**Strategic Thinking and Planning- Business Policy and Strategic Management**

**INTRODUCTION**

The top management of any organization is concerned with selection of a course of action from among different alternatives to meet the organizational objectives. The process by which objectives are formulated and achieved is known as *strategic management* and *strategy* acts as the means to achieve the objective. Strategy is the grand design or an overall 'plan' which an organization chooses in order to move or react towards the set objectives by using its resources. Strategies most often devote a general programme of action and an implied deployment of emphasis and resources to attain cornprehensive objectives. An organization is considered efficient and operationally effective if it is characterized by coordination between objectives and strategies. There has to be integration of the parts into a complete structure. Strategy helps the organization to meet its uncertain situations with due diligence. Without a strategy, the organization is like a ship without a model. It is like a hobo, which has no particular destination to go to. Without an appropriate strategy effectively implemented, the future is always dark and hence, more are the chances of business failure.

Strategic Management can be defined as the art and science of formulation, implementing & evaluating cross-functional decisions that enable an organization to achieve its objectives.

**SM focuses on:-**

Integrating Management, marketing, Account/Finance, Production/ Operations, R&D and computer information systems to achieve organizational success.

**MEANING of STRATEGIC PLAN**

A Strategic plan is, in essence, a company’s game plan. Just as a cricket team needs good game plan to have a chance for success, a company requires a good strategic plan to compete successfully. Profit Margins among firms in most industries have been so results from tough managerial choices among numerous good alternatives, and it signals commitment to specific markets, policies, procedures and operations in lieu of other less desirable courses of action.

**SM is all about- HOW?**

**How -> to achieve performance targets.**

**How -> to outcompete Rivals?**

**How -> to achieve sustainable competitive advantage?**

The dictionary meaning of strategy is, "the art of so moving or disposing the instrument of warfare as to impose upon enemy, the place time and conditions for 1 fighting by one self." I In management, the concept of strategy is taken in more broader terms. According to Glueck, "Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprise are achieved through 7 proper implementation processes." This definition of strategy lays stress on the following: a) Unified comprehensive and integrated plan. b) Strategic advantage related to challenges of environment. c) Proper implementation ensuring achievement of basic objectives.

Another definition of strategy is given below which also relates strategy to its environment. " Strategy is organization's pattern of response to its environment over a period of time to achieve its goals and mission." This definition lays stress on the following: a) It is organization’s pattern of response to its environment. b) The objective is to achieve its goals and mission.

However, various experts do not agree about the precise scope of strategy. Lack of consensus has lead to two broad categories of definitions: strategy as action inclusive of objective setting and strategy as action exclusive of objective setting.

**Strategy as Action, Inclusive of Objective Setting**

In 1960s, Chandler made an attempt to define strategy as "the determination of basic long term goals and objective of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals."

This definition provides for three types of actions involved in strategy:

i) Determination of long term goals and objectives. ii) Adoption of courses of action. iii) Allocation of resources.

**Strategy as Action Exclusive of Objective Setting**

This is another view in which strategy has been defined. It states that strategy is a way in which the firm, reacting to its environment, deploys its principal resources and marshals its efforts in pursuit of its purpose. Michael Porter has defined strategy as "Creation of a unique and valued position involving a different set of activities. The company that is strategically positioned performs different activities from rivals or performs similar activities in different ways."

The people who believe this version of the definition call strategy a unified, Concept of Strategy comprehensive and integrated plan relating to the strategic advantages of the firm to the challenges of the environment.

After considering both the views, strategy can simply be put as management's plan for achieving its objectives. It basically includes determination and evolution of alternative paths to an already established mission or objective and eventually, choice of best alternative to be adopted.

Based on tlie above definitions, we can understand the nature of strategy. A few aspects regarding nature of strategy are as follows:

**Nature of Strategy**

Strategy is a major course of action through which an organization relates itself to its environment particularly the external factors to facilitate all actions involved in meeting the objectives of the organization.

Strategy is the blend of internal and external factors. To meet the opportunities and threats provided by the external factors, internal factors are matched with.

Strategy is the combination of actions aimed to meet a particular condition, to solve certain problems or to achieve a desirable end. The actions are different for different situations.

Due to its dependence on environmental variables, strategy may involve a contradictory action. An organization may take contradictory actions either simultaneously or with a gap of time. For example, a fir111 is engaged in closing down of some of its business and at the same time expanding some.

