

f a Mission Statement 3.5 Formulation of Mission Statements 3.6 Evaluating Mission Statements 3.7 Distinction between Vision and Mission 3.8 Concept of Goals and Objectives 3.8.1 Goals 3.8.2 Objectives 3.9 Summary 3.10 Keywords 3.11 Self Assessment 3.12 Review Questions 3.13 Further Readings

Objectives After studying this unit, you will be able to: Define mission State the importance, characteristics and components of mission Evaluate mission statements Explain the concept of goals and objectives Ginni Nijhawan, Lovely Professional University LOVELY PROFESSIONAL UNIVERSITY 33 Unit 3: Defining Mission, Goals and Objectives Notes Introduction "A mission statement is an enduring statement of purpose". A clear mission statement is essential for effectively establishing objectives and formulating strategies. A mission statement is the purpose or reason for the organisation's existence. A well-conceived mission statement defines the fundamental, unique purpose that sets it apart from other companies of its type and identifies the scope of its operations in terms of products offered and markets served. It also includes the firm's philosophy about how it does business and treats its employees. In short, the mission describes the company's product, market and technological areas of emphasis in a way that reflects the values and priorities of the strategic decision makers. As Fred R. David observes, mission statement is also called a creed statement, a statement of purpose, a statement of philosophy etc. It reveals what an organisation wants to be and whom it wants to serve. It describes an organisation's purpose, customers, products, markets, philosophy and basic technology. In combination, these components of a mission statement answer a key question about the enterprise: "What is our business?"

3.1 Defining Mission Thompson defines mission as "The essential purpose of the organisation, concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy". Hunger and Wheelen simply call the mission as the "purpose or reason for the organisation's existence". A mission can be defined as a sentence describing a company's function, markets and competitive advantages. It is a short written statement of your business goals and philosophies. It defines what an organisation is, why it exists and its reason for being. At a minimum, a mission statement should define who are the primary customers of the company, identify the products and services it produces, and describe the geographical location in which it operates. Example: 1. Ranboxy Petrochemicals: To become a research based global company. 2. Reliance Industries: To become a major player in the global chemicals business and simultaneously grow in other growth industries like infrastructure. 3. ONGC: To stimulate, continue and accelerate efforts to develop and maximize the contribution of the energy sector to the economy of the country. 4. Cadbury India: To attain leadership position in the confectionery market and achieve a strong national presence in the food drinks sector. 5. Hindustan Lever: Our purpose is to meet everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers, and to respond creatively and competitively with branded products and services which raise the quality of life. 6. McDonald: To offer the customer fast food prepared in the same high quality worldwide, tasty and reasonably priced, delivered in a consistent low key décor and friendly manner. Most of the above mission statements set the direction of the business organisation by identifying the key markets which they plan to serve. 34 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes Case Study Mission MindTree M indTree which was founded in 1999 in India by a group of IT professionals who wanted to chart a somewhat distinctive path. Today, it has a topline of \$269 millions and is rated as one of the most promising mid-sized IT services companies. Creditable as that is, MindTree does not want to be just that. There is an element of serendipity about what it has been doing over the last year. In 2008, it designated one of its founders Subroto Bagchi 'Gardener', a gimmicky signal, intended to declare that he was moving out of the day-to-day running of the company to nurture talent which would run the company in the future. He has now a report card

