
Chapter 10

Management Activity - Planning

Higher Level

Past Exam notes (For this chapter)

WHAT IS PLANNING

Planning

^{Def} Planning is the setting down of **specific goals and objectives** and the putting in place of **strategies** that allow you to achieve the stated goals and objectives of the business. It is important because it means deciding on 1. Who will do what, 2. When it will be done and 3. How it will be done?

Past Exam Questions
2015 ABQ B (ii)

BENEFITS OF PLANNING

It provides the following benefits:

1. **Gives Direction:** The plan sets the direction for the business by clearly identifying the objectives. All staff are aware of the targets/what the firm wants to achieve. This gives direction to staff. e.g., to expand (Ryanair has announced plans to open up new routes and to buy new jets).
2. **Coordination:** The plan is used to coordinate the activities of the different departments, e.g., the sales department must not take orders that the production department is unable to meet.
3. **Control:** Management can compare the actual results to the planned targets. Good performance can be rewarded (bonuses) and failure to meet targets should be investigated.
4. **Finance:** A plan can be used when approaching potential investors for money as it demonstrates how the money will be used and how funds will be generated for repayment.
5. **Creates Awareness:** An organisation that plans by consulting all relevant stakeholders becomes aware of its Strengths, Weaknesses, Opportunities and Threats (SWOT) and is therefore more adaptable to change.
6. **Helps Decision Making:** Having long term objectives helps management and staff make effective decisions. E.G. Ryanair might decide to take over another airline and/or enter transatlantic flights in order to be the number one airline in the world.
7. **Manpower(HR) planning:** ensures the firm has enough staff to avoid shortages and identifies when staff need to be recruited E.g. Effective Manpower Planning would ensure the management of a school have the correct number of teachers for the academic year.

Past Exam Questions
2023 Q5 C (ii)
2015 ABQ B (ii)
2011 ABQ A (i)

WHAT ARE THE STAGES OF PLANNING?

The four stages in the planning process are:

Stage 1

Analyse the situation: This involves conducting a SWOT analysis and forecasting future events. Accurate forecasting can lead to success. Bill Gates forecast a computer on every desk and planned Microsoft's strategy to match. He failed to predict the importance of the Internet and lost ground to Netscape but later changed his view and hence the Explore / Netscape "war".

Stage 2

Identify the goals: Goals should be Specific, Measurable, Achievable, Relevant and Timed (SMART) These are also the qualities of a good plan. To communicate the organisations most important goals to the stakeholders, a mission statement is written.

Mission Statement

^{Def} These are short but precise one or two sentences' statements used by companies to summarise 'Who we are, what we do and where we are headed'.

Stage 3

Draft the plan: The plan should consist of a strategic (long term) plan, a tactical (operational short term) plan and a contingency (for unseen events) plan.

Stage 4

Implement the plan: Plans are implemented by putting policies in place. The policies of the organisation detail how the objectives are to be achieved. Policies succeed best if they are devised by consultation. Policies must be adaptable to outside forces such as competitors or government legislation.

Stage 5

Review plan: Review the plan after a certain period of time to make sure that standards are being met. If not plans are adjusted and changes are made. This new plan is then implemented and the process starts again.

TYPES OF PLANS

Strategic Plan

Def These are long term plans breaking down the mission statement outlining the goals and objective to be achieved usually over 5 years. It is usually drawn up by senior management and outline how long the goals of the business are to be achieved. They are more precise, For Example, a method of increasing profit over first 10 months of the year.

Past Exam Questions

2023 Short Q4
Deferred
2020 Q4 A
2018 Q4 A (i)
2016 Q4 B
2013 Q4 C
2011 ABQ A (ii)
2010 Q4 B

Tactical plans

Def These are short term operational plans breaking down the strategic plan into mor manageable plans. They usually last for 1 -2 years. They are drawn up by middle management and deals with the now part of the plan. For Example, company launching a new product, Cadbury's launching new white chocolate flake.

Operational Plans

Def This is short term plans which are designed to meet specific objectives. They usually set out target for weeks or months ahead. They are drawn up by managers of a department. A firm introducing a new internal telephone system.

Business Plans

Def This is a document that sets out who is setting up the business, what they will be selling or producing, how will it be produces and promoted, where the finance will come from and how much profits they expect to make.

Contingency Plan

Def This is a Plan B and is back-up planning to cope with emergencies or unforeseen events. These plans benefit the business by preventing disruptions and thereby preventing loss of profits and possible business collapse. For example, the main supplier of your raw material can't supply the material that you want.

Manpower Plan

Def This is a plan of human resources. It set out the number of staff that a business requires and the types of staff that are needed. It outs the

right number of people, with the right skills in the right place at the right time.

