with the environment and therefore cannot rely solely on its tradition;
- b) comprehensiveness, as they must cover the various aspects and difficulties that arise in the company's operations;
- c) coordination, otherwise efforts may be directed to unrelated tasks; and
- d) ethics, as they must comply with the company's ethical standards of conduct.

It is clear that the executive must establish policies with these characteristics, because otherwise the foundation of strategic planning could be greatly weakened.

## SUGGESTIONS FOR BETTER USE OF STRATEGIC PLANNING BY COMPANIES

The executive must be aware that his company will only be able to obtain the effective advantages of strategic planning if certain aspects are observed, which necessarily involve understanding the following basic premises (Oliveira, 2007):

- a) Strategic planning is not an administrative tool to solve all the company's problems, however, when used correctly, strategic planning provides a number of advantages for the company as a whole, including: it identifies areas that require decisions and ensures that due attention is paid to them, with a view to the expected results, and it makes it possible to obtain better operational results.
  - b) In other words, strategic planning should represent an administrative methodology that seeks to create a situation in which the company is optimized in the face of changes in its environment, with the aim of making the best possible use of opportunities and avoiding threats. It puts the company in an active situation, including trying to "make things happen"; and
  - c) Strategic planning is properly used by the company. Assuming that the executive is aware that strategic planning will not solve all of the company's problems, and that the management tool he is actually using is the SP, certain faults must be avoided which can occur at three points in the development of the SP process in companies (Oliveira, 2007) (before the SP is drawn up, during the strategic planning process and after the SP is drawn up and when it is implemented), as illustrated in Table 1.
- With regard to failures before the start of drawing up the SP, it is important to highlight the following suggestions (Oliveira, 2007):
- For point (1): a) the employee hired should not draw up the strategic plan, but should catalyze the process of drawing it up, which should be carried out by the various sectors of the company; b) the ideal allocation of the SP sector in the organizational structure

is at the highest hierarchical level, preferably in an advisory situation; c) the best team for developing the SP should be joined by an advisor - internal - and a consultant - external -, providing a synergistic situation of their specific advantages; and d) setting up a competent and creative multidisciplinary team that involves adequate knowledge and a critical sense of all the company's businesses, products, services and activities, which catalyzes and supports the SP process, as well as obtaining and analyzing some basic information that is not allocated to other organizational units of the company.

- For point (2): a) consider the company as a whole, facilitating analysis, both internal and external to the company, also allowing better interaction with its environment; b) The executive must identify and provide an open and frank treatment of the problem, seeking to revitalize strategic planning in the company; c) SP must be understood as a continuous, comprehensive and participatory process, whose benefits for the company will emerge over time, in a rational, logical and structured manner; d) the SP must respect the reality and culture of the company, because only in this way can it help the executive in the decision-making process; e) it is extremely important that the strategic planning process is incorporated into the day-to-day running of the company, creating a situation of strategic management, i.e. the strategic aspects are incorporated systematically into the company's decision-making process.
- For point (3): a) early and continuous training on the activities involved in the change, adequate communication

between the parties involved, effective participation of the people affected by the change, especially the resilient ones, and improvement of the information system in the companies, among other aspects; b) establishing the criteria and parameters, as well as the information system necessary for adequate control and evaluation of strategic planning; and c) can be avoided through effective, comprehensive and participatory training and professional qualification programs.

- For point (4): a) the executive must consider the development of the SP according to the reality of the company in terms of, among other more specific aspects, its size and available resources; b) the executive must know how to work with informal and invisible aspects of the organizational culture.

