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Business Policy and Strategic Management

Learning Objectives

- Learn what business policy and strategy is all about.
- Know the framework and importance of strategic management.
- Know the strategic management process.
- Have an understanding of corporate vision and mission.
- Learn how strategy operates at different levels of the organization

Without a strategy the organization is like a ship without a rudder.

Joel Ross and Michael Kami

Strategic management is not a box of tricks or a bundle of techniques. It is analytical thinking and commitment of resources to action.

Peter Drucker

1. Introduction

This chapter introduces the concept of business policy and strategic management. With the increased competition, the management of business has acquired strategic dimension. All professionals, including the Chartered Accountants, working towards growth of their businesses must possess sound knowledge of strategic management. Business policy and strategic management are highly intertwined.

2. Business Policy as a Discipline

The origins of business policy can be traced back to 1911, when Harvard Business School introduced an integrative course in management aimed at the creation of general management capability. This course was based on interactive case studies which had been in use at the

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school for instructional purposes since 1908. The course was intended to enhance general managerial capability of students. However, the introduction of business policy in the curriculum of business schools / management institutes came much later. In 1969, the American Assembly of Collegiate Schools of Business, a regulatory body for business schools, made the course of business policy, a mandatory requirement for the purpose of recognition. During the next few decades, business policy as a course spread to different management institutes across different nations and become an integral part of management curriculum. Basically, business policy is considered as a higher level integrative course offered to students who have previously been through a set of core functional area courses. The term 'Business Policy' has been traditionally used though new titles for the course have begun to be introduced in recent years.

According to William F Glueck, development in business policy arose from the developments in the use of planning techniques by managers. Starting from day-to-day planning in earlier times, managers tried to anticipate the future through preparation of budgets and using control systems like capital budgeting and management by objectives. With the inability of these techniques to adequately emphasize the role of future, long-range planning came to be used. Soon, long-range planning was replaced by strategic planning, and later by strategic management, a term that is currently used to describe the process of strategic decision making.

Business policy, as defined by Christensen and others, is "the study of the functions and responsibilities of senior management, the crucial problems that affect success in the total enterprise, and the decisions that determine the direction of the organization and shape its future. The problems of policy in business, like those of policy in public affairs, have to do with the choice of purposes, the moulding of organizational identity and character, the continuous definition of what needs to be done, and the mobilization of resources for the attainment of goals in the face of competition or adverse circumstance.

Business Policy tends to emphasise on the rational-analytical aspect of strategic management. It presents a framework for understanding strategic decision making. Such a framework enables a person to make preparations for handling general management responsibilities.

3. Meaning and the Nature of Management

To understand strategic management to be studied later, we need to have a basic understanding of the term management. The term 'management' can be used in two major contexts.

(a) It is used with reference to a key group in an organisation in-charge of its affairs. In relation to an organisation, management is the chief organ entrusted with the task of making it a purposeful and productive entity, by undertaking the task of bringing together and integrating the disorganised resources of manpower, money, materials, and technology into a functioning whole.

An organisation becomes a unified functioning system when management

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systematically mobilises and utilises the diverse resources. The survival and success of an organisation depend to a large extent on the competence and character of its management. Management has to also facilitate organisational change and adaptation.

(b) The term is also used with reference to a set of interrelated functions and processes, to a field of study or discipline in social sciences and to a vocation or profession. The functions and processes of management are wide-ranging but closely interrelated. They range all the way from design of the organisation, determination of the goals and activities, mobilisation and acquisition of resources, allocation of tasks and resources among the personnel and activity units. They also include adoption of certain techniques, tools and methods for carrying on activities, through articulation of skills and efforts of organisational personnel in a unified manner and installation of communication and control systems to ensure that what is planned is achieved.

A wide range of definitions of management exist in the literature on management. Here we shall cite the definitions of a few theorists:

Peter Drucker: Management is a function, a discipline, a task to be done, and managers practise this discipline, carry out the functions and discharge these tasks.

Dalton McFarland: Management is the process by which managers create, direct, maintain and operate purposive organisations through systematic, co-ordinated an co-operative human effort.

Management is an influence process to make things happen, to gain command over phenomena, to induce and direct events and people in a particular manner. Influence is backed by power, competence, knowledge and resources. Managers formulate their goals, values and strategies, to cope with, to adapt and to adjust themselves with the behaviour and changes of the environment.

4. What is a Strategy?

A typical dictionary will define the word strategy as something that has to do with war and ways to win over enemy. In business organizational context the term is not much different. Businesses have to respond to dynamic and often hostile external forces for pursuit of their mission.

The very injection of the idea of strategy into business organizations is intended to unravel complexity and to reduce uncertainty of the environment. Strategy seeks to relate the goals of the organization to the means of achieving them. Strategy is the game plan management is using to take market position, conduct its operations, attract and satisfy customers, compete successfully, and achieve organizational objectives.

To the extent the term strategy is associated with unified design and action for achieving major goals, gaining command over the situation with a long-range perspective and securing a critically advantageous position. Its implications for corporate functioning are obvious.

We may define the term ‘strategy’ as a long range blueprint of an organization's desired image, direction and destination what it wants to be, what it wants to do and where it wants to go.

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Following other definitions are also important to understand the term:

Igor H. Ansoff	:	The common thread among the organization's activities and product-markets that defines the essential nature of business that the organization was or planned to be in future.
William F. Glueck	:	A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved.

Strategy is consciously considered and flexibly designed scheme of corporate intent and action to achieve effectiveness, to mobilise resources, to direct effort and behaviour, to handle events and problems, to perceive and utilise opportunities, and to meet challenges and threats to corporate survival and success.

