

2.2: Developing a Strategic Plan

Learning Objectives

By the end of this section, you will be able to:

- Define strategic planning and list the steps in the strategic planning process.
- Write an effective vision statement and mission statement.
- Describe the role of company values.
- Perform a gap analysis.
- Write SMART objectives and goals.
- Summarize ways to monitor progress of the strategic plan.

Strategic Planning Defined

Let's start with a simplified definition of strategy and then move on from there. Many, if not most of you, have watched a football game, either live or on television. Perhaps you're a fan of a particular team, or you will watch the Super Bowl (perhaps just to see the commercials). Every football coach knows that players do not enter a game without a game plan—the process of taking plays out of the playbook and putting them into a game plan for a specific opponent. This is a difficult task. The coaching staff has to consider the skills and experience of the players on the team as well as the strengths—and weaknesses—of the opposing team, and they will develop the plays that they feel will best neutralize the strengths of the opposing team while taking advantage of the strengths of their own players.

That football game plan is a great analogy for a business's overall strategy—the plans, actions, objectives, and goals that outline how the business will compete in its chosen markets, given its portfolio of products or services. In marketing, a portfolio is a collection or listing of all the goods and services a company sells to customers.

Distinctions are often made between corporate-level strategy, business-level strategy, and functional strategy, so let's briefly define them here. Corporate-level strategy covers the entire business in a complex organization with multiple businesses, divisions, or operating units (sometimes called strategic business units or SBUs). Corporate-level strategies are formulated and implemented by upper management. Business-level strategy is the strategic plan created for a single business or operating unit, and these plans are generally developed by middle management to support the corporate-level strategy. Corporate-level and business-level strategies lead to the development of functional strategy, which is the plan to achieve the corporate- and business-level objectives in functional areas such as human resources, marketing, and production.

People say a picture is worth a thousand words, so take a look at how this breaks down in Figure 2.2.

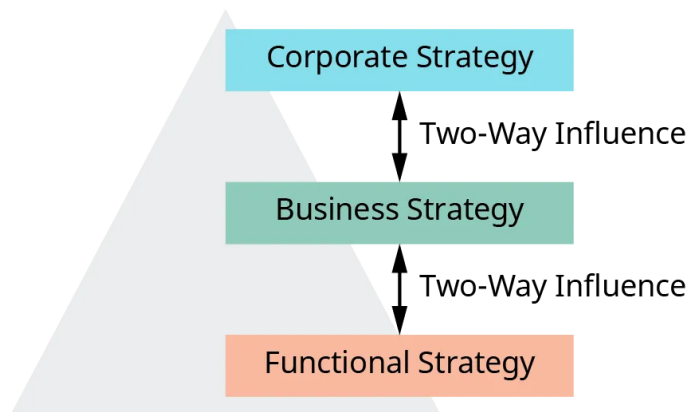


Figure 2.2 Different Levels of Strategy Required in Complex Organizations (CC BY 4.0; Rice University & OpenStax)

Many organizations have only a single product line, market focus, or business, so they will require only a business-level strategy. However, with larger organizations, it can be important to break the overall business into smaller, more manageable strategic business units to maintain an overall focus on the business as a whole and pull the business-level strategies into a cohesive whole.

Consider, for example, Procter & Gamble. The producer of such diverse products as diapers, Tide detergent, and Oral-B toothpaste has five industry-based strategic business units—baby, feminine, and family care; beauty; health care; grooming; and fabric and

home care, family care, and new ventures. Each SBU has its own chief executive officer and functions essentially as a standalone business under the corporate “umbrella” (Proctor and Gamble Company, 2024).

When you consider the complexities of the diverse markets Procter & Gamble serves, this makes sense. Competing in the oral care market differs vastly from competing in baby products, so separate SBUs require separate strategic plans.

Steps in the Strategic Planning Process

There are many variations of the strategic planning process—almost as many as there are publications on strategic planning. For our purposes in this textbook, we will use the five-step process outlined in Figure 2.3. Keep in mind, however, that the process may be a little different for some organizations depending on the stage of their products in the product life cycle (which we’ll learn more about in Products: Consumer Offerings), the maturity of the industry in which the business participates, how competitive the marketplace is, and other factors.



Figure 2.3 Steps in the Strategic Planning Process (CC BY 4.0; Rice University & OpenStax)

These elements will all be defined in more detail in the sections that follow.

Step One: The Vision Statement: Where Do We See the Business Going?

The strategic planning process begins with a solid understanding of what the organization is trying to create—that is, its vision statement. A vision statement is forward-looking and is intended to create a mental image of what the organization wants to achieve in the longer term. Vision statements should be both inspirational and aspirational.

