

3.12: The Planning Cycle

Learning Objectives

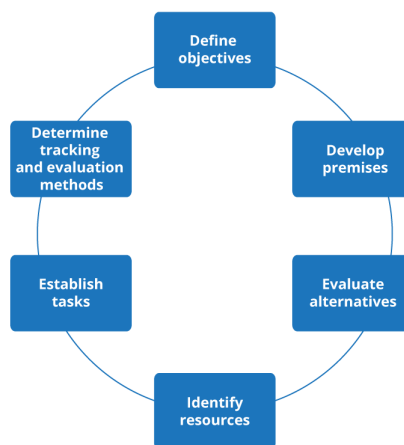
- Explain the stages of the planning cycle.
- Explain why the planning cycle is an essential part of running a business.

Organizations have goals they want to achieve, so they must consider the best way of reaching their goals and must decide the specific steps to be taken. However, this is not a linear, step-by-step process. It is an iterative process with each step reconsidered as more information is gathered. As organizations go through the planning, they may realize that a different approach is better and go back to start again.

Remember that planning is only one of the management functions and that the functions themselves are part of a cycle. Planning, and in fact all of the management functions, is a cycle within a cycle. For most organizations, new goals are continually being made or existing goals get changed, so planning never ends. It is a continuing, iterative process.

In the following discussion, we will look at the steps in the planning cycle as a linear process. But keep in mind that at any point in the process, the planner may go back to an earlier step and start again.

Stages in the Planning Cycle



The stages in the planning cycle

Define objectives

The first, and most crucial, step in the planning process is to determine what is to be accomplished during the planning period. The vision and mission statements provide long-term, broad guidance on where the organization is going and how it will get there. The planning process should define specific goals and show how the goals support the vision and mission. Goals should be stated in measurable terms where possible. For example, a goal should be “to increase sales by 15 percent in the next quarter” not “increase sales as much as possible.”

Develop premises

Planning requires making some assumptions about the future. We know that conditions will change as plans are implemented and managers need to make forecasts about what the changes will be. These include changes in external conditions (laws and regulations, competitors’ actions, new technology being available) and internal conditions (what the budget will be, the outcome of employee training, a new building being completed). These assumptions are called the plan premises. It is important that these premises be clearly stated at the start of the planning process. Managers need to monitor conditions as the plan is implemented. If the premises are not proven accurate, the plan will likely have to be changed.

Evaluate alternatives

There may be more than one way to achieve a goal. For example, to increase sales by 12 percent, a company could hire more salespeople, lower prices, create a new marketing plan, expand into a new area, or take over a competitor. Managers need to

identify possible alternatives and evaluate how difficult it would be to implement each one and how likely each one would lead to success. It is valuable for managers to seek input from different sources when identifying alternatives. Different perspectives can provide different solutions.

Identify resources

Next, managers must determine the resources needed to implement the plan. They must examine the resources the organization currently has, what new resources will be needed, when the resources will be needed, and where they will come from. The resources could include people with particular skills and experience, equipment and machinery, technology, or money. This step needs to be done in conjunction with the previous one, because each alternative requires different resources. Part of the evaluation process is determining the cost and availability of resources.

Plan and implement tasks

Management will next create a road map that takes the organization from where it is to its goal. It will define tasks at different levels in the organizations, the sequence for completing the tasks, and the interdependence of the tasks identified. Techniques such as Gantt charts and critical path planning are often used to help establish and track schedules and priorities.

Determine tracking and evaluation methods

It is very important that managers can track the progress of the plan. The plan should determine which tasks are most critical, which tasks are most likely to encounter problems, and which could cause bottlenecks that could delay the overall plan. Managers can then determine performance and schedule milestones to track progress. Regular monitoring and adjustment as the plan is implemented should be built into the process to assure things stay on track.

? ? Practice Question

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The Planning Cycle: Essential Part of Running a Business

Following the planning cycle process assures the essential aspects of running a business are completed. In addition, the planning process itself can have benefits for the organization. The essential activities include the following:

- **Maintaining organizational focus:** Defining specific goals requires managers to consider the vision, mission, and values of the organization and how these will be operationalized. The methods and selected goals can demonstrate that the vision, mission, and values statements are working documents that are not just for show but prescribe activities.
- **Encouraging diverse participation:** Planning activities provide an opportunity for input from different functions, departments, and people. Some organizations establish planning committees that intentionally include people from diverse backgrounds to bring new perspectives into the planning process.
- **Empowering and motivating employees:** When people are involved in developing plans they will be more committed to the plans. Allowing diverse input into the planning cycle empowers people to contribute and motivates them to support the outcomes.

? ? Practice Question

<https://assessments.lumenlearning.co...essments/12167>

Key Points

There are several stages, or steps, in the planning process. It is not unusual to have to repeat steps as conditions change. This process is essential to a business to maintain focus, gather diverse opinions, and empower and motivate employees.

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