Strategy is future oriented. Strategic actions are required for new situations which have not arisen before in the past.

Strategy requires some systems and norms for its efficient adoption in any organization.

Strategy provides overall framework for guiding enterprise thinking and action.

The purpose of strategy is to determine and communicate a picture of enterprise through a system of major objectives and policies. Strategy is concerned with a unified direction and efficient allocation of an organization's resources. A well made strategy guides managerial action and thought. It provides an integrated approach for the organization and aids in meeting the challenges posed by environment.

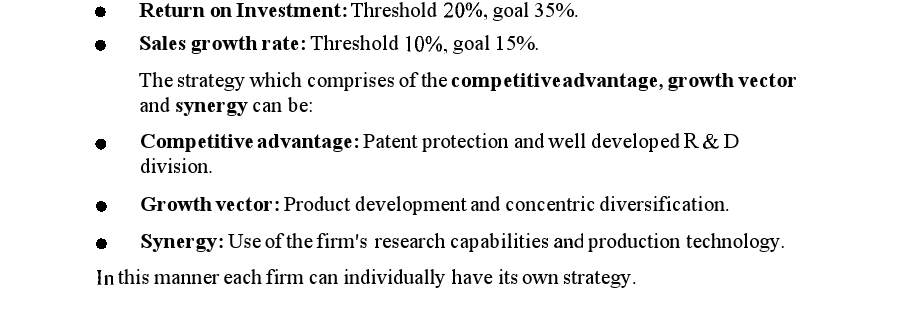
**Essence of Strategy**

Strategy, includes the determination and evaluation of alternative paths to an already established mission or objective and eventually, choice of the alternative to be adopted. Strategy is characterized by four I important aspects.

1. Long term objectives
2. Competitive Advantage
3. Vector
4. **Synergy**

Once we take a series of decisions to accomplish objectives in the same direction, there will be synergy. Strategies boost the prospects by providing synergy.

Let us now take an example to illustrate the essence of strategy in a firm dealing with chemicals. The scope of the firm relating tlie product is basic chemicals and pharmaceuticals.



**STRATEGY VS POLICIES AND TACTICS**

In this section, the concept of strategy is compared with concept of policies and tactics.

**Strategy v/s Policies**

Strategy has often been used as a synonym of policy. However, both are different and should not be used interchangeably.

Policy is the guideline for decisions and actions on the part of subordinates. It is a general statement of understanding made for achievement of objectives. Policies are statements or a commonly accepted understanding of decision making. They are thought oriented. Power is delegated to the subordinates for implementation of policies. In general terms, policy is concerned with course of action chosen for the fulfillment of the set objectives. It is an overall guide that governs and controls managerial actions. Policies may be general or specific, organizational or functional, **I** written or implied. They should be clear and consistent. Policies have to be integrated so that strategy is implemented successfully and effectively. For example, when the performance of two employees is similar, the promotion policy may require the

promotion of the senior employee and hence lie would be eligible for promotion.

I

Strategies on the other hand are concerned with the direction in which human and physical resources are deployed and applied in order to maximize the chances of achieving organizational objectives in the face of environmental variable. Strategies are specific actions suggested to achieve the objectives. Strategies are action oriented and everyone in the organization are empowered to implement them. Strategy cannot

be delegated downward because it may require last minute decisions.

Strategies and polices both are the miens towards the end. In other words, both are directed towards meeting organizational objectives. Strategy is a rule for making decision while policy is contingent decision.

**Strategy v/s Tactics**

Strategies are on one end ofthe organizational decisions spectriun while tactics lie on tlie other end.

Carl Von Clausewitz, a Prussian army general and military scientist defines military strategy as making use of battles in the furtherance of tlie war and tlie tactics as "the use of arined forces in battle". A few points of distinction between the two are as follows:

