



Course: Financing and economic management

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## Contents

### **Planning and Resource Management**

#### **1 Planning - theoretical definition**

Planning can be defined as the process of setting goals and then select the appropriate means and ways to achieve them. Planning for the future shows that we can shape the current negotiations. Planning formulates business objectives and the means to achieve them. According to the objectives can be decided to use or not opportunities that arise. It is possible to reduce risks and seek to optimize the results according to company goals with the plans. Each plan must answer the question of what, when, who, how? When the goals are setting it is necessary to take into account the following requirements:

- Priority;
- Measurability;
- Adequacy;
- Activities;
- Sources;
- Deadlines and accountability for goals.

The actual planning process is divided into several stages: <sup>1</sup>

- **Collection of information;**
- **Evaluate information;**
- **Alternative plans;**
- **Decisions;**
- **Control.**

Planning activities are part of the management process of transforming inputs into outputs. In addition, there are also a part of this process of managerial functions -

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<sup>1</sup> WOEHE, Guenter. *Úvod do podnikového hospodářství*. 1. vyd. Praha: C. H. Beck, 1995, 748 s. Beckovy ekonomické učebnice. ISBN 80-717-9014-1.

organization, personnel, supervision and leadership. Planning activity precedes all other managerial functions, since it involves setting goals.

Planning according to the time point of view is divided into strategic planning, tactical planning and operational planning.

Table 1 illustrates the division of planning by the time perspective.

Table 1 **Division of planning by the time perspective**

FACTOR	PLANNING		
	Strategic	Tactical	Operational
PERIOD	5 and more years	1 – 5 years	Maximum 1 year
the degree of uncertainty	extremely high	high	low
FORECAST DATA	Mostly qualitatively generally structured	Mostly generally structured	Mostly exactly structured
capacity changes	YES – generally planning	YES – detailed planning	NO – capacities are considered constant
COMPETENCE	Top management	Middle management	Lower level management

*Source: own elaboration*

**Strategic planning** takes place over a period of five years and focuses on trends in business, its vision and objectives. Strategic planning takes place at the level of senior management or business owner.

**Tactical planning** is carried out in the period from one year to five years and focuses on tasks, procedures and resources, concretized the strategic planning that lead to effective implementation of the corporate strategy. Tactical planning is done mostly at middle management level. The tactical planning then further based on operational planning.

**Operational planning** is carried out in the period up to one year and focuses on planning of revenues, expenses, profits, costing products and internal outputs, planning balance sheet items or utilization of production capacity. Key tools that are applied in operational planning are the calculation standards, limits, costing, budgeting, shopping centers, planned profit and loss, cash plan, liquidity plan, the planned balance sheet and others. Very close link between operational planning and controlling. Controlling detects variations in the plans and ensures their removal.<sup>2</sup>

## 2 Defence Planning

The initial step for the fulfilment of goals MoD's is the activities connected with planning and budgeting. This activity is bounded by the basic legislative framework, which consists of the following legislation:

- Act no. 2/1969 Coll., *on the establishment of ministries and other central government authorities of the Czech Republic*,
- Act no. 219/1999 Coll., *on the Armed Forces of the Czech Republic*,
- Act no. 222/1999 Coll., *on ensuring the defence of the Czech Republic*,
- Act no. 218/2000 Coll., *on budgetary rules*,
- Act no. 320/2001 Coll., *on financial control in public administration*,
- Act no. 137/2006 Coll., *on public procurement*,
- Government Regulation no. 51/2004 Coll., *on the planning of national defence*,
- Decree Ministry of Finance no. 415/2008 Coll., *which determines the scope and structure of the substrate for the development of medium term budget outlook*. This decree is supplemented with teaching materials for target-oriented budgeting,
- Decree no. 449/2009 Coll., *on the manner, terms and extent of data submitted for the evaluation of the state budget*,
- Decree no. 560/2006 Coll., *on state budget participation in the financing of asset replacement programs*,
- Decree no. 416/2004 Coll., *implementing the Act on financial control*.

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<sup>2</sup> SYNEK, Miloslav. *Podniková ekonomika*. 3. přeprac. a dopl. vyd. Praha: C. H. Beck, 2002. Beckovy ekonomické učebnice. ISBN 80-717-9736-7.

General definition of national defence based on Law no. 222/1999 Sb. **National defence** is a set of measures to ensure the sovereignty, territorial integrity, the principles of democracy and the rule of law, protection of life of residents and their property against external attack. The national defence involves the construction of an effective system of national defence and preparation of adequate forces and resources and participation in collective defence system.