ready on a year as Gardener. During this one year, he has also spent around 45 days travelling round the world talking to clients and prospective ones which has yielded remarkable insights into what firms are doing in these traumatic times. Lastly, MindTree as a whole has spent the last year going through the exercise of redefining its mission statement and vision for the next five years. Quite fortuitously these three processes have come together with a unifying thread, presenting a coherent big picture. MindTree wants to seed the future while still young, and executive chairman Ashok Soota has declared that by 2020, it will be led by a non-founder. So a year ago the Gardener Bagchi set out to "touch" 100 top people in the organisation, with a goal of doing 50 in a year so as to eventually identify the top 20 by 2015. From among them will emerge not just the leader but a team of ten who would eventually, as group heads, deliver \$200 millions of turnover each. That will give a turnover of \$2 billions. To put it in perspective, only one VC-funded company, which has not closed or been bought over, has been able to get to \$2 billions and that is Google. But to get there it has to periodically redefine its mission (why we exist) and its vision - measurable goals for the next five years. Its redefined mission is built around "successful customers, happy people, innovative solutions". Its new vision targets a turnover of \$1 billion by 2014. It wants to be among the globally 20 most profitable IT services companies and also among the 20 globally most admired ones. Admired in terms of customer satisfaction (par for the course), people practices (creditable), knowledge management (exciting) and corporate governance (the Enron-Satyam effect). The really interesting bit about MindTree in the last one year is what Bagchi has been up to. He has been embedding himself in the 50 lives, working in a personal private continuum, making it a rich learning process "which has helped connect so many dots." Of the hundred who will be engaged, maybe 50 will leave, of them 25 may better themselves only marginally, and from the remaining 25 ten will emerge who will carry the company forward. Questions 1. What do you analyse as the main reason behind the success of Mindtree? 2. Do you think that redefining the mission statement shows the lacunae on the part of the founder members of an organisation? Why/why not? Source: www.business-standard.com LOVELY PROFESSIONAL UNIVERSITY 35 Unit 3: Defining Mission, Goals and Objectives Missions have one or more of the five distinct and identifiable components: Notes 1. Customers 2. Products or services 3. Markets 4. Concern for growth 5. Philosophy Notes It's more important to communicate the mission statement to employees than to customers. Your mission statement doesn't have to be clever or catchy—just accurate. Once a mission statement has been set, every organisation needs to periodically review and possibly revise it to make sure it accurately reflects its goals and the business and economic climates evolve. Task Discuss about a time when you lost track when you lost vision/mission of your team/department/organisation. What negative repercussions did it have? 3.2 Importance of Mission Statement The purpose of the mission statement is to communicate to all the stakeholders inside and outside the organisation what the company stands for and where it is headed. It is important to develop a mission statement for the following reasons: 1. It helps to ensure unanimity of purpose within the organisation. 2. It provides a basis or standard for allocating organisational resources. 3. It establishes a general tone or organisational climate. 4. It serves as a focal point for individuals to identify with the organisation's purpose and direction. 5. It facilitates the translation of objectives into tasks assigned to responsible people within the organisation. 6. It specifies organisational purpose and then helps to translate this purpose into objectives in such a way that cost, time and performance parameters can be assessed and controlled. Developing a comprehensive mission statement is also important because divergent views among managers can be revealed and resolved through the process. According to Pearce (1982), vision and mission statements have the following value: 1. They provide managers with a unity of direction that transcends individual, parochial and transitory needs. 2. They

promote a sense of shared expectations among all levels and generations of employees. 3. They consolidate values over time and across individuals and interest groups. 36 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes 4. They project a sense of worth and intent that can be identified and assimilated by company outsiders. 5. Finally, they affirm the company's commitment to responsible action, in order to preserve and protect the essential claims of insiders for sustained survival, growth and profitability of the firm. According to Fred R. David, a mission statement is more than a statement of purpose. It is 1. A declaration of attitude and outlook 2. A declaration of customer orientation 3. A declaration of social policy and responsibility 3.3 Characteristics of a Mission Statement A good mission statement should be short, clear and easy to understand. It should therefore possess the following characteristics: 1. Not lengthy: A mission statement should be brief. 2. Clearly articulated: It should be easy to understand so that the values, purposes, and goals of the organisation are clear to everybody in the organisation and will be a guide to them. 3. Broad, but not too general: A mission statement should achieve a fine balance between specificity and generality. 4. Inspiring: A mission statement should motivate readers to action. Employees should find it worthwhile working for such an organisation. 5. It should arouse positive feelings and emotions of both employees and outsiders about the organisation. 6. Reflect the firm's worth: A mission statement should generate the impression that the firm is successful, has direction and is worthy of support and investment. 7. Relevant: A mission statement should be appropriate to the organisation in terms of its history, culture and shared values. 8. Current: A mission statement may become obsolete after some time. As Peter Drucker points out, "Very few mission statements have anything like a life expectancy of thirty, let alone, fifty years. To be good enough for ten years is probably all one can normally expect". Changes in environmental factors and organisational factors may necessitate modification of the mission statement. 9. Unique: An organisation's mission statement should establish the individuality and uniqueness of the company. 10. Enduring: A mission statement should continually guide and inspire the pursuit of organisational goals. It may not be fully achieved, but it should be challenging for managers and employees of the organisation. 11. Dynamic: A mission statement should be dynamic in orientation allowing judgments about the most promising growth directions and the less promising ones. 12. Basis for guidance: Mission statement should provide useful criteria for selecting a basis for generating and screening strategic options. 13. Customer orientation: A good mission statement identifies the utility of a firm's products or services to its customers, and attracts customers to the firm. LOVELY PROFESSIONAL UNIVERSITY 37 Unit 3: Defining Mission, Goals and Objectives 14. A declaration of social policy: A mission statement should contain its philosophy about social responsibility including its obligations to the stakeholders and the society at large. 15. Values, beliefs and philosophy: The mission statement should lay emphasis on the values the firm stands for; company philosophy, known as "company creed", generally accompanies or appears within the mission statement. 3.4 Components of a Mission Statement Mission statements may vary in length, content, format and specificity. But most agree that an effective mission statement must be comprehensive enough to include all the key components. Because a mission statement is often the most visible and public part of the strategic management process, it is important that it includes all the following essential components: 1. Basic product or service: What are the firm's major products or services? 2. Primary markets: Where does the firm compete? 3. Principal technology: Is the firm technologically current? 4. Customers: Who are the firm's customers? 5. Concern for survival, growth and profitability: Is the firm committed to growth and financial soundness? 6. Company philosophy: What are the basic beliefs, values, aspirations and ethical priorities of the firm? 7. Company self-concept: What is the firm's distinctive competence or major competitive advantage? 8. Concern for public image:

