

# FINANCIAL PLANNING

## for Effective Hospital Management



Jane Florence Amoding

# **FINANCIAL PLANNING FOR EFFECTIVE HOSPITAL MANAGEMENT**

**JANE FLORENCE AMODING**

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Financial planning for effective hospital  
management

By Jane Florence Amoding

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## **DEDICATION**

To my Lord and Saviour Jesus Christ who enabled, guided, provided and kept me in good health for the entire period of this course.

To my beloved mother Dorothy Mongo and Auntie Regina Akurut whose love and care I always cherish.

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## **ACRONYMS**

DHC	Diocesan Health Coordinator
MoH	Ministry of Health
MOU	Memorandum of Understanding
HSSP	Uganda Health Sector Strategic Plan
NHP	National Health Policy (2000)
NHP II	Second National Health Policy (2010)
PNFP	Private Not for Profit (organizations)
PHC	Public Health Care
SMART	Specific, Measurable, Achievable, Relevant, Time limited
SPSS	Software for Social Scientists
UCMB	Uganda Catholic Medical Bureau
WHO	World Health Organization

### **Note**

The names of Lake and Rivers hospitals were chosen to identify the two hospitals in the case study, and maintain confidentiality for publication.



## **INTRODUCTION: THE NEED FOR FINANCIAL PLANNING IN PRIVATE HEALTH UNITS**

In Uganda today, health facilities are frequently being founded by non-government organizations and private individuals. These units are expanding their scope of operations to cover the gap which the public sector health facilities are currently unable to address. However, despite all their innovativeness, such facilities are experiencing challenges, many of which have their basis in financial planning. The purpose of this book is to increase understanding of financial planning, and produce recommendations for such 'private-not-for-profit' (PNFP) organizations.

While all established organizations must aim at growth and profitability, those that are PNFP aim at growth, sustainability, and good performance. That performance requires effective financial planning so that basic requirements can be met, such as sufficient medical drugs and supplies, qualified and skilled staff, and capital development. 'Effective financial planning' refers to making the expected impact and producing the desired results, which in the health sector refers to the ability to implement

and evaluate all the budgeted activities in a satisfactory manner. Given the fact that financial planning is carried out on estimates, many organizations end up not realizing their set goals due to unpredictable circumstances, despite support from the government Public Health Care (PHC) Non-Wage and Development grants, funds from various external agencies and user fees.

The attainment of organizational goals depends on certain parameters, which according to Garrison, Noreen & Chesley (2001:722) are:

*Clear formulation of strategic goals, forecasting short- and long-term objectives, contingency plans for emergencies, implementing plans, establishing and maintaining a system of control and evaluation of which alternatives to undertake, and measuring subsequent performance against the goals set in a financial plan.*

Following from this, it is justifiable to assess the impact of effective financial planning on attainment of organizational goals in PNFP hospitals. The different control measures associated with financial planning are vital for safeguarding and protecting

institutional resources like cash, stock, and all other valuable property from theft, fraud, irregularities, and they also encourage accountability. The result of poor financial planning may affect access to medical services if drugs and other logistics are not readily available, and leads to poor performance.

The book is based on a research study carried out in Jinja Catholic Diocese in the financial years of 2006-2008 in order to assist the PNFP health units in realizing their goals. Reports and statistics prior to the research seemed to be indicating that the quality of health services and capital development were still low. Despite their available resources, many PNFP health units were failing to attain their major goals as planned. This could have been as a result of poor financial planning, or having little knowledge about its impact and applicability in service industries such as hospitals. Improving performance would entail, among others, developing appropriate financial planning procedures that would enable the health units to control, allocate and manage resources appropriately and remain sustainable, competitive and self-reliant.

The aim of the research study was, therefore, to examine the relationship between financial planning and an organization's ability to achieve its goals, and to identify the constraints affecting this achievement. It focused on the following research questions:

- i. What are the various dimensions of financial planning in PNFP health units?
- ii. To what extent is financial planning being practiced in the health units?
- iii. To what extent does financial planning contribute to the attainment of their goals?
- iv. What are the challenges they encounter in financial planning?
- v. What are the strategic measures they can introduce to minimize these effects?

The data was drawn from an ethnographic case study of two selected PNFP hospitals (here named as Lake Hospital and River Hospital for purposes of confidentiality) in Jinja Diocese from 2006 - 2008. They were chosen to represent private hospitals of similar nature under the Uganda Catholic Medical Bureau (UCMB). As financial planning cannot stand on its own in an organization without other elements of planning, special emphasis was placed on the following: budgets, processes of planning and

the challenges, internal controls, financial work plans, pro-forma statements, various sources of revenues and how the hospitals were accounting for their finances in order to achieve their objectives and goals.

Data was obtained through four different means: firstly, through interviews with selected managers, the management team, and chief accountants. These supplied information on processes involved in financial planning, the challenges encountered, internal control systems, and work plans. Secondly, questionnaires were completed by the management team, and selected accountants, administrators and staff. These supplied further data on the hospital's sources of funds, budgets, and matters such as internal control systems. Thirdly, the researcher observed the routines related to finances in the different departments in the selected hospitals. This data was further checked through informal discussions with Board members and the Diocesan Health Coordinator. Fourthly, the researcher reviewed relevant records and reports to determine their quality and completeness. Findings, conclusions and recommendations are detailed in Chapters 4, 5 and 6.

It is hoped that the findings from this research will benefit a number of stakeholders in PNFP organizations, among whom are:

The Board of Governors: to plan within the limits of their resources and to focus their resources on activities directly related to their agreed priorities.

The Health Departments: to be aware of the challenges of financial planning in health units. It will act as baseline information to guide and direct management boards and the health units in planning and management of their limited resources towards achievement of their goals.

It will also help the donor agencies, Ministry of Health (MoH), Uganda Catholic Medical Bureau (UCMB) and other stakeholders who support these organizations to facilitate their various activities, by providing them with the information as to whether their funds are being properly planned for and utilized as intended. It will aid the MoH in reviewing the planning guidelines so as to make it possible for the units to attain their vision and mission of offering quality health services to vulnerable groups at an affordable cost.

Finally, it is hoped that the information in this book will help to enhance other readers' understanding of the effects of financial planning on the performance of an organization and also provide a basis for further studies.

### **Outline of the chapters**

In this book, examples of participants are used to develop arguments about the financial planning and goal attainment in the selected health units. The book is structured into five further chapters:

Chapter 2 consists of the literature review of various authors on the concept of financial planning and the author's own perceptions and ideas on the subject. Chapter 3 details the study design, scope and sources of empirical data, methods of data collection analysis, and ethical considerations.

Chapter 4 presents the comprehensive results and findings from the empirical data in sections as follows: the organizations' perceptions of financial planning; opinions concerning the significance of financial planning; budgeting; sources of funds; the uses of financial planning; the need for forecasting; the extent to which financial planning is exercised; degree of participation in financial planning by staff; the existence of a financial planning committee;

consultation with staff; use of financial planning as a pressure device; the use of planning and work plans; monitoring and evaluation; the function of financial planning as a motivating tool; the attributes of good financial planning; its effects on the attainment of goals; the relationship between financial planning and goal attainment using statistical analysis, and the challenges to financial planning.

Chapter five discusses the implications of the findings and their relevance for the theory, policy and practice of financial planning. Chapter six provides the overall conclusion and recommendations for PNFH hospitals and similar organizations so that they can carry out effective financial planning and achieve their organizational goals.

**FINANCIAL PLANNING: AN OVERVIEW**

An organization is like a person who is setting out on a journey - it is vital that they know the desired destination. Likewise, it is important to have a clear vision for the future. In organizations, management is involved in various activities which cannot be implemented without financial resources; hence, virtually all decisions made in an organization require finances to be efficiently and effectively implemented (Harrison & Horngren, 1996). Managers have to plan for both the implementations (activities) and the financial resources related to them if the organization is to attain its goals. Effective financial planning systems maximize gains from the allocated resources (World Health Organisation, 1994). In order to secure the limited resources available, there should be a concern to promote an environment of sound financial planning, control, transparency and probity, reinforced by an independent audit mechanism.

A clear understanding of financial planning theories helps to explain the need to carry out financial planning as a key to goal attainment. This chapter

discusses the theoretical views of a number of authors on the issue of financial planning and its significance and challenges for the success of an organization. It presents an overview of the concept, types, processes and components of financial planning, internal controls, the budget, sources of funds, financial work plans, and the importance and challenges of financial planning.

## **2.1 Concept of financial planning**

Brealey and Myers (1996:795) explain the concept of financial planning as:

*A process of analyzing the financing and investment choices open to the organization: projecting the future consequences of the present decisions, in order to avoid surprises and understand the link between present and future decisions; deciding which alternatives to undertake, which decisions are embodied in the financial plan, and measuring subsequent performance against the goals set in a financial plan.*

While Van Horne (1998:727) says,

*Financial planning involves analyzing the financial flow of the organization, forecasting the consequences of various*

*investments, financing and dividend decisions, while weighing the effects of various alternatives so as to establish where the organization has been, and where it is going.*

In order for an organization to effectively attain its goals, financial planning is of utmost importance. Thus, management has to plan efficiently in order to reduce the costs of uncertainties. That is why Daft and Marcic (1995:795) emphasize that “lack of an effective long-term financial planning is a commonly cited reason for financial planning failure in many organizations”.

## **2.2 Types of financial planning: short and long term**

According to Brealey and Myers (1996:795), there are two types of financial planning: short and long term.

### ***Short term financial planning***

This type of financial planning predicts revenues, costs and expenses for a period of less than one year. Its forecast is the foundation for most other

financial plans, so its accuracy is critical. Short term financial planning forecasts may be in the form of a cash flow forecast, which predicts the cash inflows and outflows in the future periods. Organizations often use their past financial statements as a basis for projecting expected income, various costs and expenses. The organization has to ensure that it has enough funds to pay for its costs as they fall due, and be certain that short term borrowings and lendings are prepared in a way that is beneficial.

An organization's financial plan must occur within the framework of its strategic and operational plans. Strategic plans attempt to identify the areas in which the organization has a real competitive advantage and which should be expanded.

### ***Long term financial planning***

This type of financial planning is used to predict revenues, costs and expenses for a period longer than one year, and sometimes ranges from a period of five to ten years. This forecast plays a crucial part in the organization's long-term strategic plan. It is used in the development of capital investments and involves capital budgeting. The long-term financial

forecast gives top management, as well as operations medical staff, some sense of the income or profit potential possible with different strategic plans. To effectively manage the financial challenges in organizations, long term projections assist financial managers with the preparation of the organizational budgets. Thus short, medium and long term financial planning recognizes strategizing as a key component of any organization, be it PNFP or public, in attainment of goals (Daft and Marcic, 1995).

### **2.3 The processes of financial planning**

Organizations are often faced with the challenge of deciding between investment alternatives. The process of financial planning enables the organization to analyze these different alternatives and determine which alternatives best suit the achievement of the organization's goals in the light of the available resources. Without such planning, the organization's resources and goals may be de-linked, with the organization setting goals without resources to achieve them which could inevitably lead to its failure. Furthermore, lack of financial planning may also lead to under-utilization of the organization's resources and far less return on investments.