Oliveira (2007) proposes the following suggestions for the failures that can occur during the preparation of the SP:

- For point (1): a) the executive should be aware of the most common problems in the development of strategic planning in companies and be aware of the fact that part of the strategic gap comes from formulating strategies using a simple correlation of cause and effect; b) the executive must remember that the convergence of sectors and the pace of technological innovation have broken down the boundaries of traditional industry and complicated the task of identifying competitors and important environmental factors or those not controllable by companies; c) the executive must remember that structured and formalized strategic planning must be complemented by intuitive aspects as in any decision-making process; and d) the SP must be drawn

up “by” the company and not “for” the company. And for it to be able to draw up its SP, it is a basic premise that the employees involved in the process have full knowledge of the subject.

- For point (2): a) top management must have a balanced involvement (neither too little nor too much); b) the SP must encompass tactical planning, which in turn considers the ordering of resource groups for the best achievement of strategic results and encompasses operational planning; c) it is not only the level of involvement of top and middle management that must be analyzed, but also the attitudes that the elements present towards the SP.
- For point (3): a) interconnection between top management, tactical and operational levels; b) the executive must maintain a level of balance in the aspects of simplicity, formality and flexibility of the SP in the company; c) planning must comprise the period of time necessary to forecast, through a series of activities, the satisfaction of all the commitments involved in all the strategic decisions.
- For point (4): a) it must be a continuous process with constant updating, understanding, control and evaluation; b) strategic planning must not be considered utopian. Therefore, as already presented in this section, the executive must develop strategic planning within the company's current reality; c) there must be a system for disseminating correlated information widely and consistently; and d) face up to the difficulties and plan for the future, because leaving it to plan for the future when it arrives will be too late, there won't be time for the company to keep up with market demand and it could be sidelined be-

cause other companies may have taken care to plan.



Before production begins	During the preparation	During implementation
1. Inadequate structuring of the sector: a) hiring a plan developer b) inadequate allocation in the structure c) inefficient employees d) inadequate team structuring	1. Lack of knowledge of basic concepts: a) consider it an easy or difficult process b) not considered as an integrated system c) disregarding intuitive aspects d) disregard for the learning and training process	1. Inadequate control and evaluation: a) lack or inadequacy of the control system b) disregarding the costs versus benefits ratio
2. Ignorance of the importance and significance of planning: a) success without planning b) some previous planning failure c) expect huge and rapid results d) direct transposition of another company's planning e) disassociation from the management process	2. Inadequate involvement of hierarchical levels: a) insufficient or too much involvement of top management b) non-involvement of middle management c) inadequate attitudes towards planning	2. Inadequate interaction with employees: a) lack of participation and involvement b) lack of commitment c) lack of knowledge
3. Failure to prepare the ground for planning: a) non-elimination of pockets of resistance b) non-schematization of the control and evaluation system c) lack of knowledge about the nature of planning	3. Defects in the production itself: a) non-interconnection with operational planning b) flaws in the establishment and interconnection of the various items considered c) excess - or lack - of simplicity, formality and flexibility d) inadequate period of time e) inefficiency of those responsible for planning f) inadequate or non-existent knowledge management g) dissociation with the innovation process	
4. Disregard for the company's reality: a) inadequate size and available resources b) mismatch with the company's culture	4. Low planning credibility: a) discontinuity in the process b) use of unrealistic situations c) non-disclosure of information d) difficulty working with planning	

**Table1** : Causes of strategic planning failures

**Source:** Oliveira (2007: 279)

Finally, Oliveira (2007) proposes the following suggestions for failures during the implementation of the SP:

- For point (1): a) adapting the system for controlling and evaluating the SP, with a view, among other things, to creating a situation of credibility and providing the conditions to facilitate its continuity and improvement within the company; and b) establishing a situation of self-control and evaluation, which will only be possible with the effective participation and involvement of the company's various executives and employees.
- For point (2): a) the effective participation and involvement of top and middle management in the development of the SP process; b) the company must act to develop and apply facilitating instruments for the process of increasing people's level of commitment; and c) work towards the SP being known by everyone.

## **METHODOLOGY**

The work methodology is defined in such a way as to respond to the study questions and the proposed objectives (Marques, 2004). In terms of nature, the research is descriptive, as it aims to describe the form and advantages of implementing strategic planning that have a positive impact on the company's success.

