



Management activities: Planning, organising and controlling

8

Learning objectives

In this chapter you will learn about:

- 1 Planning
- 2 SWOT analysis
- 3 Organising
- 4 Controlling

Planning

Planning is the process of deciding on the organisation's goals and setting out the means of achieving them.

Types of plan

- Mission statement
- Operational plan
- Strategic plan
- Tactical plan

Steps involved in planning

- 1 Analyse the present situation using SWOT analysis to identify strengths, weaknesses, opportunities and threats.
- 2 Set objectives for the future based on analysis of the present situation.
- 3 Analyse objectives identifying sub-goals that must be achieved.

- 4 Draw up tactical plans to achieve each sub-goal.
- 5 Review the plan – measure actual achievements and compare to planned targets. Based on this, the plan may need to be revised.

Benefits of planning

- Analyses the organisation's present position
- Focuses on future activities so that the organisation can anticipate change
- Identifies and builds on the firm's strengths
- Recognises the firm's weaknesses and takes action to remedy them
- Identifies and exploits external opportunities
- Recognises threats and finds ways to overcome them

- Forecasts the various resources needed to achieve the organisation's objectives
- Sets clear, realistic objectives matched to the organisation's aims and resources
- Agrees goals and focuses people on achieving them

Mission statement

A short statement of the main focus of the organisation and the overall objectives it wants to achieve.

Strategic plan (long-term)

A plan to cover a five-year period or more, e.g. a plan to develop new products for the market by investing in research and development.

Tactical plan (medium-term)

A plan to achieve certain objectives within a time frame of 1–2 years, e.g. a plan to design and build a new research facility for product development.

Operational plan (short-term)

A short-term plan to be completed within one year, e.g. a plan to recruit and train new research staff.

Point to note

Planning is the most important management activity. You should be able to discuss and explain this.

SWOT analysis

A SWOT analysis is a simple technique that examines:

- Strengths
- Weaknesses
- Opportunities
- Threats.

Strengths

Positive internal aspects of the business could include:

- Excellent industrial relations record
- Highly skilled and flexible workforce
- Modern, low-cost production plant
- Strong brands established in the marketplace.

Weaknesses

Internal aspects of the business that need improvement could include:

- Financial difficulties with liquidity and borrowings
- Workers threatening to strike for higher pay
- Poor quality control: 10% defective products
- Product range is old: sales declining.

Opportunities

External factors that can help the business succeed could include:

- Increasing demand in the markets
- Positive market research feedback for new products
- Expansion of the EU opening up new markets
- Takeover/merger opportunities.

Top Tip!

You should be able to apply SWOT analysis to a situation such as in an Applied Business question.

Threats

External factors that may reduce success could include:

- New competitors moving into markets
- New technologies making it difficult for traditional products to compete
- Recession reducing demand in markets
- Increased transport costs, making it more difficult to sell from Ireland into European markets.

Organising

This activity involves arranging and bringing together all the resources (staff, materials, finance and equipment) to carry out plans efficiently.

Types of organisational structure

- Functional structure
- Matrix structure

Functional structure

An organisation structure that divides activities into different departments, e.g. purchasing, production, marketing, finance or human resources.

Benefits of functional structure

- Groups together employees doing similar activities
- Allows skills and expertise to increase and spread
- Easy to set objectives relevant to staff
- Roles are well defined so staff know what they must do



Diagram showing functional organisation structure

Matrix structure

Matrix or team-based structures bring together staff from different departments to work as a team on specific projects. Team members have mixed qualifications and skill sets. Teams are self-managing with delegated responsibilities.

