

## 7.3.4: Planning

**What you'll learn to do: identify the types of planning and decision making managers engage in, and explain how these help organizations reach their goals**

Managers engage in many different types of planning. In this section you'll learn about the differences between strategic, tactical, operational, and contingency plans and how these plans relate to organizational goals.

### Learning Objectives

- Explain the components of a SWOT analysis
- Explain how planning helps organizations reach their goals

### Planning

Planning is a process of thinking about and organizing the activities needed to achieve a desired goal. By now you are familiar with the most encompassing of all organizational planning: the business plan. The business plan provides the foundation for ongoing planning activities, but as the business grows and develops, it's the manager's responsibility to make adjustments and take the plans to the next level. A business without solid strategic, operational, and contingency plans will have a hard time meeting its organizational goals—unless it intends to survive by luck alone.

#### The Foundation of Planning

When managers begin to plan, they need to plan based on something – an idea, an opportunity or a dream. The company vision and mission statements create the foundation for planning by summarizing a company's business strategy in a form that can be communicated and understood easily by stakeholders.

- **Vision Statement:** A vision statement gives employees something to rally behind, and for those businesses that choose to make their vision statement public, it lets the world know where the company is going. Ikea, the Swedish multinational group of companies that designs and sells ready-to-assemble furniture, is driven by its corporate vision. This is the IKEA vision: "To create a better everyday life for the many people."
- **Mission Statement:** A mission statement outlines how the business will turn its vision into reality and becomes the foundation for establishing specific goals and objectives. Ikea's mission is "to offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them." It is this mission that will enable them to realize the vision of "better everyday life."

Until a business has determined what its mission is, planning cannot begin. Furthermore, one plan cannot possibly encompass everything necessary to achieve the organization's mission, so managers are tasked with developing sets of plans that, together, guide the organization's activities.

#### Strategic Plans

Strategic plans translate the company mission into a set of long-term goals and short-term objectives. In the process of determining a company's strategic plan, top-level managers set out to answer the following questions:

1. Where are we now?
2. Where do we want to be?
3. How do we get there?

#### Tactical Plans

Tactical plans translate high-level strategic plans into specific plans for actions that need to be taken up and down the layers of an organization. They are short-range plans (usually spanning less than one year) that emphasize the current operations of various parts of the organization. As a company refines or alters its strategic plans, the tactics must also be adjusted to execute the strategy effectively. A tactical plan answers the following questions:

1. What is to be done?
2. Who is going to do it?
3. How is it to be done?

#### Operational Plans

Operational plans establish detailed standards that guide the implementation of tactical plans and establish the activities and budgets for each part of the organization. Operational plans may go so far as to set schedules and standards for the day-to-day operations of the business and name responsible supervisors, employees, or departments.

### Contingency Plans

Unforeseen events or disasters can be especially harmful to a business. For example, a fire, earthquake, or flood can make it impossible to continue normal business operations. A contingency plan lays out the course of action a business will take in response to possible future events.

### SWOT Analysis

One of the key planning tools managers have at their disposal is the situation analysis, or SWOT analysis. SWOT stands for *strengths*, *weaknesses*, *opportunities*, and *threats*. Conducting such an analysis provides a means of projecting expectations, anticipating problems, and guiding decision making. As shown in the graphic, below, a SWOT analysis is an examination of the internal and external factors that impact the organization and its plans.



Figure 7.3.4.1: SWOT Analysis for external and internal factors

The external factors include opportunities and threats that are outside of the organization. These are factors that the company may be able influence—or at least anticipate—but not fully control. Examples of external factors are technology innovations and changes, competition, economic trends, government policies and regulations, legal judgments, and social trends.

The internal factors include strengths and weaknesses within the organization currently. Examples of internal factors are financial resources, technical resources and capabilities, human resources, and product lines. Since the company has the most control over internal factors, it can develop strategies and objectives to exploit strengths and address weaknesses.

The benefit of a SWOT analysis is that it gives a managers a clear picture of the “situation” in which it operates and helps them develop realistic plans. Managers must continually scan the internal and external business environment for signs of change that may require alterations to their plans. The organization’s strengths and weaknesses evolve over time, and new threats and opportunities can appear out of the blue. Ignoring signals that technology, consumer demands, resource availability or legal requirements are changing can leave the business in an inferior position relative to the competition and can very well mean the end of the business. For this reason, effective managers should use SWOT analysis as a tool to inform decision making and planning on a regular basis.

You can see how pervasive planning is within a business and that plans can run the gamut from the broad and general (as with the strategic plan, for example) to the narrow and specific (as with operational plans), but each type of plan is important to the overall success of an organization. Furthermore, planning is crucial to fulfilling the other functions of management. Without plans,

effective organizing, leading, and controlling won't happen. Failure to plan—or postponing it—can be a real liability for labor-oriented, hands-on managers.

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