As for the approach, the research was qualitative, as Gil (2008) said, this method allows us to not only describe the context of the problem, but also to explore its meanings and has the characteristic of gathering data of an interpretative nature.

The technique adopted was bibliographical research. As stated by Richardson (1999), Gil (2002), Marconi and Lakatos (2003) and Oliveira (2011), bibliographical research, or research of secondary sources, covers all the

bibliography that has already been made public in relation to the subject of study, from single publications, bulletins, newspapers, magazines, books, surveys, monographs and theses. Its purpose is to put the researcher in direct contact with everything that has been written and said on a given subject.

## **THE CASE OF THE CAHORA BASSA HYDROELECTRIC PLANT**

As we said in the introduction, this study aims to reflect on Strategic Planning and its efficiency in management, and as such we set out to analyze the business policy of a specific company. In this case, we chose Hidroelétrica de Cahora Bassa, SA (HCB) and set out to analyze its Strategic Plan 2018 - 2023.

In this chapter, we will understand the scope of HCB's Strategic Plan and its relevance to the company's management, and whether this document is in fact a catalyst for strategic thinking that not only links a broad vision of the organization, but also serves as an appropriate tool to guide the manager's actions towards achieving institutional objectives, as recommended by Robbins (2000).

## **CHARACTERIZATION OF THE CAHORA BASSA HYDROELECTRIC PLANT**

Hidroelétrica de Cahora Bassa, S.A. is a public limited company incorporated on June 23, 1975, with headquarters in Vila do Sonho, District of Cahora Bassa, Province of Tete, whose main corporate purpose is the operation, under concession, of the Cahora Bassa hydroelectric scheme and, in general, the production, transport and sale of electricity, including import and export, all under the terms of the concession contract.

Under the 1975 agreements, HCB's shares would gradually be transferred to Mozambique as the Portuguese government recovered the capital and interest on the investment

made (with the revenues from HCB's operation), which culminated in the Reversion and Transfer Agreement, through which the Mozambican state came to hold, as of 2012, 92.5% of HCB's share capital, through a vehicle created specifically for this purpose, Companhia Eléctrica Vale Zambeze ("CEZA").5% of HCB's share capital, through a vehicle created specifically for this purpose, Companhia Eléctrica do Vale do Zambeze ("CEZA"), and the Portuguese state, 7.5%, which it subsequently transferred to a strategic partner, Redes Energéticas Nacionais, SGPS, S.A. (REN).

In November 2017, following a decision by the shareholders, HCB bought its own shares, representing 7.5% of its share capital, which were held by CEZA. Since then, HCB's share capital has been titled as follows: The Mozambican state, through the CEZA vehicle (85.0%), REN (7.5%) and HCB itself (7.5%).

### **HCB's Mission, Vision and Values**

The mission and vision of Hidroeléctrica de Cahora Bassa (HCB) are clear and are geared towards excellence and efficiency in the operation of the Cahora Bassa project and the contribution that the company can make to the development of the national and regional energy matrix.

The **mission** is as follows:

- To be an international benchmark company, decisively driving the development of the energy matrix.

The **vision** is as follows:

- To operate the Cahora Bassa project with excellence and contribute to expanding the use of the country's energy potential in a sustainable and socially responsible manner.

The analysis of these strategic elements shows that the basis of HCB's entire strategy is the sustainability of the business in the medium and long term. For this reason, the company's focus is on efficiency, expanding production capacities, diversifying the busi-

ness portfolio, developing human capital and profitability, elements that contribute to the sustainability of any business and society.

**Company values** : HCB has the following values: Team Spirit, Integrity, Excellence, Responsibility, Pride, Innovation.

The mission, vision and values are the basis of the Strategic Plan and HCB, through them, demonstrates that the company's focus is on efficiency, expanding production capacities, diversifying the business portfolio, developing human capital and profitability, elements that contribute to the sustainability of any business.