Financial planning begins with the description of the long-term objectives of the organization as might be set in the organization's mission statement. Brigham and Houston (1997) break down the financial planning process into five steps:

- I. Preparing projected financial statements to analyze the effects of the operation plan on projected profits and various financial ratios, and to monitor operations after the plan has been finalized and put into effect.
- II. Determining the funds needed to support the plan. This includes funds for plant and equipment, inventory, research and development programs, and for major operational activities.
- III. Forecasting availability of funds over the next year; that is, estimating the funds to be generated internally as well as those obtained from external sources. Examples of these could be loans from banks, external donations, or cash surpluses from the organization's operating activities (the excess of receipts over cash disbursements) and PHC grant. Financial restrictions may

act as limitations on operating plans which should be included in the plan; for example, the restrictions on the current ratio, debt ratio and efficiency ratios.

- IV. Establishing and maintaining a system of controls governing the allocation and use of funds within the organization.
- V. Developing measures for adjusting the plan if the economic forecasts upon which the plan was based do not occur. For example, if the economy turns out to be much stronger than was forecasted, then these new conditions must be recognized and reflected in the long-term financial plans.

In addition to the above, there is need for the planning process to set time limits so as not to lag behind in the actual operations, but to work effectively towards a certain time period. Continued evaluation will be necessary to ensure that actual operations do not deviate from the planned targets, and that the funds are put to proper use.

## **2.4 Need for internal control systems**

In an organization, be it private or public, it is necessary to ensure that management policies and directives are properly adhered to. Internal controls ensure protection from losses which can range from embezzlement to careless use of materials, inefficient workers' misuse of drugs, unwarranted extension of credit and outright theft. Allen Pizzey (1985:181) defines internal control as: "a term given to the whole system of controls existing in an organization, which has been set up to ensure that the accounting records are accurate and reliable, and that the assets of the organization are adequately protected."

The system of internal control checks and audits are the means by which management ensures that funds are used to carry out what they have been planned for. It leads to assurance that all revenues are received and recorded, and that no expenditure is made without proper authorization. Thus, it attempts to see that activities are in line with the plan and that the goals of the organization are pursued appropriately.

## **2.5 Components of financial planning**

The financial plan of an organization will be based on the goals and objectives of the organization as laid down in its mission statement. There is need, therefore, for an organization to make 'SMART' objectives as explained below:-

**Specific** - this means that there has to be a precise objective to be accomplished. The outcome is stated in numbers, percentages or frequency.

**Measurable** - this means the objective can be measured. If it cannot be measured, the question of funding non-measurable activities is discussed and considered relative to the size of investment activities.

**Achievable** - the objective or expectation of what will be accomplished must be realistic given the market conditions, time period and resources that can be allocated.

**Relevant** - the outcome or results of the objective should directly support the organization's long term plan.

**Time** - in the objective there has to be a date (month/year) for when the task has to be started (unless it is ongoing) and /or completed (if it is short term or project related).

The financial plan therefore includes,

- i. Analyzing the investment and financing choices open to the organization.
- ii. Forecasting the future consequences of current decisions.
- iii. Deciding which alternatives to undertake.
- iv. Budgets.
- v. Pro-forma or projected financial statements.

## **2.6 Bottom-up and top-down financial planning**

The plans and ideas can be generated through either a bottom-up or a top-down process. Top-down financial planning relies on the managers to dominate the strategic decisions, whereas a bottom-up planning style tends to make decisions based on ideas that percolate up from lower levels in the organization. Good financial planning uses both bottom-up and top-down processes to get the most out of the organization's units and individuals. If only bottom-up is stressed, then it may fail to produce a coherent strategy for the organization and can cause the organization to appear chaotic and

poorly managed; if only top-down is stressed, then the role of top managers tends to be exaggerated. This can result in bad investments and missed opportunities because top management may not be in touch with what is going on “in the field” (Douglas, Finnerty & Stowe, 2007:705). The involvement of lower level managers in financial planning development enhances better utilization of resources because their role in the system is emphasized. Managers are therefore challenged to balance these two complementary aspects, if the organization is to attain its goals.

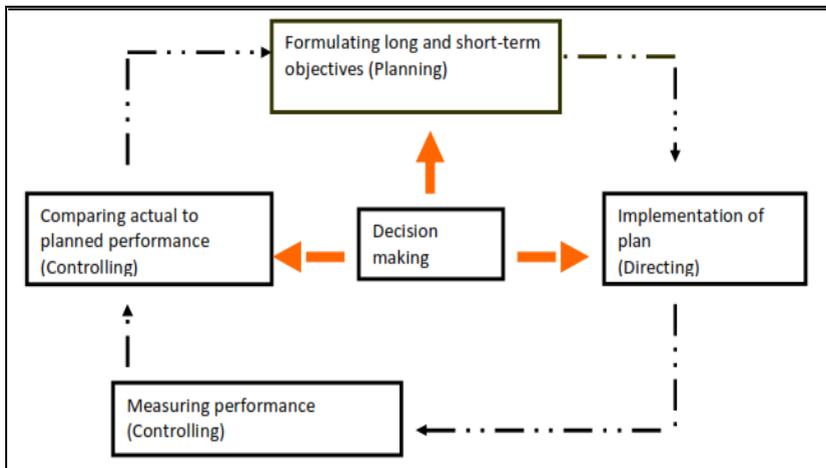
## **2.7 The steps involved in financial planning**

Financial planning creates a ‘blueprint’ for the organization’s future. It involves three steps: (1) forecasting both short-term and long-term financial needs; (2) developing budgets to meet those needs; and (3) establishing financial controls to see how well the organization is doing what it set out to do (Nickels, McHugh and McHugh, 1997:587). However, due to internal and external environmental factors, organizations are faced with a number of challenges on how to achieve their goals in a more effective and efficient way. The institution of control policies with expert personnel

becomes a pre-requisite for accurate forecasts within both short and long term periods.

## 2.8 Financial planning and control cycle

Garrison, Noreen and Chesley (2001:722) model financial planning in the form of a cycle which is always continuous (Figure1).



**Figure 1: The financial planning and control cycle (Source: Garrison, Noreen and Chesley, 2001).**

The above Figure illustrates the flow of activities from planning to control and back to planning again in the organization. All of these activities involve decision-making, which is depicted as the hub around which the other activities revolve. These

processes are linked together. Controls cannot exist without plans, and the more complete and integrated the plans are, the more effective controls can be in the organization. Therefore, there is no way in which managers can determine whether their organization is accomplishing what is desired and expected unless they are aware of the expectations from the very beginning.

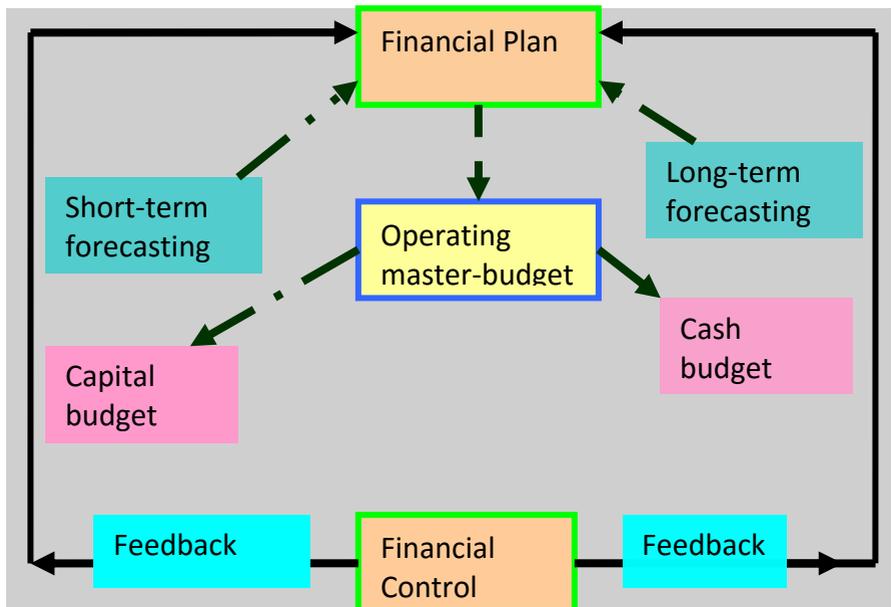
## **2.9 Budgeting**

Among the components of good financial management is budgeting, in which evaluation of the performance of the organizations in the previous financial year and its projections for the current years are stated. Broadbent and Cullen (1999:122) define a budget as “a statement, for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows.” Budgets are drawn up for purposes of control, which is an attempt to control the direction that the organization is taking (Wood and Sangster, 2002). This is related to the reasons for preparing the budget in an organization, such as planning, coordination of various activities, communication of targets, motivation, control and evaluation of managers’ performance. It shows the sources and uses of funds. Therefore, management in any

organization needs budgeting as a tool for financial forecasting of future events.

## 2.10 Financial planning and budgeting

Financial planning and budgeting are closely linked (Nickels, McHugh & McHugh, 1997). The financial plan feeds into the operating master-budget which comprises the capital and cash budgets. The financial plan depends on short- and long-term forecasts.



**Figure2:** The close link between financial planning and budgeting in an organization (Source: Nickels, McHugh & McHugh, 1997:587).

### ***Short-term forecasts***

Short-term forecasts project revenues, costs of goods, and operating expenses over a one-year period. Using short-term forecasts, the financial managers of the organization would be required to estimate the next year's expenses for inventory, labour, advertising and other operating activities. These estimates form the basis for cash budgets.

### ***Long-term forecasts***

Long-term forecasts or strategic plans project the organization's revenues, costs, and operating expenses over two to ten years. Long-term forecasts are supported by short-term forecasts and annual budgets.

### ***Cash budget forecasts***

Cash budget forecasts estimate the organization's cash balance at the end of a given period (monthly or quarterly). Cash budgets are important guidelines that assist managers in anticipating borrowing, debt repayment, operating expenses, and short-term investments. Cash budgets assist the organization in planning for cash shortages or surpluses.

### ***Capital budget forecasts***

Capital budget forecasts highlight the organization's spending plans for major asset purchases which often require large sums of money. The capital budget primarily concerns itself with the purchase of such assets as property, buildings, plant and equipment. They are difficult to prepare due to the great degree of uncertainty. The *Local Governments (Financial and Accounting) Regulations, 2007* (Uganda Government, 2007) provide that every Local Government should have an approved three-year development plan. This also applies to private institutions.

### ***Operating budgets***

Operating budgets tie together all the organization's other budgets. They form the projection of money allocation to various costs and operating expenses needed to run the organization, given projected revenues.

### ***Financial control***

Financial control is the final step in the process after forecasting long-term financial needs and establishing budgets. It is a process by which the organization periodically compares its actual revenues, costs, and expenses with the projected

ones. Many organizations hold at least monthly financial reviews as a way to ensure financial control. This helps managers to identify deviations and take corrective action where necessary. These controls provide feedback to help reveal which accounts, which departments and which people are varying from the financial plans. All the above contribute to the attainment of organizational goals if strictly followed.