Business planning and development of the resort is shown in Figure 1.

Figure 1 **Business planning and development department of defence**



Source: *Business and Development Planning in the MoD, PPT, Colonel. ing. Radek Dubec, Ph.D.*

**The decisive point for the creation of the system of defence planning in the Ministry of Defence is the Act no. 222/1999 Coll., On the defence of the Czech Republic, which in § 2, Art. 8 says:**

State defence planning is a set of planned measures, interacting, to ensure the sovereignty, territorial integrity, the principles of democracy and the rule of law, protection of life of residents and their property against external attack and to meet all the requirements of national defence, security, international treaty obligations on common defence, including a share of the Armed Forces in the activities of international organizations in favour of peace, participation in peacekeeping

operations and share in the rescue and in carrying out humanitarian tasks. The plan consists of defensive national defence planning, operational planning, mobilization planning, and preparedness planning the defence system of state planning and preparation for rescue operations and carrying out humanitarian tasks.

The MoD is in accordance with the aforesaid Act no. 222/1999 Coll., Understood defence planning system as a set of five planning disciplines:

- **Defence planning,**
- **Operational planning,**
- **Mobilization planning,**
- **Preparedness planning defence system of the State,**
- **Planning of preparations for rescue operations and carrying out humanitarian tasks.**

Defence plan of the Czech Republic is the basic planning document for the management and organization of national defence. Its design and its update, the Ministry of Defence and submit it to the Government for approval.

**Defence plan includes:**

- a) Plans activities of the State in ensuring the Czech Republic's defence against external attack, or if it is necessary to fulfil international treaty obligations on common defence against aggression,
- b) Summary of forces and means and schedule replenishment,
- c) Plan of economic mobilization,
- d) Plan of necessary supplies,
- e) Plan operational preparation of the state territory,
- f) Preliminary concepts and operational plans permanent operational plans,
- g) List of measures and a catalogue of measures for the transition state to state of emergency or a state of war,
- h) Manual of crisis response.

### **Defence planning in the Ministry of Defence – definition:**

The MoD is in accordance with the aforesaid Act no. 222/1999 Coll., Understood defence planning system as a set of five planning disciplines:

- Defence planning,
- Operational planning,
- Mobilization planning,
- Preparedness planning defence system of the State
- Planning of preparations for rescue operations and carrying out humanitarian tasks.

Under Order no. MO. 66/2012 is implemented in defence planning department titled "Planning and Business Development Ministry of Defence":

- a) Sets out the main principles, methods and forms of planning in the Ministry of Defence,
- b) Defines the purpose and terms of planning, powers of planning, basic planning documents and the process of creation and evaluation of the implementation plans of the Ministry of Defence.

### **Basic planning documents in MoD:**

1. Long-term vision for the development MoD.
2. Directive defence minister.
3. Medium-term Development Plan MoD.
4. Plan activities MoD year.
5. Policy actions organizational unit per year.

