

# **FUNCTIONS OF PLANNING IN THE SYSTEM OF MANAGEMENT OF ENTERPRISE**

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**Key words:** management, planning, manufacture, production, making management decisions.

**Introduction.** Planning of manufacturing provides for making decisions about exploitation of the operating system including changes in aggregate demand. In an industrial plant activities planned are worth focusing on the four most important directions: sale, finances, manufacture of production and purchase.

Main goal of an establishment (an enterprise and its subdivisions) is realised through implementation of the work program which determines list, quantity, deadlines and value of manufactured products.

Strategic plan of manufacture, developed including the results of market conjuncture and sale, is a basis for forming production program. This area of activity concerns to a top level management. Herein strategic thinking of managers that allows justifying principal directions of development gains importance, provides purposefulness and flexibility in work. The flexibility involves in early prognosis of possibilities of further development of the enterprise and its subdivisions due to changes in the market conditions. Hence, when forming production program measures of reconstruction or improvement of an organisation and production management are also determined, relationships with the environment are formed as well.

**Materials and methods.** A. Fayolle singled out planning, organizing, managing, coordinating and controlling as functions of management. M. Meskon, M. Albert and F. Hedouri suggested considering four functions: planning, organizing, motivating and controlling. The last approach is the most attractive. Since the

researches show that these functions take part in implementing any management process.

The methods, used in the researches (economical, administrative, social and psychological), allow reducing intuitive nature management, arranging structure and functional system of the enterprise.

Plan of enterprise is an early developed system of the measures that prognose goals, content, balanced interaction of resources, volume, methods, sequence and deadlines of manufacture and sale of products or providing services. The plan allows enterprise to estimate how to achieve real goals, which helps and obstructs to do. In foreign literature there are several definitions of planning that differ, but in fact they are very similar. There are some examples of definitions below: planning is "creative thinking of future" (Adam Planug); planning (in a broad concept) is "building management decisions, based on systematic training of making decision to determine future events" (Hahn, Ru); "planning is a decision, developed earlier than the offensive of these conjuncture events (along with the relevant decision-making information process)" (Koch, Unternehmensplanung); planning " may in fact be defined as the process of thinking, in which mental vision makes stages of future operation" (Kosiol, Planung,); "planning is a systematic and methodical process of learning and sloving future problems" (Wild, Untehmungsplanung,). (Han 1999)

When developing system of planning it is worth achieving economic efficiency and avoiding "excess of planning" that decrease initiative of staff, reduce motivation of workers and excessive costs are not offset by the results. Any plan has to be made with a high level of accuracy. Thus, plans have to be concretized and detailed, to include external and internal conditions of operation of enterprise. (Grove 1996)

Depending on direction and nature of tasks, solved, there are three kinds of planning: strategic, tactical and operative.

The scheme of planning, offered by M. Meskon, M. Albert and F. Hedouri, is the most practical (Fig. 1):

### **Scheme of planning process**

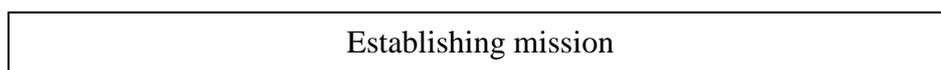




Fig. 1. Scheme of planning process (Meskon et al. 1997)

For effective operation of planning system in an enterprise it is required to create certain conditions. They are organizational, informational and staffing. The organizational structure of enterprise has to be appropriate to the system of planning the governing bodies and organizational units, formed organizational and planned pyramids, to recover each other. The procedures of planning have to be planned according to the organizational support. Therewith formation of planning system in domestic enterprises carries out under the circumstances of transition, when former operated systems are partially destroyed and new ones require formation. The principal problems of making effective system of planning in the enterprise are:

- orientation on short-term operational results, underdevelopment of strategic management, lack of systematic control in accordance with the results of enterprise to its current strategic goals ;
- fragmentation and lack of complexity of current plans;
- almost complete absence in the market, underdevelopment methodological and analytical basis to analyse market;

- lack of corporate governance, divergence of interest of owners, management and staff.

It is necessary to determine two variables for each period:

1. Production volume.
2. Number of workers, involved in a certain period.

In management three main strategies of planning of volume of production are singled out:

1. *Constant production volume at constant quantity of labour force.* This option of strategy provides stability of production volume despite fluctuations in demand. In this case number of employees is unchangeable. The difference between the amount of aggregate demand and output is offset by increasing or decreasing of supply of products, manufactured or portfolio of customers' pent-up demand. This principle is often used in capital-intensive industries with relatively low unit costs for storage of products or creating a portfolio of pending orders (Fig. 2).