### **2.11 Who participates in the financial planning?**

Blazek (1996) points out that a good budget and financial plan cannot assure its own success and will not take the place of responsible management. Almost everyone involved with a non-profit organization may suitably participate in the planning exercise. At a minimum, the organization's management committee, cost centre in-charges and board members or trustees contribute to the final result (Sweeny and Rachlin, 1987). The budget should be a compilation of information furnished by all responsible programme and administrative personnel who have in turn factored-in the input of the people with whom they work.

Ideally, the financial planning process is participatory and involves input from all the PNFP's

staff and volunteers devoted to accomplishing its goals. External funders sometimes influence the planning process in the health units. Participation of staff in the preparation of budgets and financial work plans increases their understanding and acceptance of change, including budget cuts that impact them personally. Participation of the Board and staff in the goal-setting process enhances the possibility of attaining the targeted goals.

The whole budget and financial planning process should motivate and inspire the organization's performance (Louderback and Hirsch, 1982; Weetman, 1999). Louderback and Hirsch (1982:524) go further to identify three benefits from staff participating in budget preparation:

- The employees are more likely to internalize the goals in the budget and work plans, and to accept them because they have contributed to their development. This increases staff commitment to the budget.
- The employees who participate in the budgeting and planning exercise are likely to experience job enlargement. Their responsibilities are greater than those employees who do not participate in budget preparation. Enlarging an employee's job

should bring greater satisfaction and self-esteem.

- Employees who participate are likely to have more positive attitudes towards the organization which can lead to a higher level of performance and morale, and hence to goal attainment.

## **2.12 Financial work plan**

A work plan contains a list of what the organization intends to do and the activities to perform in carrying them out. It reminds the management team of what is supposed to be done in a specific period. The activities may include outreach work, immunization, and completion of development projects. For practical purposes at the health units, simple and schematic formats can guide the staff and those involved in financial planning to make a good plan.

A good work plan in any organization consists of:

- Activity and objective: What is to be done?
- Time: When is it to be started and completed?
- Resources: What are the materials and personnel needed to carry it out?
- Results indicators: What is to be measured to know that the activity has been successful?

Therefore, the financial work plan shows the organization what targets and indicators will help monitor attainment of the organization's objectives and goals (Green, 1999). It also helps the organization to measure the extent to which their plans and activities on the work plan are being implemented. In contrast, when financial work plans are not realistic they are ineffective, and organizations may be assumed – rightly or wrongly - to have failed to attain their goals.

### **2.13 Sources and uses of funds**

There are always many issues to be considered before financing an organization. Having set their aims and objectives, an organization has to engage in financial mobilization. Needham & Dransfield (1993:387) state:

The various sources of finance that may be available to the organization include trading income, loans from banks or from other financial institutions, government funding, donations, fund raising and sources.

PNFP health units generate their funds from user fees, external donations, local projects and

government PHC grants. All these aid the organization's administrations to render good medical services to the community at a reasonable cost and carry out other developmental activities as planned. These are in built into the cash budget of the organization and, if well executed, the organization can attain it goals. The main expenditures for these funds include: employment costs, general administrative costs, medical drugs and supplies, capital development, and transport costs. Therefore, there is need for proper planning in order for anticipated resources to maximize the gains to both the public and the hospital (Lochoro, 2003).

#### **2.14 The significance of financial planning**

There are various reasons why financial planning is a priority in a PNF organization; these include:

**Standardization of assumptions:** The planning process can expose inconsistencies in decision-making methods. It requires the managers to make assumptions explicit so that they can be evaluated. Standardized assumptions then make it possible to compare alternative plans.

**Future orientation:** the planning process forces the managers to think about the future; doing so generates new ideas and can help eliminate poor ones by ensuring that the policies of financing and investment are spelt out in accordance with the guiding principles of the organization.

**Objectivity:** The financial planning process consequently becomes vital because of its objectivity. The assumptions and models are made explicit; planning can expose decisions that are based on politics and emotions; therefore, planning increases the pursuit of objectives (Douglas, Finnerty and Stowe, 2007:706).

**SWOT analysis:** Financial planning helps the health unit to identify its strengths, weaknesses, opportunities and threats (SWOT). This helps to evaluate the performance of the organization and assists managers to devise policies that will enable the health units' future growth (Piggot, 2000:19). Therefore, financial planning provides a benchmark for understanding the differences between outcomes and forecasts.

**Preparing for contingencies:** A good financial plan includes contingency plans for unlikely outcomes.

The planning process can identify potential, if unlikely, conditions that would cause significant problems. This enables the organization to plan appropriate reactions for such events. The organization that has pre-arranged contingency financing will be able to continue to operate efficiently regardless of its cash flow. According to Douglas, Finnerty and Stowe (2007:706), the importance of this is that “if things become unfavourable, the organization will have a back up plan, so that it is not caught flatfooted, without financial alternatives.” Hence, financial planning is one of the most important tools that can be used to avoid financial risks.

### **2.15 Constraints and challenges to financial planning**

Measures and policies adopted by management to develop and protect the interests of their institution can present challenges. The cited are as discussed below.

**Inadequate capital:** organizations may have good valuable plans which may be strategic, but due to their meagre resources most of their plans remain on paper. At times, this may be coupled with poor planning machinery due to the shortage of funds.

**Lack of commitment:** A failure of financial planning in organizations is largely attributed to lack of commitment and ‘political will’ of the managers and administrative leaders. This leads to the growing gap between formulation and implementation. Due to lack of support, plans which are developed remain on paper without any influence on development of the hospitals.

**False assumptions:** Most of the financial planning in PNFP organizations is based on the assumption that the organization will receive grants; but these may be withdrawn by the central government and external donors. This affects the various budgeted activities of the organization, and creates variances as the result of changing circumstances.

**Over-planning:** many organizations over-plan for the resources which have been anticipated, and there is little scope for flexibility and innovation after the plan is written (Amonoo-Lartsen et al., 1996). Managers are faced with the challenge of how to make financial planning a value-added activity that helps the organization attain its strategic goals and objectives.

**Lack of effective long-range planning:** Westerfield, Stephen and Bradfield (2006:90) state that lack of effective long-range financial planning is a commonly cited reason for financial distress and failure in many organizations. The management are challenged to think systematically about the future and anticipate possible problems beforehand, so as to minimize negative effects on planned activities.

## **2.16 Conclusion**

PNFP organizations are always subject to public scrutiny, both formally and informally, concerning their financial management. It is therefore not enough to put together a technically correct financial plan: if one cannot evaluate the validity of the input, the figures may be meaningless. Financial managers of organizations need to appreciate the fact that planning must be considered in an organizational context. They should analyze in advance the organization's level of profitability and overall financial performance using the various components of the financial plan presented in this chapter. Thus, much as the primary responsibility of every PNFP is to fulfil the main goal and mission of its existence, sound financial planning and organization can enable PNFP hospitals to carry out

their financial and other resource management obligations more effectively.

### **3**

## **THE CASE STUDY OF TWO PRIVATE-NOT-FOR-PROFIT HOSPITALS: METHODOLOGY**

### **Introduction**

The major objective of this study was to examine the effect of financial planning on attainment of organizational objectives and goals, and to identify any constraints that were limiting goal achievement. This chapter includes the study design and scope, study area and population, methods of data collection and analysis, ethical considerations and dissemination plan.

### **3.1 Study design and scope**

This was a comparative and descriptive cross-sectional study, both qualitative and quantitative in nature. It covered the period of 2006/2008 financial years. There are many components of financial management systems; hence, the following were studied separately: the processes of financial planning, its importance, and its effects on attainment of organizational goals. The study encompassed the processes and challenges of financial planning in attainment of goals in two PNFH hospitals.

### **3.2 Study area and population**

The study was carried out in two Catholic-founded PNFH hospitals (Lake and Rivers) in Jinja Catholic Diocese. The diocese covers the seven districts of Jinja, Mayuge, Kamuli, Namutumba, Bugiri, Kaliro and Iganga. In 2007 these had a population of about 2,829,278 (*Diocesan Magazine* vol.3), 10% of the national population. The people are predominantly peasants with their livelihood largely dependent on subsistence farming and fishing along the shores of the river Nile and lakes Victoria and Kyoga.

### **3.3 Data collection techniques**

Data was collected through interviews, questionnaires, and study of the hospitals' records and reports concerned with financial planning. The staff were interviewed and administered the questionnaires in their various departments.

#### ***Study sample and sampling technique***

The study sample within the two hospitals was a targeted group of 75 staff who included members of the management team, accountants, administrators and medical staff. The study also considered key informants like financial committee members and

the Diocesan Health Coordinator (DHC) who were presumed to have objective information about the effect of financial planning on goal attainment in the PNFH health units.

A purposive sampling technique was used in order to select respondents who were closely involved in financial planning. The sample size was calculated using the formula suggested by Varkevisser, Pathmanathan, and Brownlee (1993) for the single proportion:  $n = p(100-p)/e^2$  where  $n$  = sample size,  $p$  = the assumed single proportion,  $e$  = standard error. The target of 75 staff who were administered questionnaires were comprised of 20 from the management teams; 8 senior accountants and assistants; 4 administrators and assistants; 43 medical staff. However, from these the researcher was only able to collect 60 questionnaires.

### ***Interviews***

Face-to-face interviews were conducted with the help of questionnaires (both open and closed questions) to interview 15 selected managers, the management team, and chief accountants involved in financial planning. A cross-section of information was acquired on the processes of financial planning, the challenges encountered, internal control

systems and work plans. This method provided first hand information, reducing foreign influences on responses; it also allowed for the collection of seemingly sensitive information, and for probing and clarification where information seemed unsatisfactory or inconsistent. However, many respondents were always busy on duty, so the method was restricted, and questionnaires used as appropriate.

### ***Questionnaires***

Questionnaires were used to collect data on a) the hospitals' sources of funds, like donations, PHC grant, user fees, work plans, and budgets; b) the process of financial planning; c) the importance and challenges of financial planning; and d) the internal control systems and other related data. The method gave the respondents ample time to think and provide the best responses. However, there were some shortcomings: some respondents did not answer the questions due to time problems: for example, medical staff were involved in patient care, and some misplaced the questionnaire. Hence out of 75 questionnaires that were distributed, only 60 were returned with sufficient responses and 15 could not be traced out.

### ***Observation***

The researcher observed the routine exercise of the financial planning system in the different departments within the selected hospitals. Where applicable, all the internal controls in use were observed. For instance, in the accounts department, physical observation was made of how inflows and outflows of cash and cheque payments and receipts were being carried out, and who authorized them. This yielded accurate data which helped to supplement the interviews and provided a test against possible biases.

### ***Informal discussion***

The researcher consulted the Board members, the DHC and individuals familiar with the operation of the health units in order to supplement and clarify some information.

### ***Review of records***

The review was carried out in order to determine the quality of record-keeping and completeness of the records in various departments in the health units. The assessment also covered availability of activity work plans. The basic records assessed were budgetary reports, financial statements, financial and employment manuals and activity work plans.

Records of accounts, budgets, and financial work plans for at least 3 financial years (2006/2007/2008) were reviewed.