1. Strategy determines tlie major plalis to be undertaken while tactics is the means by which previously determined plans are executed.
2. Tlie basic goal of strategy according to military science is to break tlie will of the army, deprive the eneiny of the means to fight, occupy his territory, destroy or obtain control of his resources or make him surrender. The goal of tactics is to achieve success in a given action and this forms one part of a group of related military action.
3. Tactics decisions can be delegated to all the levels of an organization while strategic decisions cannot be delegated too low in the organization. The authority is not delegated below the levels than those which possess the perspective required for taking decisions effectively.
4. Strategy is formulated in both a continuous as well as irregular manner. The decisions are taken on the basis of opportunities, new ideas etc. Tactics is determined on a periodic basis by various organizatio~~As .f ixed time table may be made for following tactics.
5. Strategy has a long term perspective and occasionally it may have a short term duration. Thus, the time horizon in terms of strategy is flexible but in case of tactics, it is short run and definite.
6. The decisions taken as part of strategy for~nulationa nd imple~nentationh ave a high element of uncertainty and are taken under the conditions of partial ignorance. In contrast tactical decisions are more certain as they work upon the framework set by the strategy. So the evaluation of strategy is difficult than the evaluation of tactics.
7. Since an attempt is made in strategy to relate the organization with its environment, the requirement of information is more than that required in tactics. Tactics use information available internally in an organization.
8. The formulation of strategy is affected considerably by the personal values of the person involved in the process but the same is not tlie case in tactics implementation.
9. Strategies are the most important factor of organization because they decide the future course of action for organization as a whole. On the other hand tactics are of less importance because they are concerned with specific part of the organization.

**STRATEGY V/S PROGRAMMES, PROCEDURE AND RULES**

In this section, the relationship of strategy is explained with programmes, procedure and rules.

**Programmes**

A programme is a single use comprehensive plan laying down the principle steps for accomplish specific objective and sets an approximate time limit for each stage.

It is basically concerned with providing answers to questions like: By whom will the actions be taken up? When will the actions be taken? Where will the actions be taken'? Programmes are guided by organization's objectives and strategies and cover many of the other types of plans. Therefore, they provide a step by step approach to guide the action necessary to meet the objectives as set in the strategy. Programmes provide the sequence of activities in a proper order which are designed to implement policies. Programmes are the instruments for coordination as they require system, thinking and action. They also involve integrated and coordinated planning efforts.

**Procedure**

I11 general terms, a procedure can be defined as " A series of functions or steps performed to accomplish a specific task or undertaking." Strategies, programmes, policies, budgets etc. need to be supplemented with detailed specifications i.e. how they are to operate or would operate. A procedure is a precise means of making a step by step guide to action that operates within a policy framework. Most companies have hundreds of procedt~~.Ie isk e selection, promotion, transfer etc. They are essential for smooth opernt ll>n of the business activities. For example, procedure may include calling tentle~s for purchasing materials, keeping them in stock roo111 and issuing them against requisition slips. Procedures are concerned witli com~nunicatioo~fit asks to be perfor~ncdo, rganization interfaces and the responsibilities ofthe ndividuals involved.

The) describe the customary method for handling a future activity. It gives sequence of actions directed at a single goal (usually short term) that is repeatedly pursued, i.e. adopting budget, making procedures or granting sick leave to an employee against medical certificate etc. Procedures are more rigid and allow no freedom as against strategies which are flexible and are not concerned with fixed steps.

**Rules**

A rule is principle to which an action or a procedure conforms or is intended to conform. It is a standard or a norm to be followed in the conduct of a business in a particular situation. It is more rigid and demands a specific action with respect to particular situation. It does not mention any kind oftime estimate or sequence as in the case of procedures. It is much more specific than a policy. It allows no liberty or leniency and does not tolerate much deviati In. Rules have to be strictly followed and

lion compliance may entail penalty or punishment. For example, "NO Smoking" is a rule wliicli has to be adhered to, by all tlie levels of management.

**LEVELS OF STRATEGY**

It is believed that strategic decision making is the responsibility oftop management. However, it is considered useful to distinguish between the levels of operation of the strategy. Strategy operates at different levels ***vis-a-vis:***

* **Corporate Level**
* **Business Level**
* **Functional Level**

There are basically two categories of companies- one, which have different businesses organized as different directions or product groups known as profit centers or strategic business units (SBUs) and other, wliicli consists of co~npaniesw liicli are single product companies. The example of first category can be that of Reliance Industries Limited which is a highly integrated company producing textiles, yarn, and avariety of petro chemical products and the example of the second category could be Ashok Leyland Limited wliicli is engaged in the manufacturing and selling of heavy commercial vehicles. The fundamental concept in the SBU is the identification of discrete independent product/ market segments served by the organization. Because ofthe different environments served by each product, a SBU is

created for each independent product/ segment. Each and every SBU is different from another SBU due to the distinct business areas (DBAs) it is serving. Eacli SBU has a clearly defined product market segment and strategy. It develops its strategy according to its own capabilities and needs with overall organizations

capabilities and needs. Eacli SBU allocates resources according to its individual requirements for the achievement of organizational objectives. As against the multi product organizations, the single product organizations have single Strategic Business Unit. In these organizations, corporate level strategy serves the whole business. The strategy is implanted at tlie next lower level by functional strategies. In multiple product company, a strategy is formulated for each SBU (known as business level strategy) and such strategies lie between corporate and functional level The three levels are explained as follows:

