

PLANNING IN CONDITIONS OF SLOVAK REPUBLIC COMPANIES

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ABSTRACT: Success of the company is influenced by the ability to use disposal sources effectively and at the same time to adapt to the changes in its environment. Prediction of changes and their including to the future goals achievement in various time horizons is part of the planning. Company that uses planning increases effectiveness of its business. Importance of planning lies in the decreasing of bad decisions risk and by this way also increasing of possibilities for successful goals achievement. Success of business has its reflection in the financial situation of the company, according which company builds the system of financial planning. Paper deals with research of planning in conditions of Slovakian companies according their volume and functional parts of the plan with resulting of recommendation for plans improving.

Key words: financial planning, functional plan, planning process

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Introduction

Planning presents one of the oldest human activities that are connected with unique ability to predict future. Planning is also very precious tools that creates idea about executing the ways and achieved goals. It prefers effective activities for the goal's achievement and it eliminates not productive work. Proper planning contributes to the secure management and dynamics of company's growth, and it creates stable and long term orientation of the company to the future.

In the present time organizations cannot predict easily behavior of competitors or their business conceptions. At the same time consumers can change their needs and behavior. In this situation organizations do not know to make effective plans and to control their direction to the future. Classical management of the firms, based only on the empiric skills and experiences of owner or manager is gradually replaced by scientific accesses and modern tools of management with aim to increase effectiveness and performance of the firm.

Success of the firm is influenced by the ability to use effectively its disposal sources and ability to adapt to the changes in the firm's environment. Mainly prediction of changes and their including to the goals achievement in the various time horizons presents base of the firm's planning. Therefore planning is very precious tool of the firm's management. It brings idea about executed and not executed activities, about used tools and ways for determined goal achieving. Simply said „good“ planning contributes to the secure management and dynamic growth and it creates stable and long term orientation of the firm to the future. Globalization of economy, business and entrepreneurship is so rapid and dynamic in present time that geographical boundaries among individual countries loss their practical importance. Classical management of the society

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according standard financial indexes is gradually replaced by new ways and methods of management that are consistently orientated to the effectiveness and performance of the firm from the various views. Present trend in area of financial management simply determines that preparation and processing of historical transactions and data would need less time and still greater emphasis to the analysis and acceptance of decisions about critical activities of the firm.

Qualified financial plan is one of the ways for increasing of decision effectiveness that had become effective tool for identification and prediction of possible risks, by which firm could be unthreatened in the future and by this way it enables development of the firm and increasing its value and profitability. Paper deals with research of planning through exploring method in 128 Slovakian companies, with aim to find out what factors influence planning existence in the firm.

Literature review

Management of the firm includes broad area of activities, which realization is necessary due to the goals achievement in case firm wants to be prosperous. Demarcation of the management functions is various according individual theoretical schools. (Steward, 1990) Differentiated access exists not only due to the number of functions, but also due to their content demarcation. But accordance means that planning is always considered as basic function of management. (Barfield, et.al, 1994) By the way of planning managers determine parameters of the demanded performance of the firm, they coordinate effort of the individual elements and individual employees for their achievement and they control measure of the goals' achievement.

Corporate financial planning involves deciding what investments and activities would be most appropriate under both the company's individual and broader economic circumstances. All things being equal, short-term financial planning involves less uncertainty than long-term financial planning because, generally speaking, market trends are more easily predictable in the short term. (Wohe, 2007) Likewise, short-term financial plans are more easily amendable in case something goes wrong.

Planning means decision about future. It assumes determination of goals, finding the ways, tools and responsibilities for the realization of goals and aims. Plan of the firm presents final result of planned process. (Janeková, et.al, 2010) Planning increases suitability of the firm's behavior and it unifies effort of all functional elements of the firm during achievement to determined goals. Subject of planning, data and planned period presents important characteristics of the planning. (Mills, 2006)

It is common for businesses to face financial setbacks at some point. One way to avoid such setbacks in the future is through careful corporate financial planning. (Borodin, et.al, 2012) A corporate plan should incorporate the values and priorities of a company, with a comprehensive map of how to achieve those goals. The growth of a business depends on many factors—good leadership, a product or service in high demand, and careful financial planning. (Burja, 2011) Through financial plan verifies financial consequences of accepted decision in other partial plans and at the same time it influence effective using of production factors. (Briciu, et.al, 2010) Active function of financial plan is based on the mutual relation of substance and value side of the transformation process.

