Evolution and Characteristics of Planning at an Enterprise in Russia

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Abstract: The article focuses on the necessity of processes of planning at an enterprise in modern conditions. The evolution of planning in Russia is analyzed; the stages of planning development are characterized. The methodology of planning has undergone a certain evolution an evolution from plan development based on the traditions and customs to complex techniques and technologies, including the use of computers, designed for application at enterprises of any scale and sector of the economy. A comparative analysis of the use of different types of planning in the Soviet period of economic management, amid the market competitive conditions in Russia and abroad. It is found that in the Soviet period many methods of planning were developed, but the methodology is unacceptable for enterprises with relative financial and economic autonomy, when there is a need for a flexible market handling under the conditions of the increasingly competitive and variable environment. At the same time it is impossible to ignore the positive experience accumulated in the Soviet years. It is necessary to integrate Soviet and foreign methods, adapted to Russian conditions. Peculiarities of planning in Russia in modern conditions as well as their similarities and differences with other countries are determined.

Key words: Russian Planning • Evolution • Soviet period • Marketing in Russia and abroad • Comparative analysis

INTRODUCTION

During the years of transition to a market economy in Russia the prevailing view at many enterprises was the view that planning is outdated and inefficient. Emerging challenges in management were replaced by Western, sometimes unacceptable to domestic conditions or insufficiently approved methods [1, p. 9]. But practice and modern conditions show that planning plays the main and integrating function in market management. It is planning that is the starting point for establishment and functioning of any business entity. This is evidenced by the experience of the countries with developed market economies.

Underestimating of planning in the conditions of market economy, reducing its role to a minimum, ignoring or incompetent realization, typically result in large economic losses to the phenomena of enterprises insolvency. So market planning of intra-business activities is the basis of modern production management, marketing and the entire economic system; it is the starting point of the management process [2, p. 65].

The forms of planning at an enterprise over a long period of its development have progressed from simple to advanced techniques, including the use of computers and designed for application at enterprises of almost any scale and sector of the economy. Historically, the development of the planning went on in a natural sequence from simple to complex methods, from the customs and traditions to the formal planning procedures with the use of management information systems permitting not only to take into account, but also to optimize business processes in a rapidly changing external and internal environment of the enterprise. All these prove the relevance of this issue [3, p. 11].

RESULTS AND DISCUSSION

Planning in Russia has a certain history of development and the evolution of planning institutions can be roughly divided into three stages:
before the formation of nation-states (non-differential planning; all kinds of plans were formed on the basis of traditions and customs);

• before the creation of planning authorities and the introduction of formal planning procedures (planning at a lower level did not have “the rules” and was carried out by the heads of peasant families, trading houses, enterprises, financial institutions and etc. at their peril, on their own account);

• functioning of planning authorities and adherence to the established procedures (planning is considered as a science). In Russia this stage can be divided into two substages:

• Planning in the Soviet period of economic management.

• Planning in the conditions of market economy.

Let’s consider these stages in more details.

The beginning of the third stage refers to the first half of the twenties of the twentieth century. Since then, the theory of management stands primarily as the science of national economic planning. Planning was considered as economic activities of the state and its economic authorities on the regulation of public production.

The development of national planning system moved in the direction of expanding planning horizon and mutual agreement of plans for individual industries of economy. In 1920, the Russian Federation established the State Commission on Electrification of the country (GOELRO). Its task was to develop a program of national economic recovery and technical re-equipment and modernization of all sectors of the economy. New methodological approaches were applied in the work of the commission; some of that approaches have not lost their importance at present. For example, “drive links” and “central tasks” were highlighted, i.e., the priorities and goals. When determining the proportions of social development both internal and external conditions for the development of the society, the necessity to ensure economic independence and strengthen defense capacity were taken into account; for the first time (for the economy) the balance method of planning was applied [4, p. 59].

So, in those years in the USSR (the Russian Federation) the top-bottom directive system of economic management (centrally controlled command economic management) begins to develop. Since 1928, state (long-term) perspective planning in the form of five-year plans was established the country; and in the early 1930s five-year plans were detailed by annual plans. At the same time theoretical foundations and methods of short-term planning in order to achieve balanced, rhythmic production were developed. Thus, the “young” Soviet state created a system of multi-level plans, in which the leading role belonged to the state plan; in accordance with the state plan all the republican and sectoral plans and, on their basis, the plans for enterprises were created. The indispensable condition for the successful development and realization of an industrial plan was a proper organization of its drafting. Moreover, the drafting of long-term, medium-term and current plans for economic industrial development was organized differently, that was due to their different action time, different functions in solving the planned tasks.

Before distinguishing the characteristic features of planning at an enterprise in the conditions of market economy, let’s consider Soviet and foreign experience.