Strategy is meant to fill in the need of organizations for a sense of dynamic direction, focus and cohesiveness. Objectives and goals alone do not fill in the need. Strategy provides an integrated framework for the top management to search for, evaluate and exploit beneficial opportunities, to perceive and meet potential threats and crises, to make full use of resources and strengths, to offset corporate weaknesses and to make major decisions in general. Top management operates in an environment of partial ignorance and uncertainty.

Strategies are formulated at the corporate, divisional and functional level. Corporate strategies are formulated by the top managers. They include the determination of the business lines, expansion and growth, vertical and horizontal integration, diversification, takeovers and mergers, new investment and divestment areas, R & D projects, and so on. These corporate wide strategies need to be operationalized by divisional and functional strategies regarding product lines, production volumes, quality ranges, prices, product promotion, market penetration, purchasing sources, personnel development and like.

However, strategy is no substitute for sound, alert and responsible management. Strategy can never be perfect, flawless and optimal. It is in the very nature of strategy that it is flexible and pragmatic; it is art of the possible; it does not preclude second-best choices, trade-offs, sudden emergencies, pervasive pressures, failures and frustrations. However, in a sound strategy, allowances are made for possible miscalculations and unanticipated events.

Strategy is partly proactive and partly reactive: A company's strategy is typically a blend of (1) proactive actions on the part of managers to improve the company's market position and financial performance and (2) as needed reactions to unanticipated developments and fresh market conditions.

The biggest portion of a company's current strategy flows from previously initiated actions and business approaches that are working well enough to merit continuation and newly launched managerial initiatives to strengthen the company's overall position and performance. This part of management's game plan is deliberate and proactive, standing as the product of management's analysis and strategic thinking about the company's situation and its conclusions about how to position the company in the marketplace and tackle the task of competing for buyer patronage.

But not every strategic move is the result of proactive plotting and deliberate management

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design. Things happen that cannot be fully anticipated or planned for. When market and competitive conditions take an unexpected turn or some aspect of a company's strategy hits a stone wall, some kind of strategic reaction or adjustment is required. Hence, a portion of a company's strategy is always developed as a reasoned response to unforeseen developments. But apart from adapting strategy to changes in the market, there is also a need to adapt strategy as new learning emerges about which pieces of the strategy are working well and which aren't and as management hits upon new ideas for improving the strategy. Crafting a strategy thus involves stitching together a proactive/intended strategy and then adapting first one piece and then another as circumstances surrounding the company's situation change or better options emerge-a reactive/adaptive strategy.

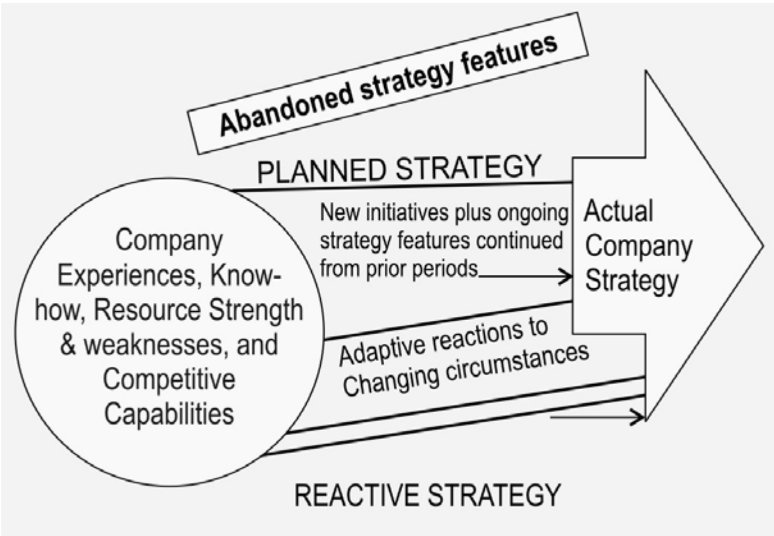

Figure: A Company's Actual Strategy Is Partly Planned & Partly Reactive

5. Corporate Strategy

Corporate strategy is basically the growth design of the firm; it spells out the growth objective - the direction, extent, pace and timing of the firm's growth. It also spells out the strategy for achieving the growth. Thus, we can also describe corporate strategy as the objective-strategy design of the firm. To arrive at such an objective-strategy design is the basic burden of corporate strategy formulation.

In corporate strategy, the set of goals has a system of priorities; the combination, the sequence and the timing of the moves, means and approaches are determined in advance, the initiative and responses have a cogent rationale behind them, are highly integrated and pragmatic; the implications of decisions and action programmes are corporate wide, flexible and contingent.

In general, a corporate strategy has the following characteristics:

♦ It is generally long-range in nature, though it is valid for short-range situations also and

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has short-range implications.

- It is action oriented and is more specific than objectives.
- It is multipronged and integrated.
- It is flexible and dynamic.
- It is formulated at the top management level, though middle and lower level managers are associated in their formulation and in designing sub-strategies.
- It is generally meant to cope with a competitive and complex setting.
- It flows out of the goals and objectives of the enterprise and is meant to translate them into realities.
- It is concerned with perceiving opportunities and threats and seizing initiatives to cope with them. It is also concerned with deployment of limited organizational resources in the best possible manner.
- It gives importance to combination, sequence, timing, direction and depth of various moves and action initiatives taken by managers to handle environmental uncertainties and complexities.
- It provides unified criteria for managers in function of decision making.

5.1 Nature, scope and concerns of corporate strategy

Corporate strategy is basically concerned with the choice of businesses, products and markets. The following points will clarify the corporate strategy.

- It can also be viewed as the objective-strategy design of the firm.
- It is the design for filling the firm's strategic planning gap.
- It is concerned with the choice of the firm's products and markets; it actually denotes the changes / additions / deletions in the firm's existing product-market postures. It spells out the businesses in which the firm will play, the markets in which it will operate and the customer needs it will serve.
- It ensures that the right fit is achieved between the firm and its environment.
- It helps build the relevant competitive advantages for the firm.
- Corporate objectives and corporate strategy together describe the firm's concept of business.