**Corporate Level Strategy**

At the corporate level, strategies are formulated according to organization wise polices. These are value oriented, conceptual and less concrete than decisions at the other two levels. These are characterized by greater risk, cost and profit potential as well as flexibility. Mostly, corporate level strategies are futuristic, innovation and pervasive in nature. They occupy the highest level of strategic decision making and

**Business Level Strategy**

The strategies formulated by each SBU to make best use of its resources given the environment it faces, come under the gamut of business level strategies. At such a level, strategy is a comprehensive plan providing objectives for SBUs, allocation of resources among functional areas and coordination between them for achievement of corporate level objectives. These strategies operate within the overall organizational strategies i.e. within the broad constraints and polices and long term objectives set by

the corporate strategy. The SBU managers are involved in this level of strategy. The strategies are related with a unit within the organization. The SBU operates within the defined scope of operations by the corporate level strategy and is limited by the assignment of resources by the corporate level. However, corporate strategy is not the sum total of business strategies of the organization. Business strategy relates with the "how" and the corporate strategy relates with the "whaf"' Business strategy defines the choice of product or service and market of individual business within the firm. The corporate strategy has impact on business strategy.

**Functional Level Strategy**

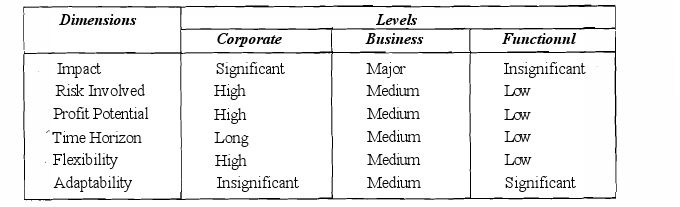
This strategy relates to a single functional operation and the activities involved therein. This level is at the operating end of the organization. The decisions at this level within the organization are described as tactical. The strategies are concerned with how different functions of the enterprise like marketing, finance, manufacturing etc. contribute to the strategy of other levels. Functional strategy deals with a

relatively restricted plan providing objectives for specific function, allocation of resources among different operations within the functional area and coordination between them for achievement of SBU and corporate level objectives.

Sometimes a fourth level of strategy also exists. This level is known as the operating level. It comes below the functional level strategy and involves actions relating to various sub functions of the major function. For example, the functional level strategy of marketing function is divided into operating levels such as marketing research, sales promotion etc.

Three levels of strategies have different characteristics as shown in the following table.

**Strategic Decisions at Different Levels**



**IMPORTANCE OF STRATEGY**

With the increase in the pressure of external threats, companies have to make clear strategies and implement them effectively so as to survive. There have been companies like Martin Burn, Jessops etc. that have completely become extinct and some companies which were nonexistent before they became the market leaders like Reliance, Infosys, Technologies etc. The basic factor responsible for differentiation has not been governmental policies, infrastructure or labor relations but the type of strategic thinking that different companies have shown in conducting the business.

**Strategy provides various benefits to its users:**

* Strategy helps an organization to take decisions on long range forecasts.
* It allows the firm to deal with a new trend and meet competition in an effective manner.
* With the help of strategy, the management becomes flexible to meet unanticipated changes.
* Efficient strategy formation and implementation result into financial benefits to the organization in the form of increased profits.
* Strategy provides focus in terms of organizational objectives and thus provides clarity of direction for achieving the objectives.
* Organizational effectiveness is ensured with effective implementation of the strategy.
* Strategy contributes towards organizational effectiveness by providing satisfaction to the personnel.
* It gets managers into the habit of thinking and thus makes them, proactive and more conscious of their environment.
* It provides motivation to employees as it paves the way for them to shape their work in the context of shared corporate goals and ultimately they work for the achievement of these goals.
* Strategy formulation & implementation gives an opportunity to the management to involve different levels of management in the process.
* It improves corporate communication, coordination and allocation of resources.

With all the benefits listed above, it is quite clear that strategy forms an integral part of an organization and is the means to achieve the end in an efficient and effective manner.