Research design and methodology

In many companies from different countries planning presents voluntary activity of the firms. There is not existing universal process of the plan construction, and it is not subjected to the legislative norms, directions, or principles. Using of plans is in the hand of managers or owners of the firms. Their structure, contents, as well as complexity of planning process depends mainly on the volume of the firm, character of produced production, legal form, ownership relations, etc.

(Lesáková, 2003)

Research had been orientated to the finding of the planning position of the Slovakian companies with aim to strengthen their market position. During research we followed present state of the planning in area of industrial companies according their volume, as well as using of whole planning process and attitude to the plan's riskiness. Results of the research could by this way present base recommendation of methodological process of strategic planning creation in conditions of any company in different countries.

Methodology of research presented exploring method, in which we result from the existing reality and we find out answer to the question, what factors caused the reality. Research had been made in 128 firms in Slovak republic that had been chosen accidently. From the total number there are 23% small firms (1-19 employees), 36% middle firms (20-99 employees), 27% middle big firms (100-499 employees) and 14% big firms (500 and more employees). A result of the research that is orientated to the firm's planning processes speaks about following figures. (Grznár et.al, 2009) From the research it results that approximately 29% of searched firms have their own planning department and 71% of the firms do not have planning department. Mainly volume of the firm is influencing rising of the individual planning department (table no.1).

Table no.1

Volume of the firm	Own planning department	Without planning department
Small	2	28
Middle	7	39
Midscale	15	19
Big	13	5

Source: elaborated according [3, p.69]

Majority of motives in the firm's planning are: profit achievement, cost decreasing, cash flow, access to capital and innovations. Greatest importance during goals achievement belongs to the firm's consumers. (Synek, 2000) Other goals are regarded in the following ranking: volume of profit, revenues, costs, growth of profit and rate on the market. Important finding means that growth of the firm's volume increases also importance of the orientation to the growth of rate on the market.

Business organizations use three basic accesses to the creation of business plans (top-down, bottom-up, combined). Combined way is most extended, which 62, 5% firms use, top-down 35, 9% firms and less used is bottom-up, which is applied only by 1, 6% firms.

Table no. 2

Volume of the firm	Strategic planning			Middle term planning			Short term planning		
	constru cted	Time horizon in years	Period of construction in months	Constr ucted	Time horizon in years	Period of construction in months	Constru cted	Time horizon in years	Period of construction in months
Small	33,3%	4,0	2,5	63,3%	1,4	1,0	76,7%	8,0	1,0
Middle	56,5%	5,3	3,5	80,8%	1,8	1,5	92,3%	7,0	1,0
Midscale	52,9%	5,4	3,5	73,3%	1,6	1,3	94,7%	6,0	1,0
Big	72,2%	5,5	3,8	83,3%	2,3	2,0	100,0%	6,0	1,0

Source: elaborated according [3, p.88]

Detail characteristic of the firm's plans from the time view depends on strategic or short term planning (table no. 2). Short term planning prevails in the firms. Using of middle term and strategic planning is increasing with volume of the firm. In smaller firms mentioned plans are mostly not used. Constructed plans are connected for example to middle or short term plans, and according them there is made prediction.

Using of functional plans in the firms according volume is also different (table no.3). According data we see that marketing, investment, financial and personal plan are used mostly in big firms. Production plans is used in one third of smaller firms and two thirds in greater firms. Financial plan is created mostly in all firms. During stock planning there are not great differences among firms, except small firms, where 40% use this type of the plan. Personal plan is used in not whole one fourth of small firms, but in all great firms.

Table no. 3

Functional plans of the firms

Volume of the firm	Functional plans constructed					
	Marketing plan	Production plan	Investment plan	Financial plan	Stock plan	Personal plan
Small	76,5%	23,5%	64,7%	89,5%	41,2%	23,5%
Middle	80,8%	34,6%	53,9%	96,2%	65,4%	50,0%
Midscale	63,2%	73,7%	73,7%	94,7%	68,4%	57,9%
Big	91,1%	66,7%	82,3%	100,0%	63,5%	100,0%

Source: elaborated according [3, p.95]

Business subjects use three basic accesses to the creation of business plans (top-down, bottom-up, combined). Combined way is mostly used in 62,5% of analyzed companies, top-down 35,9% and less used is bottom-up, applied only in 1,6% of companies (table no. 4).