5.2 What does corporate strategy ensure?

Corporate strategy in the first place ensures the growth of the firm and ensures the correct alignment of the firm with its environment. It serves as the design for filling the strategic planning gap. It also helps build the relevant competitive advantages. Masterminding and working out the right fit between the firm and its external environment is the primary contribution of corporate strategy. Basically the purpose of corporate strategy is to harness the opportunities available in the environment, countering the threats embedded therein. How

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does corporate strategy actually accomplish this task? It is by matching the unique capabilities of the firm with the promises and threats of the environment that it achieves this task.

It is obvious that responding to environment is part and parcel of a firm's existence. The question is how good or how methodical is the response. This is where strategy steps in. Strategy is the opposite of adhoc responses to the changes in the environment-in competition, consumer tastes, technology and other variables. It amounts to long-term, well thought-out and prepared responses to the various forces in the business environment.

6. The Dynamics of Competitive Strategy

Strategic thinking involves orientation of the firm's internal environment with the changes of the external environment. The competitive strategy evolves out of consideration of several factors that are external to the firm as shown in the figure - Context in which competitive strategy is formulated.

The economic and technical components of the external environment are considered as major factors leading to new opportunities for the organization and also closing threats. Similarly the broader expectation of the society in which the organization operates is again an important factor to determine the competitive strategy. The strengths and weaknesses of organizations are the internal factors, which determine the corporate strategy. It is to be analysed and find out in which functional area such as marketing, R & D, operations, etc. the organization has superiority over the competitors. Strengths are to be considered in the context of the opportunities arising in the external environment. The personal values of the key implementers also play major roles in formulating the competitive strategy.

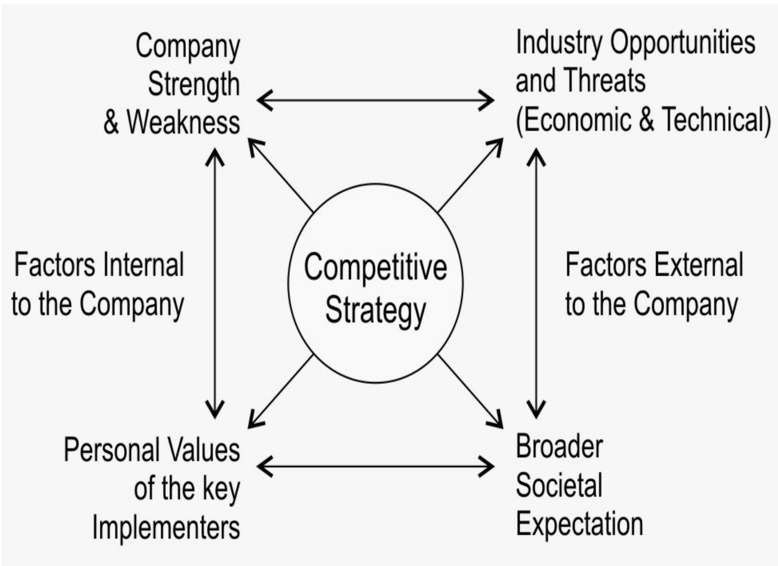

Figure: Context in which competitive strategy is formulated

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7. Strategic Management

In a hyper competitive marketplace, companies can operate successfully by creating and delivering superior value to target customers and also learning how to adapt to a continuously changing business environment. So to meet changing conditions in their industries, companies need to be farsighted and visionary, and must develop long-term strategies. Strategic planning, an important component of strategic management, involves developing a strategy to meet competition and ensure long-term survival and growth. The overall objectives of strategic management are two fold:

- To create competitive advantage, so that the company can outperform the competitors in order to have dominance over the market.
- To guide the company successfully through all changes in the environment.

The present organizational operations are highly influenced by the increasing rate of change in the environment and the ripple effect created on the organization. Changes can be external to the firm or it may be change introduced to the firms by the managers. It may manifest in the blurring of industry and firm boundaries, driven by technology, deregulation, or, through globalization. The tasks of crafting, implementing and executing company strategies are the heart and soul of managing a business enterprise.

Strategic management starts with developing a company mission (to give it direction), objectives and goals (to give it means and methods for accomplishing its mission), business portfolio (to allow management to utilize all facets of the organization), and functional plans (plans to carry out daily operations from the different functional disciplines).

No matter how well the strategic processes have been designed and implemented, success depends on how well each department performs its customer-value-adding activities and how well the departments work together to serve the customer. Value chains and value delivery networks have become popular with organizations that are sensitive to the wants and needs of consumers. Ultimately the aim of strategic management is to save the company's business products, services and communications so that they achieve targeted profits and growth.

The term strategic management refers to the managerial process of forming a strategic vision, setting objectives, crafting a strategy, implementing and executing the strategy, and then over times initiating whatever corrective adjustments in the vision, objectives, strategy, and execution are deemed appropriate.

7.1 Framework

The basic framework of strategic process can be described in a sequence of five stages as shown in the figure - *Framework of strategic management*. The five stages are as follows:

Stage one - Where are we now? (beginning): This is the starting point of strategic planning and consists of doing a situational analysis of the firm in the environmental context. Here the firm must find out its relative market position, corporate image, its strength and weakness and

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also environmental threats and opportunities. This is also known as SWOT (Strength, Weakness, Opportunity, Threat) analysis. You may refer third chapter for a detailed discussion on SWOT analysis.

Stage two - Where we want to be? (ends): This is a process of goal setting for the organization after it has finalised its vision and mission. A strategic vision is a roadmap of the company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.

An organization's Mission states what customers it serves, what need it satisfies, and what type of product it offers.

Stage three - How might we get there? (means): Here the organization deals with the various strategic alternatives it has.

