

# Types of Plans

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## WHAT'S COVERED

In this lesson, you will learn to identify different types of plans and control systems employed by organizations. Specifically, this lesson will cover:

## 1. Major Plan Categories

Managers create different types of plans to guide operations and to monitor and control organizational activities. In this section, we introduce several commonly used plans. The major categories are hierarchical, frequency-of-use (repetitiveness), time frame, organizational scope, and contingency.

### 1a. Hierarchical Plans

Organizations can be viewed as a three-layer cake with three levels—institutional, administrative, and technical core—each associated with a particular type of plan. The three types of hierarchical plans are strategic, administrative, and operating (technical core). All three hierarchical plans are interdependent.

Strategic management is that part of the management process concerned with the overall integration of an organization's internal divisions while simultaneously integrating the organization with its external environment. Strategic management formulates and implements tactics that try to match an organization as closely as possible to its task environment for the purpose of meeting its objectives.

**Strategic plans** address the organization's institutional-level needs. Strategic plans outline a long-term vision for the organization. They specify the organization's reason for being, its strategic objectives, and its operational strategies—the action statements that specify how the organization's strategic goals are to be achieved.

Part of strategic planning involves creating the organization's mission, a statement that specifies an organization's reason for being and answers the question, "What business(es) should we undertake?" The mission and the strategic plan are major guiding documents for activities that the organization pursues. Strategic plans have several defining characteristics: They are long-term and position an organization within its task environment; they are pervasive and cover many organizational activities; they integrate, guide, and control activities for the immediate and the long term; and they establish boundaries for managerial decision-making.

**Operating plans** provide direction and action statements for activities in the organization's technical core.

**Administrative plans** work to integrate institutional-level plans with the operating plans and tie together all of the plans created for the organization's technical core.



## TERMS TO KNOW

### Strategic Plans

Hierarchical plans that address an organization's institutional-level needs and attempt to position it advantageously within its task environment.

### Operating Plans

Direction and action statements for activities in the organization's technical core.

### Administrative Plans

Plans that work to integrate institutional-level plans with the operating plans and tie together all of the plans created for the organization's technical core.

## 1b. Frequency-of-Use Plans

Another category of plans is frequency-of-use plans. Some plans are used repeatedly; others are used for a single purpose. **Standing plans**, such as rules, policies, and procedures, are designed to cover issues that managers face repeatedly.

➞ **EXAMPLE** Managers may be concerned about tardiness, a problem that may occur often in the entire workforce. These managers might decide to develop a standing policy to be implemented automatically each time an employee is late for work. The procedure invoked under such a standing plan is called a standard operating procedure (SOP).

**Single-use plans** are developed for unique situations or problems and are usually replaced after one use. Managers generally use three types of single-use plans: programs, projects, and budgets.



## TERMS TO KNOW

### Standing Plans

Rules, policies, and procedures about how to deal with issues that managers face repeatedly.

### Single-use Plans

Plans developed for unique situations or problems and one-time use.

## 1c. Time Frame Plans

The organization's need to address the future is captured by its **time frame plans**. This need to address the future through planning is reflected in short-, medium-, and long-range plans. Given the uniqueness of industries and the different time orientations of societies, the times captured by short-, medium-, and long-range plans vary tremendously across organizations of the world. Konosuke Matsushita's 250-year plan, which he developed for the company that bears his name, is not exactly typical of the long-range plans of U.S. companies!

Short-, medium-, and long-range plans differ in more ways than the time they cover. Typically, the further a plan projects into the future, the more uncertainty planners encounter. As a consequence, long-range plans are usually less specific than shorter-range plans. Also, long-range plans are usually less formal, less detailed, and more flexible than short-range plans in order to accommodate such uncertainty. Long-range plans also tend to be more directional in nature.



## TERM TO KNOW

### Time Frame Plans

Duration is captured in short-, medium-, and long-range plans (long-range plans are usually less

formal, less detailed, and more flexible in order to accommodate uncertainty).

## 1d. Organizational Scope Plans

Plans vary in scope. Some plans focus on an entire organization. For example, the president of the University of Minnesota advanced a plan to make the university one of the top five educational institutions in the United States. This strategic plan focuses on the entire institution. Other plans are narrower in scope and concentrate on a subset of organizational activities or operating units, such as the food services unit of the university.

## 1e. Contingency Plans

Organizations often engage in contingency planning (also referred to as scenario or “what if” planning). You will recall that the planning process is based on certain premises about what is likely to happen in an organization’s environment. **Contingency plans** are created to deal with what might happen if these assumptions turn out to be wrong. Contingency planning is thus the development of alternative courses of action to be implemented if events disrupt a planned course of action. A contingency plan allows management to act immediately if an unplanned occurrence, such as a strike, boycott, natural disaster, or major economic shift, renders existing plans inoperable or inappropriate. For example, airlines develop contingency plans to deal with terrorism and air tragedies.



### DID YOU KNOW

Most contingency plans are never implemented, but when needed, they are of crucial importance.



### REFLECT

Define and describe the different types of plans outlined above and how organizations use them.



### TERM TO KNOW

#### Contingency Plans

Plans that deal with alternative courses of action.



### SUMMARY

In this lesson, you learned about the different types of plans managers create to guide operations and to monitor and control organizational activities, discussing the **major plan categories** that are commonly used:

- The three types of interdependent **hierarchical plans**—strategic plans, which address the organization’s institutional-level needs; operating plans, which provide direction and action statements for activities in the organization’s technical core; and administrative plans, which work to integrate institutional-level plans with the operating plans and tie together all of the plans created for the organization’s technical core.
- **Frequency-of-use plans**, a category comprising plans that are used repeatedly (standing plans) and plans that are used for a single purpose (single-use plans).
- **Time frame plans** capture an organization’s need to address the future, reflected in short-, medium-, and long-range plans.
- **Organizational scope plans** vary in scope, with some focusing on an entire organization and others concentrating on a subset of organizational activities or operating units.
- **Contingency plans** involve the development of alternative courses of action to be implemented if

events disrupt a planned course of action; while most contingency plans are never implemented, they are critically important if needed.

Best of luck in your learning!

Source: Access for free at <https://openstax.org/books/principles-management/pages/1-introduction>



## TERMS TO KNOW

### **Administrative Plans**

Plans that work to integrate institutional-level plans with the operating plans and tie together all of the plans created for the organization's technical core.

### **Contingency Plans**

Plans that deal with alternative courses of action.

### **Operating Plans**

Direction and action statements for activities in the organization's technical core.

### **Single-use Plans**

Plans developed for unique situations or problems and one-time use.

### **Standing Plans**

Rules, policies, and procedures about how to deal with issues that managers face repeatedly.

### **Strategic Plans**

Hierarchical plans that address an organization's institutional-level needs and attempt to position it advantageously within its task environment.

### **Time Frame Plans**

Duration is captured in short-, medium-, and long-range plans (long-range plans are usually less formal, less detailed, and more flexible in order to accommodate uncertainty).