### **Principles of setting goals**

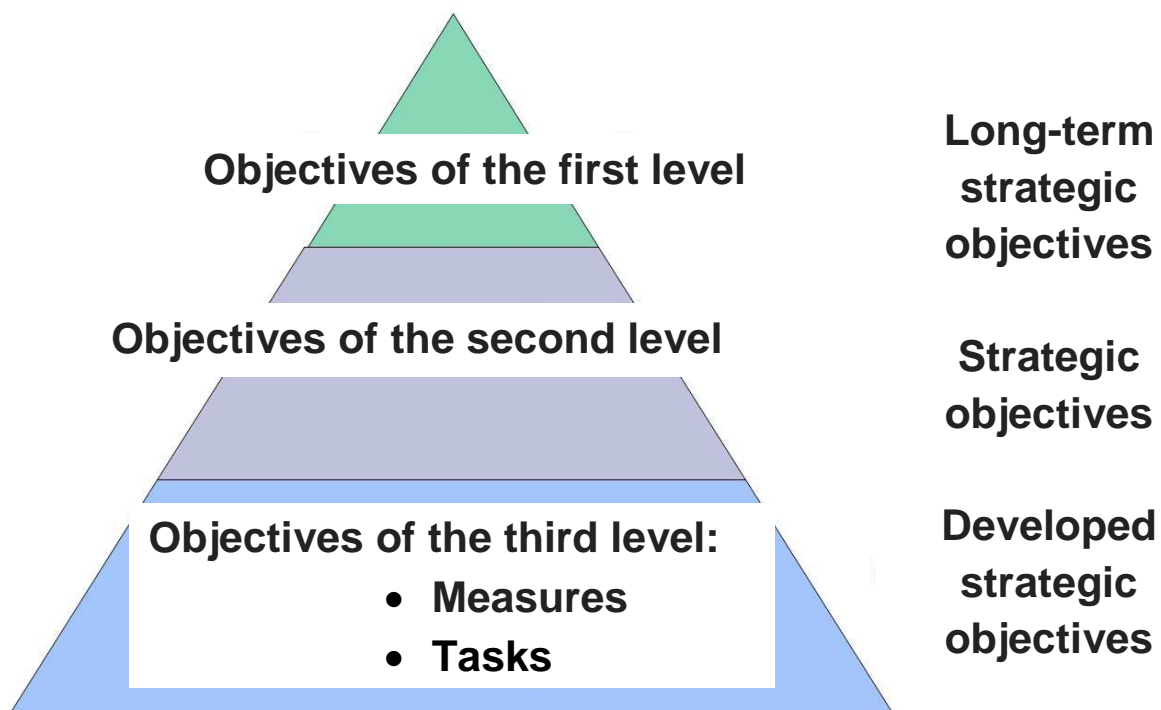
Goals for planning are determined on the basis of:

- a) Analysis of the accepted requirements and obligations,
- b) Capability Development Plan, NATO and the EU,

- c) Plan of Defence of the Czech Republic,
- d) Legislation and strategic and policy documents approved by the Czech government to ensure the defence.

Figure 2 Hierarchy of objectives shows the disintegration of the targets from 1 to 3 levels linked to the strategic goals of the Department.

Figure 2 **Hierarchy of objectives**



Source: *Business and Development Planning in the MoD, PPT, Colonel. ing. Radek Dubec, Ph.D.*

### **Basic terminology**

The **target** is expression of the desired future state defined parameters and achieves the anticipated deadline.

The **measure** is a set of activities aimed at achieving set objectives.

The **task** is a specific action in action towards achieving the objectives.



## Setting goals

Goals for planning are determined primarily on the basis of laws, decrees, resolutions of the Government of the Czech Republic, other legislation and strategic and policy documents approved by the Czech government to ensure the defence, analyses the accepted requirements and obligations of membership in NATO and the EU and development plans ability of NATO and the EU.

Targets are set **at three levels**. These levels form a set of goals the Ministry of Defence (hereinafter referred to as "system targets"), which is including the designation of a unified description of objectives for planning and goal-oriented budgeting. The first and second level objectives set out in the directive of the Minister of Defence.

**Objectives of the first-level** are strategic objectives of the Ministry of Defence.

**Objectives of the second level** are the strategic objectives that further elaborate on the objectives of the first level.

Managers at the second level suggest the **objectives of the third-level** at their development. Method development of goals in the third level and determining their managers approved by managers of relevant targets first-level manager on a proposal targets the second level. The proposal aims third level is presented for discussion in the Council. After approval of the targets, they are included in the set of objectives.

Set of goals approves First Deputy Defence Minister, on the recommendation of the Council. In case of an urgent requirement for the inclusion of new objective set of objectives of the proposal primarily discussed in the Council.

## Ability:

- Set of necessary characteristics of the individual, organizational unit, task force or system characteristics (e.g. Weapons) to create a desired effect (e.g. Accomplishing a military mission, achieve goals).

The basic bearer capability in the Ministry of Defence is an organizational unit whose skills are based on tables and figures are defined by level of its readiness for action.

## 3 Defence planning - a process

Defence planning as a process is based on the long-term development, over the medium-term plan to resort to the annual plan.

Long-term outlook reflects the long-term plan for the development, maintenance or mute key capabilities based on the defence strategy of the Czech Republic.

#### **The long-term vision for the development MoD:**

- Specifies the strategy of strengthening the capabilities of the Ministry of Defence,
- Specifies the priority construction and development capabilities and development programs,
- Formulates use intentions and involvement in the development of joint capabilities,
- Underlines the need to launch projects in the field of defence research and development,
- Formulates requirements and availability of staff,
- Takes into account the need to maintain the ability Ministry of Defence and the enforcement of state.