Operation planning at the enterprise in the Soviet period can be divided into the feasibility and calendar production planning. Feasibility planning was based on long-term (perspective) plans of enterprises and planned figures approved by the ministries. It included the development of a complete (long-term or current) plan on the production, technical and financial activities of an enterprise as well as forward social development of the personnel (“techpromfinplan”) which was a connecting link between the national economic plan and the plan of a single enterprise. It specified the indicators of long-term (five-year) plan providing the implementation of government targets with the greatest efficiency.

Techpromfinplan provided profound feasibility study of financial indicators bases of the detailed estimation of the production plan for each product, taking into account the level of orders, the required manufacturing equipment and facilities, the manufacturing cycle of products, standards for product manufacturing, etc. However, the financial plan of an enterprise included only a profit and loss report. Cash flows of the enterprise were not planned because financial management was a part of the economic mechanism of the state. Its basis was a centralized system of planning, forms, methods and terms of social production financing and crediting.

Operation planning had an executive function. Its role was to further specify the production plan in the form of the tasks for shorter periods and for individual performers (shops, sites and workplaces). Thus, operation planning was a connecting link between techpromfinplan and its actual performer.

After the Soviet Union “disbanding” the prevailing view in many companies was that a planned economy was out of date. Problems appeared in management process were replaced by misunderstood marketing and Western methods and techniques. However, the realities of the economic life of domestic enterprises showed that
planning has an integrating fundamental function in management in the conditions of market economy. The experience of productive foreign companies and the philosophy of market relations proves that. It is obvious that the current process of planning is rather complicated. Used in the Soviet period planned methods of management were based mainly on the principles of the vertical distribution of resources, including the level of an individual enterprise.

No doubt that such planning methodology is not acceptable in the conditions of market economy. However, the planning at the present conditions implies the use of accumulated experience of the Soviet Union [5, p. 17].

In the conditions of market economy enterprises become free from strict control of the state. Profit has become the main source of the development of an enterprise. As a result, classical idea of "top-down" business management of an enterprise transformed into financial management. Currently in Russia the majority of industrial enterprises use the methodology of operation planning and some aspects of techpromfinplan due to the fact that most employees were trained and worked under the conditions of the Soviet economic system of management and it is difficult for them to move over to new methodological approaches of the organization of planning in modern conditions.

Let’s consider some foreign aspects of planning.

In foreign companies, it is possible to distinguish the following basic planning documents:

- **Corporate Charter (regulations of the enterprise)** specifies the fundamental objectives of the enterprise and corporate standards, market orientation, ownership structure, positioning of the company and relationships with the owners and employees;
- **Strategic Business Plan (strategic plan of the enterprise)** is formed for a period of 5 to 10 years; it determines funding strategy and production output strategy, sales growth, market share, etc.;
- **Annual budgets and their subsequent detailisation** in the form of operating budgets on the periods of a quarter, a month, a week are developed on the basis of strategic plans. These include: 1) Business-plan which is formed for a period of 1-3 years (often with a quarter breakdown); it specifies the sources of investment, sets the direction of the development of production capacity, requirements for personnel, material and financial resources, etc. It includes integrated sales value plan. 2) Sales and Operation Plan (products portfolio) is formed for a year or two, specifies business plans and reflects sales forecasts and consolidated productivity figures to ensure supply according to the forecast, reserves, unfinished production.

Thus, planning the development of the organization used by foreign companies is based on the integration of strategies and budgeting; it is a multistage system process with the implementation of strategic plans [6]. Strategic vision of the development perspectives of an enterprise is quantitatively detailed in the plans, called budgets [7]. At that it is considered that the strategy and the budget overlap [8]. As a rule, a draft for planning is developed “top down” at foreign enterprises. A hierarchical structure consisting of corporate strategy (for large and diversified companies), business strategy, functional and operational strategy is developed [9]. According to this a budget cycle is created as follows (a planning cycle for quantitative indicators of the organization activities):

- The organization activities are planned for the whole enterprise and its departments, collective draft proposals are summarized;
- A draft budget is developed;
- Plan variants are calculated, amendment are made;
- One of the variants of a plan is approved, feedback link for dynamic environment is developed [10].

