**Chapter 8 Management Activities**

**1. Planning**

Planning involves selecting goals and objectives and seeking out ways to achieve them. Planning is deciding what to achieve, who will achieve it and how it will be achieved. A plan gives purpose and direction. If all sections and levels of an organisation are involved in the planning process even better decisions are made.

Plans can be:

**Smart**

Plans must set down clear and precise objectives and methods of achievement

**Measurable**

It must be possible to measure reasonably accurately the success of the plan

**Achievable**

Objectives must never be impossible to reach, otherwise people will be frustrated. Don’t set objectives too high or too low

**Agreed**

All members of management must agree to the plan

**Relevant**

The plan must be relevant to the needs of the organisation and the individual.

**Timed**

A timescale gives focus. It must be possible to achieve an objective in the time frame. Progress should be checked regularly the timescale may be adjusted.

* long term – over 5 years
* medium term – 1 to 5 years
* short term – less than 1 year

Plans must follow the SMART principle:

S Smart

M Measurable

A Achievable/Agreed

R Relevant

T Timed

**Steps to Planning:**

**1 Carry out a SWOT analysis: This involves a full internal and external business analysis**

**S – Strengths (Internal)**

The strengths of a business may be the quality of the staff or the produce

**W – Weaknesses (Internal)**

This may be old production equipment

**O – Opportunities (External)**

This may be consumer demand for ‘green’ products

**T – Threats (External)**

Threats may come from competitors who are planning similar new product launches

**2. Set Goals** – These are the targets the business wants to achieve. The plan must be geared towards achieving these

**3. Set out strategies to achieve these goals** – these are the actions and resources required to achieve the plan.

**4. Implement the plan** – begin the strategies taking into account the SMART principles.

**Types of Plans:**

**1. Mission Statement – Long Term**

* A grand strategic plan or mission statement is a document which outlines the reasons for the existence of a business and informs the public of its hopes and aspirations.
* Such plans don’t place a great emphasis on profits but concentrate on the overall aim.
* It states simply and briefly the purpose of the organisation - **i.e.** what the business was set up to achieve and goes on to list a set of organisational goals to add detail and further explain the mission.

“The Adidas Group strives to be the global leader in the sporting goods industry with sports brands built on a passion for sports and a sporting lifestyle”.



**2. Strategic Plans**

* These are medium to long-term plans 1 - 5 years
* These set down important objectives to be achieved in the time frame
* These plans are similar to mission statements but are more precise
* These are designed by top managers and are communicated to all other managers
* The plan requires the detailed examination of existing practices, deciding on the action to be taken and the setting of a timescale for completion.

***Herzogenaurach, November 8, 2010***

***The Adidas Group today presented its 2015 strategic business plan at its Investor Day in Herzogenaurach, Germany. Named “Route 2015”,***

***The plan aims at growing the business of the entire Adidas Group compared to the expected 2010 results by 45% to 50% to € 17 billion in 2015*.**

**3. Tactical Plans**

* This applies to periods of up to 1 year, and are often contained within a Strategic plan.
  + **i.e.** relatively short term day-today operations of the business
* These contribute to the long term success of a business.
* These are usually drawn up by senior management although teams of workers may also be empowered to produce and execute them.
* The plans are called functional because they relate to a particular function of a business.

***Under the new strategic plan, named "Route 2015," Adidas is targeting a compound annual earnings growth rate of 15%.***

**4. Manpower Planning**

An integral part of any plan is Manpower Planning. This is a plan which ensures the business has the correct amount of people with the correct type of skills at the correct times. To do this a HR manager must:

1. Forecast future demand
2. Calculate existing supply
3. Decide if there are enough employees if more are needed or if redundancies need to be made.

**5. Cash Flow Forecasting**

The Finance manager plans out the money the business expects to spend and receive in the future. This is to ensure the business will have enough cash to operate the business and achieve its goals. It is essential because the manager can predict months when surpluses may occur which would allow for extra promotions, creditors to be paid back etc or in months where a deficit may occur the business could plan to increase an overdraft, use previous surpluses to pay wages or pay for stock.

**Barriers to Effective Planning**

1. Managers who don’t or won’t plan
2. Rapidly changing Economic Conditions which frustrate plans
3. Employee resistance
4. A lack of staff with right skills
5. Inadequate monitoring of the plan by management.

**Factors Affecting Planning**

1. Internal Factors - These factors lie inside the firm

* **Commitment**

All those involved must show total commitment and no resistence

* **Finance**

A firm must have sufficient financial resources to allow all its plans to be achieved

* **Staff**

The quality of labour affects plans. If this is lacking it may not be possible to produce sufficient goods to meet the needs of the plan.

* **Skills**

The management team must be committed to planning; it must have the skills to draw up correct plans and to see them through to the finish

* **Other Resources**

The quality of premises, machinery and equipment etc affects plans. If they is lacking it may not be possible to produce sufficient goods to meet the needs of the plan.

**2. External Factors - These factors lie outside the firm**

* **Infrastructure**

Infrastructural improvements due to EU structural funds allow firms to get their products to market more readily and to make contact with customers more speedily.

* **Government Grants and Taxes**

Generous Government grants and subsidies help to make plans much more easily achievable.

Increasing/Reducing tax can also have a significant effect on a firms plans.

* **Competition**

Firms have no control over competitors and the products and services they provide

The market in which a firm operates changes over time and it is necessary to take account of this when planning

* **New Technology**

Changes in technology have cause firms to look beyond traditional domestic markets to potential customers abroad.

**Benefits of Planning**

1. A Firm can accurately forecast its labour requirements
2. Future shortage of resources can be accurately forecast
3. Day-to-day activities are coordinated by the plan
4. Plans help to convince investors and banks to part with their money
5. Planning helps firms project their revenue and possible profits
6. Planning allows problems to be anticipated before they arise

**Drawbacks of Planning**

1. Plans that are too rigid may tie a firm to a possible course of action that is not in their best interests.
2. Plans that are not monitored and controlled allow a business to drift.
3. Plans are affected by outside circumstances that nobody can predict.

E.g.: it is impossible to foresee events such as 9/11 or a natural disaster.