Table no.4

Planning processes

Volume of the firm	Top - bottom	Bottom - up	Combination
Small	14	0	16
Middle	20	0	26
Midscale	5	0	29
Big	7	2	9

Source: elaborated according [3, p.80]

Attitude to the risk during plans creation is neutral in 83% of the firms (table no.5). Approximately 7% of firms prefer risk and approximately 10% firms are averse against risk. Attitude to the risk in the firms with various volumes is almost similar, but small firms have greater aversion against risk. (Potkány et.al, 2012)

Table no. 5

Attitude to risk of plan

Volume of the firm	Aversion against risk	Neutral attitude	Preference of risk
Small	17,7	70,6	11,7
Middle	7,7	92,3	0
Midscale	5,2	89,5	5,3
Big	11,1	77,8	11,1

Source: elaborated according [3, p.107]

We can say that growth of the firms' volume results in the increasing of the planning variance. Approximately one fourth of SMEs plans variably, three fourths of the firms create only one variant of the plan. Great firms use variant planning in half of cases. Number of the plan variants moves in the searched firms averagely among 2-4 variants (table no.6).

Table no. 6

Variable planning		
Volume of the firm	One variant	Variable planning
Small	76,5	23,5
Middle	73,1	26,9
Midscale	63,2	36,8
Big	50,0	50,0

Source: elaborated according [3, p.108]

Using of information systems (IS) in the firms speak about the fact that with growth of the firm's volume there is greater using of the individual types of information systems, which leads to the increasing of the planning processes quality. Their main advantage is speed, availability and accuracy of the obtained information.

Control of planning provides monitoring of the plans filling and at the same time it compares achieved reality with plan. According research results we can state that every firm makes control of plans, which are constructed in the firm. (Murgaš, 2001) Plans control is influenced by the type of plan and time horizon, for which plan is constructed. Almost every firm uses running – dynamic planning that proves the frequency of the plans change is shorter than period, for which plans are constructed.

Results and discussions

Planning process in the firms is influenced mainly by volume of the firm, branch, in which firm acts and form of the ownership. Through the research we found out that there are various factors, which influence using of planning in the firms, for example size of the firm, time horizon, attitude to risk, etc.

Volume of the firm has biggest influence to the planning process, since by growth of the firm's volume there is occurring extension of the business activities and therefore at the same time also planning activities. Smaller firms plan mostly by intuition and they solve problems operatively.

Planning activities are in the competence of the firm's management, or owner. There is not given too much attention to the goals of the firms as it is in the greater firms. Firms create mostly only one variant of the plan and only such functional plans that are necessary for operating of the firm. Plans of the firm are orientated mostly to the shorter period. Bigger firms make plans through independent planning departments, they plan variably, and they use almost all types of functional plans (it depends on the character of the branch) and plans are orientated to the longer period. In all firms there is used mostly combined and top-down process of planning.

Branch, in which firms are operating, influences planning process by structure of the firm's plans and also by choice of methods and processes of their creation. (Potkány et.al, 2012)

Ownership of the firm influences whole planning system. In the firms with domestic capital there is significant influence of the firm's volume to the planning processes, since in smaller firms there is used mostly top-down process, while in bigger firms combined process. In firms with foreign capital participation there is used mostly combined process of planning between parent company and related company. In some cases related company has more freedom, in other cases there is only acceptance of the tasks and goals from parent company.

Conclusions

In case industrial firm wants to compete in present market conditions, it must become competitive. It demands dynamically developed production through using of progressive technologies, innovation of technologies and produced commodities, using of qualitative and social level of employees, reacting to the market demands, regarding living environment and job security, etc.

Presented paper provides results of the planning research in conditions of Slovakian firms. According analysis there are characterized existing problems and accesses to their solution in accord with identified development. From the analysis of present accesses to the plans creation results that there is used great number of various sophisticated methods and techniques that are based on the different assumptions and processes.

There were searched also chosen program products for financial planning, as well as for whole management. From analysis it results that in present time there is big scale of program products at the market. Nowadays solvent firms do not have problem to obtain proved products, but problem is ability to use them effectively in conditions of the firm.

Construction of the plan is time consuming, accuracy and number of calculated information. Using of financial model in economic practice could shorten time for plan creation, to increase quality of plan, regarding influence of risk factors and to work with greater number of plan's variants.

Presented analysis had been made according publicly available data and we are aware of its shortages, but at the other hand we consider that there is very important to make further research in this area with aim to make even deeper searching of the problematic. Results of the analysis can be used in practical conditions as a tool for convincing the firms to use tools of financial planning in their concrete conditions.

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