### **3.4 Techniques of data analysis**

The researcher used qualitative and quantitative techniques to analyze the data and gain information that would be valid for management in their decision-making processes. Thematic analysis was used in coding the data. Data was then analyzed using the statistical package Microsoft Excel software for social scientists (SPSS) and summarized into meaningful patterns for analysis. Frequency Tables, cross tabulation, bar charts, and pie charts were used to present the data in order to facilitate identification of patterns and relationships, and enable accurate policy response development on financial planning, control of resources and attainment of organizational goals. From these, conclusions were drawn as to whether there was a relationship between financial planning and the attainment of organizational goals in PNFP hospitals.

### **3.5 Ethical considerations**

Permission was sought from the hospital management to carry out the study and information

consent was sought from the different respondents. It was made clear that information obtained would be treated with utmost confidentiality and, as proof of this, names of the respondents were optional and not included on the attachments of the study. Some respondents, especially the medical staff, were still fearful of giving information about the challenges encountered in financial planning and utilization of resources due to possible repercussions. This was countered by re-assurance and also by interviewing some key financial committee members and other informants to minimize biases which could arise.

### **3.6 Dissemination of the results**

For ethical purposes and to make the research useful for other people, two copies were availed to the health units where the study was carried out. The UCMB was also given a copy that could be used to address the challenges and problems encountered by the health units in financial planning of their various resources.

## **4**

# **FINDINGS OF THE CASE STUDY INTO FINANCIAL PLANNING IN TWO HOSPITALS**

### **Introduction**

In this chapter, the findings derived from the investigations on the effect of financial planning in selected private hospitals (PNFP) are presented, analyzed and discussed in accordance with the objectives of the study: to examine the relationship between financial planning and an organization's ability to achieve its goals, and to identify the constraints affecting this achievement.

The results of the questionnaires, interviews and examination of documents are presented in sections as follows: the organizations' perceptions of financial planning; opinions concerning the significance of financial planning; budgeting; sources of funds; the uses of financial planning; the need for forecasting; the extent to which financial planning is exercised; degree of participation in financial planning by staff; the existence of a financial planning committee; consultation with staff; use of financial planning as a pressure device; the use of planning and work plans; monitoring and

evaluation; the function of financial planning as a motivating tool; the attributes of good financial planning; its effects on the attainment of goals; the relationship between financial planning and goal attainment using statistical analysis, and the challenges to financial planning.

#### **4.1 Study population**

The study targeted the population of 75 different categories of the respondents in the two PNFP selected health units in Jinja diocese. Table 1 shows the various categories of the targeted respondents and actual number of the responses from each group.

**Table 1: The target population and response rates**

<b>Category</b>	<b>Target</b>	<b>Actual number</b>	<b>Response percentage rate</b>
Medical staff	43	35	81
Management team	20	16	80
Administrators and assistants	4	3	75
Senior accountants and assistants	8	5	62.5
<b>Total</b>	<b>75</b>	<b>60</b>	

**Source:** Author's research data, June 2008

#### **4.2 The organizations' perception of financial planning system**

The respondents were asked questions on their general awareness of the processes of financial planning in (PNFP) hospitals; findings are presented in Table 2 below:

**Table 2: The processes of financial planning as perceived by the respondents**

<b>Component of financial planning</b>	<b>Frequency</b>	<b>Percentage</b>
Formulating strategies in which financial goals are to be achieved	28	46.7
Forecasting cash inflows and outflows in an efficient manner	11	18.3
Implementation of short-term and long-term financial plans	10	16.7
Evaluation of alternative courses of action	6	10
Establishing and maintaining a system of controls	5	8.3
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Author's research data, 2008

From the responses in Table 2, almost half the respondents perceived that financial planning for

the organizational resources has to do with the formulation of strategic goals. This was followed by forecasting cash inflows and outflows and implementation of short and long-term plans, though occurring at less than 20% each. Evaluation of alternative courses of action, and the establishment and maintenance of control systems featured least often. This is a clear indication that the hospital management, chief finance managers and their staff are aware that they have a duty to develop financial plans in order to meet the strategic targets set, but may be underestimating the importance of other matters. The financial planning process is not a one-person task; it requires participatory team work. It is not independent, but is intertwined with other activities of the organization.

#### **4.3 The significance of financial planning in PNFP hospitals**

This was assessed by interviewing the sixty respondents on whether financial planning is a necessary tool to the achievements of organization's goals. The findings are as shown in Table 3 below:

**Table 3: The significance of financial planning in private not- for-profit health units**

<b>Responses</b>	<b>Frequency</b>	<b>percentages</b>
For performance evaluation of organizational activities	15	25
For proper allocation of resources	12	20
For accountability	9	15
For policy formulation	8	13.3
For controlling	7	11.7
For coordination and communication	5	8.3
For resource mobilization	4	6.7
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Author's research data, 2008

Results show that financial planning is perceived as very significant to every organization, PNFP inclusive. 25% of the respondents agreed that the health units prepare financial plans to help them evaluate their performance with respect to the objectives and goals set in the budget. 20% of responses asserted that financial planning is aimed

at proper allocation of funds. This means that with financial planning, funds would only be allocated to the priority activities thus minimizing wastage or shortages through misallocation of resources to unplanned activities. According to 15% of the respondents, they prepare financial plans in order to establish how much has been spent so as to give accurate and timely reports to the stakeholders: Ministry of Health, UCMB and the Board.

Fewer respondents perceived that financial plans assist in policy formulation (13%), and in controlling organizational resources with respect to the budget in order to be able to attain the targeted goals and minimize errors and frauds (12%). Coordination and communication were considered by some respondents (8%) as one of the important reasons for preparing financial plans. Good communication systems in the organization lead to effective flow of activities and avoid misunderstandings which could result to poor performance. Resource mobilization was least mentioned.

In the view of the findings, it is evident that the staff are mainly aware of the significance of financial planning for practical purposes of evaluating its activities and ensuring that the funds required for

those different activities are acquired beforehand to avoid shortages. This ensures the organization can exploit opportunities in the economic environment, so as to invest its resources in profitable ventures. The staff were less aware of the value of financial planning for the internal functioning of the organization (control systems and communication), and for overall policy formulation.

#### **4.4 Budgeting**

The hospitals make an operating budget annually in accordance with the government financial year July to June. The budgeting committee, which is comprised of the core management team, the medical superintendent, hospital administrator and accountant, carries out the budgeting. They prepare the budget with the consultation of heads of departments, such as cost centre in-charges and the technical department. This is a move towards proper financial planning and a measure of financial control mechanisms.

**Table 4: The hospitals' budget summaries, financial year 2007/2008**

	<b>Lake Hospital: Amount in UGX and percentages</b>		<b>Rivers Hospital: Amount in UGX and percentages</b>	
Employment costs	397,390,005	41.5	420,000,000	41
Capital development	74,006,445	7.6	112,000,000	11.1
Primary health care	24,665,452	2.6	23,665,450	2.3
Medical drugs	202,730,848	20.6	156,800,000	15.5
Transport and plant costs	61,963,628	6.5	130,000,000	13
Property costs	72,070,902	7.5	57,000,000	5.7
Administration costs	56,200,000	5.8	49,000,000	4.9
Teaching capacity development	73,020,000	8.0	60,000,000	6.0
<b>Total</b>	<b>956,332,280</b>	<b>100</b>	<b>1,008,465,450</b>	<b>100</b>

**Source:** Lake and Rivers Hospitals' Annual Reports, financial year 2007/2008

Table 4 shows how resources are allocated to different unit costs under the following sub-headings: employment costs in both hospitals (41.5% and 41%); administration costs (5.8% and 4.9%); property costs (8% and 6.0%); transport and plant costs (6.5% and 13%); medical drugs and supplies (20.6% and 15.5%), Primary Health Care (2.6% and 2.3%), capital development (7.6% and 11.1%) and capacity development (6.4% and 7.6%) in a given period. It is clearly depicted that employment and drugs costs take the biggest budget vote in the health units' annual budgets. The main differences between the two hospitals are in transport and plant costs and capital development. This may reflect differences in the context of each hospital.

According to the health units' financial manual, the budget team reviews the past budget in order to guide them in making the forecast for the next budget year. The budget proposal is then submitted for approval to the board members. After approval, the details are entered in the vote book for control purposes. Resources for financing the proposed level of services are raised from user fees, PHC grant from the local government and external donations.

Budgeting procedures indicate that health units in the Diocese have a relatively consultative/participatory budgeting system for their resources. This is evidenced by the involvement of the heads of departments in the preparation of the budgets. The management consults various departments to find out the consumption of items in the previous year, and this is used to draw up the financial forecasts for the coming year. The participatory approach in budget-making acts as a motivation for the employees to support and respect the budget, which in turn leads to delivery of quality health services and goal attainment.

Budget monitoring is important because it controls overspending or misallocation of funds. As a result, it controls deviation from the actual and planned budget. In case of a budget deficit in a budget item, budget re-allocation is carried out to bridge the gap. These control measures depict good financial management and planning.

#### **4.6 Sources of funds**

Adequate financial resources are essential for the smooth running of the health facilities. In many developing countries, very few resources are

allocated to health (WHO, 1994). In the case of Uganda, the PNFP sub-sector and the lower level health units do not have a wide range of sources of funding apart from user fees, PHC and, to a small extent, unpredictable external donations. All the ten key informants interviewed agreed that the major sources of funds for the health units are as indicated in the Table 5 below:

**Table 5: Sources of revenue for PNF health units**

Period Hospital Hospital	2007/2008 Lake Hospital		2007/2008 Rivers	
	Amount UGX	Percentages	Amount UGX	Percentages
User fees	457,896,000	48	352,480,000	35
Delegated funds	479,636,280	50	213,280,000	21
Donations	18,800,000	2	442,705,450	44
<b>Total</b>	<b>956,332,280</b>	<b>100</b>	<b>1,008,465,450</b>	<b>100</b>

**Source:** Lake and Rivers Hospitals' Annual Reports, financial year 2007/2008

It can be seen from Table 5 that there is a significant difference between the two hospitals. Though both are dependent on PHC conditional grant, patient user fees, and external donations, Lake hospital depends mainly on primary health care (PHC) conditional grants and Rivers on external donations. Over-reliance on either of these sources could negatively affect the hospital services and goal attainment if the government or external donors withdraw their support to the health units abruptly. The records also revealed that the conditional grants keep on decreasing every year by at least 5% and this has negatively affected execution of the activity work plans. This leaves management with the task of showing initiative and being creative in developing some local sustainable projects to minimize uncertainties in the future.

#### **4.7 The uses of financial resources**

Both the health units had copies of approved budgets for the financial years which formed the basis of their expenditures. They also had copies of guidelines on the management and utilization of government grants for the delivery of health services from the MoH. All the units had a signed memorandum of understanding (MOU) with their respective District Director of Health Services. The

expenditure of the PHC was supposed to be according to the MOU; however, expenditure of user fees did not have guidelines. Control was based on the approved budget. Both health units had the following as their priority areas for expenditure:

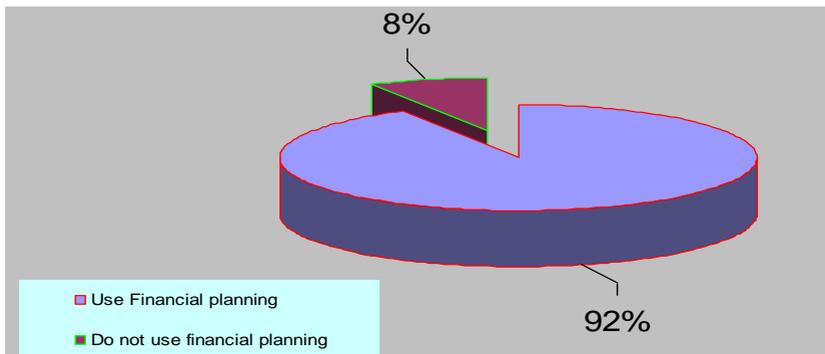
- ❖ Employment costs
- ❖ Drugs and supplies
- ❖ General administrative expenses
- ❖ Capital development.