Stage four - Which way is best? (evaluation): Out of all the alternatives generated in the earlier stage the organization selects the best suitable alternative in line with its SWOT analysis.

Stage five - How can we ensure arrival? (control): This is an implementation and control stage of a suitable strategy. Here again the organization continuously does situational analysis and repeats the stages again.

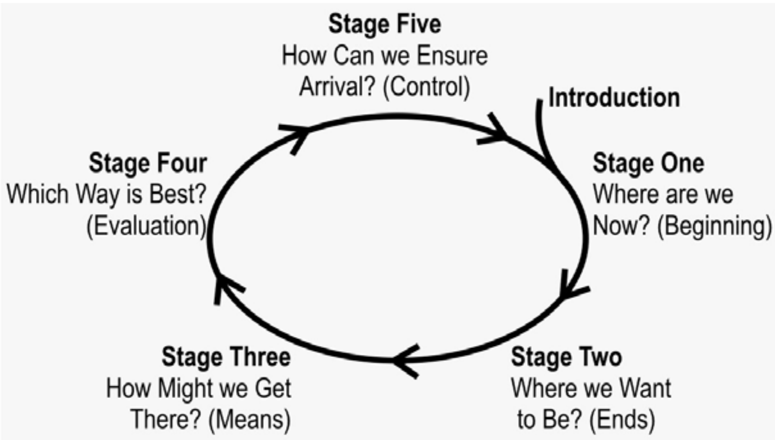

Figure - Framework of strategic management

7.2 Importance of Strategic Management

Strategic planning and implementation have become must for all organizations for their survival and growth in the present turbulent business environment. 'Survival of fittest 'as propagated by Darwin is the only principle of survival for organization, where 'fittest' are not the 'largest' or 'strongest' organization but those who can change and adapt successfully to the changes in business environment. Many organizational giants have also followed the path of extinction failing to manage drastic changes in the business environment. Also business follows the war principle of 'win or lose', and not necessarily win-win situation arises in

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business world. Hence the organization has to build its competitive advantage over the competitors in the business warfare in order to win. This can be done only by following process of strategic management - strategic analysis, formulation and implementation. The major benefits of strategic management are:

- Strategic management helps organisations to be more proactive instead of reactive in shaping its future. Organisations are able to analyse and take actions instead of being mere spectators. Thereby they are able to control there own destiny in a better manner. It helps them in working within vagaries of environment and shaping it, instead of getting carried away by its turbulence or uncertainties.
- Strategic management provides framework for all the major business decisions of an enterprise such as decisions on businesses, products, markets, manufacturing facilities, investments and organisational structure. It provides better guidance to entire organisation on the crucial point - what it is trying to do.
- Strategic management is concerned with ensuring a good future for the firm. It seeks to prepare the corporation to face the future and act as pathfinder to various business opportunities. Organisations are able to identify the available opportunities and identify ways and means as how to reach them.
- Strategic management serves as a corporate defence mechanism against mistakes and pitfalls. It helps organisations to avoid costly mistakes in product market choices or investments.
- Over a period of time strategic management helps organisation to evolve certain core competencies and competitive advantages that assist in its fight for survival and growth.

8. Strategic Decision Making

Decision making is a managerial process and function of choosing a particular course of action out of several alternative courses for the purpose of accomplishment of the organizational goals. Decisions may relate to general day to day operations. They may be major or minor. They may also be strategic in nature. Strategic decisions are different in nature than all other decisions which are taken at various levels of the organization during day-to-day working of the organizations. The major dimensions of strategic decisions are given below:

- *Strategic issues require top-management decisions*: Strategic issues involve thinking in totality of the organizations and also there is lot of risk involved. Hence, problems calling for strategic decisions require to be considered by top management.
- *Strategic issues involve the allocation of large amounts of company resources*: It may require huge financial investment to venture into a new area of business or the organization may require huge number of manpower with new set of skills in them.

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- *Strategic issues are likely to have a significant impact on the long term prosperity of the firm*: Generally the results of strategic implementation are seen on a long term basis and not immediately.
- *Strategic issues are future oriented*: Strategic thinking involves predicting the future environmental conditions and how to orient for the changed conditions.
- *Strategic issues usually have major multifunctional or multi-business consequences:* As they involve organization in totality they affect different sections of the organization with varying degree.
- *Strategic issues necessitate consideration of factors in the firm's external environment:* Strategic focus in organization involves orienting its internal environment to the changes of external environment.

9. Strategic Management Model

Identifying an organization's existing vision, mission, objectives, and strategies is the starting point for any strategic management process because an organization present situation and condition may constrain certain strategies and may even dictate a particular course of action. Every organization has a vision, mission, objectives, and strategy, even if these elements are not consciously designed, written, or communicated. The answer to where an organization is going can be determined largely by where the organization has been.

The strategic management process is dynamic and continuous. A change in any one of the major components in the model can necessitate a change in any or all of the other components. For instance, a shift in the economy could represent a major opportunity and require a change in long-term objectives and strategies; a failure to accomplish annual objectives could require a change in policy; or a major competitor's change in strategy could require a change in the firm's mission.

Therefore, strategy formulation, implementation, and evaluation activities should be performed on a continual basis, not just at the end of the year or semi-annually. The strategic management process never really ends.

The strategic management process can best be studied and applied using a model. Every model represents some kind of process. The model illustrated in the *Figure: Strategic management model* is a widely accepted, comprehensive. This model like any other model of management does not guarantee sure-shot success, but it does represent a clear and practical approach for formulating, implementing, and evaluating strategies. Relationships among major components of the strategic management process are shown in the model.