2. *Variable production volume at constant quantity of labour force.* Under this method of planning production volume varies depending on demand, but the labour force is stable. The imbalance between the production volume and the number of labour force are governed by organising overtime work, providing time-off or transferring the amount of work to subcontractors. This option of strategy is implemented in labor-intensive industries where highly skilled labor force is used, and creation of stores of final products or portfolio of pending orders are expensive or completely impossible (Fig. 3).

Variable production volume at variable labour force. This option of planning involves employing and firing of workers depending on changes of production volumes.

This strategy is implemented in labour-intensive enterprises which do not require high qualified employees and in the cases when workers prefer seasonal job.

**Strategy of planning production volume “Constant production volume  
at constant quantity of labour force”**

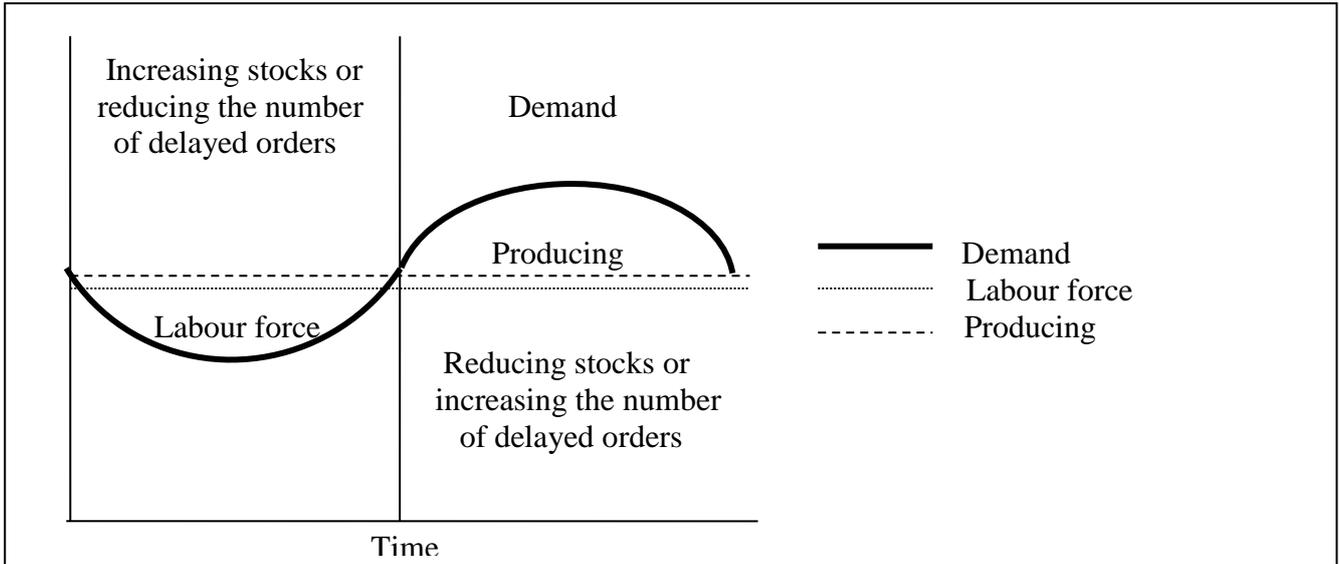


Fig. 2. Strategy of planning production volume “Constant production volume at constant quantity of labour force”

