3.9 STEPS IN PLANNING PROCESS

Planning involves thinking. It requires the manager to follow certain steps systematically to formulate the plan. In this section we will discuss the steps involved in the planning process.

Following are the steps in planning process-

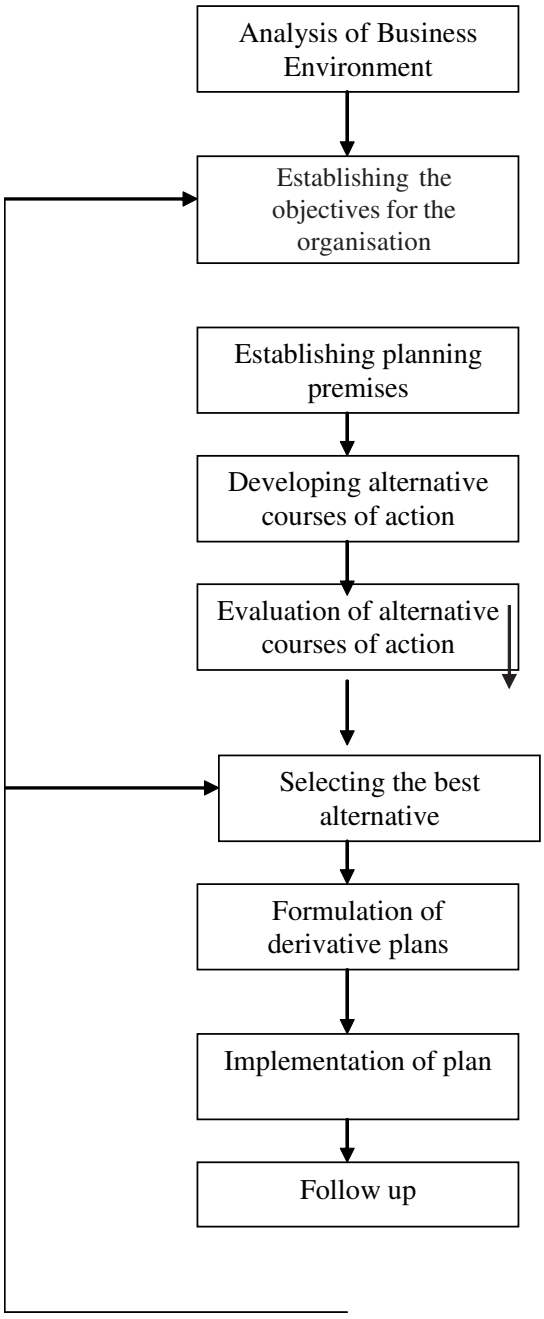


Figure 3.1: Steps in planning process

- **Analyzing the business environment:** An organization resorts to planning process to face the business challenges and to take the advantages of opportunities that may exist in business environment. Therefore, analysis of the environment is utmost important for organization. Though in strict sense it is not a step in planning process, without environmental analysis the organization will not be able to perceive any opportunities and it can not undertake any plan. So, it is essential to analyse the environment to forecast the opportunities and threats for the organization. At the same time, the organization will be able to measure its strengths and weaknesses in the light of the opportunities and threats.
- **Establishing the objectives for the organization:** In this step the objectives for the organization are established and then the objectives for the major departments are set. The objectives may relate to productivity, profitability, market share, market research etc. Objectives give direction to the organization. It helps in determining the courses of action to be taken for achieving such objectives. An organization may have multiple objectives and the manager must determine the preference for achieving the objectives. This is because all the objectives are not equally important and cannot be achieved at the same time.
- **Establishing planning premises:** The next step in the planning process is to establish the 'planning premises'. 'Planning premises' means the conditions under which the organization will implement the planning. This relates to assumptions of future changes in the various internal and external factors of the organization. Internal factors include the resources, policies etc. of the organization. The external factors cover various factors like, political, social, technological etc. This stage is important because any wrong assumption may result in failure of the plan.
- **Developing alternative courses of action:** There may be different ways to achieve the objectives by the organization. For example, if the organization establishes one of its objectives as expansion of

business, then the probable alternatives available to the organization are investing in an altogether new project, taking over an existing company, adding new products to its product line etc. Thus, in this step the manager has to develop the alternative courses of action to achieve the objectives. In developing the alternatives the manager must ensure that the alternatives must be selected on the basis of the capacity of the organization in terms of certain criteria like, time, cost etc. This will help the manager in selecting only the viable alternatives in the light of the organizational capabilities and taking up the alternatives for further investigation.

- **Evaluation of alternative courses of action:** After developing the viable alternatives, the manager must go for the detailed evaluation of the alternatives. The detailed evaluation will help the manager in choosing the best alternative among them. The evaluation of alternatives may reveal that two or more alternatives are same. In that case, the manager may take up the alternative projects one by one or may go for further evaluation of the alternatives or may take up the evaluation of new alternatives.
- **Selecting the best alternative:** In this step, the manager has to take the decision regarding the selection of the best alternative out of the alternatives evaluated.
- **Formulation of derivative plans:** After the formulation of the basic plan, the derivative plans are prepared to support the basic plan in achieving the organizational objectives. The derivative plans are prepared for the functional activities which may relate to purchasing the raw- materials, recruiting the salesmen, raising the required capital etc. Theses plans are prepared within the broad framework of the basic plan.
- **Implementation of plan:** At this stage, the plan practically comes into effect. The organization gets the determined course of action for the future. Preparing the plan step by step ensures its success. But the manager must be cautious because the plan may fail at the implementation stage. For ensuring success of the plan, the plan