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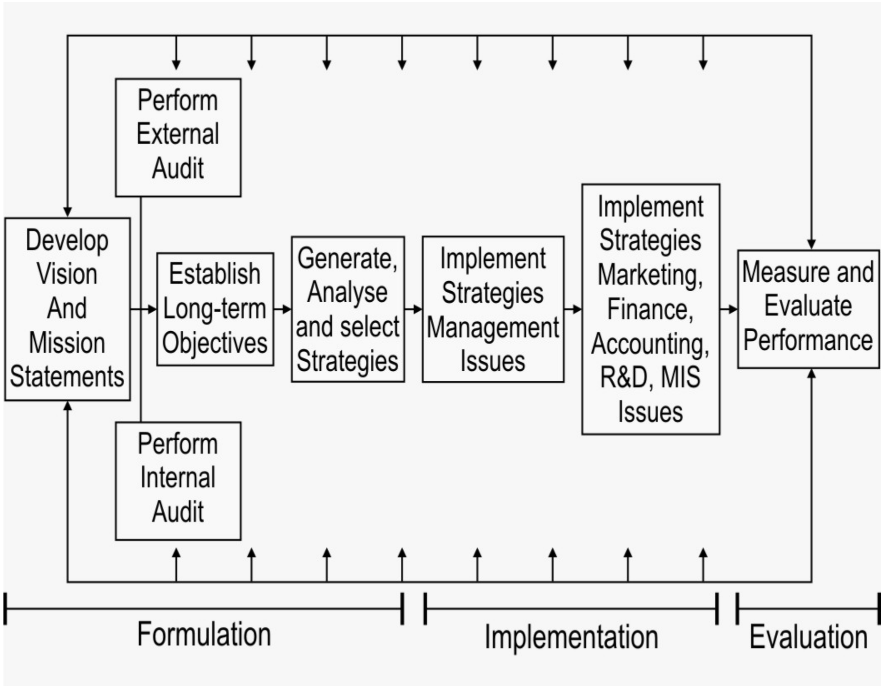

Figure: Strategic Management Model

The strategic management process is not as cleanly divided and neatly performed in practice as the strategic management model suggests. Strategists do not go through the process in lockstep fashion. Generally, there is give-and-take among hierarchical levels of an organization. Many organizations conduct formal meetings semi-annually to discuss and update the firm's vision/mission, opportunities/threats, strengths/weaknesses, strategies, objectives, policies, and performance. Creativity from participants is encouraged in meeting. Good communication and feedback are needed throughout the strategic management process.

Application of the strategic management process is typically more formal in larger and well-established organizations. Formality refers to the extent that participants, responsibilities, authority, duties, and approach are specified. Smaller businesses tend to be less formal. Firms that compete in complex, rapidly changing environments, such as technology companies, tend to be more formal in strategic planning. Firms that have many divisions, products, markets, and technologies also tend to be more formal in applying strategic-management concepts. Greater formality in applying the strategic management process is usually positively associated with the cost, comprehensiveness, accuracy, and success of planning across all types and sizes of organizations.

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10. Vision, Mission and Objectives

Amongst the various steps in the strategic management model we will restrict discussion to vision, mission and objectives in this chapter.

> How can you lead if you do not know where are you going?
>
> George Newman, The Conference Board
>
> Management's job is not to see the company as it is ……but as it can become.
>
> - John W Teets, CEO, Greyhound Corporation

10.1 The Vision

Very early in the strategy making process, a company's senior managers must wrestle with the issue of what directional path the company should take and what changes in the company's product-market-customer-technology focus would improve its current market position and future prospects. Deciding to commit the company to one path versus another pushes managers to draw some carefully reasoned conclusions about how to try to modify the company's business makeup and the market position it should stake out.

Top management's views and conclusions about the company's direction and the product-customer-market-technology focus constitute a strategic vision for the company. A strategic vision delineates management's aspirations for the business, providing a panoramic view of the "where we are going" and a convincing rationale for why this makes good business sense for the company. A strategic vision thus points an organization in a particular direction, charts a strategic path for it to follow in preparing for the future, and molds organizational identity. A clearly articulated strategic vision communicates management's aspirations to stakeholders and helps steer the energies of company personnel in a common direction. For instance, Henry Ford's vision of a car in every garage had power because it captured the imagination of others, aided internal efforts to mobilize the Ford Motor Company's resources, and served as a reference point for gauging the merits of the company's strategic actions.

> *A Strategic vision is a road map of a company's future – providing specifics about technology and customer focus, the geographic and product markets to be pursued, the capabilities it plans to develop, and the kind of company that management is trying to create.*

The three elements of a strategic vision:

1. Coming up with a mission statement that defines what business the company is presently in and conveys the essence of "Who we are and where we are now?"
2. Using the mission statement as basis for deciding on a long-term course making choices about "Where we are going?"
3. Communicating the strategic vision in clear, exciting terms that arouse organization wide commitment.

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Some examples of Vision are:

- *ICAI: World's leading accounting body, a regulator and developer of trusted and independent professionals with world class competencies in accounting, assurance, taxation, finance and business advisory services.*
- *Reliance Industries: Through sustainable measures, create value for the nation, enhance quality of life across the entire socio-economic spectrum and help spearhead India as a global leader in the domains where we operate.*
- *TATA Power: To be the most admired and responsible Integrated Power Company with international footprint, delivering sustainable value to all stakeholder.*
- *TATA Motors: To be a world class corporate constantly furthering the interest of all its stakeholders.*
- *Hindustan Unilever: Unilever products touch the lives of over 2 billion people every day – whether that's through feeling great because they've got shiny hair and a brilliant smile, keeping their homes fresh and clean, or by enjoying a great cup of tea, satisfying meal or healthy snack.*

  The four pillars of our vision set out the long term direction for the company – where we want to go and how we are going to get there:

  - *We work to create a better future every day.*
  - *We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.*
  - *We will inspire people to take small everyday actions that can add up to a big difference for the world.*
  - *We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.*
  - *We've always believed in the power of our brands to improve the quality of people's lives and in doing the right thing. As our business grows, so do our responsibilities. We recognise that global challenges such as climate change concern us all. Considering the wider impact of our actions is embedded in our values and is a fundamental part of who we are.*

How to develop a strategic vision

- The entrepreneurial challenge in developing a strategic vision is to think creatively about how to prepare a company for the future.
- Forming a strategic vision is an exercise in intelligent entrepreneurship.
- Many successful organizations need to change direction not in order to survive but in order to maintain their success.
- A well-articulated strategic vision creates enthusiasm for the course management has

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charted and engages members of the organization.

