Planning

Planning involves setting goals and ways to achieve them.

Benefits of Planning

- Helps to focus employees.
- Keeps the business coordinated.
- Is often needed when seeking finance.
- Makes employees more aware of the position of the business.
- Results can be compared to targets.

Types of Plans

1. Strategic Plan – long term plan devised by senior management eg plan to increase profits by 30% over 20 years.
2. Tactical Plan – medium term plan that can cover up to 2 years eg a plan to create a new product in the next 2 years.
3. Contingency Plan – a short term plan to be used in emergencies such as fire or flooding.
4. Operational Plan – short term plan covering a daily or weekly basis, they set out specific objectives.
5. Mission Statement – a plan which shows the general purpose of the business, it's aspirations and the type of business it strives to be.

How to Plan

1. Assess the situation – the business must assess its internal strengths and weaknesses and external opportunities and threats via a SWOT analysis.
2. Identify goals.
3. Draft the plan.
4. Implement the plan- put policies in place to ensure that people stick to it.

Organising

Organising involves setting up the business in a certain way to achieve a common goal. There are different types of organisational structure. Organisational structures shows how tasks will be delegated and divided while also clearly showing the chain of command and span of control.

Functional Organisational Structure

The business is divided into departments such as finance, development etc. A structure like this can be beneficial as people with the same skills are working together with a pool of knowledge and expertise, but drawbacks can be that the departments are isolated from each other and fail to see the needs of the other departments.

Product Organisational Structure

The business is divided on the basis of the products being sold. This suits businesses who sell different products. Each product area has its own finance, sales, marketing staff etc. Benefits include each division will have a great knowledge of each product which can help customers but there is often some duplication of work as different finance teams etc. carry out the same roles.

Geographic Organisational Structure

The business is divided on the basis of geographic location. Each location has its own teams for finance, marketing etc. This allows the company to meet the individual needs of each market but can lead to a duplication of work and resources.

Matrix/Team Structure

This combines a functional structure and a team structure. Each team is made up of people from different departments. This can give the business more flexibility as each team has a pool of resources and are able to see the needs of each department clearly. This also promotes good communication within the business.

Chain of Command

This shows the line of delegation in the business and its hierarchy. It shows the amount of levels there are in the business from the most senior management to the newest training staff. It shows us how the information will be transported in the business.

Span of Control

This shows the number of subordinates reporting to each manager. A wide span of control is when a manager has many subordinates. This suits jobs where there is little need for decision making, continuous routine and the employees are motivated. A narrow span of control is seen when a manager has a small number of subordinates. This is ideal for employees who need guidance and supervision and are not independent.

Controlling

Stock Control

Businesses need to maintain a constant stock level. They need to establish what their minimum and maximum accepted stock levels will be. Some businesses use a system called 'just-in-time'. This is where goods arrive in the business just as they are needed for production or selling.Others use Electronic Data Interchange (EDI). This is an automated re-ordering system where stock is ordered as soon as it reaches a certain level.

Challenges to Stock Control

- Having too little stock can cause a decline in sales.
- Having too much stock can cause insurance premiums to be higher as more stock is being held on the premises.
- Some goods will go out of date if kept too long.

Quality Control

Businesses must ensure that their goods meet legal standards and comply with the Sale of Goods and Supply of Services ACT 1980.

Quality can be controlled by:

- Focusing on staff training to ensure that they are able to create the goods to the highest standards.
- Having regular inspections to ensure standards are being met.
- Focusing on Total Quality Management (TQM).

By focusing on quality control, businesses can gain recognised safety standards such as the Q Mark or the ISO Certification.

Credit Control

This involves controlling the businesses that you allow to buy goods on credit – 'buy now pay later'. They do this by:

1. Checking creditworthiness of customers by seeking trade references.
2. Setting credit limits for them.
3. Sending them regular reminders of payments due and sending them involves detailing their purchases.

A big benefit of credit control is that it helps to minimise bad debts. This helps to create liquidity.

Financial Control

Financial control involves the business living within their means and controlling their cashflow. It aims to ensure that there is always enough money in the business. They do this by:

1. Setting a cashflow forecast.
2. Comparing the forecast to actual results.
3. Minimising reasons why there was a discrepancy.

Businesses who do not manage their finances risk being liquidated.