The expenditure on these are occasionally monitored and evaluated by the financial committee, although, according to the findings, there is laxity from the management as regards to monitoring various activities.

#### **4.8 The need for forecasting in financial planning in PNFPs**

Forecasting is one of the vital areas in financial planning as stressed earlier (Sweeny & Rachlin, 1987). According to the interviews and questionnaire results, the health units carry out an annual financial plan for their resources and a quarterly review. In general, respondents are of the view that financial forecasting is used as a

management tool to control resources, as in Figure4.



**Figure 3: Pie chart showing whether the health units use financial planning**

**Source:** Research data, 2008

It can be noted from Figure4 that 92% of the respondents agree that the hospitals use financial forecasting as a management tool in control of its resources, while only 8% were not certain whether forecasting is used at the health units for financial planning. When asked to give reasons for their answers, the following responses were provided: financial planning serves as a feasibility test in which the financial implications of the hospital decisions are examined; it provides the hospitals with an opportunity to work through various

activities and financing options when they address the question of which financing arrangements are optimal.

Figure4 also indicates that financial planning helps the hospitals to establish the guidelines for constructive change, for instance:

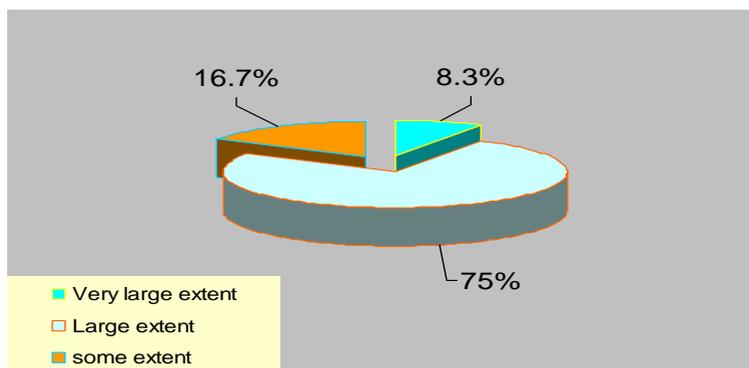
- An analysis of the differences between the goals and objectives, mission statement, strategies, and how these can be incorporated into the financial requirements of the health units.
- It is one of the major requirements of the Ministry of Planning and Economic Development that every health unit has a strong financial planning system and work plans before any funds are released for any programme. The UCMB requires a quality financial plan and work
- plans from the health units for accreditation.

These requirements show that financial planning in the organization is very important for its success or failure. Although the findings show that the health units carry out financial planning, there is need to establish why 8% of

the respondents are not confident that financial planning is used as a tool for management. There could be a loophole in the planning exercise which needs attention.

#### **4.9 The extent to which financial planning is exercised in the PNFP health units**

The PNFP health units were assessed to find the extent to which financial planning is being put into effect. The findings are shown in Figure5 below:



**Figure 4: Pie chart showing the extent to which financial planning in the PNFP Health Units is executed**

**Source:** Author's research data, 2008

The findings show that private health units do use financial planning as a yardstick to guide the allocation of resources. 83.3% of the respondents acknowledged the existence of financial planning in the hospitals to at least a large extent, while 16.7% viewed it as being in existence to some extent, but they did not think it was being fully utilized as the core to effective management of resources.

Proper financial planning in the health units enables funds to be tracked and monitored. When all the control systems are followed accurately, the effect of good financial planning can be realized and movement of resources can easily be traced. As pointed out by Berman and Knight (2006), the not-for-profit operation philosophy of many private health units should neither constitute an excuse nor be used as a justification for irresponsible financial management of resources. The availability of relevant financial reports coupled with information regarding inflows, outflows and control of resources facilitate decision-making and attainment of organizational goals.

#### **4.10 Participation in financial planning in PNFP health units**

This was assessed from the respondents' opinions of who should participate in financial planning for organizational resources; the findings are as shown in Table 6 below:

**Table 6: Personnel who ought to participate in financial planning in PNFP health units**

<b>Category of respondents</b>	<b>Frequency</b>	<b>Percentage</b>
Accountants	30	50
Management Committee members	15	25
Cost centre in-charges	12	20
Members of the financial committee	3	5
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Author's research data, 2008

Table 6 shows that respondents believed that four groups of personnel can participate in the financial planning exercise in the organization: 50% recommended the accountants; 25% considered the management committee members who include the administrators, medical superintendent, and

principal tutor; 20% were in favour of cost centre in-charges, perhaps because they contribute to the implementation exercise; and 5% suggested the members of the financial committee. This shows some bias towards top management, with an emphasis on financial planning as a technical matter to be carried out by accountants, rather than a matter of strategic planning.

#### **4.11 Financial committee**

One area of interest in the questionnaire was to ascertain whether the health units have an effective and efficient financial committee in place. The findings on existence of this committee are summarized in Table 7 below:

**Table 7: The existence of a financial committee in PNFP health units**

<b>Category of persons</b>	<b>Frequency</b>	<b>Percentage</b>
Exists	55	91.7%
No financial committee	3	5%
Not sure	2	3.3%
<b>Total</b>	<b>60</b>	<b>100</b>

**Source:** Author's research data, 2008

The majority (91.7%) of the respondents acknowledged the existence of the financial

committee in the health units while 5% said there is no finance committee, and 3.3% were not sure. Although administration of the financial plans is vital to their successful implementation, the researcher surprisingly found out from formal discussion with staff that some were not interested in knowing, because they were not involved in the planning exercise. When communication and teamwork are very low, the success of the organization is hindered. Management is therefore challenged to improve on their communication skills and strengthen teamwork otherwise the original goals may not be attained.

In answer to the question as to who constitutes the financial planning committee and their duties, the key informants identified the committee as consisting of accountants, a community representative, the medical superintendent, parish priest, and local government auditor. The finance committee is tasked to:

- Review annual work plans and budgets
- Review quarterly financial statements
- Authorize major financial expenditures
- Present the budget to the board for approval.

If the above duties are effectively executed, it is more likely that the organization concerned may attain its goals.

#### **4.12 Consultation of the staff on financial planning decisions**

Thirty-two staff members were asked as to whether they are consulted by the management when financial decisions are being made. 90.6% of the 32 respondents consented that staff are consulted, while 9.4% said they are not.

**Table 8: Whether staff are consulted during financial planning**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Consulted	29	90.6%
Not consulted	3	9.4%
<b>TOTAL</b>	<b>32</b>	<b>100</b>

**Source:** Author's research data, 2008

The results from observation and the questionnaires indicated that most of the concerned parties were always consulted in advance. This gave them ample time to prepare their departmental budget to be presented for discussion and actively participate in the planning process. However, some members disagreed and said they are only involved in the

initial planning as required by UCMB, but not in other important financial decisions.

A formal discussion with some of the staff revealed further that whether they were consulted or not, they felt they had little impact on the financial affairs of the hospitals. However, they agreed that what was passed during the financial planning was usually acceptable, and they were willing to accomplish the set targets according to the financial plans.

Although the health units consult the concerned parties to participate in the planning exercise, it was noted that there was lack of close monitoring, supervision and effective communication links. This had led to diversion of resources to other activities, hence affecting the quality of services to the community and attainment of organizational objectives and goals.

#### **4.13 Financial planning as a pressure device**

From the formal discussions held with the cost centre in-charges and financial managers of the hospitals, the findings show that financial planning acts as a pressure device for higher performance. Findings are as summarized in the Table 9 below:

**Table 9: Whether financial planning acts as a pressure device**

<b>Response</b>	<b>Frequency</b>	<b>percentage</b>
Yes	27	84.4
No	5	15.6
<b>Total</b>	<b>32</b>	<b>100</b>

**Source:** Author's research data, 2008

As indicated in Table 9, out of the 32 staff respondents, 84.4% agreed that financial planning can be looked at as a pressure device for higher performance in the organization. This is because it is a tedious process and it takes time to come up with accurate and realistic budgets and work plans. 15.6% considered it as a normal exercise, as the management has a task of carrying out close monitoring and evaluation so that organizational activities do not lag behind. It can be concluded that even though financial planning acts as a guide for performance, it is also applied to pressurize staff to work harder towards goal attainment.

#### **4.14 Financial manual and work plans**

The financial manual and work plans were assessed by reviewing the organizations' records and the questionnaires in an attempt to ascertain their existence, and whether they were acting as a guide in regulating the inflows and outflows of resources. The responses are as indicated in Table 10 below:

**Table 10: The existence of a financial manual in PNFP health units**

<b>Existence of Financial Manual</b>	<b>Frequency</b>	<b>Percentage</b>
Does exist	56	93.3
Does not exist	4	6.7
Total	60	100

**Source:** Author's research data, 2008

Most of the respondents indicated that a financial manual did exist in their respective health units. A closer observation showed that, although the health units did have a financial manual, it was only accessible to a specific category of staff; hence, the rest could neither confirm nor deny its existence. The management has a task of reducing this gap by trying to involve staff in some issues of finance and avail copies of the manual to various departments

so as to make activities flow more effectively and efficiently.

#### **4.15 Monitoring and evaluation of financial plans**

This was assessed through the responses from all sixty respondents who were posed a question on how often the health units review and monitor their activities against financial plan targets. The findings are as summarized in Table 11 below:

**Table 11: Frequency of periods of monitoring and evaluation**

<b>The periods</b>	<b>Frequency</b>	<b>Percentage</b>
Quarterly	50	66.7
Annually	12	16
Semi-annually	6	8
Monthly	4	5.3
Not sure	3	4
<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Author's research data, 2008

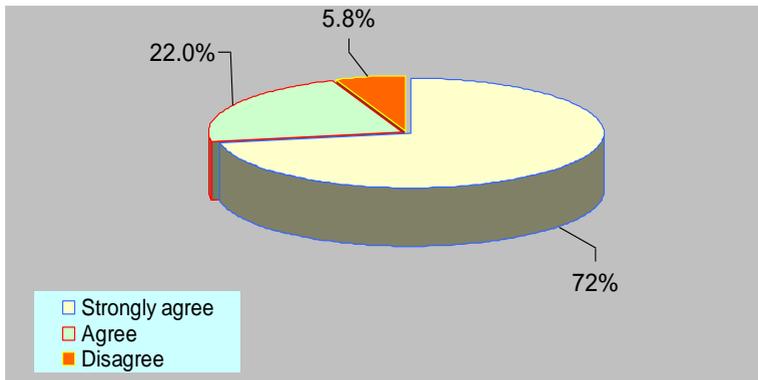
As indicated in the Table above, the majority of respondents accepted that the health units evaluate their financial plans on a quarterly basis, in order to ascertain whether they were in accordance with the

original plans. At the extremes, 16% stated that the organizations monitor the performance of the budget annually, and 5% said monthly.