**Strategy of planning “Variable production volume at constant quantity of labour force”**

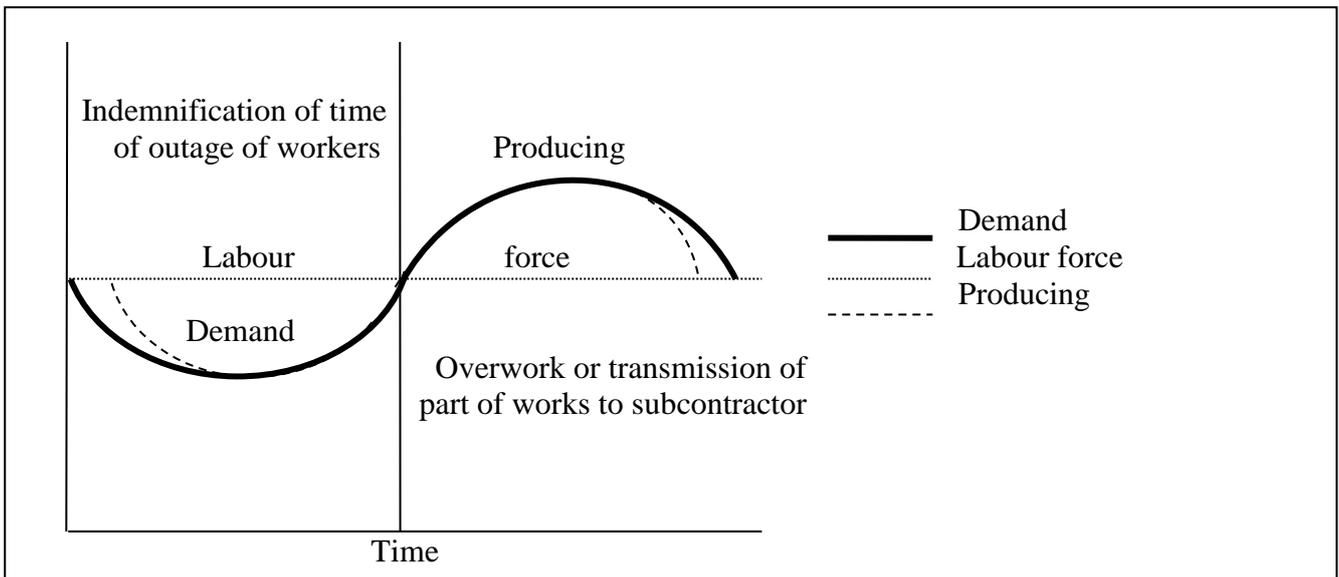


Fig. 3. Strategy of planning “Variable production volume at constant quantity of labour force”

**Results.** Developing of alternative plan. This is the most important point in strategic plan. Manager has to assess place of enterprise in the market of products which are manufactured there. This assessment primarily involves the analysis of

opportunities of influence of manager on the level of goods cost and their prices. It provides analysis including following directions:

- increasing income through reducing quantity of recourses, used in manufacturing under the conditions of their fixed price;
- using more qualitative resources under the conditions when rates of their price increase are lower than rate of income increase, received from their usage;
- assessment of possibilities of expansion of production on the basis of current production resources that will allow reducing prime price of a unit of products as sum of permanent production costs remains unchanged, and a unit product requires less sum;
- change of market position and channels of sales.

Nowadays a number of companies have made integration of scientific methods and modern information technology in the process of optimization of current production plans. In the plan of manufacture of products in an enterprise is developed on the basis of the information about market needs, long-term productive relationships that characterize possibilities of enterprise in the period planned. The general sequence of stages of preparation process modeling of administrative decision of planning manufacture in enterprise in the conditions of the market can be represented in Table.

Table.

**Stages of preparation process modeling of administrative decision of planning manufacture (Lap, Tymohyn 2004)**

Levels of models	Elements of models
1. Primary	1. Forming assortment of products
2. Exogenous	2. Estimating level of products competitiveness 3. Determining level of purchasing capacity 4. Determining demand on products 5. Denotating part of products in the market
3. Endogenous	6. Determining break-even point of manufacture 7. Estimating production limitations of enterprise 8. Considering contractual obligations
4. Optimizative	9. Forming the plan of output including formed limitations and goals functions of maximization of production recourses involvement,

	maximization of satisfaction of consumers' needs and market coverage, minimization of production costs and maximisation of level of products competitiveness 10. Estimating plan concerning optimization and conformity of strategy of development of enterprise 11. Modification of products characteristics and / or technology of manufacture and sale
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We agree with R.M. Lap and V.M. Tymohyn that synthesis of situational approach to decision-making, methods of market researches, expert methods and method of analysis of hierarchy and apparatus of neural networks, used to minimize subjectivity of experts' estimation and for experimental approach using economic and mathematics modeling, to prepare decisions under the circumstances of necessity of studying the complex of social and economic effects of decisions made are the principal elements of the conception of preparing and making management decisions about planning of manufacture in enterprise.

**Conclusions.** With planning of manufacture management can plan work process effectively. With management all managerial processes are solved in an enterprise. Hence, it provides optimal working process and will lead to receive better results and income in enterprise.

Planning of manufacture provides possibilities a company to advance to the market of products. Management in planning of manufacture allows counting different options of costs effectiveness per each hryvnia, invested into manufacture.

Thus, making strategic plan manager searches for such position and correlation between production costs and price of product that could provide achievement of goal of enterprise and the highest effectiveness of manufacture.

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