**PLANNING**

**Planning** → clearly setting out the goals for the organisation and how these are to be achieved. Steps in planning:

1. **Analyse the situation** → using a **SWOT** analysis.

Strengths – assets to be taken advantage of (internal)

Weaknesses – disadvantages to be addressed, (internal)

Opportunities – something to benefit from/make money (external)

Threats – prevents the business from succeeding/needs to be protected against (external)

Example of Ryanair page 147 in textbook

1. **Identify the goal** → Use the SWOT analysis to help set targets.
2. **Draft a plan to achieve the goal** →
* Low Cost Leadership Strategy - attracts price-conscious consumers
* Differentiation Strategy - make their products different from others (USP)
* Niche Strategy - spotting a group of people with specific need
1. **Implement and review the plan** →Manager breaks down tasks and assigns them to people. Reviewing is important so plan can be assessed and changes can be made.

**Different Types of Plans**

1. Manpower Planning

Making sure the business has the right amount of people with the correct skills to do the job needed. Managers will forecast future demand and calculate existing supply. If the business is understaffed: recruitment strategy, and if overstaffed: redundancy strategy.

1. Cash Flow Forecasting

A cash flow forecast is a written plan of cash expected to be coming in and out of the business, to ensure that they can pay their bills. A strategy will be needed if they cannot pay their bills, or what they can do with any surpluses.

1. Mission Statement

Mission statements are short but precise one/two-sentence statements used by companies to summarise their main goals. It sets out the reason for their existence. What the business does now, what they will do in the future and their values and beliefs.

 Gap’s Mission Statement: “To create emotional connections with customers around the world through inspiring product design, unique store experiences and competitive marketing.”

1. Strategic Plan

A long term (5+ year) plan for the whole business. Managers break down the mission statement. E.g. to control 10% of the US market in 5 years time.

1. Tactical Plan

This breaks the strategic plan down into shorter, more specific steps, usually over a year period for a department. E.g. Set up flights between Dublin and NY within 12 months.

**Why is planning important to management? What are the benefits of planning?**

1. **Anticipate problems** - Forces managers to think about the future and take necessary steps to prevent them
2. **Identifies the business’s weaknesses** – Done through SWOT analysis. The business can take steps to eliminate this to become stronger.
3. Essential to **raise capital** – bank loan and proving they can pay it back
4. **Motivates** employees and managers – targets to be achieved. This can lead to job satisfaction.

**ORGANISING**

**Organising** → bringing people and resources together to effectively implement plans. Allows managers to:

* Identify work to be done
* Create a suitable organisational structure.
* Identify who will do what tasks.
* Provide a chain of command

**Organisational/management structures** → involves splitting all the work to be done in the business into departments and appointing people to be in charge of these departments to run them.

Types of Organisational Structures

**Functional** → divides a business into different departments according to the management functions of marketing, production, HR, finance and research.

Benefits

Specialisation – each department are experts in their areas. Builds up staff skills and expertise
Accountability – the manager of each department is responsible for everything that goes on in it.
Clarity – everyone knows who to report to and who is responsible for what jobs. Provides clear promotional paths

Disadvantages

Isolation: employees only know their own department and little else around it, causing communication to be slow.

**Product** → organises a business on the basis of the product it makes. This improved communications between different functional experts, allows the business to adapt different products easily and allows each division to focus on its customers. However, there can be wasteful duplication and competition for the same customers between diff products.

 Benefits

Focus on Consumer by giving them the best product

Healthy competition between the different products. They all strive to be the best and keep costs to a minimum.

 Disadvantages

Duplication of departments can lead to higher costs

Competition for the same customers between different products may cause one product to suffer. Eg website taking business from shops causing them to close.

**Geographic** → divides an organisation according to the geographical markets it serves. Staff is better able to meet customer needs and it encourages healthy comp between regions. However, it can result in wasteful duplication and a lack of co-ordination between divisions.

Benefits

Serves local needs better and gives consumers exactly what they want

Healthy competition between the different areas. They all strive to be the best and keep costs to a minimum.

Disadvantages

Duplication of departments can lead to higher costs

Conflict between the company managers and the local managers over who knows best for the local business and area

**Matrix/Team-based** → staff are brought together into teams to achieve a clearly stated temporary team goal, such as launching a new product. All expertise are needed. Employees report to a team leader for the temporary project and report to their normal manager for their normal work. Successful teams self-manage, delegate responsibilities and all members input into decisions.