The planning process at Russian enterprises is different from foreign ones. Among the most obvious differences that characterize the implementation of the functions of planning, as well as the overall management of the company connected with to the current changes, the following can be taken into account:

- **Strategy**, which is of great importance to foreign companies, gives way to the plans dealing with the critical current tasks in domestic industrial enterprises;
- As well as in foreign companies, at our enterprises there is a customary division of plans for long-term (strategic ), tactical and operational. However, in modern Russian practice the period within which it is possible to give a reasonably accurate evaluation of the financial performance strategy with the main environmental factors is not more than three years, unlike foreign strategies typically developed for a period of 5 years. It gives the possibility of the development of strategic planning in Russia and shortens the period of the development of tactical plans usually up to the year (as opposed to foreign
enterprises, where their term is often from 1 to 3 years);
- Developing a strategy for Russian companies sometimes is formal, it does not have at its core a deep analysis of the current and future state of events. That is why a list of quantified indicators of the strategic plan is much narrower. The basis of planning is usually an annual plan or budget, which is worked in more details in operational plans;
- The frequency of plans making up and revision at Russian companies is low. Strategic and annual (budget) plans are reviewed and approved annually as a rule. Operational plans are developed on a monthly basis and can be adjusted during the planning period;
- Method of developing plans using approach “bottom up” is widely spread. Such plan (budget) requires collecting and filtering of the planned (budget) information from lower-level managers to the leadership of the company. It takes a long time to coordinate the plans (budgets); figures are subject to change with the approval of a plan that in turn can affect the balance of all the plans.

Planning is actively used in corporations and companies in the developed world, it is considered a prerequisite for effective and sustainable business, but in Russia during the transition to market economy, it was almost half-forgotten: planned economy at that time was considered as obsolete, pushed into the past and planning was thought as a relic of command economy. With the development and strengthening of market principles it is becoming increasingly clear that market does not suppress or deny planning. On the contrary, planning and market are interacting and mutually complementary components of economic mechanism, joined into united system of economic relations; market functions and develops successfully when the behavior of its participants is goal-oriented, that is, at a certain system of management, an essential element of which is planning.

The conducted by the authors study shows the evolution of the views of local scientists and practitioners on the aspect of planning as a management function (complex socio-economic goal setting), that can be effectively realized only in controlled economy and the need to recognize the special role of planning in market conditions.

The article shows that Russia has accumulated rich experience in planning methods of management in command economy. We marked a characteristic feature of the modern stage with focus on the combination of a number of methods and approaches of command economy with new market practices. However, formed in the Soviet period methodological basis of planning for the most part no longer meets today’s realities, so it needs rethinking. The current interest for forming a methodological framework and the development of the theory of planning at an enterprise in market conditions arises due to significant contradictions between the need to reduce the degree of state involvement in the realization of the objectives of socio-economic development and increased liability of companies as independent economic counterparties. It is also necessary to take into account a significant difference and dynamics of changes in the very foundations of planning at an enterprise: available resources (in the administrative-command economy), predict demand and economic potential (including probabilistic components of the potential, hidden reserves) (in the market).

CONCLUSIONS

In various forms of economic relations planning remains a fundamental function of management despite the difference in theoretical and methodological, methodical and practical approaches to its implementation. Our study shows that planning is not frozen in its development, continuing its evolution according to the changing management practices.

Variability of the environment in the conditions of market economy and the uncertainty of the economic situation greatly make system of planning more complicated. In competitive environment, as well as under the influence of the crisis in the economy it is difficult for enterprises to achieve the required efficiency without appropriate for existing conditions management decisions and management procedures.

Author’s viewpoint is that defining the priorities of the enterprise it should be taken into account key vectors and targets set (developed and written down) in the regulations that are strategic. They should be based on theoretical works devoted to the problems of strategic planning and they should be practically proven as well.

It should be noted that at the present time planning is actively developing in Russia; there is a gradual shift in emphasis from the current planning to strategic one. So, in the modern Russian Federation strategic planning is used at all levels of management: 1) at the state level in the form of conceptual documents, the most common of which is the Concept of development of Russian Federation for the period up to 2020, and 2) at the regional level it is implemented through a number of sectoral and regional programs and 3) at the enterprise level such tools
as SWOT-analysis, method of constructing strategic matrix, expert methods are widely used. However, detailed strategic development plans in Russia are more typical for major corporations and a number of medium-sized companies; as for relatively small companies, they are often unable to develop independently such a plan and may not have available funds to order it from outside experts.

In general, it is possible to distinguish the following main problems of strategic planning in the modern Russian Federation:

- A formal approach to the development of strategic plans;
- Lack of coordination strategies for the development of the state and private business;
- Simple copying the tools for the development and implementation of strategic plans, well-established in foreign countries, without taking into account national circumstances;
- Lack of monitoring of the implementation of strategic plans.

Planning capacity in relation to prediction (of course, prediction should go first) should be considered as one of the most effective ways of increasing the efficiency of companies management.

Implementation of analytical procedures which make it possible to assess the level and the potential for economic development of an enterprise (in conjunction with development objectives) with continuous analysis of tendencies of the development of key economic parameters is an important step in effective planning.

In general, the author’s viewpoint is that the theoretical and practical problem lies not in the amount of planned, budgeted, or analytical procedures but in the system of the applied principles and instruments. Russian economic science and practice faces a problem of developing methodology and tools for planning, taking into account gained experience with regard to the nature of market relations.

REFERENCES