A long term vision reflects the long-term plan for the development, maintenance or mute key capabilities based on the defence strategy of the Czech Republic.

Processor of long-term forecasting is a section of the first deputy defence minister.

The long-term outlook is processed **for a period of 15 years** following the laws and resolutions of the Government of the Czech Republic, conceptual politico-strategic documents, planning cycles and strategic planning documents NATO and EU **in the four-year period**. If there is a change in defensive strategy or changes in internal or external environment, which have a significant impact on the defence of the Czech Republic or the development of abilities Ministry of Defence, is an long-term outlook is obliged to submit to the Minister of Defence draft resolution on the development of long-term vision beyond the four-year period.

Long-term outlook after discussion in the Council, and after it approved by the Minister of Defence submits note to the Czech government.

#### **Directive of the Minister of Defence**

Directive of the Minister of Defence is a strategic management act of the Ministry of Defence.

These include:

- Political and military targets entering through the first and second level,
- Planning assumptions in the area of personnel and funds,
- Priorities and constraints for planning for the planning period, which includes the following six years, the annual and medium-term planning.

Processor of directives of the Minister of Defence is a stretch of the First Deputy Minister of Defence. Minister of Defence Directive shall be submitted for approval to the Minister of Defence, after consulting the Council of 31 March every year.

### **Medium-term plan**

The medium-term plan develops goals outlined guidelines defence minister and a set of targets for the relevant planning period goals in the third level, specific actions and tasks and ways of ensuring material resources, personnel and financial resources, particularly in the area of capability development, involvement in operations Standby Force, the objectives adopted in the framework of NATO and the EU, science, research and innovation and organizational, mobilization and deployment changes. Medium-term plan is broken down according to the structure and objectives of the command and control structure. It is the eternal source and foundation of all subsequent planning processes of the Ministry of Defence. Ongoing goals are mandatory input for the preparation of annual plans, budgets and other sub professionally profiled plans.

The author of the medium-term plan is to stretch the First Deputy Minister of Defence.

The medium-term plan is divided into a text part and complete data bases, which are electronically stored in the data storage. The output of medium term planning process is also updated documentation goals (including relevant to the development of measures and tasks), and on the basis of a proposal for the implementation of asset replacement programs. The documentation must contain objective justification of the needs of all funds allocated to the objective. This documentation allows you to generate additional outputs according to the requirements of individual users

For the objectives, measures and targets medium-term plan targets are managers who are responsible for their implementation, are required to indicate in the description of objectives, actions and tasks linked to the priorities of the Ministry of Defence.

The medium-term plan shall be drawn for a period of 5 years. The first year of the planning period is the first year of the medium term budget outlook. The content of the medium-term plan for the first three years provides the necessary input for the

preparation of the draft state budget and the medium-term budget outlook. Goals whose implementation goes beyond the horizon of the medium-term planning period, according to their nature elaborate documentation goals for the full cycle of implementation.

### **Annual plan of the defence resort**

The annual plan of the resort is the basic document for controlling the operation of the Ministry of Defence in a calendar year. It is a basic typing and the main coordinating document for annual plans of organizational units of the Ministry of Defence and entities directly subordinate to the Ministry of Defence.

The author of the annual plan, the resort is an organizational unit that has designated the Chief of Staff of the Army of the Czech Republic.

The annual plan for the resort develops measures and tasks Goals third level set in the medium-term plan of activities for the calendar year. Text contains measures and tasks linked to the highest priority and the Ministry of Defence prepares in paper form. Part of the annual plan is electronically processing and managing calendar plan activities and attachments with the necessary data for the annual management of the Ministry of Defence in a given calendar year.

The annual plan for the resort is factually intertwined with targets, measures and tasks with Chapter 307 of the state budget Ministry of Defence.

To update the annual plan of the resort is continuously carried out change management with a link to change management state budget chapter 307 of the Ministry of Defence.

Chief of the General Staff of the Army of the Czech Republic will issue 31 May methodological and organizational instructions for processing the annual plan of the resort

The draft annual plan for the resort develops third-level goals, measures, tasks and activities (or sub-tasks and events) to achieve them. In the process of making the annual plan of the resort this measures and tasks are updated to reflect changes that occur during the preparation of the draft state budget chapter 307 of the Ministry of Defence. The annual plan for the resort is processed until 30 September and submitted for approval to the Minister of Defence after discussion in the Council of 31 October.