Let’s look at some vision statements from companies with which you might be familiar so you’ll see how this works:

- Amazon: “Our vision is to be earth’s most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online” (Hull, 2012).
- Volkswagen: “To make this world a mobile, sustainable place with access to all the citizens” (Visionary Team, 2021).
- Fujitsu: “Understanding you better—serving you best” (Fujitsu United States, 2024).

Link to Learning: Vision Statement

For more information on how to write a vision statement, take a look at this brief video from RapidStart Leadership:



Step Two: The Mission Statement: Why Does the Business Exist?

Now that the vision statement is complete, it's time to tackle the mission statement, which quite simply answers the question: *why does the company exist?* The mission statement of an organization sums up in one to three sentences what the company does, who it serves, and what differentiates it from its competitors. Whereas the vision statement provides the destination (i.e., Where is the business going?), the mission statement provides the guideposts for the business to get there.

Mission statements serve two purposes. First, a well-written mission statement helps employees remain focused on the aims of the business. Second, it encourages them to discover ways to increase their productivity to achieve company goals. Mission statements aren't just for internal use, however. Prospective investors also often refer to a company's mission statement to see if their values align with the company's. Once again, let's bring this definition to life by including a few mission statements from well-known companies:

- BMW: [“The BMW Group is the world’s leading provider of premium products and premium services for individual mobility”](#) (Farfan, 2019).
- Tesla: [“To accelerate the advent of sustainable transport by bringing compelling mass-market electric cars to market as soon as possible”](#) (Cuofano, 2022).
- Apple: [“To bring the best personal computing products and support to students, educators, designers, scientists, engineers, businesspersons and consumers in over 140 countries around the world”](#) (Rowland, 2024).

There are also two types of mission statements: customer-oriented or product oriented. What's the difference? A customer-oriented mission statement defines the business in terms of how it intends to provide solutions to customer needs. As examples, take a look at some of these customer-oriented mission statements:

- IKEA: [“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”](#) (IKEA, 2024).
- Netflix: [“To entertain the world”](#) (Rivera, 2019).

The other type of mission statement is a product-oriented one. With a product-oriented mission statement, the focus is on the offering itself rather than customers' needs. Again, look at a couple of examples of product-oriented mission statements so you can see the difference between these mission statements and the customer-oriented mission statements shown above:

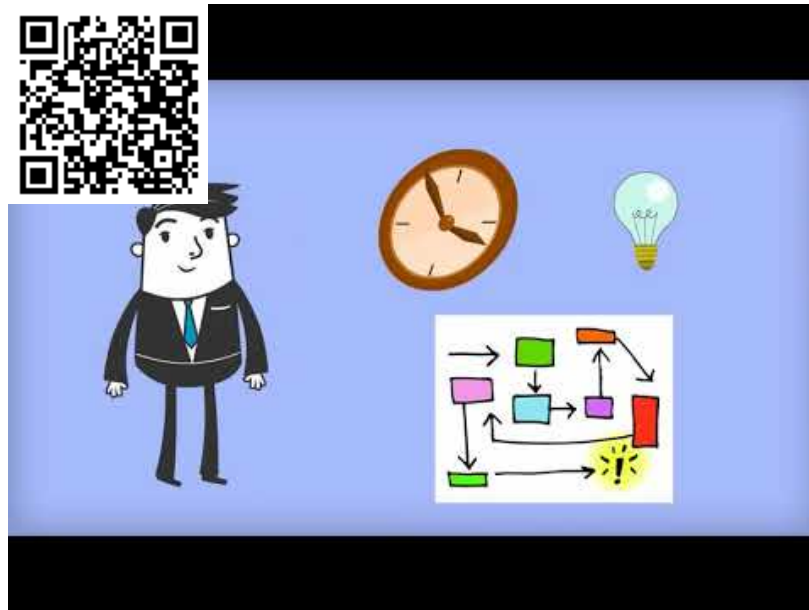
- eBay: [“To be the world’s favorite destination for discovering great value and unique selection”](#) (eBay, 2024).
- Genentech: [“To develop drugs to address significant unmet medical needs”](#) (Bresciani, 2022).

Link to Learning: Mission Statement

For more information on how to write an effective mission statement, check out this brief video from Bplans.



Then, watch this video from Entrepreneur.



Step Three: Perform a Gap Analysis

Before we get into the specifics of how to perform a gap analysis, let's define it. Simply put, a gap analysis is an internal analysis of the company or organization to identify and review any inherent deficiencies that may hinder its ability to meet its goals. In other words, a gap analysis determines what factors in the organization may be causing it to underperform.

A gap analysis answers the following questions:

- Where are we now?
- Where would we like to be?
- What's stopping us from getting there?

A gap analysis as part of the strategic planning process is a way to determine where the "soft spots" are and where adjustments need to be made before setting a course of action.

