Practice on Planning

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SUMMARY

Planning offers remarkable reserves for agricultural enterprises. It covers the extension of formal planning to more fields, on longer run, creating more alternatives, establishing complex plans and the widening the possibilities of involving employees into planning process.

KEY WORDS

management, planning, methodology

INTRODUCTION

"A successful entrepreneur differs from less successful ones in making good decisions more frequently than the others." (Seifert, 1992.) Horizontal comparison of enterprises induces the ever growing importance of the fourth production factor, namely the enterprise management (Wendl, Bodmer, 1985).

During the 90s the Hungarian agriculture beside suffering of serious problems was exposed to radical changes that modified the property pattern, the organizational structures as well as the product and market structures. Significant drop back in profitability shows more and more serious impacts on enterprises. Increasing income cutoffs on input side, widening the agricultural and industrial price gap resulted in growing numbers of enterprises with liquidity problems and with losses.

In the 50s Hungary could be described by dominancy of top-down central planning which, keeping the needs of national economy in foreground, failed to take local characteristics into account leading to weakening the efficiency of business operations. In the next decade the first appearance of dual planning, however, implied the first slight doubts about the evidency and necessity of the regulation by commands pattern. The process continued and slowly the emphasis was placed over on the importance of enterprise level planning (Mészáros, 1987). The everyday planning procedures, however, even in the 80s were dominated by the learned patterns, it was rather a mechanic activity resulted from the calculatable economic environment and foreseenable market characteristics.

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Dynamic environment of recent times require up to date knowledge and creative approach from managers. New challenges emphasize the role of management and the system based problem solving comes into foreground.

Development of market economy and the autonomy of market mechanisms caused many people to say that planning is unnecessary or - due to permanent changes - even nonsense. But the case is that a number of enterprises are washed away toward the waterfall exactly because of missing steering gear (i.e. planning).

In daily work of a manager the role and importance of the complex process of planning cannot be a question. When facing to alteration in production conditions (turbulence, low profitability etc.) the initial importance can be even higher and the situation requires high competency and attitudes from the manager. Making decisions reinforced by accurate plans can improve the success rate of business activities and if so, it directly contributes to the efficiency of managerial work.

Wild (1974) summarized the motives of increased need for planning as follows:

- Enterprises are exposed to the growing dynamics of environment. Technical, social and economic changes happen faster, new situations, conditions and problems are created in shorter time. It forces the enterprise to act quickly and requires "long distance visibility" i.e. long range planning. In parallel the risk of miscalculation is also growing and so does the necessity of continuous plan-fact comparisons enabling the enterprise to identify potential future problems in an early stage.
- Enterprises are also exposed to increasing innovation pressure. It can be either adaptive or integrative. Adaptivity is represented by improving positions within the enterprise, diversification whereas integration is explained by more harmonized, smoother flow of organizational functions.
- Enterprise managers have to fight with ever more complex problems raised by both inner and outer causes. Since complexity of internal and external problems grows the impacts of a certain measure can be hardly traced. This latter implies the widening of the planning horizon, the usage of more precise decision techniques and the co-ordination and integration of objectives and measures.
- Growing capital intensity of production increases asset allocation, fixed costs, risks and reduces short term adaptivity. Investments have remarkable impacts on future and it requires the elongation of planning range.
- Wild's fifth factor is the continuous growth in size of enterprises which has an impact on enterprise planning itself and also on the form and method of planning.

Out of the above listed five factors the first four describe the problems of present day Hungarian agriculture. Due to changes in property pattern and consequently in the organizational structure no growth in size could be observed.

More dynamic environment, increased complexity and capital intensity, stronger innovation pressure and low income positions all require a scientific approach when analyzing enterprise positions. Planning can play an important role in this scene.

METHODS AND MATERIALS

A survey has been conducted in South-Transdanubian agricultural enterprises aiming to map their planning practices, primary data have been analyzed and attempts have been made to picture and clear the confused situation of formal planning.

Planning has been viewed as a system paying special attention to - from our point - important factors such as information base, planning staff, methods, subjects of planning, controlling and specifically the process of planning.