Mission statement This is an overall vision document for a business. Who we are? Our values? What we do. It is usually written after a SWOT analysis has been completed

NOTE - When writing about planning - must have strategic and tactical plans in your answer

WHAT ARE THE QUALITIES OF A GOOD PLAN

an effective plan should be a SMART. Smart stand for

- Specific** This means that the plan must be precise about what has to be done who is going to do it and how it will be done.
- Measurable** This means that it must be easy to measure if you are achieving the objectives of the plan
- Agreed/Achievable** The plan should be agreed by all in the business
- Realistic** It must be possible to achieve the objectives and not too far-fetched.
- Timed** Time must be given to implement the plan

SWOT ANALYSIS

Past Exam Questions
2015 ABQ B (i)

Strengths

These are internal attributes and resources that support a successful business. They are the things that the company does well (Positives). They are factors that the business has control of and can be developed into a competitive advantage.

Examples: Strong brand, good market share, skilled workforce, manufacturing efficiency or strong financing.

Weaknesses

These are internal aspects of a business which are underdeveloped and could damage the success of the business. They are factors that the business has control of. It works against a successful outcome of the business.

Examples: Poor credit control, obsolete technologies, weak management/outdated facilities or inadequate R&D.

Opportunities

These are external factors which a business could use to its advantage. They are factors outside the business control which have the ability to benefit the business.

Examples: Falling exchange rate, consumer demand or a strong economy.

Threats

These are external factors that could jeopardise the business. They could have negative impact on a business. They are factors outside the control of the business.

Examples: EU regulations, shortage of raw materials, changing market tastes or competition entering the market

WHY PLANNING IS IMPORTANT

1. **SWOT analysis** - This is an initial step in the planning process. It helps a company to identify and exploit their strengths and opportunities. And to minimise the impact of weaknesses and threats.
2. **Set out clear targets** - It helps the business with benchmarking. The business monitors how it is doing by comparing planned goals with what actual happened. This helps the business to make any changes that are need so they can achieve their goals and objectives.
3. **Assists leadership and motivation** - Planning gives direction and purpose this ensure all employees know what they a have to do to help the business achieves it goals. This give the employees a sense of purpose and that they are important. This leads to increased motivation
4. **Provides necessary information to investors** - Financial planning helps the business attract investors and get loans from a bank. It shows the banks and investors that the business will be able to repay the loans and eliminate the risk of bad debts for them
5. **Anticipate problems** - Planning helps to anticipate and future problems. The business can put in plans so that these problems don't occur. Resulting in the business being more effective

Past Exam Questions
2018 Q4 A (ii)

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SHORT QUESTIONS

2023 - Question 4 - Deferred

Distinguish between strategic planning and tactical planning in a business environment. Use an example in each case to illustrate your answer

LONG QUESTIONS**2023 - Question 5**

- (C) (ii) Discuss two benefits of planning as a management activity

2020 - Question 4

Read the information supplied and answer the questions which follow.

Good4U

Good4U is a family run health snacks business based in Sligo. In 2004 the business's original product was a sprouted seed. The Good4U goal was to become a market leader in the healthy snacks industry. The business now has over 40 products, including seed snacks and energy balls. Good4U recently launched a new salad topper range. www.good4u.com

- (A) Outline the different types of planning that can contribute to a business being successful. Relate your answer to Good4U, making any appropriate assumptions. (20)

2018 - Question 4

Read the information supplied and answer the questions which follow.

Ryanair CEO, Michael O'Leary, has apologised for the cancellation of flights. The airline admits it "messed up the planning of pilots' holidays". Source: Adapted from The Irish Times, 2017

- A
- (i) Illustrate your understanding of the term contingency plan.
 - (ii) Outline the importance of planning for an airline such as Ryanair. Refer to strategic, tactical and manpower planning in your answer. (25)

2016 - Question 4

Read the information supplied and answer the questions which follow.

The Mayfair Hotel

The Mayfair Hotel is a five-star city centre hotel which is celebrating 100 years in business. To celebrate this centenary, the management of the hotel is planning various events. The General Manager, Ann Johnson, has suggested organising staff into various project teams, with a project leader to plan for this centenary celebration.

- (B) Evaluate how different types of planning contribute to business success. Relate your answer to the Mayfair Hotel, making any appropriate assumptions. (20)

2015 - ABQ

- (B)
- (i) Define the management activity of planning.
 - (ii) Explain the elements of a SWOT analysis and conduct the SWOT prepared by Christine Landers. (30)

2013 - Question 4

Read the information supplied and answer the questions which follow.

EducaPrint Ltd is a business publishing schoolbooks in Ireland. John O'Leary, the Production Manager, suggested introducing some of its traditional print books in eBook format. He wanted to tap into the improvements in broadband speed and the major developments in mobile devices.

The eBooks were launched onto the market in 2013 to great success. EducaPrint Ltd operated a matrix organisation structure for the development of the eBook products.

- (C) Discuss the importance of the management activity of 'planning' for EducaPrint Ltd. (20)

2011 - ABQ

- (A) (i) Define the management activity of 'planning'.
(ii) Illustrate how different types of planning benefit Clothes-4-Us Ltd. (20)