Is the firm responsive to social, community and environmental concerns? 9. Concern for employees: Are employers considered a valuable asset of the firm? 10. Concern for quality: Is the firm committed to highest quality? Products or Services, Markets and Technology An indispensable component of the mission statement is specification of the firm's basic product or service, markets and technology. These three components describe the company's activity. Survival, Growth and Profitability Every firm has to secure its survival through growth and profitability. These three economic goals guide the strategic direction of almost every business organisation. A firm that is unable to survive will be incapable of satisfying the aims of any of its stakeholders. Profitability is the mainstay goal of a business organisation, and profit over the long term is the clearest indication of a firm's ability to satisfy the claims and desires of all stakeholders. A firm's growth is inextricably linked to its survival and profitability. Company Philosophy The statement of a company's philosophy (also called company creed) generally appears within the mission statement. It specifies the basic values, beliefs and aspirations to which the strategic decision-makers are committed in managing the company. The company philosophy provides a distinctive and accurate picture of the company's managerial outlook. 38 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes Company Self-concept Both individuals and companies have a crucial need to know themselves. The ability of a company to survive in a highly competitive environment depends on its realistic evaluation of its strengths and weaknesses. Description of the firm's self-concept provides a strong impression of the firm's self-image. Public Image Mission statements should reflect the public expectations of the firm since this makes achievement of the firm's goals more likely. Example: "Johnson & Johnson make safe products" reflects the customer expectations of the company in making safe products. Sometimes, a negative public image can be corrected by emphasizing the beneficial aspects in the mission statements. Concern for Employees Mission statements should also emphasize their concern for improvement of quality of work life, equal opportunity for all, measures for employee welfare etc. Customers "The customer is our top priority" is a slogan that would be claimed by most of the businesses the world over. A focus on customer satisfaction causes managers to realize the importance of providing an excellent customer service. So, many companies have made customer service a key component of their mission statement. Quality The emphasis on quality has received added importance in many corporate philosophies. Example: Motorola's mission statement contains a statement that "dedication to quality is a way of life at our company, so much so that it goes beyond rhetorical slogans." 3.5 Formulation of Mission Statements There is no standard method for formulating mission statements. Different firms follow different approaches. As indicated in the strategic management model, a clear mission statement is needed before alternative strategies can be formulated and implemented. It is important to involve as many managers as possible in the process of developing a mission statement, because through involvement, people become committed to the mission of the organisation. Mission statements are generally formulated as follows: 1. In many cases, the mission is inherited i.e. the founder establishes the mission which may remain unchanged down the years or may be modified as the conditions change. 2. In some cases, the mission statement is drawn up by the CEO and board of directors or a committee of strategists constituted for the purpose. LOVELY PROFESSIONAL UNIVERSITY 39 Unit 3: Defining Mission, Goals and Objectives 3. Engaging consultants for drawing up the mission statement is also common. Notes 4. Many companies hold brainstorming sessions of senior executives to develop a mission statement. Soliciting employee's views is also common. 5. According to Fred R. David, an ideal approach for developing a mission statement would be to select several articles about mission statements and ask all managers to read these as background information. Then ask managers to prepare a draft mission statement for the organisation. A facilitator or a committee of top

managers, merge these statements into a single document and distribute this draft mission statement to all managers. Then the mission statement is finalized after taking inputs from all the managers in a meeting. Thus, the process of developing a mission statement represents a great opportunity for strategists to obtain needed support from all managers in the firm.

6. Decision on how best to communicate the mission to all managers, employees and external constituencies of an organisation are needed when the document is in its final form. Some organisations even develop a videotape to explain the mission statement and how it was developed.

7. The practice in Indian companies appears to be a consultative-participative route. For example, at Mahindra and Mahindra, workshops were conducted at two levels within the organisation with corporate planning group acting as facilitators. The State Bank of India went one step ahead by inviting labour unions to partake in the exercise. Satyam Computers went one more step ahead by involving their joint venture companies and overseas clients in the process. !