There are four steps to completing a gap analysis from Kaur (2022). Let's take a look:

- **Step 1: Identify the current state of the business, organization, or department.** Let's use an example of a company that wants to increase market share of its product line. To date, current growth is sluggish, averaging only 5% per year.
- **Step 2: Identify where you want to be.** "Where you want to be" may be identified by using different terms—the desired state, the future target, or a stretch goal. It stands to reason that you'll want to consider your current state (from Step 1) and where you want to be in a reasonable time frame. Do you want to increase market share by 10% within the first year? Do you want to increase market share by 25% within the first three years? Because strategic plans often go out three to five years, your "where you want to be" can also be lengthy.
- **Step 3: Identify the gaps.** At this point in your gap analysis, you've identified where your organization current is and where it wants to be. Now it's time to identify how you will bridge that gap. This step involves figuring out what those gaps are. Is market share suffering because a new competitor introduced a similar but lower-priced product? Is your pricing too high, given production capabilities and costs? Has the advertising campaign introduced last year lost its sizzle, or worse yet, did your most recent campaign flop?
- **Step 4: Devise improvements to close the gaps.** It's time to determine the proper course of action to close the gap, keeping in mind the cost of implementation for each solution. This is where the rubber hits the road, so to speak, because ideas are easy; it's the execution of those ideas that becomes challenging. An effective gap analysis not only identifies the problems (i.e., gaps) but also sets forth what needs to happen in specific terms to close those gaps. Will a new advertising campaign boost market share? Do we need to hire a new advertising agency? And what will a new advertising campaign cost? Are there cost-cutting measures that can be taken to reduce manufacturing costs, thereby reducing the product's cost to consumers?

Step Four: Establish Objectives and Goals

With the mission and vision statement in place, along with a candid view of the organization through gap analysis, we can now define the organization's goals and objectives. Goals and objectives are a critical part of every organization, particularly in the strategic planning process. When written effectively, these goals provide direction and a clearer focus. It's these goals that give the organization a target at which it can aim, so to speak.

But before we go further, let's differentiate between goals and objectives. Both terms refer to desired outcomes the organization wants to achieve, but that's where the similarity ends. Goals are statements of desired outcomes expected to be achieved over a longer time, typically three to five years. Goals are broad statements of the desired results; they do not describe the methods that will be utilized to achieve those results. For example, common business goals may include increasing revenue or market share or reducing the company's carbon footprint (Birt, 2022).

On the other hand, objectives are "action items." They are specific targets to be achieved within a shorter time frame, generally one year or less, to achieve the stated goal. Whereas goals describe the end result, objectives describe the actions or activities that need to take place to achieve the goal. For example, if your goal was to increase market share, the objective would likely be stated as something like "Increase market share to 6% by the end of the year" (Birt, 2022).

The goals and objectives of an organization define the key actions that allow it to execute its chosen strategy. However, to be effective, goals and objectives should be SMART—specific, measurable, attainable, realistic/relevant, and time-bound—as shown in Figure 2.4.

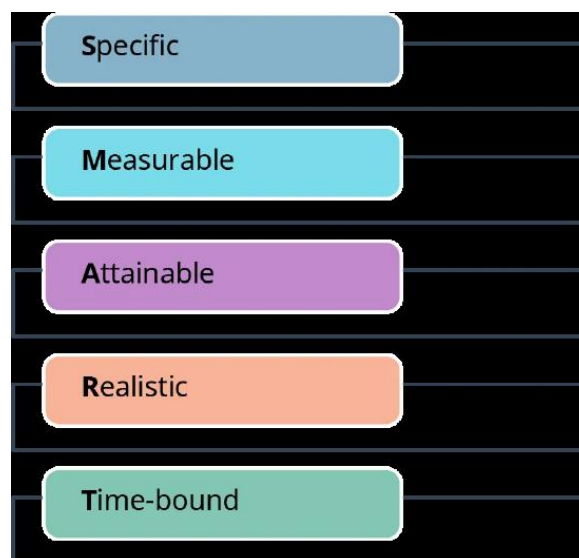


Figure 2.4 SMART Goals (CC BY 4.0; Rice University & OpenStax)