### **INTERNAL AND EXTERNAL ANALYSIS**

The strategic diagnosis, in its process of external and internal analysis, has certain components, which are shown in Table 1.

#### **Strengths (Strengths)**

Strengths are the internal and controllable variables that provide a favorable condition for the company in relation to its environment.

The strong point identified in HCB's strategic plan is the company's new management approach, which focuses on process efficiency and the correct allocation of resources, based on effective organizational risk management. Therefore, as a result of the mission and the results of the risk analysis, some functions are being introduced (business identification and management, project management, among others), others need to be concentrated (strategic planning, monitoring and evaluation, continuous process improvement) and still others may be outsourced (support services). The readjustment of the organizational structure will necessarily lead to a workforce aligned with the company's current and future needs (number of people and their key competencies).

	FORCES:	FRAKES:
INTERNAL FACTORS	<p>Large-scale infrastructure;  Insertion in an integrated regional energy market;  Contractual stability in terms of revenue (PPA) in the long term;  Presence on the Mozambique Stock Exchange;  Company staff with strong skills and level of specialization;  Financial strength;  Availability of clean energy.</p>	<p>Dependence on a small number of clients.  The need to renovate the power plant, which has been operational for 50 years.  Revenues essentially based on ZAR, leading to increased exposure to a high exchange rate risk.  Dependence on a single source for electricity generation.</p>
	OPPORTUNITIES	THREATS
EXTERNAL FACTORS	<p>Discovery of large quantities of gas in the Rovuma basin;  Increasing energy deficit in the southern region as a result of economic development;  Possibility of increasing production capacity with the development of the North Plant.  Implementation of structuring sector projects for the Mozambican economy in the energy sector, promoted by the public sector;</p>	<p>Challenging macroeconomic, political and social context.  Possibility of force majeure events affecting production capacity (e.g. pandemics).  Loss of competitiveness of water resources as a source of renewable energy generation.  Local financial market with limited capacity to raise capital;</p>

**Table1** - HCB SWOT analysis

**Source:** The authors

This approach is also centered on managers, as the main pivots of the change and dynamism that we want to bring to the company, which presupposes a strong commitment to strengthening their operational and strategic management skills. The aim is to increase the involvement of HCB's managers in the company's strategic decisions.

The focus on knowledge management within HCB seems to be an important challenge to take into account in the coming years, by capitalizing and centralizing all the knowledge produced internally and by the consultants and contractors hired. From an intelligence center that functions as a repository with different levels of permission, employees will be able to access relevant content aimed at enhancing their professional development and growth within the company, promoting research and technical-scientific production in their areas of knowledge, as well as preparing staff to better participate in HCB's strategic decisions.

### **Weaknesses (Weaknesses)**

Weaknesses are the internal and controllable variables that cause an unfavorable situation for the company in relation to its environment.

- **Absence of a risk management plan**

Risk management is fundamental to ensuring that the strategy defined here is implemented successfully, as it will allow clear and objective criteria to be defined to identify the most critical areas with the greatest impact on the company's efficiency.

The review of HCB's organic structure, based on a rigorous functional analysis, is crucial to ensure that the organizational conditions are in place for employees to carry out their duties and contribute to the realization of initiatives, especially those associated with action axes 1 (Operational Efficiency), 2 (Business, Markets and Customers) and 3 (Cor-

porate Management, Risk and Accountability). As a result of this organic review, it will be necessary to create one or more organic units responsible for managing the Vital 10-year CAPEX, identifying and developing new businesses and defining and implementing effective risk management within the organization.

Failure to create these organic units or delays in their operationalization will have a significant impact on the successful implementation of this strategic plan.

### **Opportunities**

Opportunities are the external variables that cannot be controlled by the company, which can create favorable conditions for the company, provided it has the conditions and/or interest to take advantage of them.

