Unit 3: Chapter 8

MANAGEMENT ACTIVITIES:
PLANNING, ORGANISING AND CONTROLLING

Learning Outcomes from this chapter

On completion, you should be able to:

- Evaluate the effectiveness of the different management activities
- Analyse how different types of planning activities contribute to business success
- Define what a SWOT analysis is and illustrate it for a business
- Outline the features, benefits and challenges of different organisational structures
- Outline the situation in which different spans of controls are appropriate
- Describe how good management control systems can achieve efficiency in business
- Explain the methods a business could consider using to minimise the risk of bad debts

Definition of planning

Planning is when a business sets specific goals and objectives and then outlines strategies that allow it to achieve them.

SWOT analysis: strengths/**w**eaknesses (internal), **o**pportunities/**t**hreats (external)

S – resources (e.g. patent, USP, design)	**W** – no website
O – outside chance (e.g. new market)	**T** – negative outside (e.g. new competitor)

Types of planning

Mission statement	Visionary statement containing the company values
Strategic planning	Created by senior management, long-term goals (from mission statement)
Tactical planning	Created by middle management, short-term goals (from strategic planning)
Operational planning	Day-to-day planning, staff rosters, etc.
Contingency planning	Back-up plan for an emergency or unforeseen event

Benefits of planning

Future-focused	Business can arrange resources effectively and be proactive
Reduces uncertainty	Plans for unforeseen events, clear objectives to follow
Attracts investors	Shows diligence, impresses investors, shows expected profits
Assesses performance	Checks objectives against actual performance; takes corrective action

Organising

Organising: Arranging the resources of a business into an organised structure in order to achieve its objectives

Important terms

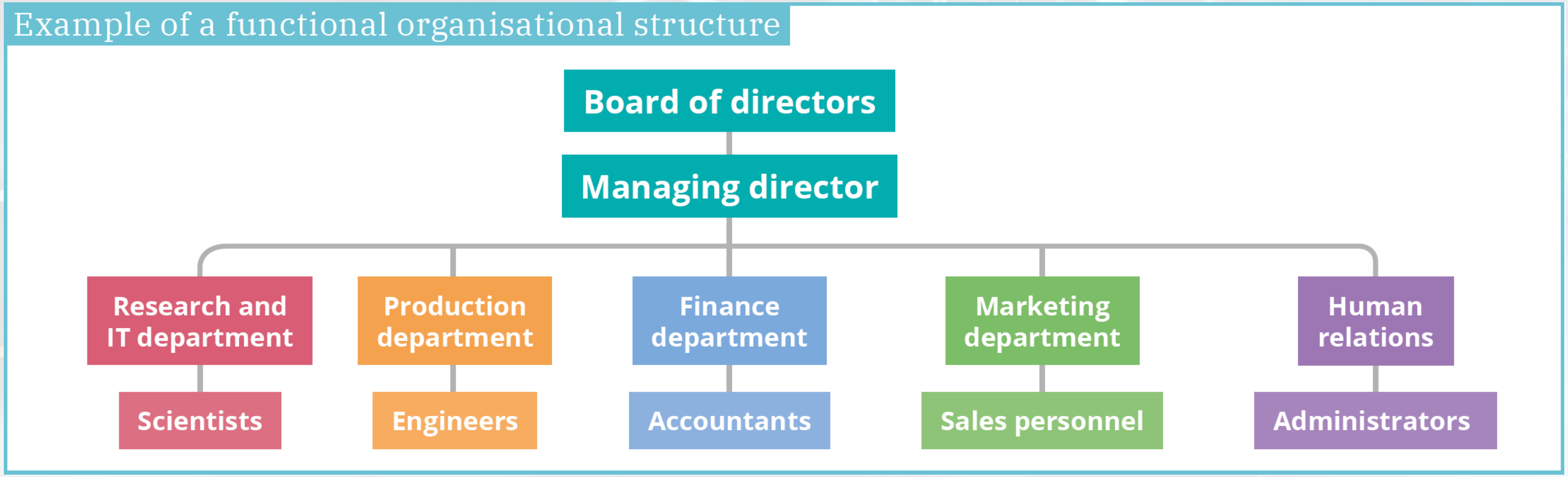
Chain of command	Hierarchy in business from senior management down to employees
Span of control	• Number of subordinates who report to one manager • Wide or narrow span, depending on factors such as: skills of the manager and workers, nature of work being done, company culture

Organisational structures – functional

Benefits: specialisation, clear hierarchy, clear promotional path, wider span of control

Challenges: isolation of departments, hard to co-ordinate, communication issues across departments