## **4 Evaluation and assessment documents in planning**

### **Semi-annual evaluation of the goals**

Executives processed semi evaluate compliance measures and tasks for subordinate organizational units to achieve the targets, including the use of funds and submit them to the managers goals first level, the implementation of which involved. Managers of the targets of the first-level process the semi-annual evaluation of the performance targets and submits them together with proposals to address the shortcomings annually in February and August for discussion in the Council.

### **Evaluation of annual plan of resort**

Executives are processed quarterly evaluation of the performance measures and tasks with their organizational units, including the assessment of the state of utilization of funds. The findings inform their superiors.

Evaluation of the annual plan of the resort includes evaluation of the set goals through assessed tasks and measures contained in the annual plan resort to the established criteria and assessing the achievement of the required skills, including identifying deficiencies and their causes and associated risks.

Evaluation of annual plan of the resort handles organizational entity has designated the Chief of Staff of the Army of the Czech Republic, based on data from materially relevant organizational units of the Ministry of Defence, the operators directly subordinated to the Ministry of Defence, subordinate commands, Military Police and Military Office of the President.

Evaluation of the resort's annual plan of shall be submitted for approval to the Minister of Defence after discussion in the Council by 28 February.

### **Report on ensuring the defence of the Czech Republic**

Report on ensuring the defence of the Czech Republic evaluates the condition of ensuring the defence of the Czech Republic in terms of requirements arising from the strategic and policy documents, progress in ensuring defence capability gap and its causes, and formulates requirements for their removal. It is the basis for the work on the security of the Czech Republic.

The fundamental basis for the report to ensure the defence of the Czech Republic is annual evaluation plan for the resort and the draft state final account of the state budget chapter 307 of the Ministry of Defence.

The author of the report to ensure the defence of the Czech Republic is a stretch of the First Deputy Minister of Defence.

Report on ensuring the defence of the Czech Republic shall be submitted for approval to the Minister of Defence after discussion in the Council of 30 April each year and then, usually once every two years, submits to the Government of the Czech Republic

## **5 Target oriented planning in the defence sector**

Goal-oriented planning again is based on the "Guidelines for planning" (Order of the Minister of Defence no. 24/2010 *Planning and Business Development in the Ministry of Defence*) since 2013 by the Order of the Minister of Defence no. 66/2012 *Planning and Business Development in the Ministry of Defence* and the "Principles for the implementation of goal-oriented planning (GOP) in MoD".

Guidelines for planning adjusted each year strategic objectives of the Ministry of Defence in relation to limited resources. The objectives set out in the structure of the GOP into account restrictions source framework due to the economic situation of the country. The aim is to stabilize the structure of military spending and keep personal mandatory expenditures in the amount of 50%, current expenditure of 30% and program funding in the amount of 20% of the budget of the Ministry of Defence of the Czech Republic. For the next period (from 2015) will take place in accordance with the "Directive" (Directive defence minister for business planning and development MoD for the years 2015 to 2019, specifying for 2014) to adjust personnel mandatory spending to 55% of current expenditures to 30% and program funding to 15% of the defence. Stabilization of military spending is a very difficult task. Mission of the Ministry of Defence shall be realized through the stated goals (corresponding to the current period), which are subject to the following facts from the Directive. This is a:<sup>3</sup>

- Security environment,
- Priority defence minister
- Planning assumptions in terms of deployment on operations,
- Objectives of the MoD,
- Further guidance on the planning process and to clarify for the year 2014.

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<sup>3</sup> *Směrnice ministra obrany pro plánování činnosti a rozvoje rezortu MO na roky 2015 – 2019 s upřesněním na rok 2014.* Praha: Ministerstvo obrany, 2013. 19 s. Čj. 97-17/2013-3691.

The outcome of the whole process GOP is a medium term plan, which falls under the section of the First Deputy Minister of Defence. The content and structure of the SDP is in line with the Directive comprise the following priorities: <sup>4</sup>

1. Defence of the Czech republic, including the operation and development of the defence system,
2. Implementation of international commitments.

The managers of goals are responsible for the development of a substantive justification of the total amount of funds with an emphasis on correct determination. Medium-term Development Plan MoD in accordance with Art. 12, Para. 7 Order of the Minister of Defence no. 66/2012 compiled for a period of 5 years. The medium-term plan for the period elaborates third-level goals into action and tasks in terms of how they ensure substantive, personnel and funds. Objectives of the SDP input for the design and preparation of annual plans and budgets. Medium-term plan should precede Long-term outlook of resort MoD, which is in accordance with Art. 10, Para. 3 Order of the Minister of Defence no. 66/2012 compiled for a period of 15 years (in the four-year period), following the laws, strategic Government documents, NATO and the EU. The long-term outlook is discussed in the Council approves it and the Minister of Defence shall submit to the attention of the government of the Czech Republic.