Primary information were collected through standardized interviews with high level managers and - if it was applicable - through analyzing existing plans. As much as 43 enterprises were involved.

Data were turned into numerical values (qualitative parameters were set to a seven step scale). Statistical software package was used for determining relationships of resulting data. Cross tables were generated and in one specific case stepwise regression was calculated.

Below two highlighted examples are given which can be the subject of further considerations.

RESULTS

Cross table

When investigate an enterprise an interesting relationship can be observed between the number of plan alternatives and return on own capital. Latter was derived from before tax revenues. On basis of alternatives prepared the enterprises were divided into three groups: 1. preparing 0-1 alternatives, 2. preparing 2-3 alternatives and 3. preparing 4 and more alternatives. Similarly three groups were formed on the basis of return on own capital, namely group 0 with no profit, group 1 with 0-5% profit and group 2 with more than 5% profit. (Table 1.)

Stepwise regression

Results show that motivatedness of employees has close relationship with three variables, namely the

Table 1. Number of plan alternatives prepared and return on own capital

Return on own capital	plan alternatives prepared 1	2	3	Total
0 (<0%)	–	13	6	19
		68,4%	31,6%	100,0%
1 (0% - 5%)	–	11	5	16
		68,8%	31,2%	100,0%
2 (5%<)	4	4	–	8
	50%	50%		100,0%
Total	4	28	11	43
	9,3%	65,1%	25,6%	100,0%

Table 2. Interactions between motivatedness of employees and other factors

Independent variables:	Beta	p
Income positions of top managers	0,434	0,313
Income positions of mid managers	-0,530	0,900
Income positions of employees	0,100	0,763
Top managers average age	-0,213	0,207
education	-0,236	0,152
experience	-0,131	0,350
Mid managers average age	-0,078	0,623
education	0,283	0,156
experience	0,265	0,100
Setting short range objectives	0,344	0,016
Employees' knowledge on objectives of the enterprise	-0,205	0,232
Willingness to change	0,598	0,002
Accepting proposals of employees	0,435	0,013

Beta - standardized partial regression coefficient

methods of setting short range objectives (p=0,016), attempts to inform the employees about the objectives the enterprise (p=0,002) and the accepting the proposals of the employees (p=0,013). Multiple determination coefficient ($D=r^2\times100$) shows a value of 75.2%, it means that the analyzed independent variables can explain goal variable (motivatedness) with a strength of 75.2%.

Methods in setting short range objectives as a factor simply answers the question if the objectives are set individually or in a group. The more the employees are involved into setting short range objectives the more they accept them as their own objectives, hence their motivatedness is increasing. Knowledge of (i.e. having been informed about) the previously set objectives alone fails to raise the motivation level.

An other factor is the attempts to increase the employees' knowledge about the objectives. Enterprises where efforts are made toward spreading the objectives within the staff can show higher levels of motivation.

Third variable contains the ways of how the employees' proposals are accepted or ignored when designing plans. The higher rates of proposals are accepted the higher is the motivation level.

The rest of the variables and the motivatedness fail to show significant relationship. Surprisingly income level of employees is one of these non-relevant variables.

CONCLUSIONS

Main results of the survey can be summarized as follows:

- Weak points of formal planning show that in the case of South-Transdanubian agricultural co-ops, limiteds and shareholder companies planning practices follow the pattern that is characteristic for small and medium sized enterprises.
- Negative correlation between formal planning and return on own capital shows that the presence of formal planning is not a prerequisite of profitable operation.
- Profitable operation (i.e. favorable return on own capital) makes managers a bit lazy, they fail to target optimal operational conditions. In this case the planning practices can be described by "sufficient planning".
- Instabile economic environment does not urge enterprises to follow the patterns of formal planning.

- Danger of bankrupcy or liquidation increases the appearance of formal planning. In this case formal planning contributes to integration processes.
- Preparing alternatives and complex plans can most efficiently increase the quantity and quality of information used in problem solving procedures. Extrapolating standalone partial plans cannot generate similar informational surplus.
- Motivatedness of employees on bottom hierarchy levels is remarkably low.
- Positive correlations can be observed between motivatedness and the possibilities of taking part in planning as well as the possession of knowledge about enterprise objectives.

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