Benefits of matrix structure:

- Improved decision-making
- Greater creativity in work
- Increased motivation and productivity

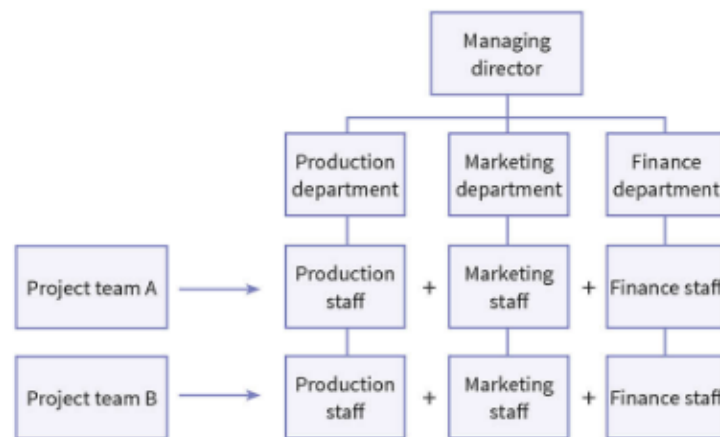


Diagram showing matrix organisation structure

What an organisation chart shows

- Senior managers
- Middle managers
- Junior or supervisory managers
- Areas of responsibility
- Chain of command
- Span of control
- Line positions
- Staff positions

Chain of command

This is the pathway by which instructions flow from the top of the organisation to the bottom. It is also the pathway for accountability to flow from the bottom to the top of the organisation.

Span of control

This refers to the number of employees at the next level down who take instructions from the manager on the level above

Controlling

Controlling is the process of monitoring performance, comparing it to the targets set and taking corrective action when it is required. This ensures that the firm will stay on course to achieve the objectives set out in its plans.

Process of controlling

- 1 Set out clear objectives.
- 2 Identify targets and standards that are to be achieved.
- 3 Monitor and measure performance regularly.
- 4 Compare actual performance with the objectives that were set.
- 5 Take corrective action if not achieving objectives.
- 6 Revise plans to ensure adequate resources are available to achieve targets.

Areas of control

- Credit control
- Financial control
- Quality control
- Stock control

Credit control

Firms who sell goods on credit need to ensure they get paid fully and on time so that they do not run out of cash.

Methods of credit control

- Ensure invoices are sent to customers promptly.
- Remind customers to pay on time, usually in 30 days.

- Contact customers regularly to seek payment.
- Appoint a credit controller to manage levels of credit.
- Check credit worthiness of new customers in advance.

Financial control

Businesses must ensure that all aspects of their finances are monitored to ensure difficulties do not arise and that the firm is profitable.

Methods of financial control

- Forecast cash flow to ensure the business does not run out of cash.
- Implement budgeting control: set income and spending targets and ensure they are kept.
- Record all financial transactions correctly, using bookkeeping systems.
- Apply cost control measures to ensure that money is not wasted.

Quality control

Methods of production ensure that products meet legal standards and the expectations of customers.

Methods of quality control

- Check and test at all stages of production.
- Use management systems to ensure quality is a priority.
- Join quality standard systems such as ISO 9000.
- Train staff to improve quality control.

Stock control

A business must have a system of managing stock so that stocks are at optimum levels – not too high and not too low.

Methods of stock control

- Keep detailed computerised records of stock movements.
- Stocktake and reconcile stock levels and records regularly.
- Maintain stock well to minimise stock wastage.

- Set minimum and maximum stock levels and reorder quantities to ensure optimum stock levels.

Top-Tip!

An Applied Business Question (ABQ) is compulsory on the exam every year. Below is an ABQ based on Units 1, 2 and 3 of the course. This ABQ relates to exam years 2014, 2019, 2024.

Exam question

- 1 Read the information supplied and answer the question that follows.

Peter Palmor arrived in Ireland from Eastern Europe in 1991 with little spoken English and no money to speak of. He had a university degree in engineering, however, and quickly secured a job with an established property developer in Dublin. His fresh ideas and ability in tackling problems impressed his employer. The managing director of the firm had confidence in Peter's ability to identify opportunities and to learn quickly.

Peter was ambitious and worked successfully for the business, but felt he needed more. His employer helped him to set up a structural engineering and consultancy firm and gave him his first contract. The building boom in Ireland ensured that the business grew quickly and contracts came from other firms that recognised Peter's technical skills and 'can do' attitude.

Peter is now experiencing challenges in managing his business, especially in dealings with his employees, investors and suppliers. Peter seems to be constantly under stress and he is fearful that he may begin to make serious mistakes. He finds that he is working too many hours per day and taking work home at weekends. He wishes to improve his lifestyle.