- **Trends in the energy sector in Mozambique and southern Africa**

The development of the energy sector in Mozambique and the region is considered fundamental for the socio-economic progress of the countries, along with agriculture and industry.

Several structuring projects in the energy sector are in the pipeline and aim to guarantee the security of electricity supply on a national and regional scale by diversifying generation sources, as well as creating surplus capacity for export within the region.

Although there is currently an energy surplus in the region of around 2,616 MW (more than HCB's installed capacity), demand for energy is expected to increase significantly in the medium term as a result of rising domestic demand, as well as industrial and commercial demand from countries in the region, especially Zimbabwe and Malawi.



In order to take advantage of these business opportunities, it is imperative to make a timely investment decision, especially since there are huge challenges in terms of energy transportation infrastructures that involve a high volume of investment.

To take advantage of the opportunities in the region, some countries are making major investments with the aim of taking a leading position in the sector, namely Angola, with the Laúca (2,070 MW) and Caculo Cabaça (2,172 MW) dams, and Zambia, with the Kafue Gorge Lower (750 MW) and Batoka (2,400MW) dams, the latter shared with Zimbabwe.

Mozambique has a privileged position in the region, after South Africa, due to its high generation potential and its geographical location, which provides favorable conditions for it to strengthen its position as an energy exporter to the countries of southern Africa. It should be remembered that Mozambique borders Tanzania, Malawi, Zambia, Zimbabwe, South Africa and Swaziland. However, all the projects being developed in the region compete with Mozambique, as they aim to satisfy the same market: the regional one. It is therefore necessary for Mozambique to speed up the process of implementing its projects so as not to miss out on the opportunities offered by the region.

## Threats

Threats are external variables that cannot be controlled by the company and which can create unfavorable conditions for it. The severe hydrological situation that has affected Mozambique and neighboring countries, largely due to global climate change, is also a huge challenge for HCB. The company currently has to deal with a number of complex issues related to hydrological risk, which directly affects the business of the Cahora Bassa project, since it is the raw material.

The lack of rainfall over the last three years along the Zambezi Basin, a drought phenomenon with a return period of 25 years, has brought challenges in terms of water management, as it greatly influences decision-making on energy production at hydroelectric projects. This high dependence on the hydrological situation is one of the main motivating factors behind the diversification of the business portfolio, since in recent years the company has been more exposed to hydrological risk.

It should be noted that in 2016, the level of the reservoir was at its lowest level ever - 312.22 meters - 8 meters less than the desirable level at this time of year. That's why, in 2017, HCB opted for more rigorous and conservative water management, with the aim of raising the reservoir's level, taking into account the medium- and long-term sustainability of the resource.

## HCB'S CORPORATE POLICIES

As we saw during the literature review, Umeda and Trindade (2004) state that the creation of a policy has 3 fields of influence: (i) External Environment: competitors, suppliers, consumers, among others; (ii) Evaluation of Competing Operations: knowledge of the company's internal capabilities, observing competing operations and how they work; and, (iii) Management Values: policies will be affected by the perception and personal characteristics of those who contributed to their formulation.

HCB's strategic plan captures its external environment well, especially in relation to its competitors and consumers, but it is silent in relation to its suppliers and the equipment acquisition market, considering that it is a capital-intensive company whose equipment prices have very high acquisition costs.

Another relevant aspect that we notice when we look at the strategic plan under analysis and the underlying corporate policies



is the absence of a strategy for involving senior management. At the same time, Starkey (1997) points out, among other things, that the formalization of policies, strategies and structures aims to translate guiding ideas into business decisions and that this process does not exempt senior managers from their strategic responsibilities. Therefore, senior management, as well as being responsible for ensuring that companies have successful policies and strategies, need to ensure that processes are continuously improved.