Example of a functional organisation structure



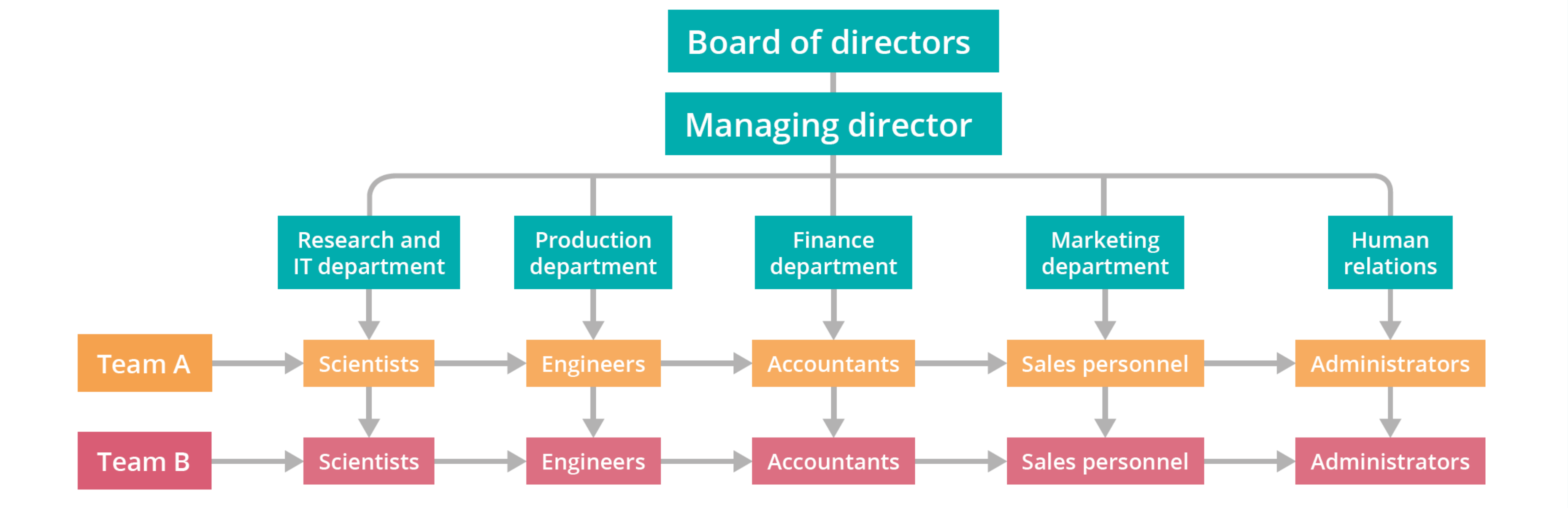
Organisational structures – matrix

Benefits: unity, improved decisions, relationships, responsibility

Challenges: slower decisions, unclear command, conflict

Example of a matrix organisation structure

Example of a matrix organisational structure

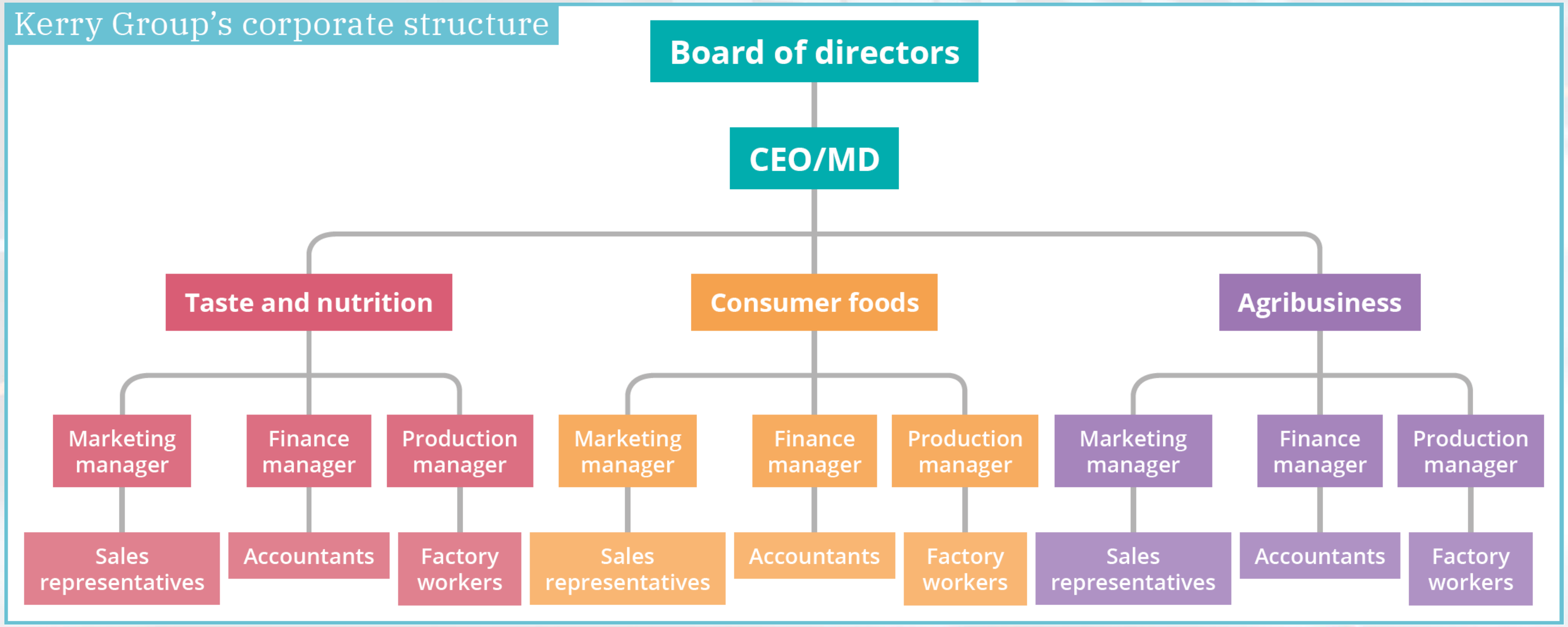


Organisational structures – product

Benefits: competition, focused resources, flexibility

Challenges: duplication, lack of cohesion, cannibalisation

Kerry Group's corporate structure

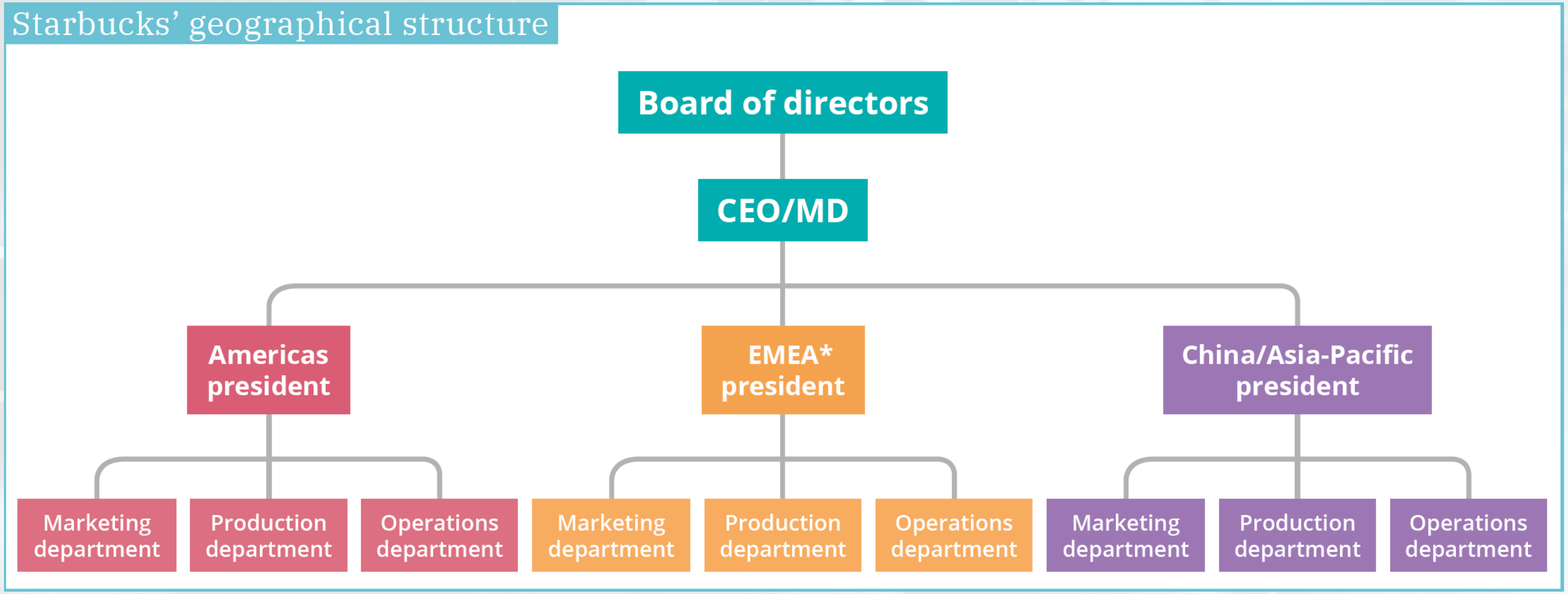


Organisational structures – geographical

Benefits: specialisation, clear hierarchy, clear promotional path, wider span of control

Challenges: isolation of departments, hard to co-ordinate, communication issues across departments

Starbucks' geographical structure



Controlling

Controlling: involves measuring any deviations away from a company's plans and acting to correct them.

The four areas of control for a business

Financial control	Ensure profitability and liquidity. Plan (cash flow forecast), reduce costs (cheaper suppliers), ensure cash is available to pay short-term debts
Stock control	Achieve optimal stock levels (don’t under/overstock), reduce costs and obsolete goods, do regular stocktakes (check for theft), JIT
Quality control	Physical inspections (sampling), quality circles (staff teams), quality marks (ISO, Q Mark), improve consumer satisfaction/loyalty
Credit control	Minimise bad debts, incentivise cash payments, check creditworthiness of customers, set credit limits, penalise late payments, organise invoices