Over both the short- and the long-term he wishes to make better use of his time and find effective solutions to his problems. Peter's personal commitment to the business is excellent and he is open to suggestions that will improve the management of his business into the future.

- (a) With illustrations from the above information, explain four enterprising skills and/or characteristics shown by Peter. (20 marks)
- (b) You are Peter's business advisor. Draft a short report for Peter identifying remedies for the challenges he is encountering. (30 marks)
- (c) Evaluate Peter's management skills with a view to his improving his business and lifestyle. Support your answer with reference to the above text. (30 marks)

Sample answer

(a)

Future focused

Peter is focused on future success in business. He came to Ireland 'with a university degree in engineering'. He is also determined to improve his business in such a way 'that will improve the management of his business into the future'.

Risk-taker

Entrepreneurs need to take risks with their time and money to try to create a successful business. Peter shows himself to be willing to take risks in order to gain success, arriving in Ireland 'with little spoken English and no money to speak of'.

Flexibility

Entrepreneurs can adapt to the constant change and challenges that they face in business. His employer recognised this: 'his fresh ideas and ability in tackling problems impressed his employer'.

Confidence

Entrepreneurs have the necessary self-belief and self-confidence in their ability to succeed. In Peter's case, other firms recognised his "can do" attitude.

Determination

Entrepreneurs need determination to survive difficulties and to keep going when things go wrong: 'Peter's personal commitment to the business is excellent'.

Other relevant answers could cover aspects such as: hard-working, innovative, time management, leadership, human relations, decision-making, identifying opportunities, etc.

Marking scheme

- Four skills/characteristics: 4 x 5 marks (5 = 3 + 2)

(b)

Report

Title: A report identifying possible remedies for challenges encountered in the firm

From: Joseph Quilligan, Management Consultant, Main Street, Carlow

Terms of reference: Identifying remedies to challenges

Remedies to challenges in dealing with employees

- 1 The firm should recognise and negotiate openly with the employees' trade union in relation to pay and conditions to avoid industrial relations difficulties.
- 2 More new staff should be appointed to reduce the heavy workloads carried by existing staff and to ease the pressure of rapid growth on the staff.

3 A new reward system should be introduced to recognise the important contributions of the highly skilled, hardworking staff, e.g. productivity bonuses, profit sharing, promotions.

4 More authority needs to be delegated to staff to allow them to take on more responsibility and share in the management function. This will also provide more job satisfaction for employees.

Remedies to challenges in dealing with investors

1 Existing investors, including capital investors and banks lending to the business, need to be informed on a regular basis about progress in the firm.

2 Annual reports should be provided to investors, informing them about the past performance of the firm and about future prospects.

3 Payments to investors must be kept up to date or their confidence in the business will be lost. Interest payments to banks must be made on time.

Remedies to challenges in dealing with suppliers

1 Payments to suppliers should be made promptly and as per agreed terms to ensure continuity of supply.

2 Quality of products and services supplied should be reviewed and agreed on an ongoing basis to eliminate any problems.

3 Supplier prices should be fairly negotiated to ensure a reasonable profit for the supplier as well as competitive costs of production for the firm.

4 Co-operation on materials and product research and development should be promoted to ensure a viable future through innovation for both firms.

Signed: *Joseph Quilligan*

30 May 2016

Marking scheme

- Four remedies to challenges: 4 x 5 marks (5 = 3 + 2)
- Layout and structure of report: 5 x 2 marks

(c)

Peter can improve his management skills and this will improve the business performance and also his lifestyle in due course.

Leadership

Peter appears to have strong leadership qualities: 'Peter was ambitious and worked successfully for the business'. However, he may need to adopt a more democratic style that involves others in the decision-making process and develops leadership and responsibility for completing tasks among staff members. If he can delegate more to others, he will be able to spread out the heavy workload he is carrying at present, since 'he wishes to make better use of his time'. Alternatively, he could lead in a more autocratic way, keeping control to himself and not involving others in management decisions. However, it would be hard to apply this leadership style with engineering staff who are highly qualified and want to have a say in decision making. He would be likely to lose the key people who would like to contribute more to the management process.