Generally, monitoring of performance was carried out by the respective health units as routine procedures, or in response to questions by donors regarding. This analysis answers the question posed on how often the management meets to review and monitor the activities in their organizations.

#### **4.16 Financial planning as a motivating tool**

Motivation is one of the major determinants of effective financial planning. When the 51 respondents selected from the accountants and medical staff were questioned on this element of financial planning, their responses were as shown in Figure 9 below.



**Figure 5: Pie Chart of how financial planning acts as a motivational tool in PNFH health units**

**Source:** Author's research data, 2008

Majority of the respondents (72%), both management and staff, strongly agreed that motivation is vital to the planning team and it should always be considered in the budget vote. However, in these health units, closer analysis revealed that some staff felt they were not sufficiently motivated and some of them had lost morale in taking an active part in running the organization. Other factors affecting motivation which the management should consider are: job security; good remuneration; a conducive working environment; and career enhancement.

#### **4.17 Attributes of good financial planning in PNFP health units**

This analysis answers the questions posed on the attributes of a good financial planning system in PNFP health units. The findings are as contained in Table 12 below.

**Table 12: The attributes of financial planning systems in PNFP health units**

<b>Attributes of good financial planning</b>	<b>Total number of respondents</b>	<b>Yes</b>	<b>No</b>	<b>Percentage of yes</b>
• Participatory planning	75	58	17	77.3
• Consistency of financial plans	75	59	16	78.7
• Qualification of financial managers	75	56	19	74.7
• Availability of internal control systems and policy	75	54	21	72

**Source:** Author's research data, 2008

From Table 12, the majority of the respondents accepted that practices of good financial planning entail profound effects on goal attainment. 77.3% accepted that it makes participatory planning prerequisite; 78.7% affirmed that it creates consistency and completeness of plans; 74.7% considered that having qualified financial managers leads to accurate forecasts; and 72% stated that an internal control system and policy have a positive influence on the economic use of resources and accountability. Therefore, financial planning by health units acts as a basis for their gradual growth.

#### **4.18 Effects of financial planning system on attainment of goals**

Interviewing seventy five respondents for their opinions helped to establish and quantify the impact of financial planning on attainment of organizational goals. The findings are as summarized in Table 13 below:

**Table 13: The effects of financial planning on goal attainment**

<b>The Effects of financial planning</b>	<b>Total number of respondents</b>	<b>Yes</b>	<b>No</b>	<b>Percentage (of Yes)</b>
• Sustainable increase in organizational growth	75	59	16	78.7
• Efficient and effective allocation of resources	75	58	17	77.3
• Liquidity and surplus	75	56	19	74.6
• Increase in owners' equity and capital employed	75	50	25	66.6

**Source:** Author's research data, 2008

The results from documentary assessment and the questionnaires clearly indicated that the majority of the respondents agreed that the practice of financial planning in the health units leads to a) sustainable increase in organizational growth (78.7%); b) effective and efficient allocation of resources which helps in relating output to inputs (77.3%); c) increased liquidity and surplus resources in the

organization which can be used for other capital developments (74.6%); a positive influence on the owners' equity and capital employed (66.6%). Therefore, effective financial planning in the health units constitutes the basis for the gradual growth of the hospitals and attainment of its goals and mission.

It is conclusive to state that effective financial planning has considerable effect on the effectiveness of goal attainment. However, the views of the minority deserve some crucial attention because these could be highlighting areas where the controls poses negative impact on goal attainment.

#### **4.19 The relationship between financial planning and goal attainment in PNFH health units**

The researcher used Spearman's rank coefficient of correlation to examine the link between the two variables: financial planning and goal attainment. Spearman's correlation uses abbreviated " $r_s$ " as a statistical measure of the degree of association between two variables, say **X** and **Y**. It is based on ranks (orders) of observations.

The nature of the relationship established is described as (i) very high when  $r_s$  lies between 0.79

to 1, (ii) substantially high when  $r_s$  lies between 0.7 to 0.79, (iii) average when  $r_s$  lies between 0.50 to 0.69, (iv) low when  $r_s$  lies between 0.30-0.49 (v) no correlation when  $r_s$  lies between less than 0.3. The formula used to obtain the values above is:

$$R_s = 1 - \frac{6\sum D^2}{n(n^2-1)}$$

The data in Table 12 and 13 under the respective columns “**Yes**” were used for the computation of the relationship between the two variables.

In computing Spearman’s correlation, **Y** represents the attributes of financial planning (variable) which include: (i) Participatory (77.3%); (ii) consistency and completeness of plans (78.7%); (iii) qualification (74.7%); and (iv) internal control system and policy (72%). **X** represents the indicators of effective goal attainment: (i) Substantial increase in organizational growth (78.7%); (ii) efficiency and effectiveness in resource utilization (77.3%); (iii) liquidity and surplus (74.6%); (iv) increase in investment and equity (66.6%).

**Table 14: The correlation coefficient of variables Y (financial planning) and X (goal attainment)**

Effective financial planning (Y)	Scores	Positive effects of financial planning (X)	Scores	R <sub>y</sub>	R <sub>x</sub>	d(R <sub>y</sub> -R <sub>x</sub> )	d <sup>2</sup>
Participatory planning	77.3%	Substantial increase in organizational growth	78.7%	2	1	1	1
Completeness and consistency in financial planning	78.7%	Efficient and effective use of resources	77.3%	1	2	-1	1
Qualification of financial managers	74.7%	Liquidity and surplus	74.6%	3	3	0	0
Internal control system and policy	72%	Increase in real investment assets	66.6%	4	4	0	0
							$\sum d^2 = 2$

**Source:** Author's research data, 2008

The Spearman's rank coefficient of correlation is given by:

$$R = 1 - \frac{6 \sum d^2}{n(n^2-1)}$$

$n(n^2-1)$

Where,  $r_s$  = Spearman's Ranked order correlation coefficient

$n$  = number of paired ranked/observations

$d$  = the difference between the pairs of ranked values

$R_Y$  = weight of ranks for Y variable scores

$R_X$  = weight of ranks for X variable scores

The analysis of the results in Table 12: where  $n = 4$ ,

$$\sum d^2 = 2$$

$$\begin{aligned} \text{Therefore, } r_s &= 1 - \frac{6 \times 2}{4(4^2-1)} = 1 - \frac{12}{60} \\ &= (1-0.2) = \underline{0.8} \end{aligned}$$

The P-value/ significance level is 0.0000005, showing that the observed association is significant.

Therefore, the results indicate a significantly high positive relationship between effective financial planning and goal attainment. This implies that clearly formulated strategies, budgets, financial work plans and a participatory planning system lead to effective allocation of resources to priority votes and goal attainment. This answers the

questions raised as to whether there is a relationship between financial planning and goal attainment in PNFP health units.

#### **4.20 The challenges of financial planning in the PNFP health units**

There were several factors affecting the attainment of organizational goals in the PNFP organizations. According to the results from questionnaires and interviews received from the sixty respondents, the following findings were obtained as shown in Table 15 below:

**Table 15: Factors affecting goal attainment in PNFP health units**

<b>Responses</b>	<b>Frequency</b>	<b>percentage</b>
Lack of motivation package for participants	15	25
Delay in PHC release from central government	13	21.7
Undercapitalization of resources	12	20
Poor communication network	9	15
Lack of effective continuous supervision and monitoring	7	11.7
Unpredictability of future government policies	4	6.6
Total	60	100

**Source:** Author's research data, 2008

Through assessment of documents, interviews and observations the researcher found various financial challenges which affect goal attainment in the health units:

1. Lack of a motivation package for participants creates low morale and reluctance to actively participate in financial planning.

2. Delays in release of PHC conditional grants from the central government affect the performance of the organizations and the staff, due to delay in payment of their salaries. Furthermore, drugs and other supplies cannot be procured in time due to delay of funds, and the activities of the health units are interrupted, leading to overstretched resources and delivery of poor services.
3. Undercapitalization of resources, which are always inadequate to enable the fulfillment of the financial plans.
4. Poor communication skills (bottom up and top down); this has created stressful situations and failure of the organization to produce coherent strategies, resulting in poor management of resources in various departments.
5. Unpredictability of future government policies, especially changes in tax rates, introduction of new taxes, and inflation. These unpredictable changes make it difficult for managers to make accurate forecasts due to price changes.

6. Inadequate supervision and monitoring of inflow and outflows of funds by the administrators and financial committee. This creates a big loophole for fraud by the financial managers and in-charges of various departments. Therefore, the systems in existence in the PNFP hospitals only remain on paper.

It is then credible to accept that these challenges, if not considered by the management of the health units, may affect the attainment of the organizational goals. This may lead to misallocation of funds, mistrust from donors, low morale, lack of staff commitment and phasing out of the planned activities.

#### **4.21 Conclusion**

From the findings above, it has been established that the health units have been using financial planning and work plans as a tool in the management of their resources. The system has taken root and it is looked at by the staff, especially the management team and accountants, as one of the pre-requisites for goal attainment. The commonly used methods of financial planning are budgets, cash flows statements and forecasts. The research findings revealed that effective budgetary

control systems contribute greatly to the performance of organizations. This aids the health units' mission of promoting quality health care services to the less privileged and vulnerable social groups in the community at affordable cost.

## **IMPLICATIONS OF THE RESEARCH FOR THEORY, POLICY AND PRACTICE OF FINANCIAL PLANNING**

### **INTRODUCTION**

This chapter contains the implications that can be drawn from this research into effective financial planning for theory, policy and practice. These underpin the recommendations which the researcher deems crucial for the improvement of effective financial planning in the selected PNFP health units.

#### **5.1 Implication of findings for theory, policy and practice**

An analysis of the effect of financial planning on goal attainment in two private-not-for-profit health units was carried out, and such planning was found to be an important tool in goal attainment. The benefits of proper financial planning in the private hospitals were found to be directly dependent on the type of policies in place. This forms a strong

validation for focusing on the policies implemented in such hospitals.

Various areas of concern were found in the study: budgetary control, sources of funds, monitoring, evaluation, financial manuals, work plans, motivation, capacity development and the constraints on financial planning. In examining the policy implications of these issues, the researcher recognizes that some of the issues, for example the constraints encountered by managers in financial planning, call for the immediate attention of the Board and financial committee. These need to formulate strong policies to minimize the constraints and enhance positive factors like participatory planning.

The researcher also identified some areas for policy attention as related to goal attainment. These areas include: delay and reduction in PHC grant releases, communications, financial control systems, financial manuals, recruitment, training policy, capital structure and liquidity.

**Delay and reduction in PHC grant release:** the delay in the release of funds from the central government has affected the performance of the

health units. A well stipulated financial plan and a budget as plan of action can help the organization rectify these problems. They assist the health units to carry out a formal planning that identifies every priority activity of the organization, which can then inform the allocation of resource to various votes. They also aid monitoring and evaluation.