Caution Although many organisations have mission statements, their value has sometimes been questioned. Kay (1996) asserts that visions or missions are indicative of a 'wish - driven strategy' that fails to recognize the limits to what might be possible, given finite organisational resources. He cites the case of Groupe Bull, a French computer company, which for many years sought to challenge the supremacy of IBM, particularly in the large US market. After several attempts, Bull finally conceded that its mission was faulty. Kay's analysis was that for 30 years Groupe Bull was: Driven not by an assessment of what it was, but by a vision of what it would like to be. Throughout, it lacked the distinctive capabilities that would enable it to realize that vision. Bull epitomizes wish-driven strategy, based on aspiration, not capability (Kay, 1996). In a study of some organisations, Leach (1996) found that mission statements and strategic vision had become fashionable. While in some organisations, mission statements had made a real impact in clarifying organisational values and culture, others regarded them only as symbolic public relations documents that had little effect as a management tool. The dangers are not just that missions are unrealistic and fail to recognize an organisation's capabilities (as in the case of Groupe Bull), but also that management fails to develop a belief in the mission statement throughout the organisation. People come to believe in and act upon the mission statement only when they see others doing so, especially senior management and other influential players. The ideas of the mission statement need to be cascaded through the structure to ensure a link between mission and day-to-day actions.

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Mission Statement of IBM At IBM, we strive to lead in the invention, development and manufacture of the industry's most advanced information technologies, including computer systems, software, storage systems and microelectronics. We translate these advanced technologies into value for our customers through our professional solutions, services and consulting businesses worldwide

Mission Statement of FedEx "FedEx is committed to our People-Service-Profit Philosophy. We will produce outstanding financial returns by providing totally reliable, competitively superior, global, air-ground transportation of high-priority goods and documents that require rapid, time-certain delivery." Source: ibm.com and fedex.com

3.6 Evaluating Mission Statements For a mission statement to be effective, it should meet the following ten conditions:

1. The mission statement is clear and understandable to all parties involved. The organisation can articulate and relate to it.
2. The mission statement is brief enough for most people to remember.
3. The mission statement clearly specifies the purpose of the organisation. This includes a clear statement about: (a) What needs the organisation is attempting to fill (not what products or services are offered)? (b) Who the organisation's target populations are? (c) How the organisation plans to go about its business; that is, what its primary technologies are?
4. The mission statement should have a primary focus on a single strategic thrust.
5. The mission statement should reflect the distinctive

competence of the organisation (e.g., what can it do best? What is its unique advantage?) 6. The mission statement should be broad enough to allow flexibility in implementation, but not so broad as to permit lack of focus. 7. The mission statement should serve as a template and be the same means by which the organisation can make decisions. 8. The mission statement must reflect the values, beliefs and philosophy of operations of the organisation. 9. The mission statement should reflect attainable goals. 10. The mission statement should be worked so as to serve as an energy source and rallying point for the organisation (i.e., it should reflect commitment to the vision).

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Unit 3: Defining Mission, Goals and Objectives Notes Task Find out the mission statement of any one service company. Do they really work the way their mission says? 3.7 Distinction between Vision and Mission We have already distinguished between vision and mission statements in the previous section; we throw more light on this distinction in this section. While a mission statement describes what the organisation is now; a vision statement describes what the organisation would like to become. A vision statement defines more of a direction as to “where are we headed” and “what do we want to become”, whereas the company’s mission broadly indicates the “business purpose” of the organisation. The distinction between vision and mission can be summarized as follows: Vision Mission 1. A mental image of a possible and desirable future state of the organization. 1. Enduring statement of philosophy, a creed statement. 2. A dream. 2. The purpose or reason for a firm’s existence. 3. Broad. 3. More specific than vision 4. Answers the question “what we want to become?” 4. Answers the question “what is our business”.

3.8 Concept of Goals and Objectives 3.8.1 Goals The terms “goals and objectives” are used in a variety of ways, sometimes in a conflicting sense. The term “goal” is often used interchangeably with the term “Objective”. But some authors prefer to differentiate the two terms. A goal is considered to be an open-ended statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for its completion. For example, a simple statement of “increased profitability” is thus a goal, not an objective, because it does not state how much profit the firm wants to make. Objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified. For example, “increase profits by 10% over the last year” is an objective. As may be seen from the above, “goals” denote what an organisation hopes to accomplish in a future period of time. They represent a future state or outcome of the effort put in now. “Objectives” are the ends that state specifically how the goals shall be achieved. In this sense, objectives make the goals operational. Objectives are concrete and specific in contrast to goals which are generalized. While goals may be qualitative, objectives tend to be mainly quantitative, measurable and comparable.