- ♦ The best-worded vision statement clearly and crisply illuminates the direction in which organization is headed.

10.2 Mission

According to Glueck & Jauch mission is answer to the question 'what business are we in' that is faced by corporate-level strategist. Analysis shows that in actual practice many business firms fail to conceptualise and articulate the mission and business definition with the required clarity. And such firms are seen to fumble in the selection of opportunities and the choice of strategies. Firms wedded to the idea of strategic management of their enterprise cannot afford to be lax in the matter of mission and business definitions, as the two ideas are absolutely central to strategic planning.

Why organization should have mission?

- ♦ To ensure unanimity of purpose within the organization.
- ♦ To provide a basis for motivating the use of the organization's resources.
- ♦ To develop a basis, or standard, for allocating organizational resources.
- ♦ To establish a general tone or organizational climate, for example, to suggest a businesslike operation.
- ♦ To serve as a focal point for those who can identify with the organization's purpose and direction, and to deter those who cannot form participating further in the organization's activities.
- ♦ To facilitate the translation of objective and goals into a work structure involving the assignment of tasks to responsible elements within the organization.
- ♦ To specify organizational purposes and the translation of these purposes into goals in such a way that cost, time, and performance parameters can be assessed and controlled.

A company's Mission statement is typically focused on its present business scope – "who we are and what we do"; mission statements broadly describe an organizations present capabilities, customer focus, activities, and business makeup.

Mission should contain elements of long-term strategy as well as desired outcomes they often basic values and the philosophy of the organizations that is perceived by the senior managers at the senior level who write them. A good mission statement should be of precise, clear, feasible, distinctive and motivating. It should indicate major components of strategy. Following points are useful while writing mission of a company:

- ♦ One of the roles of a mission statement is to give the organization its own special identity, business emphasis and path for development – one that typically sets it apart form other similarly situated companies.

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- A company's business is defined by what needs it trying to satisfy, by which customer groups it is targeting and by the technologies and competencies it uses and the activities it performs.
- Technology, competencies and activities are important in defining a company's business because they indicate the boundaries on its operation.
- Good mission statements are highly personalized – unique to the organization for which they are developed.

Some examples of Mission are:

- *ICAI: ICAI will leverage technology and infrastructure and partner with its stakeholders to*
  - *Impart world class education, training and professional development opportunities to create global professionals*
  - *Develop an independent and transparent regulatory mechanism that keeps pace with the changing times*
  - *Ensure adherence to highest ethical standards.*
  - *Conduct cutting edge research and development in the areas of accounting, assurance, taxation, finance and business advisory services*
  - *Establish ICAI members and firms as Indian multi-national service providers.*
- *Reliance Industries:*
  - *Create value for all stakeholders*
  - *Grow through innovation*
  - *Lead in good governance practices*
  - *Use sustainability to drive product development and enhance operational efficiencies*
  - *Ensure energy security of the nation*
  - *Foster rural prosperity*
- *TATA Power: We will become the most admired and responsible Power Company delivering sustainable value by:*
  - *Operating our assets at benchmark levels.*
  - *Executing projects safely, with predictable benchmark quality, cost and time.*
  - *Growing the Tata Power businesses, be it across the value chain or across geographies, and also in allied or new businesses.*

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- *Driving Organizational Transformation that will make us have the conviction and capabilities to deliver on our strategic intent.*
- *Achieving our sustainability intent of 'Leadership with Care', by having leading and best practices on Care for the Environment, Care for the Community, Care for the Customers and Shareholders, and Care for the People.*

♦ *TATA Motors:*

- *Shareholders: To consistently create shareholder value by generating returns in excess of Weighted.*
- *Average Cost of Capital (WACC) during the upturn and at least equal to Weighted Average Cost of.*
- *Capital (WACC) during the downturn of the business cycle.*
- *Customers: To strengthen the Tata brand and create lasting relationships with the customers by working closely with business partners to provide superior value for money over the life cycle.*
- *Employees: To create a seamless organization that incubates and promotes innovation, excellence and the Tata core values.*
- *Vendor and Channel Partners: To foster a long-term relationship so as to introduce a broad range of innovative products and services, that would benefit our customers and other stakeholders.*
- *Community: To proactively participate in reshaping the country's economic growth. To take a holistic approach towards environmental protection.*

What is our mission? And what business are we in?

The well-known management experts, Peter Drucker and Theodore Levitt were among the first to agitate this issue through their writings. They emphasised that as the first step in the business planning endeavour every business firm must clarify the corporate mission and define accurately the business the firm is engaged in. They also explained that towards facilitating this task, the firm should raise and answer certain basic questions concerning its business, such as:

♦ What is our mission?

♦ What is our ultimate purpose?

♦ What do we want to become?

♦ What kind of growth do we seek?

♦ What business are we in?

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- Do we understand our business correctly and define it accurately in its broadest connotation?
- Do we know our customer?
- Whom do we intend to serve?
- What human need do we intend to serve through our offer?
- What brings us to this particular business?
- What would be the nature of this business in the future?
- In what business would we like to be in, in the future?