Features of Strategy

1. Strategy is Significant because it is not possible to foresee the future. Without a perfect foresight, the firms must be ready to deal with the uncertain events which constitute the business environment.
2. Strategy deals with long term developments rather than routine operations, i.e. it deals with probability of innovations or new products, new methods of productions, or new markets to be developed in future.
3. Strategy is created to take into account the probable behavior of customers and competitors. Strategies dealing with employees will predict the employee behavior.

**Strategy is a well defined roadmap of an organization**. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization’s strengths and to minimize the strengths of the competitors.

Strategy, in short, bridges the gap between “where we are” and “where we want to be”.

The strategy statement of a firm sets the firm’s long-term strategic direction and broad policy directions. It gives the firm a clear sense of direction and a blueprint for the firm’s activities for the upcoming years. The main constituents of a strategic statement are as follows:

1. Strategic Intent

An organization’s strategic intent is the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage. Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company’s vision. It motivates the people. It clarifies the vision of the vision of the company. Strategic intent helps management to emphasize and concentrate on the priorities. Strategic intent is, nothing but, the influencing of an organization’s resource potential and core competencies to achieve what at first may seem to be unachievable goals in the competitive environment. A well expressed strategic intent should guide/steer the development of strategic intent or the setting of goals and objectives that require that all of organization’s competencies be controlled to maximum value.

Strategic intent includes directing organization’s attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and team participation as well as contribution; and utilizing intent to direct allocation of resources. Strategic intent differs from strategic fit in a way that while strategic fit deals with harmonizing available resources and potentials to the external environment, strategic intent emphasizes on building new resources and potentials so as to create and exploit future opportunities.

1. Mission Statement

Mission statement is the statement of the role by which an organization intends to serve it’s stakeholders. It describes why an organization is operating and thus provides a framework within which strategies are formulated. It describes what the organization does (i.e., present capabilities), who all it serves (i.e., stakeholders) and what makes an organization unique (i.e., reason for existence). A mission statement differentiates an organization from others by explaining its broad scope of activities, its products, and technologies it uses to achieve its goals and objectives. It talks about an organization’s present (i.e., “about where we are”). For instance, **Microsoft’s mission** is to help people and businesses throughout the world to realize their full potential. **Wal-Mart’s mission** is “To give ordinary folk the chance to buy the same thing as rich people.” Mission statements always exist at top level of an organization, but may also be made for various organizational levels. Chief executive plays a significant role in formulation of mission statement. Once the mission statement is formulated, it serves the organization in long run, but it may become ambiguous with organizational growth and innovations. In today’s dynamic and competitive environment, mission may need to be redefined. However, care must be taken that the redefined mission statement should have original fundamentals/components. Mission statement has three main components-a statement of mission or vision of the company, a statement of the core values that shape the acts and behaviour of the employees, and a statement of the goals and objectives.

Features of a Mission

* 1. Mission must be **feasible** and attainable. It should be possible to achieve it.
  2. Mission should be **clear** enough so that any action can be taken.
  3. It should be **inspiring** for the management, staff and society at large.
  4. It should be **precise** enough, i.e., it should be neither too broad nor too narrow.
  5. It should be **unique** and distinctive to leave an impact in everyone’s mind.
  6. It should be **analytical, i.e**., it should analyze the key components of the strategy.
  7. It should be **credible**, i.e., all stakeholders should be able to believe it.

1. Vision

A vision statement identifies where the organization wants or intends to be in future or where it should be to best meet the needs of the stakeholders. It describes dreams and aspirations for future. For instance, **Microsoft’s vision** is “to empower people through great software, any time, any place, or any device.” **Wal-Mart’s vision** is to become worldwide leader in retailing. A vision is the potential to view things ahead of themselves. It answers the question “where we want to be”. It gives us a reminder about what we attempt to develop. A vision statement is for the organization and it’s members, unlike the mission statement which is for the customers/clients. It contributes in effective decision making as well as effective business planning. It incorporates a shared understanding about the nature and aim of the organization and utilizes this understanding to direct and guide the organization towards a better purpose. It describes that on achieving the mission, how the organizational future would appear to be.

An effective vision statement must have following features-

* 1. It must be **unambiguous**.
  2. It must be **clear**.
  3. It must **harmonize** with organization’s culture and values.
  4. The dreams and aspirations must be **rational/realistic**.
  5. Vision statements should be **shorter** so that they are easier to memorize.