Goal-oriented planning is not a single event. Planning should be a continuous process. It is therefore not necessary to make a "plan to unclean" - intention. Intention serves as a basis for correction plan. Its content is determined by the structure: <sup>5</sup>

- Expected development requirements for security personnel mandatory expenditures,
- Expected development of social benefits paid,
- Overview of contractual relationships for the entire resort MO structure:
  - Contractual relationships arising from program funding,
  - Contractual relationships taken from other current expenditure,

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<sup>4</sup> Čl. B) *Směrnice ministra obrany pro plánování činnosti a rozvoje rezortu MO na roky 2015 – 2019 s upřesněním na rok 2014*. Praha: Ministerstvo obrany, 2013. 19 s. Čj. 97-17/2013-3691.

<sup>5</sup> Čl. č. 6.3, *ZÁSADY implementace cílově orientovaného plánování (COP) u Ministerstva obrany*. Praha: Ministerstvo obrany, 2010. 25 s. Čj. 1421-3/2010-8201.

- Contractual relationships, which in that period ends, but which by definition implies again to finalize,
- Overview of the contributions, transfers, subsidies,
- An overview of the budget of the European Union,
- Overview of the funds allocated to the objectives,
- Draft amendments to the measures/tasks resulting from the evaluation of the implementation of the objectives/measures/projects or new objectives/actions/tasks assigned to the implementation of the decision of the Government or the Minister of Defence,
- Overview cancelled during the year targets/actions/tasks and funds earmarked for their implementation,
- Overview of funds allocated in the previous planning period on goals that will already met with a proposal for their use in the next planning period.

In accordance with Article 6.4 of the "Principles for COP MO" We are planning process must provide such information and background materials that allow for the drafting of the state budget and medium-term budget outlook following outputs: <sup>6</sup>

- An overview of third-level goals into action and tasks with the designation of the main goals and budgetary targets cost centers,

Note. Three of goals in the planning process:

- |                |   |
|----------------|---|
| Target level 1 | (previously used term strategic objective), |
| Target level 2 | (previously used term strategic tasks),     |
| Target Level 3 | (previously used term MTOs),                |
| Target Level 4 | (previously used term medium-term tasks),   |
| Target Level 5 | (previously used term task),                |
| Target level 6 | (previously used term activity).            |

- An overview of cost centers MO containing information about the amount of funds for their activities,

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<sup>6</sup> Čl. č. 6.4, *ZÁSADY implementace cílově orientovaného plánování (COP) u Ministerstva obrany*. Praha: Ministerstvo obrany, 2010. 25 s. Čj. 1421-3/2010-8201.



- Overview of material needs, proposed for inclusion in program funding, with numeric goals/action/task in favour of the fulfilment of the proposed acquisition,
- Overview of non-investment transfers abroad (after individual goals, specifying a cost centre, which will implement transfer),
- Overview of funds planned for the security of foreign missions and visits by individual goals and NS,
- Planned spending on research, development and innovation,
- Planned spending on pension benefits,
- The planned expenditure on other social benefits.

### **Consistency of the medium and annual plan**

In this context, it is necessary to outline the relation between the medium and the annual plan.