It is in this vein that Ackoff (1976) points to control as an unavoidable procedure for detecting flaws in execution plans and seeking ways of preventing and continually correcting these flaws. The control process should be led by senior management, through processes to check the progress of the planned activity, whether or not it is achieving the planned results. The same author points out that failure to outline the system for controlling and evaluating strategic planning is one of the flaws in the process of drawing up strategic plans. Therefore, according to this author, it is essential for the executive to establish the criteria and parameters, as well as the information system necessary for adequate control and evaluation of strategic planning.

Throughout the case study, we also noticed that the company presents various elements in its Strategic Plan, giving the idea that it intends to solve all its problems, but as Oliveira (2007), the work on which this paper is based, recommends, the executive must be aware that strategic planning is not an administrative tool for solving all the company's problems. It is important that the Strategic Plan is able to capture only the most pressing problems with a structural impact. This is because, as Oliveira (2007) advocates, *strategic planning should be understood as a continuous, comprehensive and participatory process, whose benefits for the company will emerge over time, in a rational, logical and structured manner.*

The absence of a communication and employee involvement plan is also a negative aspect of this plan. Ackoff (1976) points out that employees' lack of knowledge of the nature of the strategic plan is one of the main flaws in implementation. According to the author, this failure can be avoided through an effective, comprehensive and participatory training and professional development program, including the use of practical examples to provide the employees involved with a "*seeing is believing*" situation.

### **SUGGESTIONS FOR HCB TO MAKE BETTER USE OF STRATEGIC PLANNING**

Therefore, based on the findings presented in the previous section, for the improvement of HCB's strategic plan, this work recommends the following:

- The inclusion of an analysis of the behavior of equipment suppliers and the surrounding market, and its inclusion in the company's external environment analysis matrix;
- Involving senior management more in the process of controlling the implementation of the strategic plan and drawing up a periodic control matrix, preferably to be analyzed at meetings of the Board of Directors;
- Clear identification of the priorities of the problems to be solved, as a way of assuming that the strategic plan is not an instrument for solving all the company's problems;
- Drawing up a communication plan and involving employees in the implementation of the Strategic Plan.

## CONCLUSION

Strategic planning can be seen as a competitive differentiator. A company that plans where and how to go is more likely to achieve better results. It makes it possible to identify weaknesses and threats, as well as strengths and opportunities. With this information, it is possible to anticipate and always be prepared to face challenges. Strategic planning also has the power to integrate employees, managers and directors, making everyone work towards the same overall goal.

In addition to vision, mission, values and objectives, strategic planning incorporates corporate policies. The different views on policy converge on words such as guide, orientation and parameter. Policies can be located at both the strategic and operational levels of the company. However, their main function is to take the executive from the strategic definitions to the operational dimension. They mediate between planning and execution. Policies are part of the decision-making process. This complex subsystem within the body of an organization's activities is surrounded by doubts and uncertainties, which are reduced in the face of well-formulated policies. They are generic guidelines that do not set out to provide answers to every situation. Instead, they steer decisions in a certain direction. Policies should be designed with the long term in mind, but at the same time be flexible to adapt to market conditions and new organizational configurations.

However, although HCB's strategic plan is well-structured, with a vision, mission, values and objectives, it has some flaws that could jeopardize its effective implementation, such as: omission in relation to its suppliers and the equipment acquisition market; absence of a strategy for involving senior management; and the absence of a communication and employee involvement plan. In view of these findings, we propose including in the strategic plan: (i) an analysis of the behavior of equipment suppliers and the surrounding market; (ii) greater involvement of senior management in the process of controlling the implementation of the strategic plan and drawing up a periodic control matrix, preferably to be analyzed at meetings of the Board of Directors; (iii) clear identification of the priorities of the problems to be solved; and (iv) drawing up a communication and employee involvement plan for the implementation of the strategic plan.

Future studies on the subject could approach it differently, for example by surveying the use of "strategic planning" and "corporate policies" in small and medium-sized enterprises. The studies could focus on the correlation between the use of strategic planning and business policies and the performance of the companies studied.

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