Table 3.1: Distinction between Vision and Mission 42 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes Notes The distinction between goals and objectives is summarized below: Goals Objectives 1. General Specific 2. Qualitative Quantative, measurable 3. Broad organization-wide target Narrow targets set by operating divisions 4. Long term results Immediate, short term results Some writers, however, have reversed the usage, referring to objectives as the desired longterm results and goals as the desired short-term results. And still others use the terms interchangeably, meaning one and the same. These authors view that, little is gained from semantic distinctions between goals and objectives. The important thing is to recognize that the results an enterprise seeks to achieve vary as to both scope and time-frame. To avoid confusion, it is better to use the single term “objectives” to refer to the performance targets and results an organisation seeks to attain. We can use the adjectives long-term (long-range) and short-term (shortrange) to identify the relevant time-frame, and try to describe their intended scope and level in the organisation, by using expressions like broad objectives, functional objectives, corporate objectives etc

Some of the areas in which a company might establish its goals and objectives are: 1. Profitability (net

profit) 2. Efficiency (low costs, etc) 3. Growth (increase in sales etc) 4. Shareholder wealth (dividends etc) 5. Utilization of resources (return on investment) 6. Market leadership (market share etc) Stated vs. Operational Goals Operational goals are the real goals of an organisation. Stated goals are the official goals of an organisation. Operational goals tell us what the organisation is trying to do, irrespective of what the official goals say the aims are. Official goals generally reflect the basic philosophy of the company and are expressed in abstract terminology, for example, 'sufficient profit', 'market leadership' etc. According to Charles Perrow, the following are the important operational goals: 1. Environmental Goals: An organisation should be responsive to the broader concerns of the communities in which it operates, and should have goals that satisfy people in the external environment. For example, goals like customer satisfaction and social responsibility may be important environmental goals. 2. Output Goals: Output goals are related to the identification of customer needs. Issues like what markets should we serve, which product lines should be followed, etc. are examples of output goals. 3. System Goals: These goals relate to the maintenance of the organisation itself. Goals like growth, profitability, stability etc. are examples. 4. Product Goals: These goals relate to the nature of products delivered to customers. They define quantity, quality, variety, innovativeness of products. LOVELY PROFESSIONAL UNIVERSITY 43 Unit 3: Defining Mission, Goals and Objectives 5. Derived Goals: These goals relate to derived or secondary areas like contribution to political Notes activities, promoting social service institutions etc. 3.8.2 Objectives Objectives are the results or outcomes an organisation wants to achieve in pursuing its basic mission. The basic purpose of setting objectives is to convert the strategic vision and mission into specific performance targets. Objectives function as yardsticks for tracking an organisation's performance and progress. Characteristics of Objectives Well - stated objectives should be: 1. Specific 2. Quantifiable 3. Measurable 4. Clear 5. Consistent 6. Reasonable 7. Challenging 8. Contain a deadline for achievement 9. Communicated, throughout the organisation Role of Objectives Objectives play an important role in strategic management. They are essential for strategy formulation and implementation because: 1. They provide legitimacy 2. They state direction 3. They aid in evaluation 4. They create synergy 5. They reveal priorities 6. They focus coordination 7. They provide basis for resource allocation 8. They act as benchmarks for monitoring progress 9. They provide motivation 44 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes Nature of Objectives The following are the characteristics of objectives: Hierarchy of Objectives In a multi - divisional firm, objectives should be established for the overall company as well as for each division. Objectives are generally established at the corporate, divisional and functional levels, and as such, they form a hierarchy. The zenith of the hierarchy is the mission of the organisation. The objectives at each level contribute to the objectives at the next higher level. Long-range and Short-range Objectives Organisations need to establish both long-range and short-range objectives (Long-range means more than one year, and short-range means one year and less.) Short-range objectives spell out the near - term results to be achieved. By doing so, they indicate the speed and the level of performance aimed at each succeeding period. Short - range objectives can be identical to long- range objectives if an organisation is performing at the targeted long-term level (for example, 20% growth - rate every year). The most important situation where short-range objectives differ from the long-range objectives occurs when managers cannot reach the long-range target in just one year, and are trying to elevate organisational performance. Short-range objectives (one - year goals) are the means for achieving long range objectives. A company that has an objective of doubling its sales within five years can't wait until the third or fourth year of its five-year strategic plan. Short range objectives then serve as stepping-stones or milestones. Multiplicity of Objectives Organisations pursue a number of objectives. At every level in the hierarchy, objectives are likely to be multiple. Example: The marketing

division may have the objective of sales and distribution of products. This objective can be broken down into a group of objectives for the product, distribution, research and promotion activities. To describe a single, specific goal of an organisation is to say very little about it. It turns out that there are several goals involved. This may be due to the fact that the enterprise has to meet internal as well as external challenges effectively. Moreover, no single objective can place the organisation on a path of prosperity and progress in the long run. However, an organisation should not set too many objectives. If it does, it will lose focus. Too many objectives have a number of problems. Examples: (a) They dilute the drive for accomplishment (b) Minor objectives get highlighted to the detriment of major objectives There is no agreement to the number of objectives that a manager can effectively handle. But, if there are so many that none receives adequate attention, the execution of objectives becomes ineffective; there is a need to be cautious. It will be wise to identify the relative importance of each objective, in case the list is not manageable.