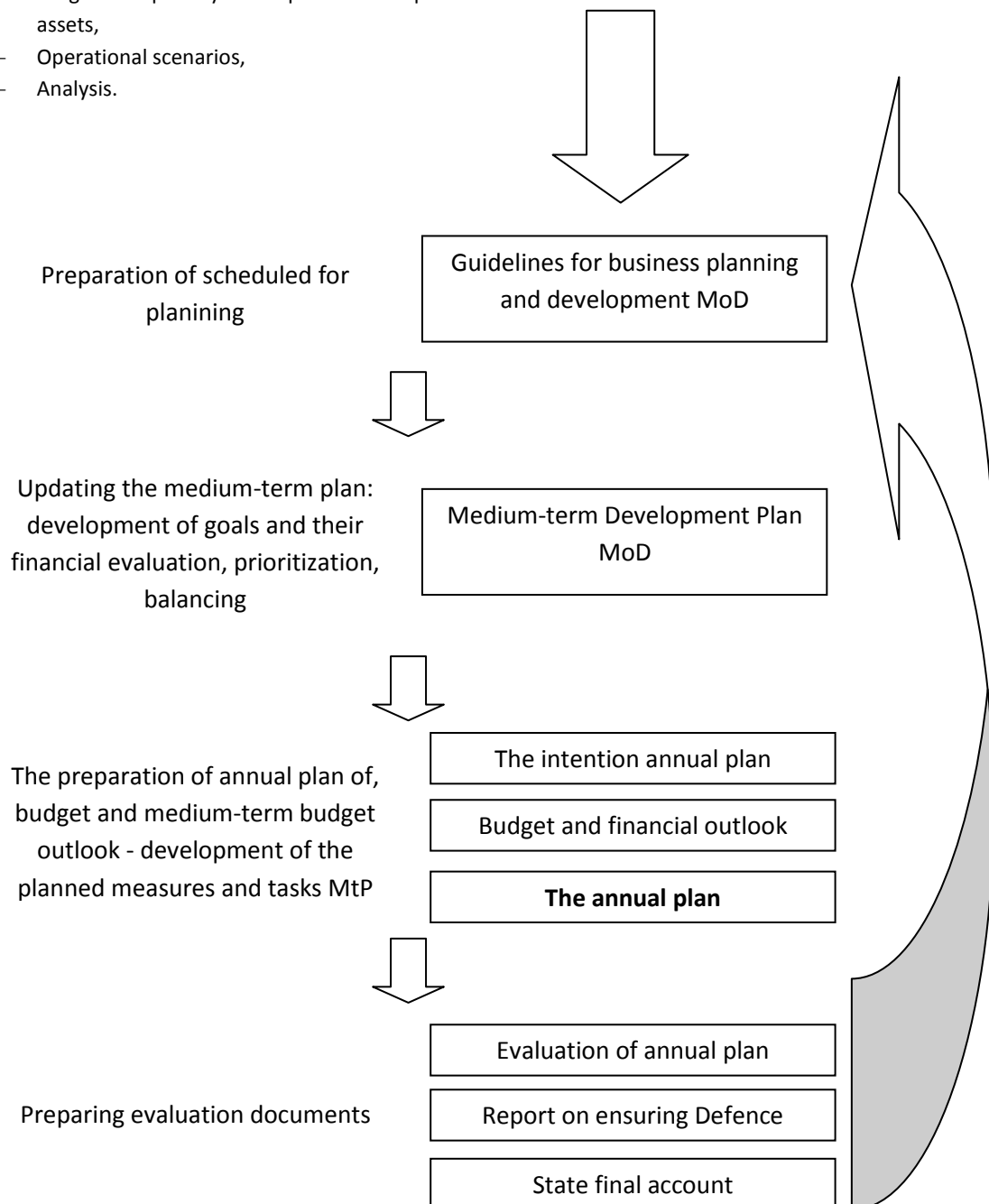
The provisions of the new order is a shift in the development of medium-term plan, which should (in accordance with Article. 12 Order of the Minister of Defence no. 66/2012) to develop targets for the Directive and set of goals for the period to the third level goals and specific tasks and actions.

Consistency medium-term and annual planning is outlined in Figure 3.

**Figure 3 Process medium-terms and annual planning**

Inputs:

- Legal norms, the decision of the Czech Government,
- CR's commitments within NATO and the EU,
- Security Strategy, the Defence Strategy,
- A long term vision / White Paper on Defence,
- Term plan from the previous cycle,
- Conceptual documents MoD,
- Programs capability development and reproduction of assets,
- Operational scenarios,
- Analysis.



Source: *Methodology medium-term and annual planning MoD. Praha. Ministry of Defence. 2011. p. 24. Reference no.: 613-1 / 2011-3691.*

**List of tasks for students:**

- 1) Explain the nature and content scheduling page.
- 2) The nature of the basic elements of defence planning. What does the planning system in the MoD.?
- 3) Explain the long, medium and short-term planning.
- 4) Try to define the content of defence planning (defence plan, planning documentation, principles, and objectives hierarchy - basic concepts).
- 5) Characterize the target-oriented planning - development in the MoD.
- 6) Explain interconnection medium and the annual plan.
- 7) Draw and explain the process of medium-term and annual planning.
- 8) Draw and explain the binding of planning and economic management