- First, effective goals should be **specific**—there's the "S" in SMART goals. They should be clear and easy to understand. A specific goal answers questions like "What needs to be accomplished?" To illustrate this, imagine you've decided to improve your grade point average. "Improve my GPA" is indeed a goal, but it's too vague to be a helpful goal. By how many points do you want to improve your GPA? To make your goal more meaningful (and specific), you might want to restate your goal as "Improve my current GPA from 2.8 to 3.5."
- Second, effective goals should be **measurable**—there's the "M" in SMART goals. Specificity is a solid start, but quantifying your goals makes it easier to track progress and see when you've achieved your goal. The bottom line is that you can't see results without knowing what they look like, and if you're not measuring anything, how will you know when and if you've accomplished it? Your original goal of "improving my GPA" isn't measurable. How will you know when you've achieved your goal? When you've increased it by .1, .2, .5, or even a full point? By setting a goal to "improve my current GPA from 2.8 to 3.5 by the end of the semester," you've set a goal that's easily measurable—just look at your grades at the end of the semester!
- Third, effective goals should be **attainable**. There's actually some disagreement as to the name of this third element. Some marketing experts tout using "ambitious"; others suggest "achievable" or "actionable." For our purposes, we will stick with "attainable" because although goals should be a reach, establishing goals that aren't within reach can turn out to be an exercise in frustration. Let's go back to our GPA analogy. If it's mid-April and you're barely passing your current classes, you're just setting yourself up for failure.

- Fourth, effective goals should be **realistic**. Once again, there's actually some disagreement as to the name of this element; you may see it shown as "relevant" in other textbooks or articles. We will use "realistic" because the term reflects the balance between goals that are too easy and too hard. Taken in the context of a strategic plan, your goals must represent a substantial objective that you're willing and able to work toward, but there should be a reasonable chance that you can achieve it (Sabell, 2021). Returning to our GPA analogy, if you've got Cs in all of your classes and it's already mid-April, improving your GPA to 3.5 by the end of the semester is probably not realistic.
- Finally, effective goals should be **time-bound**. Every goal should be grounded by a time frame within which the goal is to be achieved. Without a deadline, there is little sense of urgency to work to achieve the goal. Having a goal with a target date (like the end of the semester) gives you something to focus on and work toward and prevents everyday tasks from taking priority over your longer-term goals.

Link to Learning: SMART Goals

For more information on establishing SMART Goals, check out this video from SMA Marketing:



Monitor Progress

If you had decided to save money from each of your paychecks to eventually purchase a new car, you'd probably check the balance in your savings account on a regular basis to see how you're progressing toward your goal. The same is true in the strategic planning process. In order for goals and objectives to be effective, marketers need to monitor them on a continuous basis to determine if they're on track or if the goals and objectives need to be refined in response to unforeseen circumstances.

One way that marketers accomplish this is through the use of a marketing dashboard. Like the dashboard in your car, which tells you at a glance how much fuel you have, how fast you're going, and a host of other important information, a marketing dashboard summarizes important marketing metrics and key performance indicators (KPIs; to be covered later in this chapter) into easy-to-understand measurements (Skyward Staff, 2016). This enables marketers to view ongoing progress so that they can be aware of potential problems before they actually become serious issues.

Careers In Marketing: Marketing Manager

Marketing manager jobs differ by company and industry, but in general, it's a leadership position in charge of the marketing strategy of a company or a product. Marketing managers often complete research, create pricing parameters, and work with other departments within the company, such as finance, legal, advertising, promotion, and product development. [Read this Marketing Manager article to learn more about](#) the specifics of what a marketing manager does and the existing types of marketing managers. It's commonly known that marketing managers must be proficient in problem-solving. [Read this article to learn why it's important](#) and the specific skills you'll need.

There is growth potential in being a marketing manager. The US Bureau of Labor Statistics projects a 10% growth in the job role from 2021 to 2031, and you can read more about the job outlook [here](#).

Would you like to know more about the job role? Read this [Forbes article to learn the top skills necessary](#), the typical path to this job, and its degree requirements.

There are many types of jobs in marketing. You'll be introduced to several throughout this textbook. You'll also want to check out this list of [15 job titles and what the job role encompasses](#). Keep in mind that regardless of where you start in marketing, you have options as you move in your career journey. Many people move between marketing roles, and the skills you learn in each role will help you in other roles.

Knowledge Check

It's time to check your knowledge of the concepts presented in this section. Refer to the Answer Key at the end of the book for feedback.

1.

Which of the following defines the reason why the business exists?

- a. Vision statement
- b. Mission statement
- c. Gap analysis
- d. Goals and objectives

2.

Which of the following strategies covers the entire organization when the business includes multiple divisions or operating units?

- a. Functional strategy
- b. Strategic business unit strategy
- c. Corporate-level strategy
- d. Business-level strategy

3.

What do you call the plans, actions, objectives, and goals that outline how a business will compete in its chosen markets?

- a. Mission statement
- b. Vision statement
- c. Gap analysis
- d. Strategy

4.

Which of the following best describes a gap analysis?

- a. A statement that answers the question, Where do we see the business going?
- b. An internal analysis of the company to identify inherent deficiencies that may hinder its ability to meet its goals
- c. A statement that answers the question, Why does the business exist?
- d. A strategic plan created for a single business or operating unit

5.

In "SMART goals," what does the "R" stand for?

- a. Relatable
- b. Rational
- c. Required
- d. Realistic

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