In order to realize the vision, it must be deeply instilled in the organization, being owned and shared by everyone involved in the organization.

1. Goals and Objectives

A goal is a desired future state or objective that an organization tries to achieve. Goals specify in particular what must be done if an organization is to attain mission or vision. Goals make mission more prominent and concrete. They co-ordinate and integrate various functional and departmental areas in an organization. Well made goals have following features-

* 1. These are **precise and measurable**.
  2. These look after **critical and significant** issues.
  3. These are **realistic** and challenging.
  4. These must be achieved within a **specific time** frame.
  5. These include both **financial as well as non-financial components**.

Objectives are defined as goals that organization wants to achieve over a period of time. These are the foundation of planning. Policies are developed in an organization so as to achieve these objectives. Formulation of objectives is the task of top level management. Effective objectives have following features-

* 1. These are not single for an organization, but **multiple**.
  2. Objectives should be both **short-term as well as long-term**.
  3. Objectives must respond and react to changes in environment, i.e., they must be **flexible**.
  4. These must be feasible, **realistic and operational**.

The strategic management process means defining the organization’s strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance. Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet all the present and future competitor’s and then reassesses each strategy.

Strategies are involved in the formulation, implementation and evaluation of process. The hierarchy of strategic intent lays the foundation for strategic management process. The process of establishing the hierarchy of strategic intent is very complex. In this hierarchy, the vision, mission, business definition and objectives are established. Formulation of strategies is possible only when strategic intent is clearly set up. This step is mostly philosophical in nature. It will have long term impact on the organization.

**STRATEGIC INTENT**

The foundation for the strategic management is laid by the hierarchy of strategic intent. The concept of strategic intent makes clear WHAT AN ORGANISATION STANDS FOR, Harvard Business Review, 1989 described the concept in its infancy. Hamed and Prahalad coined the term strategic intent. A few aspects about strategic intent are as follows:

* It is an obsession with an organization.
* This obsession may even be out of proportion to their resources and capabilities.
* It envisions a derived leadership position and establishes the criterion, the organization will use to chart its progress.
* It involves the following:
* Creating and Communicating a vision
* Designing a mission statement
* Defining the business
* Setting objectives

**Vision** serves the purpose of stating what an organization wishes to achieve in the long run.

**Mission** relates an organization to society.

**Business** explains the business of an organization in terms of customer needs, customer groups and alternative technologies.

**Objectives** state what is to be achieved in a given time period.

* The strategic intent concept also encompasses an active management process that includes focusing the organization’s attention on the essence of winning.
* The concept of stretch and leverage is relevant in this context.

**Stretch** is a misfit between resources and aspirations.

**Leverage** concentrates, accumulates, conserves and recovers resources so that a meager resource base can be stretched. Leverage reduces the stretch and focuses mainly on efficient utilization of resources.

* The strategic fit matches organizational resources and environment. This positions the firm by assessing organizational capabilities and environmental opportunities.
* Under fit, the strategic intent would seem to be more realistic.
* It is hierarchy of intentions ranging from a board vision through mission and purpose down to specific objectives.

**VISION**

It is at the top in the hierarchy of strategic intent. It is what the firm would ultimately like to become. A few definitions are as follows:

Kotter “description of something (an organization, corporate culture, a business, a technology, an activity) in the future. The definition itself is comprehensive and states clearly the futuristic position.

Miller and Dess defined vision as the “category of intentions that are broad, all inclusive and forward thinking”

The definition lays stress on the following:

* Broad and all inclusive intentions;
* Vision is forward thinking process.

A few important aspects regarding vision are as follows:

* It is more of a dream than articulated idea.
* It is an aspiration of organization. Organization has to strive and exert to achieve it.
* It is powerful motivator to action.
* Vision articulates the position of an organization which it may attain in distant future.

**Envisioning**

This is the process of creating vision. It is a difficult and complex task. A well conceived vision must have:

* Core Ideology
* Envisioned Future

**Core Ideology** will remain unchanged. It has the enduring character. It consists of core values and core purpose. Core values are essential tenets of an organization. Core purpose is related to the reasoning of the existence of an organization.

**Envisioned Future** will basically deal with following:

* The long term objectives of the organization.
* Clear description of articulated future.