**Financial control implication:** the findings of the study indicate that the hospitals have financial control systems in place, such as proper accounting documents, authorization of payments and external audits of the accounts. However, there is laxity in some areas, for example, lack of close supervision and internal auditing, and poor circulation of financial manuals to the staff. These have affected the performance of the organizations in various ways. The responsibility of ensuring goal attainment is vested in the management team and Board of governors. These bodies need to be strengthened with technical capacity to sensitize the staff on the value of financial planning and enforce policies which enhance performance.

**Financial planning and capital budgeting implication:** a health unit's financing needs are determined mainly by its capital budget and

internal cash generation. Budgeting procedures indicated that health units have a relatively consultative and participatory budgeting system. This is evidenced by the involvement of the heads of departments in the preparation of the budgets, and implies that the inflows and outflows of resources in the hospitals are well controlled. The participatory approach in budget making acts as a motivational tool for the employees to support and respect the budget.

**Recruitment and training policy:** Though management had tried to offer training and refresher courses to the personnel, the enthusiasm was still low because the staff felt that their major aptitudes were in the medical field and not finance or administration. Therefore, to enhance performance, the recruitment and training policy needs to be strengthened.

**Implication from monitoring and evaluation:** The health units evaluate their financial plans on a quarterly basis to ascertain whether they are in accordance with the original plans. Generally, monitoring performance is carried out by respective health units as routine procedures. However, the management should also emphasize to staff,

supervisors, mid-level managers and executive managers that they observe the other components of internal control.

**Implication of financial planning as a motivating tool:** financial planning in the health units is indeed considered to be one of the motivational factors in achieving a reasonable level of performance. This implies that the staff should be sufficiently motivated to take an active part in the running of the organizational activities and not lose morale. This would help to reduce the rate of staff turnover. Therefore, the management and financial committee need to include motivational vote in the annual budgets as this enhances employee's attitudes towards hard work and respect for other organizational polices.

**Implication from communication:** If any organization is to function effectively, there must be clear lines of communication. It was established that the health units had inadequate communication networks. This was evidenced by lack of knowledge of some staff about what is happening in the organization. The management teams need to improve their communication skills by clarifying how things are done. Though some of

the staff claim not to be involved in financial decisions, they need to understand the responsibility and authority given to each of the top management staff. The various financial systems, such as authority for granting approval of monies to be spent, and controls must be clearly communicated.

**Capital structure policy:** the hospitals have financial manual guidelines on how to manage resources in the most effective and efficient manner. This helps to determine the mix of debt and equity in any required external financing. The organization's financing needs are mainly determined by its capital budget. This calls for the management team to strictly monitor various activity plans with caution, so that various sources of funds and expenditure are controlled, thus minimizing errors and fraud in the organization.

**The liquidity policy:** the organization's planned investment in current assets, along with its liquidity policy, determine the net increase or decrease in short-term borrowing, for example, through short term loans. The rest of the borrowing needs, the residual, should be on a long-term basis. The

effectiveness of this policy helps the organization to be vigilant when deciding on sources of finance.

## **5.2 Conclusion from the implications**

According to the overall analysis of the study, the hypothesis that financial planning brings about goal attainment needs to be modified: proper financial planning has been found to be a necessary tool, but not a sufficient requirement, for goal attainment in PNFP hospitals. This is because there are other important aspects of management, such as human resource management, staff motivation, cooperation with the government health sector, and adequate medical facilities and drugs which need to be integrated with financial planning. Therefore, financial planning cannot be implemented independently to attain the objectives and goals of PNFP hospitals.

## 6

### **CONCLUSIONS AND RECOMMENDATIONS TO ORGANIZATIONS**

Drawing from the research problem, research questions and findings, this chapter presents the conclusions and summary of the results from the study and overall recommendations based on the research findings. It also provides various suggestions that would help PNFP hospitals realize their set objectives and goals in a most effective and efficient way.

#### **6.1 Overall conclusion from the study**

The management in Lake and Rivers health centres exhibited high levels of awareness and knowledge of financial planning. They were aptly able to identify the key components of financial planning as: formulation of strategic goals, forecasting, implementation, evaluation and control of the financial activities. Participants were in agreement that good financial planning should be in line with organizational goals and objectives.

Financial planning is significant in a health centre's attainment of goals and objectives. It helps in performance evaluation of their activities and proper

allocation of resources. It is also significant as a tool for accountability, policy formulation and resource mobilization through budgeting.

The health centres run participatory budgets involving all departments. Owing to this consultative budgeting approach, the financial plans often reflect inputs from all departments. Participatory budgeting acts as a motivation for employees to support and respect the budget.

Although the health centres run well-planned budget systems, budget monitoring is only applied to some of the income sources, such as PHC grants. This, therefore, may lead to misallocation of funds from the other sources, especially locally generated income, such as user fees. Participatory budgeting is a sign of good financial planning, but expenditures should be coupled with adherence to the drawn budget.

Donations and PHC grants depend on many factors as considered by government and donor agencies. As the PHC grant accounts for over 50% of the source of revenue for the health units, they may become financially constrained if PHC grants are reduced or completely withdrawn.

It is therefore important that, as part of financial planning, the centres consider increasing the percentage contribution from other sources. These might be internally generated funds through fundraising, setting up local projects, investing in bonds or treasury bills from financing institutions, or securities from any recognized stock exchange markets.

There are no guidelines or MOU for the specific ways the different sources of funds (except PHC grants) should be utilized, other than on the basis of budgets. This poses a risk of misallocation of revenue from the rest of the income sources.

In both health centres, financial planning was found to be the responsibility of accountants, management committee members, in-charges and members of financial committees. Therefore, they should perceive their role as a challenge and not cumbersome or a punishment. To achieve the broad benefits of effective financial planning, the hospital management needs to give it substantive effort and enough time.

While the identified categories are charged with financial planning, the rest of the members of the health centres should be sensitized about financial planning so as to enhance teamwork and improve on the organizational performance.

It was found that most of the staff are consulted during financial planning, yet those who are not involved tend to distance themselves from activities such as budgeting. Though the health units consult the concerned parties to participate in financial planning exercises, there is lack of close monitoring, supervision and effective communication. This often causes a loophole for diversion of resources to other activities, thus constraining attainment of intended goals by the health centre.

Financial planning is deemed as a pressure device by the management towards attainment of set targets. It is thus an evaluation tool for the performance of the organization. Financial manuals and work plans existed in both of the health centres visited. Some of the participants could not, however, confirm the existence of such financial tools. This is because the manuals have not been circulated and made use of on operational basis.

Monitoring of the financial planning process has been conducted mainly as procedural requirements from the central government and external donors. This process should, however, be conducted diligently by management to assess how the institution is performing.

The major effects of financial planning on goal attainment include: sustainability in organization growth, efficient and effective resource allocation, increase in liquidity and surplus resources as well as increase in owner's equity.

A number of factors have been identified to hinder goal attainment in PNFPO organizations. The major factors include the lack of a motivation package for staff, creating low morale and reluctance to actively participate in planning. This directly implies delay in salaries and execution of various activities in the hospitals.

## **6.2 Recommendations**

It is recommended that all those dealing with financial resources are properly trained and instructed. There should be emphasis during the training for the staff to appreciate that financial planning should not be conducted as 'one off' to

satisfy the different donor conditions, but rather as a check on the performance of the health facility's performance. It is important that those involved in financial planning perceive their role as a challenge and not cumbersome or a mere formality.

Budgeting and budgetary controls should be improved to encompass monitoring of expenditures of all sources of funds against budgeted figures. Budgets should reflect health centre objectives and goals, not strings from donors. Additionally, the budget should not rely so much on user fees as a source of income. This is because a rise in user fees per person may discourage access to the health service.

There is need to diversify the sources of funds from conditional (PHC) grants to non-conditional. The management should look for ways in which it can attract funds, since depending entirely on government grant and external donations may have a negative impact in the long run. A government budget cut means that various activities cannot be implemented as planned, and this affects the quality of the services rendered to the community. Therefore, internally generated funds should be strengthened to reduce over-dependency on these

grants, such as by setting up other income generating projects, fundraising, and acquiring loans or investments in bonds or treasury bills from various recognized financing institutions.

For PNFP organizations to achieve success in their planning process, communication among all participants needs to be encouraged throughout. All staff should be sensitized to the role of financial planning in the health centre. Clear lines of communication are necessary so that staff understand their roles and responsibilities.

Guidelines for expenditures of all funds from all sources should be provided; these include requisition notes and authorization policy so as to strengthen budgetary controls in the health centres. The organizations also need to provide guidelines or MOUs for the specific ways in which the different sources of funds should be utilized. Lack of such guidelines poses a risk of misallocation of revenue from the rest of the income sources.

During the research, it was found that there was need for management to educate the employees on the need for financial planning and how their individual tasks contribute to the achievement of

the set targets. This will provide the staff with a positive attitude towards their duties and also harmonize the goals of management and employees with those of the hospitals. Further still, the staff should be informed of any deviations from set targets and what control action is to be taken.

During financial planning, there should be some flexibility to allow for shocks like sudden changes in the market prices, inflation and government policies.

All through the study, it was discovered that the financial planning process is limited to top management and cost center in-charges. Although this might be acceptable for strategic plans stretching over two years, for shorter plans covering one year or less there is need for greater involvement of employees who will be tasked with implementation of these plans. Involvement of the employees will also motivate them to improve their performance and meet the targets set in the budgets.

The financial managers wished that all the finance department staff should be equipped with financial planning techniques. This will help them to assist

the staff in other departments to plan for the finances required for their various operations.

The health centres should consider instituting internal and external audits in the financial planning process. This will help provide an independent opinion on weaknesses and improvements to be put in place.

### **6.3 Final comment**

The finding of the research study and recommendations are comprehensive. If well implemented, they should enable an organization to create systems that are robust, and put them on a firm path to achieving their goals.

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## APPENDICES

### APPENDIX A

#### Research Questionnaire: Hospital Management Committee and the Administrators

*Dear respondent, this is a research being carried out by Sr.Jane Florence Amoding, a postgraduate student at Uganda Martyrs University Nkozi. The research is being conducted to analyze the effects of financial planning in attainment of organisational objectives and goals. The study is carried out as a partial fulfilment of the requirements for award of the degree of Masters of Business Administration and Management of Uganda Martyrs University.*

The information provided when answering the questions is for academic purpose only and will be treated with high confidentiality. Your cooperation in answering the questions below is greatly appreciated.

**Instructions:** Fill the spaces provided or indicate the response corresponding to appropriate choice of response where applicable

**SERIAL NO.                      01**

---

Name of respondent (optional).....

Sex: Male                       Female

Age                      Post held.....

---

1. How long have you been the member of the management committee?.....
2. What are the objectives and goals of your organization?
3. Does your organization use financial planning as a tool of measuring Performance? Tick the right option  
 Yes  No

If yes give reasons for your answer.....

4. What do you consider to be the processes involved in financial planning? Tick the most appropriate ones.

- a) Preparing projected financial statements
- b) Determine the funds needed to support the plan
- c) Forecasting funds availability over the next year
- d) Establishing and maintaining a system of controls
- others (specify).....

5. What do you think are the major factors of a good financial planning system in your organization?

- a) Participatory planning
- b) Completeness of financial Planning processes
- c) Consistency of plans with allocations of funds
- d) Qualifications of the managers
- e) Availability of Internal control system and policy
- f) All the above

6. Do you prepare financial plans in the organization?  
 Yes  No

If yes how often?