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Network of Objectives Notes Objectives form an interlocking network. They are inter-related and inter-dependent. The implementation of one may impact the implementation of the other. If there is no consistency between company objectives, people may pursue goals that may be good for their own function but detrimental to the company as a whole. Therefore, objectives should not only “fit” but also reinforce each other. As observed by Koontz et al., “it is bad enough when goals do not support and interlock with one another. It may be catastrophic when they interfere with one another.”

3.9 Summary

A mission can be defined as a sentence describing a company's function, markets and competitive advantages. Developing your mission statement is the step which moves your strategic planning process from the present to the future. The mission should be broad enough to allow for the diversity (new products, new services, new markets) one requires for one's business. The mission statement should also be specific enough to provide the focus necessary to the success of your business. Once a mission statement has been set, every organisation needs to periodically review and possibly revise it to make sure it accurately reflects its goals and the business and economic climates evolve.

3.10 Keywords

Company philosophy: It is a set of beliefs, principles, or aims, underlying a company's practice or conduct. Company self concept: how much does the company knows itself Goals: It is an open ended statement of what one wants to achieve with no quantification of outcomes or time limit. Mission: A statement that declares what business a company is in and who its customers are. Objectives: The results an organisation wants to achieve in pursuing its basic mission.

3.11 Self Assessment Fill in the blanks:

1. The mission statement should have a primary focus on a strategic thrust.
2. The mission statement should reflect goals.
3. A mission can be defined as a sentence describing a company's, and
4. It is more important to communicate the mission statement tothan to
5. A mission statement should be appropriate to the organisation in terms of its, and
6. Every firm has to secure its survival through and

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7. A focus on customer satisfaction causes managers to realize the importance of providing excellent
8. The company provides a distinctive and accurate picture of the company's managerial outlook.
9.can't be quantified, whereascan be quantified.
10. Objectives are inter-.....and inter-.....

3.12 Review Questions

1. "Mission describes the present and vision the future". With this statement in mind compare mission and vision statements.
2. Are goals and objectives the same thing? Justify your answer. Discuss the unique characteristics of goals and objectives.
3. Suppose you are going to open a new mobile device manufacturing company. Prepare a mission statement for your company. (Try and include as many

elements mentioned in the unit as possible) 4. "It is necessary to review the mission statement periodically". Justify the statement 5. How can a mission statement set the tone of the organisation? 6. Analyse the characteristics of a good mission statement. 7. "Like an individual should know him/herself inside out, an organisation should also know itself". Substantiate 8. "Goals are general in nature while objectives are specific". Explain using suitable examples. 9. Explain the concept of stated and operational goals with the help of appropriate examples. 10. What do you mean by multiplicity of objectives? Explain using apt examples. Answers: Self Assessment 1. single 2. attainable 3. function, markets, competitive advantages 4. employees, customers 5. history, culture, shared values 6. growth, profitability 7. customer service 8. philosophy 9. Goals, Objectives 10. Related, dependent 3.13 Further Readings Books A A. Thompson and AJ. Strickland, Strategic Management, Business Publications, Texas, 1984. Adapted from Pearce JA and Robinson RB, Strategic Management, McGraw Hill, NY, 2000. LOVELY PROFESSIONAL UNIVERSITY 47 Unit 3: Defining Mission, Goals and Objectives Fred R. David, Strategic Management – Concepts and Cases, Pearson Education Inc., Notes 2005. Ian Palmer, Richard Dunford and Gib Akin, Managing Organisational Change, Tata McGraw-Hill, New Delhi, 1957. Online links www.1000ventures.com/business.../strategy_formulation www.articlesbase.com/.../strategy-formulation-and-implementation www.birnbaumassociates.com/strategy-implementation www.csun.edu/~hfmgt001/formulation <http://edweb.sdsu.edu/courses/edtec540/objectives/difference.html> www.missionstatements.com <http://sbinfocanada.about.com/od/businessplanning/g/missionstatemen.htm> 48 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes Unit 4: External Assessment CONTENTS Objectives Introduction 4.1 Concept of Environment 4.2 Porter's Five Force Analysis 4.2.1 The Five Forces 4.2.2 Forces that Shape Competition 4.3 Industry Analysis 4.3.1 Framework for Industry Analysis 4.3.2 Industry Analysis 4.4 Competitive Analysis 4.5 Environmental Scanning 4.5.1 Features of Environmental Analysis 4.5.2 Techniques of Environmental Scanning 4.6 Summary 4.7 Keywords 4.8 Self Assessment 4.9 Review Questions 4.10 Further Readings Objectives After studying this unit, you will be able to: Realise the concept of environment Discuss porter's five forces theory Explain the concept of industry analysis Discuss environment scanning Hitesh Jhanji, Lovely Professional University LOVELY PROFESSIONAL UNIVERSITY 49 Unit 4: External Assessment Notes Introduction At a time of fast growth, rapid changes and cut throat comatetion as exists in about all industries, it is a challenge for the companies to establish a strategic agenda for dealing with these contending currents and to grow despite them. A company must understand how the above currents work in its industry and how they affect the company in its particular situation. For this a very useful tool is used by the analysts. The name of this tool is external analysis. External assessment is a step where a firm identifies opportunities that could benefit it and threats that it should avoid. It includes monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporation. 4.1 Concept of Environment Environment literally means the surroundings, external objects, influences or circumstances under which someone or something exists. The environment of any organisation is "the aggregate of all conditions, events and influences that surround and affect it." Davis, K, The Challenge of Business, (New York: McGraw Hill, 1975), p. 43. Environment refers to all external forces which have a bearing on the functioning of business. Jauch and Gluecke has defined environment as "The environment includes factors outside the firm which can lead to opportunities or a threat to the firm. Although there are many factors the most important of the sectors are socio-economic, technological, supplier, competitor and govt." The recent changes in tariff rates have changed the toy industry of India with the market now being dominated by Chinese products. A slight change in the Reserve Bank of