**Advantages of having a Vision**

A few benefits accruing to an organization having a vision are as follows:

* They foster experimentation.
* Vision promotes long term thinking.
* Visions foster risk taking.
* They can be used for the benefit of people.
* They make organizations competitive, original and unique.
* Good vision represents integrity.
* They are inspiring and motivating to people working in an organization.

**CORE VALUES AND CORE PURPOSE**

These concepts are important in the process of envisioning. Collins and Porras have developed this

concept for better philosophical perspective. A well conceived vision consists of core ideology and envisioned future. Core ideology rests on core values and core purpose.

**Core Values** are the essential and enduring tenets of an organization. They may be beliefs of top management regarding employees welfare, costumer’s interest and shareholder’s wealth. The beliefs may have economic orientation or social orientation.

Evidences clearly indicate that the core values of Tata’s are different from core values of Birla’s or Reliance. The entire organization structure revolves around the philosophy coming out of core values.

Core Purpose is the reason for existence of the organization. Its reasoning needs to be spelt.

A few characteristics of core purpose are as follows:

* It is the overall reason for the existence of organization.
* It is why of an organization.
* This mainly addresses to the issue which organization desires to achieve internally.
* It is the broad philosophical long term rationale.
* It is the linkage of organization with its own people.

**MISSION**

The mission statements stage the role that organization plays in society. It is one of the popular philosophical issues which is being looked into business managers since last few decades.

Definition

A few definitions of mission are as follows:

**Hynger and Wheelen** “ Purpose or reason for the organization’s existence.

**David F. Harvey** states “ A mission provides the basis of awareness of a sense of purpose, the competitive environment, degree to which the firm’s mission fits its capabilities and the opportunities which the government offers.

**Thompson** states mission as the “ essential purpose of the organization, concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy.

The above definition reveals the following:

* It is the essential purpose of organization.
* It answers “why the organization is in existence”.
* It is the basis of awareness of a sense of purpose.
* It fits its capabilities and the opportunities which government offers.

**Nature**

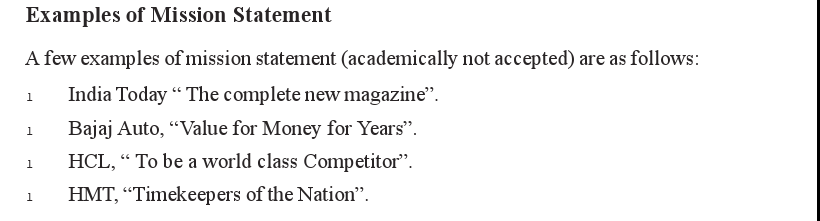
A few points regarding nature of mission statement are as follows:

* It gives social reasoning. It specifies the role which the organization plays in society. It is the basic reason for existence.
* It is philosophical and visionary and relates to top management values. It has long term perspective.
* It legitimizes societal existence.
* It has stylistic objectives. It reflects corporate philosophy, identity, character and image of organization.

**Characteristics**

In order to be effective, a mission statement should posses the following characteristics.

* A mission statement should be realistic and achievable. Impossible statements do not motivate people. Aims should be developed in such a way so that may become feasible.
* It should neither be too broad nor be too narrow. If it is broad, it will become meaningless. A narrower mission statement restricts the activities of organization. The mission statement should be precise.
* A mission statement should not be ambiguous. It must be clear for action. Highly philosophical statements do not give clarity.
* A mission statement should be distinct. If it is not distinct, it will not have any impact. Copied mission statements do not create any impression.
* It should have societal linkage. Linking the organization to society will build long term perspective in a better way.
* It should not be static. To cope up with ever changing environment, dynamic aspects be looked into.
* It should be motivating for members of the organization and of society. The employees of the organization may enthuse themselves with mission statement.
* The mission statement should indicate the process of accomplishing objectives.
* The clues to achieve the mission will be guiding force.

****

Some experts argue that these are the publicity slogans. They are not mission statements. A few other examples are as follows:

**Ranbaxy Industries** “To become a research based international Pharmaceuticals Company”.

**Eicher Consultancy** “To make India an economic power in the lifetime, about 10 to 15 years, of its founding senior managers.”

**Formulation of Mission Statements**

The mission statements are formulated from the following sources:

* National Priorities projected in plan documents and industrial policy statements.
* Corporate philosophy as developed over the years.
* Major strategists have vision to develop mission statements.
* The services of consultants may be hired.