At the time these two experts raised this issue, the business managers of the world did not fully appreciate the import of these questions; those were days when business management was still a relatively simple process even in industrially advanced countries like the US. It was only in subsequent years that captains of industry all over the world understood the significance of the seemingly simple questions raised by Drucker and Levitt.

The corporate mission is an expression of the growth ambition of the firm. It is, in fact, the firm's future visualised. It provides a dramatic picture of what the company wants to become. It is the corporation's dream crystallised. It is a colourful sketch of how the firm wants its future to look, irrespective of the current position. In other words, the mission is a grand design of the firm's future.

Mission amplifies what brings the firm to this business or why it is there, what existence it seeks and what purpose it seeks to achieve as a business firm. In other words, the mission serves as a justification for the firm's very presence and existence; it legitimises the firm's presence.

Mission is also an expression of the vision of the corporation, its founder/ leader. To make the vision come alive and become relevant, it needs to be spelt out. It is through the mission that the firm spells out its vision.

It represents the common purpose, which the entire firm shares and pursues. A mission is not a confidential affair to be confined at the top; it has to be open to the entire company. All people are supposed to draw meaning and direction from it. It adds zeal to the firm and its people. A mission is not a fad-it is a tool to build and sustain commitment of the people to the corporation's policies. A mission is not rhetoric - it is the corporation's guiding principle.

A mission does not represent a specific target. At the same time it is not all euphoria either. It represents the whole thrust of the firm. To quote Thomas Watson, Jr., former chairman of IBM, "The basic philosophy, spirit, and drive of an organization have far more to do with its relative achievements than technological or economic resources, organizational structure, innovation and timing. It also expresses the core values and beliefs of the firm".

Every organization functions through a network of aims. Mission is the foundation from which the network of aims is built. The mission serves as a proclamation to insiders and outsiders on

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what the corporation stands for. A mission, however, is not a PR document; while it legitimises the corporation's existence and role in society, its main purpose is to give internal direction for the future of the corporation.

According to Peter Drucker, every organization must ask an important question *"What business are we in*?" and get the correct and meaningful answer. The answer should have marketing or external perspective and should not be restated to the production or generic activities of business. The table given below will clarify and highlight the importance of external perspective.

What business are we in?

Company	Production-oriented answer	Marketing-oriented answer
AT&T	We operate a long-distance telephone company.	We provide multiple forms of reliable, efficient and inexpensive telecommunication services
Indian Oil	We produce oil and gasoline products	We provide various types of safe and cost-effective energy.
Indian Railways	We run a railroad	We offer a transportation and material-handling system
Eastman Kodak	We make cameras and film.	We help preserve beautiful memories
Revlon	In the factory, we make cosmetics.	In the drugstore, we sell hope

Understanding Mission and Purpose: The mission is a statement which defines the role that an organization plays in the society. The organisations also have some purpose that is anything that an organization strives for. Organizations relate their existence to satisfying a particular need of the society. They do this in terms of their mission and purpose. We can described mission as "a statement which defines the role that an organization plays in the society", and purpose as "anything which an organization strives for." In business policy, both these terms are either used jointly or singly. Since both mission and purpose go hand in hand, they can be used together while maintaining the basic difference between them. Mission strictly refers to the particular needs of the society, for instance, its information needs. Purpose relates to what the organization strives to achieve in order to fulfil its mission to the society. A book publisher and a magazine editor are both engaged in satisfying the information needs of society but they do it through different means. A book publisher may aim at producing excellent reading material while a magazine editor may strive to present news analysis in a balanced and unbiased manner.

10.3 Objectives and Goals

Business organization translates their vision and mission into objectives. As such the term objectives are synonymous with goals, however, we will make an attempt to distinguish the two. Objectives are open-ended attributes that denote the future states or outcomes. Goals

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are close-ended attributes which are precise and expressed in specific terms. Thus the goals are more specific and translate the objectives to short term perspective. However, this distinction is not made by several theorists on the subject. Accordingly, we will also use the term interchangeably.

Objectives are organizations performance targets – the results and outcomes it wants to achieve. They function as yardstick for tracking an organizations performance and progress.

All organizations have objectives. The pursuit of objectives is an unending process such that organizations sustain themselves. They provide meaning and sense of direction to organizational endeavour. Organizational structure and activities are designed and resources are allocated around the objectives to facilitate their achievement. They also act as benchmarks for guiding organizational activity and for evaluating how the organization is performing.

Objectives with strategic focus relate to outcomes that strengthen an organizations overall business position and competitive vitality. Objective to be meaningful to serve the intended role must possess following characteristics:

- Objectives should define the organization's relationship with its environment.
- They should be facilitative towards achievement of mission and purpose.
- They should provide the basis for strategic decision-making.
- They should provide standards for performance appraisal.
- Objectives should be understandable.
- Objectives should be concrete and specific
- Objectives should be related to a time frame
- Objectives should be measurable and controllable
- Objectives should be challenging
- Different objectives should correlate with each other
- Objectives should be set within constraints

11. Strategic Levels in Organisations

A typical large organization is a multidivisional organisation that competes in several different businesses. It has separate self-contained divisions to manage each of these. There are three main levels of management: corporate, business, and functional. General Managers are found at the first two of these levels, but their strategic roles differ depending on their sphere of responsibility.