Benefits

Motivation as they were chosen for the team they feel valued

Better relationships and co-ordination as employees will have a better understanding of what each department does

Disadvantages

Confusion for employees over who to report to. Managers can give conflicting orders and slow decision making.

Increased costs for training and admin costs

**Chain of Command** → line/path on which orders/instructions and decisions are passed down from top to bottom of the hierarchy and feedback is passed back up

**Span of Control** → the number of people reporting directly to a manager. A span of control can be:
- Wide (the manager supervises a lot of employees at the same time)
- Narrow (the manager supervises only a few employees at the same time)

Span of Control depends on the manager and employees experience and ability, the type of work being done and location of employees.

**Delayering** → reducing the number of layers in the organisational structure of a business.

**Organisational structures should**:

* Simple as possible
* Allow easy communication
* Use narrow spans of control for jobs which require tight control
* Use wide spans to encourage staff empowerment, intrapreneurship and creativity
* Be cost effective

**Importance/benefits of organising to management:**

1. Saves time - problems get solved quicker when everyone knows what their job is and who they report to.
2. Improves efficiency - specialising in one job/area will lead to employees becoming better and faster at it.
3. Helps to cope with change - matrix teams can be set up quickly and solve urgent issues
4. Minimises waste - helps the business make the best use out of resources

**CONTROL**

**Management control** → the continuous monitoring and checking of results to see if they are in line with the goals and targets set out in the plans.

Four main types:

1. **Stock control** →The aim of stock control is to make sure the business has exactly the right amount of stock at all times. If the business keeps the right amount of stock, it will not lose money because of deterioration, going out of date and excessive storage cost. Having lower amounts of stock will help a business lower its insurance costs.

To control the level of stock, the business needs to identify their levels of stock and how to prevent it.

Maximum level – too much stock
 Minimum level – too little stock
 Re-order point – too little stock
 Re-order quantity – too much stock

*Buffer stock* → the minimum level of stock that should be held, once stock falls below this level more should be ordered. This allows for improved profitability (by reducing inventory related costs), improved cash flow and frees up storage space for other purposes.

*Just-in-time (JIT*) is a type of stock-control system in which stocks of raw materials, components or finished goods are delivered just when they are needed, no sooner or later.

Benefits of stock control:

Reduces stock levels: lower insurance premium
Easier to identify theft: lower amounts of stock
Consumers: will always have what they need. Improves reputation.
Obsolete: stock does not deteriorate or go out of date

1. **Quality control** → means ensuring that quality standards expected by customers are properly met. This can reduce waste and costs (by minimising defective products and legal costs), increase customer satisfaction, help promote a quality image and meet legal responsibilities.

There are various ways that a business can control its quality, including:
Physical inspection (every single product is checked before it leaves the factory or batch inspection is used)
Quality circles (employees spot problems, and sit together to think up solutions)
ISO 9000 (an internationally recognised award received by consistently proving a high standard of quality. Awarded by an independent body.)

Benefits of quality control:

High quality purchases: keeps consumers happy and encourages repeat purchases
Lowers costs: repairing and replacing faulty goods
Marketing: ISO9000 reassures consumers that they are receiving high quality goods and the brand can be trusted.

1. **Credit control** → This involves making sure that all customers pay their bills in full and on time (eliminating bad debts)
A business sets a limit for the maximum amount of credit given to customers,
They vet each customer carefully (credit check – bank/trade references)
Sends out bills/invoices promptly with discounts if they pay early

*The Credit Controller* – person responsible for managing credit given to debtors and collecting payments.

*Bad debts* – customers who bought on credit but are now unable to pay what they owe, possibly because they have gone into liquidation.

Credit control can be *improved* by offering discounts (encouraging non-credit sales), taking out insurance against bad debts, researching customer credit backgrounds and refusing to give credit.

Benefits of credit control

Liquidity: Receives cash to pay their own bills on time
Reduces costs: avoids bad debts, which affects profits.
Helps choose the right customer to give credit to. Helps maintains their sales and keeps losses to a minimum

1. **Financial control** → used to monitor the financial affairs of the business to ensure it is profitable and always has enough money to pay its bills.

Achieved though cash-flow budgets (plan and monitor expenditure), ratio-analysis, cost control and break-even analysis (finds minimum level required to make a profit).

**Importance/benefits of control to management:**

Controlling makes sure the business achieve its objectives. Planning. Off target? Correct it!
Controlling reduces business’s costs. Repair/refunds because of excellent ISO9000 quality.
Controlling the business improves cash flow. Debtors pay on time. Improves business’s own liquidity.
Controlling increases sales and profits. Meet customer demands. Improves reputation.