



Decoding the Complicated Issues of Financial Planning and Control

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Abstract

Financial planning and control is a collection of tactics that support an organization's whole financial management process. The process starts with financial planning, which often takes the form of cash flow and balance sheet forecasts. The study identifies and decodes the perplexing challenges that arise throughout the financial planning and control process. The article discusses the recent appearance of new facets of financial planning and control. It also focuses a lot on problems with financial planning and control, which can be seen by the wide range of themes covered and the strategy used.

Key words: Financial planning, Financial management

Introduction

Financial planning is the most critical component of a business's financial system process and plays a critical management role. Financial planning is a critical component of the overall planning process because it enables the company to implement its strategic plans by developing action plans for each planned period and accurately calculating the effectiveness of the resources available as well as the ultimate financial and economic results. Financial planning helps the firm to produce long-term good outcomes, therefore increasing the company's financial situation and ensuring the sustainability of its market position. Planning is the act of converting an organization's objectives into predictions and plans, as well as the process of establishing priorities, means, and strategies for achieving those goals. In theory, financial planning is thought to be the most important and important part of a company's total planning (Wildavsky, 1975).

Financial planning is the deliberate process of developing systemic development projects and financial planning (regulatory) standards in order to guarantee that the organisation develops the financial resources required to enhance its economic and financial performance in the present and future. Financial planning, financial analysis, and a control system are critical components of an organization's financial strategy being implemented effectively. It is well accepted that effective control is often required to maximise the consequences of a predefined course of action in any organisation. Even the best strategy or budget may not yield the desired outcomes owing to a variety of unanticipated factors, either internal or external to the business. Thus, periodically comparing actual performance to planned performance and addressing issues producing unfavourable deviations from the plan are critical for maximising the benefits expected via

planning (Koontz and Weihrich, 1988). As a result, if this process, known colloquially as "control," is not handled successfully, it is likely to have a negative impact on corporate performance. Additionally, the influence of this procedure on performance varies from company to company, depending on the amount to which it is used. Additionally, earlier study in this area has been limited by the fact that the majority of academics who have explored the link between planning and performance have focused on extremely small enterprises. Nonetheless, although the majority of very small businesses do not employ written plans, the usage of planning and its breadth tend to expand with company size (Robinson and Pearce, 1984). Additionally, the majority of earlier research on the link between planning and performance has focused on long-range strategic planning, with little emphasis paid to yearly budgeting-based financial planning. As a result, it is critical to conduct empirical research on the influence of financial planning and control processes predicated on yearly budgets on performance (Berman et al., 1977).

According to Black Jr. et al. (2002), financial planning is an extension of Markowitz's Modern Portfolio Theory (MPT) (1952). Financial planning, they argue, "assists people in considering their whole wealth, not simply their accounting net worth as defined by holdings in easily marketable financial assets." Individuals may include the importance of non-assets in the risk/reward exchange for the family, presumably with limits, well within the framework of an MPT framework. Thus, under an MPT structure, the financial planner serves as the client's financial coordinator.

Complicated issues of financial planning and control

Since the discipline of financial planning started to gain pace, several scholars have disputed and analysed the theoretical underpinnings. Those who disagree with Williams (1991) contend that financial planning is more closely related to traditional economic theory than to household production, such as the trade-off for both wants and resources (Altfest, 2004). When regarded in this light, financial planning becomes a matter of balancing finite family resources (e.g., cash, time, skills, and knowledge) against the boundless desires of household members. This perspective, shared by a large number of practising financial planners, is reflected in the economic theories being used to investigate various financial planning topics (Archuleta & Grable, 2011). According to those who see financial planning in this light, financial planners are mainly responsible for assisting clients in aligning their actions with normative suggestions from an economic standpoint.

While a few studies have explored the nature of planning and control procedures in connection to various elements of organisational development, none has assessed their complexity. Romano and Ratnatunga (1994) conducted Australian research in which they studied the link between formal planning and control systems and the various phases of development in a sample of small manufacturing enterprises. Although formal planning and control mechanisms are critical components of management in high-growth organisations functioning at mature development stages, a lack of concern for formal systems is often observed in lower-growth enterprises working in sustained and stable growth scenarios. Similarly, Robinson (1982) has argued that an inability to develop and execute a competent planning and control system constrains small business development. They did not, however, conduct empirical research on its potential impact on company performance. Financial planning practise and theory continue to change (Asebedo, 2019). Thus, rather than considering financial planning as a method of practise or even an outgrowth of a single academic subject, it should be seen as the culmination of various intellectual activities. While financial planning and control based on yearly budgets is a common practise in the majority of firms worldwide, academics have given little attention to the probable link between such planning and performance.

The majority of research in this field has concentrated on the performance disparities between strategic planning and execution (Rue and Ibrahim, 1998). Strategic planning is described as long-range planning that includes both a corporate mission statement and a description of organisational goals, as well as a strategy for achieving those objectives (Shrader et al., 1984). While this kind of planning has proven popular in big organisations, experts continue to question its value in small firms. Numerous scholars have examined the effect of strategic planning on the success of small businesses (e.g., Baacker and Pearson, 1986; Jones, 1982). Their key conclusion was that strategic planning is favourably associated with company performance in general. Bracker and Pearson (1986) observed that enterprises that adhered to the structured strategic planning categorization outperformed all other planning categorizations in terms of overall financial

performance. Additionally, their research demonstrated that lower levels of planning complexity were unable to discriminate among themselves, demonstrating that the process, not the plan itself, is a critical component of success.

The economic legacy is not really the sole lens through which financial planning is described. Overton (2008) was one of the first practitioner-researchers to argue that financial planning is a process based on objectives and values. Overton found, after doing considerable study on the conception and practise of financial planning, that financial planning is largely an extension of the strategic management planning process. Rue and Ibrahim (1998) explored the potential link between intelligent planning and small business financial performance. The major goal of the research was to look at the relationship between small business efficiency and the complexity of a company's planning. According to a study of small businesses, it was discovered that although higher planning complexity was favourably related to sales growth, there was no meaningful association with return on investment. Due to the scarcity of comparative data for these kinds of results, Rue and Ibrahim emphasised the need to reproduce their findings using bigger samples in other national situations. Another significant purpose of their research was to establish whether a plan had processes for predicting or detecting deviations from the plan's performance and for minimising or correcting these deviations. However, no effort was made in this research to determine if such a control method had any association with enterprise performance. Even while academics accept the significance of good planning and control in business, much of what we know about this phenomenon is based on supposition and interpretation rather than hard empirical evidence. (Romano and Ratnatunga, 1994).

Conclusions

It is critical to remember that academics and professionals continue to disagree over the theoretical roots and foundations of financial planning, and as a result, no agreement has emerged on the subject. Financial planning, in its simplest form, may be thought of as a multidisciplinary topic of study that is defined by indicator domains of research and pragmatic customer methods. It is also necessary to provide some caution about the research's results. Primarily, although the data suggests that organisations with more complete planning and control systems saw greater sales growth rates, they do not establish a causal link between the variables. Clearly, this is a correlational analysis. Despite these flaws, the research fulfilled its objective of addressing a gap in the literature by investigating the influence of financial planning and control procedures based on yearly budgeting. In addition to conducting case studies of particular enterprises to investigate the causal linkages between factors, it is critical to repeat our research using other performance indicators and a broader coverage of planning and control processes in a variety of different national contexts. Due to the important and expanding role of the business environment, an investigation of the impact of financial planning and control measures on performance is required.

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