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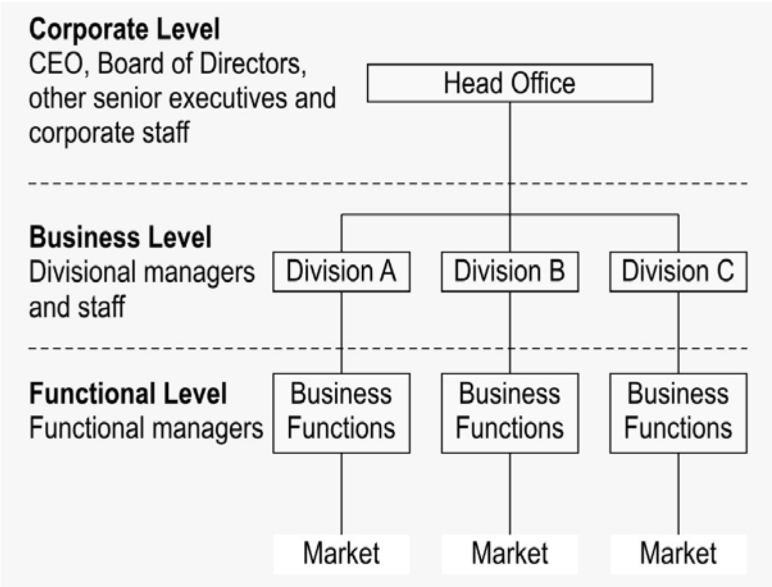

Figure: Levels of Strategic Management

An organization is divided into several functions and departments that work together to bring a particular product or service to the market. If a company provides several different kinds of products or services, it often duplicates these functions and creates a series of self-contained divisions (each of which contain its own set of functions) to manage each different product or service. The general managers of these divisions then become responsible for their particular product line. The overriding concern of general managers is for the health of the whole company or division under their direction; they are responsible for deciding how to create a competitive advantage and achieve high profitability with the resources and capital they have at their disposal.

The corporate level of management consists of the chief executive officer (CEO), other senior executives, the board of directors, and corporate staff. These individuals occupy the apex of decision making within the organization. The CEO is the principal general manager. In consultation with other senior executives, the role of *corporate-level managers* is to oversee the development of strategies for the whole organization. This role includes defining the mission and goals of the organization, determining what businesses it should be in, allocating resources among the different businesses, formulating and implementing strategies that span individual businesses, and providing leadership for the organization.

Consider Godrej as an example. Godrej is active in a wide range of businesses, including soaps, insecticides, edible oil, furniture, Information Technology, and real estate. The main strategic responsibilities of its Group Chairman, Adi Godrej, are setting overall strategic objectives, allocating resources among the different business areas, deciding whether the firm should divest itself of any of its businesses, and determining whether it should acquire any

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new ones. In other words, it is up to Adi Godrej to develop strategies that span individual businesses; his concern is with building and managing the corporate portfolio of businesses to maximize corporate profitability.

It is *not* his specific responsibility to develop strategies for competing in the individual business areas, such as financial services. The development of such strategies is the responsibility of the general managers in these different businesses or *business level managers.*

Besides overseeing resource allocation and managing the divestment and acquisition processes, corporate-level managers provide a link between the people who oversee the strategic development of a firm and those who own it (the shareholders). Corporate-level managers, and particularly the CEO, can be viewed as the guardians of shareholder welfare. It is their responsibility to ensure that the corporate and business strategies that the company pursues are consistent with maximizing shareholder wealth. If they are not, then ultimately the CEO is likely to be called to account by the shareholders.

A business unit is a self-contained division (with its own functions-for example, finance, purchasing, production, and marketing departments) that provides a product or service for a particular market. The principal general manager at the business level, or the business-level manager, is the head of the division. The strategic role of these managers is to translate the general statements of direction and intent that come from the corporate level into concrete strategies for individual businesses. Thus, whereas corporate-level general managers are concerned with strategies that span individual businesses, business-level general managers are concerned with strategies that are specific to a particular business.

Functional-level managers are responsible for the specific business functions or operations (human resources, purchasing, product development, customer service, and so on) that constitute a company or one of its divisions. Thus, a functional manager's sphere of responsibility is generally confined to *one* organizational activity, whereas general managers oversee the operation of a *whole* company or division. Although they are not responsible for the overall performance of the organization, functional managers nevertheless have a major strategic role: to develop functional strategies in their area that help fulfil the strategic objectives set by business- and corporate-level general managers.

Functional managers provide most of the information that makes it possible for business- and corporate-level general managers to, formulate realistic and attainable strategies. Indeed, because they are closer to the customer than the typical general manager is, functional managers themselves may generate important ideas that subsequently may become major strategies for the company. Thus, it is important for general managers to listen closely to the ideas of their functional managers. An equally great responsibility for managers at the operational level is strategy implementation: the execution of corporate and business-level plans.

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Characteristics of strategic management decisions at different levels

Characteristic	Level of Strategy		
	Corporate	Business	Functional
Type	Conceptual	Mixed	Operational
Measurability	Value judgments dominant	Semi quantifiable	Usually Quantifiable
Frequency	Sporadic or Periodic	Periodic or Sporadic	Periodic
Relation to present activities	Innovative	Mixed	Supplementary
Risk	Wide Range	Moderate	Low
Profit Potential	Large	Medium	Small
Cost	Major	Medium	Modest
Time horizon	Long Range	Medium Range	Short Range
Flexibility	High	Medium	Low
Cooperation Required	Considerable	Moderate	Little

Summary

With the increased competition, the management of businesses have acquired strategic dimensions. We initiate to explain the meaning of strategy. A company's strategy consists of the combination of competitive moves and business approaches that managers employ to please customer, compete successfully and achieve organizational objectives. This chapter elucidates business policy as a discipline in management. It presents a framework for understanding strategic decision making.

Corporate strategy is also discussed which is basically a growth design of the firm. It serves as the measure for filling the strategic planning gap. Later we learned the concept of dynamics of competitive strategy which involves several factors from external environment.

Strategic management refers to the managerial process of forming strategic vision, setting objectives, crafting a strategy, implementing and executing strategy. In the chapter, we have also discussed the concept of strategic decision making and strategic management model. Amongst the various steps in the strategic management model we emphasized on the vision, mission, objectives and goals in the chapter.

Later, the three strategic levels in an organization are explained. Managers formulate and implement strategies at corporate level, business level and functional level.

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