India's monetary policy can increase or decrease interest rates in the market. A slight shift in the government's fiscal policy can shift the whole demand curve towards the right or the left. Example: Hindustan Lever Limited (HLL) took advantage of the new takeover and merger codes and acquired brands like Kissan from the UB group, TOMCO (Tata Oil Mills Company) and Lakme from Tata and Modern Foods from the government, besides many other small takeovers and mergers. The new moguls of the Indian business are those who predicted the changes in the environment and reacted accordingly. Azim Premji of Wipro, Narayana Murthy of Infosys, Subhash Goyal of ZEE, the Ambanis of Reliance, L.N. Mittal of Mittal Steel, Sunil Mittal of Bharti Telecom are some of them. Even a small businessman who plans to open a small shop as a general merchant in his town needs to study the environment before deciding where he wants to open his shop, the products he intend to sell and what brands he wants to stock. The relation between a business and an environment is not a one way affair. The business also equally influences the external environment and can bring about changes in it. Powerful business lobbies for instance, actively work towards changing government policies. The business environment is not all about the economic environment but also about the social and political environment. Politically, after the Congress government came to power at the center with the support of the CPI in May 2004, the whole process of disinvestments took a Uturn. Similarly, a new sociological order in India today has created a market for fast foods, packaged foods, multiplexes, designer names, Valentine day gifts and presents, and gymnasiums and clubs etc. 50 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes So it is quite obvious that success in a business depends upon better understanding of the environment. A successful organisation doesn't look at the environment on an ad hoc basis but develops a system to study the environment on a continuous basis to try and protect the organisation from every possible threat and to take the advantage of every opportunity. Some times better and timely understanding of the environment can even turn a threat into an opportunity. Importance of Business Environment

1. Environment is Complex: The environment consists of a number of factors, events, conditions and influences arising from different sources. All these interact with each other to create new sets of influences.
2. It is Dynamic: The environment by its very nature is a constantly changing one. The varied influences operating upon it impart dynamism to it and cause it to continually change its shape and character.
3. Environment is multi-faceted: The same environmental trend can have different effects on different industries. For instance, GATS is an opportunity for some companies but a threat for others.
4. It has a far-reaching impact: The environment has a far-reaching impact on organisations in that the growth and profitability of an organisation depends critically on the environment in which it exists.
5. Its impact on different firms within the same industry differs: A change in environment may have different bearings on various firms operating in the same industry. In the pharmaceutical industry in India, for instance, the impact of the new IPR (Intellectual Property Rights) law will differ for research-based pharmacy companies such as Ranbaxy and Dr. Reddy's Lab and will be different for smaller pharmacy companies.
6. It may be an opportunity as well as a threat to expansion: Developments in the general environment often provide opportunities for expansion in terms of both products and markets. Example: Liberalization in 1991 opened lot of opportunities for companies and HLL took the advantage to acquire companies like Lakme, TOMCO, KISSAN etc. Changes in environment often also pose a serious threat to the entire industry. Like Liberalization does pose a threat of new entrants to Indian firms in the form of Multi National Corporation (MNCs).
7. Changes in the environment can change the competitive scenario: General environmental changes may alter the boundaries of an industry and change the nature of its competition. This has been the case with deregulation in the telecom sector in India. Since deregulation, every second year new competitors emerge, old foes become friends and M&As follow every new