**Mission vs Purpose**

The term purpose was used by some strategists. At some places, it was used as synonymous to mission. A few major points of distinction are as follows:

* Mission is the societal reasoning while the purpose is the overall reason.
* Mission is external reasoning and relates to external environment. Purpose is internal reasoning and relates to internal environment.
* Mission is for outsiders while purpose is for its own employees.

**BUSINESS DEFINITION**

It explains the business of an organization in terms of customer needs, customer groups and alternative technologies.

**Oerik Abell** suggests defining business along the three dimensions of customer groups, customer functions and alternative technologies. They are developed as follows:

* Customer groups are created according to the identity of the customers.
* Customer functions are based on provision of goods/services to customers.
* Alternative Technologies describe the manner in which a particular function can be performed for a customer.

For a watch making business, these dimensions may be outlined as follows:

* Customer groups are individual customers, commercial organizations, sports organizations, educational institutions etc.
* Customer functions are record time, finding time, alarm service etc. It may be a gift item also.
* Alternative technologies are manual, mechanical and automatic.

A clear business definition is helpful in identifying several strategic choices. The choices regarding various customer groups, various customer functions and alternative technologies give the strategists various strategic alternatives. The diversification, mergers and turnaround depend upon the business definition. Customer oriented approach of business makes the organization competitive. On the same lines, product/ service concept could also give strategic alternatives from a different angle. Business can be defined at the corporate or SBU levels.

At the corporate level, it will concern itself with the wider meaning of customer groups, customer functions and alternative technologies. If strategic alternatives are linked through a business definition, it results in considerable amount of synergic advantage.

The Five Stages of the Strategic Management Process

The strategic management process is more than just a set of rules to follow. It is a philosophical approach to business. Upper management must think strategically first, then apply that thought to a process. The strategic management process is best implemented when everyone within the business understands the strategy. The five stages of the process are goal-setting, analysis, strategy formation, strategy implementation and strategy monitoring.

[Strategic management](http://www.managementstudyguide.com/strategic-management.htm) is an ongoing process. Therefore, it must be realized that each component interacts with the other components and that this interaction often happens in chorus.

***Goal-Setting***

The purpose of goal-setting is to clarify the vision for your business. This stage consists of identifying three key facets: First, define both short- and long-term objectives. Second, identify the process of how to accomplish your objective. Finally, customize the process for your staff, give each person a task with which he can succeed. Keep in mind during this process your goals to be detailed, realistic and match the values of your vision. Typically, the final step in this stage is to write a mission statement that succinctly communicates your goals to both your shareholders and your staff.

***Analysis***

Analysis is a key stage because the information gained in this stage will shape the next two stages. In this stage, gather as much information and data relevant to accomplishing your vision. The focus of the analysis should be on understanding the needs of the business as a sustainable entity, its strategic direction and identifying initiatives that will help your business grow. Examine any external or internal -issues that can affect your goals and objectives. Make sure to identify both the strengths and weaknesses of your organization as well as any threats and opportunities that may arise along the path.

***Strategy Formulation***

The first step in forming a strategy is to review the information gleaned from completing the analysis. Determine what resources the business currently has that can help reach the defined goals and objectives. Identify any areas of which the business must seek external resources. The issues facing the company should be prioritized by their importance to your success. Once prioritized, begin formulating the strategy. Because business and economic situations are fluid, it is critical in this stage to develop alternative approaches that target each step of the plan.

***Strategy Implementation***

Successful strategy implementation is critical to the success of the business venture. This is the action stage of the strategic management process. If the overall strategy does not work with the business' current structure, a new structure should be installed at the beginning of this stage. Everyone within the organization must be made clear of their responsibilities and duties, and how that fits in with the overall goal. Additionally, any resources or funding for the venture must be secured at this point. Once the funding is in place and the employees are ready, execute the plan.

***Evaluation and Control***

Strategy evaluation and control actions include performance measurements, consistent review of internal and external issues and making corrective actions when necessary. Any successful evaluation of the strategy begins with defining the parameters to be measured. These parameters should mirror the goals set in Stage 1. Determine your progress by measuring the actual results versus the plan. Monitoring internal and external issues will also enable you to react to any substantial change in your business environment. If you determine that the strategy is not moving the company toward its goal, take corrective actions. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data gained in this stage should be retained to help with any future strategies.

**The Strategic Planning Process**

In today's highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for a large corporation to survive and prosper. The firm must engage in strategic planning that clearly defines objectives and assesses both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track.

**KEYWORDS**