Motivating

This is the management skill of understanding others and creating the conditions in which they will want to work hard to achieve the objectives of the organisation.

To motivate staff effectively, Peter could use Maslow's Hierarchy of Needs. He can identify the need level that each staff member is at so that he can use satisfaction of that need as a way of motivating each member of staff to work harder. The five levels of need are physiological needs (wages), safety needs (job security), social needs (creating friendships), esteem needs (job title) and self-actualisation needs (challenging job).

Peter could also apply McGregor's Theory X and Theory Y to trying to motivate his staff. If he takes the Theory X view of workers as people who don't like work, then he will take a more autocratic approach to managing, using threat of sanctions to motivate employees to work harder. Alternatively, if he takes the Theory Y view of workers as people who find work satisfying, he will take a more democratic approach to managing. He will try involving staff in decisions, make work as interesting as possible for them and try to satisfy the higher needs of workers.

Improving motivation of staff will enhance the performance of the business and should allow Peter to allocate more tasks to others and reduce the pressure on himself. There may also be a need to employ more staff and to promote suitable staff to cope with the rapid growth in business. This would surely improve motivation for all staff by removing the constant pressure of work overload: 'he finds that he is working too many hours per day and taking work home at weekends'.

Communicating

Effective communication throughout the business is important in helping the business to improve its performance. Allowing two-way communication is important for employees to feel they are included in decision making. Good communication ensures that everyone is working towards the same goal. Clear channels of communication and the use of modern communications technology also make the business more efficient. Peter appears to have an open approach to communications, as 'he is open to suggestions that will improve the management of the business'.

Ways to improve his lifestyle

- Prioritise tasks and concentrate on the important ones himself.
- Delegate remaining tasks to others.
- Attend a time management training programme.
- Employ more staff or cut down on the volume of business.

Marking scheme

- Three management skills: 3 x 10 marks (10 = 4 + 3 + 3)

Questions

Higher Level long questions

1 (a)

- (i) What is meant by the term 'SWOT analysis'?
- (ii) Conduct a SWOT analysis on a business of your choice. Include two points under each heading. (20 marks)

(b)

Analyse the contribution that strategic and tactical planning can make to the successful management of a business. Use examples in your answer. (20 marks)

- 2 Describe how 'stock control' and 'quality control' achieve efficiencies in business. (2011, 20 marks)
- 3 Analyse how quality control can assist a firm in achieving its objectives.

Key-points!

- Benefits of planning
- Elements of a SWOT analysis
- Organisation charts
- Process of controlling

Key-definitions!

chain of command: A feature of an organisation structure whereby instructions are given from staff/managers at one level to staff at a lower level.

contingency plan: A plan to deal with an unexpected event in the future.

controlling: A management activity which involves setting targets and monitoring performance regularly so that adjustments can be made to plans to ensure that targets are reached.

credit control: Ensuring that our debtors pay us on time so that we have enough cash to run our business and that no debts remain unpaid.

functional structure: An organisational arrangement which divides the business into different departments based on the type of work that is done in each, e.g. purchasing department, production department.

line position: An employee who takes instructions from a manager above, or who gives instructions to a subordinate below, is in a line position within the organisation.

matrix structure: An organisational structure which allows the formation of teams drawn from different departments to work on projects.

operational plan: A short-term plan to carry out a specific task, usually within a period of one year.

quality control: Refers to all efforts within the firm aimed at improving the quality of the products produced by the firm.

span of control: Refers to the number of subordinates that a member of staff manages or supervises directly.

staff position: Is one which involves advising and giving support to other staff without having direct management responsibility for other staff, e.g. health and safety officer.

stock control: The methods and procedures used to ensure that a company's stock levels are at the optimum level for the efficient running of the business.

strategic plan: Sets out the means by which a firm will achieve its long-term objectives ranging over a five-year period or more.

SWOT analysis: This involves an examination of a situation based on identifying the strengths (S) and weaknesses (W) of the organisation internally and the opportunities (O) and threats (T) that the firm faces externally.