regulation. 8. Sometimes developments are difficult to predict with any degree of accuracy: Macroeconomic developments such as interest rate fluctuations, the rate of inflation, and exchange rate variations are extremely difficult to predict on a medium or a long term basis. On the other hand, some trends such as demographic and income levels can be easy to forecast. LOVELY PROFESSIONAL UNIVERSITY 51 Unit 4: External Assessment 4.2 Porter's Five Force Analysis Notes In 1979, the Harvard Business Review published the article "How Competitive Forces Shape Strategy" by the Harvard Professor Michael Porter. It started a revolution in the strategy field. In subsequent decades, "Porter's five forces" have shaped a generation of academic research and business practice. This unit explores how competitive analysis can be done using Porter's five forces model. 4.2.1 The Five Forces In essence, the job of the strategist is to understand and cope with competition. However, managers define competition too narrowly, as if it occurs only among today's direct competitors. Yet competition for profits goes beyond established industry rivals. It includes four other competitive forces as well: customers, suppliers, potential entrants and substitutes. Potential entrants Threat of new entrants Bargaining power of buyers Industry competitors Bargaining power of suppliers Rivalry among existing firms Threat of substitute products or services Suppliers Buyers Substitutes The Five Forces model developed by Michnal E. Porter has been the most commonly used analytical tool for examining competitive environment. According to this model, the intensity of competition in an industry depends on five basic forces. These five forces are: 1. Threat of new entrants 2. Intensity of rivalry among industry competitors 3. Bargaining power of buyers 4. Bargaining power of suppliers 5. Threat of substitute products and services. Each of these forces affects a firm's ability to compete in a given market. Together, they determine the profit potential for a particular industry. To understand industry competition and profitability, one must analyze the industry's underlying structure in terms of the five forces, as shown in the Figure 4.1. Figure 4.1: Porter's Five Forces Model 52 LOVELY PROFESSIONAL UNIVERSITY Strategic Management Notes Porter argues that the stronger each of these forces are, the more limited is the ability of established companies to raise prices and earn greater profits. With Porter's framework, a strong competitive force can be regarded as a threat because it depresses profits. A weak competitive force can be viewed as an opportunity because it allows a company to earn greater profits. The strength of the five forces may change with time as industry conditions change. For example, in industries such as airlines, textiles and hotels, where these forces are intense, almost no company earns attractive returns on investment. In pharmaceuticals and toiletries, where these forces are benign, many companies earn attractive profits. Notes Understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability, while providing a framework for anticipating and influencing competition and profitability over time. Understanding industry structure is also essential to effective strategic positioning. Defending against the competitive forces and shaping them in a company's favour are crucial to strategy. 4.2.2 Forces that Shape Competition The configuration of the five forces differ from industry to industry. For example in the market for commercial aircraft, fierce rivalry among existing competitors (i.e. Airbus and Boeing) and the bargaining power of buyers of aircrafts are strong, while the threat of entry, the threat of substitutes, and the power of suppliers are more benign. Thus, the strongest competitive force or forces determine the profitability of an industry and becomes the most important to strategy formulation. 1. The Threat of New Entrants: The first of Porter's Five Forces model is the threat of new entrants. New entrants bring new capacity and often substantial resources to an industry with a desire to gain market share. Established companies already operating in an industry often attempt to discourage new entrants from entering the industry to protect their share of the market and profits. Particularly when big new entrants are diversifying from other markets into the industry, they

can leverage existing capabilities and cash flows to shake up competition. Pepsi did this when it entered the bottled water industry, Microsoft did when it began to offer internet browsers, and Apple did when it entered the music distribution business. The threat of new entrants, therefore, puts a cap on the profit potential of an industry. When the threat is high, existing companies hold down their prices or boost investment to deter new competitors. And the threat of entry in an industry depends on the height of entry barriers (i.e. factors that make it costly for new entrants to enter industry) that are present and on the retaliation from the entrenched competitors. If entry barriers are low and newcomers expect little retaliation, the threat of entry is high and industry profits will be moderate. It is the threat of entry, not whether entry actually occurs, that holds down profitability. 2. Barriers to entry: Entry barriers depend on the advantages that existing companies have relative to new entrants. There are seven major sources: (a) Economies of scale: These are relative cost advantages associated with large volumes of production, that lower a company's cost structure. The cost of product per unit declines as the volume of production increases. This discourages new entrants to enter on a large scale. If the new entrant decides to enter on a large-scale to obtain economies of scale, it has to bear high risks associated with a large investment. LOVELY PROFESSIONAL UNIVERSITY 53 Unit 4: External Assessment A further risk is that the increased supply of products will depress prices and resul