- a) Monthly c) semi-annually b) Quarterly d) Annually

7. What do you think are the major stages of financial planning system? Tick the appropriate ones

a) The Formulation b) The implementation c) The evaluation

d) All the above

8. Do you have the financial manual guide in the organization?

Yes

No

If yes what is contained in the financial plan manual?

9. Does your organization prepare annual work plans?

Yes

No

If yes who prepares.....

10. Does your organization carry out staff capacity development programmes especially on financial planning?

Yes

No

11. What are the main sources of your funding?

a) User fee b) Donations c) Loans d) Government

Grants

e) Local projects

Others please specify.....

12. What are the major uses of these funds in your organization?.....

13. Does your organization have adequate fund to meet all your budgeted activities in a specific period?

Yes

No

If no how do you finance the deficit budget?.....

14. Please give some reasons as to why your organization prepares financial plans?.....

15. Whom do you think should be involved in preparation of the financial plans?

- a) Administrators
- b) Accountants
- c) Members of management team
- d) Medical Superintendent
- e) Cost centre in-charges
- f) All the above

16. Does the organization have a financial planning committee?

Please tick the right option

Yes

No

i) If yes what is the composition of that committee?.....

State its major functions.....

ii) How often do they meet to review and monitor the activities Planned in the financial year?

- a) Monthly
- b) Quarterly
- c) Semi-annually
- d) Non of the above

17. Is there a participatory financial planning system with all the concerned parties in the organization?

Yes

No

If no why?.....

18. Which of the financial planning tools are commonly used in

your organization? Tick the one which apply to your

Organization.

- a) Budgets
- b) Financial ratios
- c) Income statements
- e) Forecasts
- f) All the above

19. Does financial planning act as a pressure device on your time? Yes  No

If yes give some reasons for your answer.....

20. Are there any corrective actions taken when actual performance does not conform to the financial plans? Yes  No

If yes state some .....

21. To what extent is financial planning being practiced in organization? Tick the right option

a) Very large extent b) Large extent c) Some extent

22. Do you think your organization can survive without financial planning policies? Yes  No

If No why?.....

23. Does financial planning contribute to the performance of the organization and attainment of its objectives and goals? Yes  No

If yes how?.....

24. How often do you monitor and evaluate the financial plans and performance of your organization?.....

25. What are the challenges encountered by your organization in financial planning?.....

26. What are the possible strategies/solutions to overcome the above challenges?.....

27. Do you agree that financial planning acts as a motivational tool? a) Strongly agree b) Agree c) Disagree

28. Do you agree that without financial planning, the organization can't attain its goals?

a) I strongly agree b) I agree c) I strongly disagree d) I disagree

29. Give any other information you deem necessary in financial planning in attainment of organizational goals and objectives?.....

Thank you for your cooperation.

**APPENDIX B**  
**RESEARCH QUESTIONNAIRE: HOSPITAL**  
**ACCOUNTANTS**

*Dear respondent, this is a research being carried out by Sr. Jane Florence Amoding, a postgraduate student at Uganda Martyrs University Nkozi. The research is being conducted to analyze the effects of financial planning in attainment of organisational objectives and goals. The study is carried out as a partial fulfilment of the requirements for award of the degree of Masters of Business Administration and Management of Uganda Martyrs University.*

The information provided when answering the questions is for academic purpose only and will be treated with high confidentiality. Your cooperation in answering the questions below is greatly appreciated.

**Instructions:** Fill the spaces provided or indicate the response corresponding to appropriate choice of response where applicable

**SERIAL NO.**

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Name of respondent (optional).....

Sex: Male  Female

Age                      Post held.....

---

1. How long have you been working as an accountant in this organization?.....
2. What is your role in the organization as an accountant?

3. Does the organization use financial planning as a tool of measuring Performance? Tick the right option  
Yes  No

If yes give reasons for your answer.....

4. What do you think are the major factors of a good financial planning system in the organization?  
a) Participatory planning  
b) Completeness of financial Planning processes  
c) Consistency of plans with allocations of funds.  
d) Qualifications of the managers  
e) Availability of Internal control system and policy  
f) All the above

5. Do you prepare financial plans in the organization?

Yes  No

If yes how often?

a) Monthly b) Quarterly c) semi-annually d) Annually

6. What do you think are the major steps in financial planning?

a) The Formulation b) The implementation c) The evaluation  
d) All the above

7. Do you have a financial planning committee?

Yes  No

8. Do you take an active part in the financial decision of the organization?

Yes  No

9. Which of the financial planning tools are commonly used in your Organization? Tick the ones which are appreciate

a) Budgets      b) Financial ratios   c) Income statements

e) Forecasts   f) All the above

10. What are main sources of funds for your organization? Tick the appropriate ones?

a) User fee   b) Donations   c) Loans   d) Government Grants

e) Local projects   f) others please specify.....

11. What are the main uses of your funds?.....

12. Is financial planning done on time? Tick right option

Yes       No

13. To what extent is financial planning being practiced in organization? Tick the right option

- a) Very large extent
- b) Large extent
- c) Some extent

14. Who are people involved in carrying out planning exercise in your organization?.....

15. Does your organization have a financial plan manuals and work plans?

Yes       No

If yes what is contained in them?.....

16. What other plans do you base on to make your financial plans?.....

17. What type of financial statements do you prepare in your organization?

- a) Income statements      b) Balance sheets c)  
Cash flows      d) All the above

18. How many qualified staff are in your department?.....

19. Does your organization carry out staff capacity development programmes especially on financial planning?

Yes  No

21. Does financial planning contribute to the attainment of organizational goals and objectives?

Yes  No

If yes how?.....

22. Is financial planning a difficult task?

Yes  No

If Yes How?.....

23. What are the challenges encountered by your organization in financial planning?

- a) Undercapitalization (lack of adequate capital)
- b) Lack of cooperation and coordination
- c) Lack of participatory involvement
- e) Lack of skillful personnel in the planning

exercise

f) Poor control over cash flow

g) Lack of motivation package to participants

i) All the above

Other (specify).....

24. How have these challenges/problems affected the organizational performance?.....

25. What are the possible strategies/solutions to overcome the above challenges?.....

26. Do you think that financial planning process of your organization can be improved in any way?

Yes  No

If yes how best?.....

27. Do you agree that financial planning acts as a motivational tool? a) Strongly agree b) Agree c) disagree

28. Do you agree that without financial planning, the organization can't attain its goals? Please tick the most appropriate option  
a) I strongly agree b) I agree c) I strongly disagree d) I disagree

29. Give any other information you deem important in financial planning in attainment of organizational objectives and goals?.....

**Thank you for your cooperation**

**APPENDIX C**  
**RESEARCH QUESTIONNAIRE: HOSPITAL MEDICAL STAFF**

*Dear respondent, this is a research being carried out by Sr. Jane Florence Amoding, a postgraduate student at Uganda Martyrs University Nkozi. The research is being conducted to analyze the effects of financial planning in attainment of organisational objectives and goals. The study is carried out as a partial fulfilment of the requirements for award of the degree of Masters of Business Administration and Management of Uganda Martyrs University.*

The information provided when answering the questions is for academic purpose only and will be treated with high confidentiality. Your cooperation in answering the questions below is greatly appreciated.

**Instructions:** Fill the spaces provided or indicate the response corresponding to appropriate choice of response where applicable

**SERIAL NO.**

---

Name of respondent (optional).....

Sex: Male  Female

Age                      Post held.....

---

1. Does the organization use financial planning as a tool of

Measuring Performance? Tick the right option

Yes  No

If yes give reasons for your answer.....

2. Do you take part in the financial decisions of your organization?

3. Do you think it is necessary to plan for the finances of any organization? Yes  No

Yes  No

Why.....

4. What do you think are the major steps of a good financial planning system in an organization? Tick the most appropriate?

- a) The Formulation
- b) The implementation
- c) The evaluation
- d) All the above

5. What do you think are the major factors of a good financial planning system in the organization?

.....

- a) Participatory planning
- b) Completeness of financial Planning processes
- c) Consistency of plans with allocations of funds
- d) Qualifications of the managers
- e) Availability of Internal control system and policy
- f) All the above

6. To what extent is financial planning being practiced in organization? Tick the right option

- a) Very large extent
- b) Large extent
- c) Some extent

7. Do you have a financial planning committee to review the budget and financial plans?

Yes  No

If yes how often do they meet?

- a) Monthly
- b) quarterly
- C) semi-annually

8. Whom do you think should be involved in preparation of the financial plans?
- Accountants
  - Administrators
  - Medical Superintendent
  - Members of management committee
  - All the above
9. Does management communicate to staff about the financial plan decisions?
- Yes  No
10. What are the challenges encountered by your organization in financial planning?
- Undercapitalization (lack of adequate capital)
  - Lack of cooperation and coordination
  - Lack of participatory involvement
  - Lack of skillful personnel in the planning exercise
  - Poor control over cash flow
  - Lack of motivation package for participants
  - All the above
  - (Specify)Other.....
11. What are the possible strategies/solutions to overcome the above challenges?.....
12. Has your organization experience deficit (crisis) in financing it activities?
- Yes  No
13. Do you think your organization is successful in attaining its original mission and goals?
- Yes  No
- If no what are the possible causes?.....
15. Do you think the organization has competent personnel to plan for its financial resources?

Yes  No

14. Does your organization carry out staff capacity development programmes especially on financial planning?

Yes  No

15. Does the organization have contingency plans?

Yes  No

16. Do you agree that financial planning acts as a motivational tool?

- a) Strongly agree
- b) Agree
- c) Disagree

18. Do you agree that without financial planning, the organization can't attain its goals? Please tick the most appropriate option

- a) I strongly agree
- b) I agree
- c) I strongly disagree
- d) I disagree

19. Give any other information you deem necessary in financial planning in attainment of organizational goals and objectives?.....

**THANK YOU FOR YOUR COOPERATION**





**JANE FLORENCE AMODING** is a finance professional with 16 years of experience in institutions such as hospitals and secondary schools, and financial committees. The quality of her work has led her to the position of Chief Finance Officer at Uganda Martyrs University.

Amoding is a member of the Congregation of the Little Sisters of St. Francis. She holds a Masters in Business Administration (MBA) and a Postgraduate Diploma in Teaching and Learning in Higher Education (PGDTL).

Her commitment to advancing the quality of service delivery continues through her lucid communication of the essentials in this book. Professionals in any organization will benefit from her depth of knowledge.

Government has aimed to bring health services to the people by creating health centres at various levels. The private sector contributes likewise. Quality of service is the target of all, but this depends on a range of factors. Most obvious to patients are matters like drugs, care by doctors and nurses, speed of treatment and their recovery. But what underlies this quality, or lack of it?

This book ably demonstrates that the missing link is management of the financial resources of the organization.

The book carefully leads the reader from an outline of the procedures for developing an effective financial management plan to the practice in hospitals. The two case studies in the book illustrate what a health centre needs to do to create a successful plan, where they can fail and the consequences of that failure – ranging from lack of drugs, to low staff morale and inability to increase capacity.

This book is a must read for hospitals and indeed any organization that wishes to achieve its goals!

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