

Strategic Management – The Competitive Edge
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Lecture 02

Purpose, Mission, Goals

Purpose is the reason for which this organization has been set up. Take the example of Indian Telephone Industries which is the first public sector undertaking to be started after the country became independent in 1948. The purpose of setting up ITI was to fulfill the telecommunication needs of the country.

In order to achieve this purpose, a mission is drawn. That is start going from one level to the next. Eg: let us say you want to look at the demand for telephones. In 1948 most of the Indian households did not have any telephone. Even in 1980s also, if you wanted to have a telephone there was a waiting period with BSNL. So, there were no private players even till mid 1980 to give you alternate telephone services.

So, that being the case, ITI was having the purpose of fulfilling the telecommunication needs of the country. And in order to do this, they go through in a mission mode whether it is with respect to telecommunication equipment or with respect to so many other types of services in telecommunication. So, sometimes this purpose and mission are used interchangeably depending on the context in which it is being used.

A mission statement which is a strategic mission statement, incorporates 3 elements. A strategic revealing mission statement incorporates 3 elements. 1: what customer need is being satisfied. 2: Who is being satisfied? 3: how value is created and delivered to customers satisfying their needs. Note that mission statement is customer centric.

If you take the example of ITI itself, when there was no phone at all, in most of the Indian households, this telecommunication service which was being offered in the form of telephone that is a product; was giving them the service of connecting one point in the country to another point in the country or one point in the city to another point in the city.

So, that itself was a great achievement, when the country became independent, started having its own products through ITI. It was initially the mechanical telephone instruments. Later on, many electronic products were manufactured, which we will further discuss.

There are 3 elements of a strategically revealing mission statement. I have taken as an example

mission statement of Saturn Corporation. The Saturn corporation is a subsidiary of General Motors. Its mission statement reads: Market vehicles developed and manufactured in the United States, that are world leaders in quality, cost and customer satisfaction through the integration of people, technology and business systems and to transfer knowledge, technology and experience throughout General Motors. So, most of the elements which we have discussed with respect strategic revealing mission statement are fulfilled by this mission statement.

From the mission statement, an organization moves to what is called a business mission. An organization's business mission complements its business definition. In other words, suppose it is in the field of telecommunications- it may not only be making telephone instruments, but also doing so many other services. Take the example of ITI- now it is into satellite communications also. With this it is assisting in the planning process of the country as well. Large data, which is getting collected at the nodal level i.e. the village level comes to the taluk level, then to the district level, then comes to the state capital level, finally to the national capital level. All these links in the planning process has been made possible through the satellite arm of ITI.

An organization's business mission complements its business definition. It reflects management's vision of what the organization seeks to do. Some are general statements, others may be very specific. Clearly stated mission statements add focus to the organization's efforts. I have taken a simple example to discuss this. The company that I have taken is the Hallmark Company.

Most of you know that Hallmark Company comes out with greeting cards. If you want to look at this Hallmark Company, we look at it with respect to business mission under the heads: What needs/ wants they fulfill, generic versus product markets, etc., Search for growth opportunities: greeting cards versus the personal expression market. This is in fact, the characteristic of the Hallmark Company where it gives a personal touch to the greeting cards.

There are so many types of greeting cards, which you can get in the market. Why one is preferring Hallmark company's greeting card- it adds a personal touch to that occasion and it gives its own mark or gives an indelible print that it is a card specially chosen for the person concerned and for that particular occasion. So, using this particular strategy, the Hallmark company could really capture a huge market in the greeting cards business.

An organization moves from mission statement to strategic vision. For this, we have to answer these questions: What changes are occurring in markets? And what are the implications for the directions we need to move? It means that markets are not going to be static, the product that is going to put out to satisfy a market today may not be satisfying the same market some 5 years later or sometimes even 2 to 3 years later.

What new or different customer needs should we move to satisfy? This is what is characterizing the present-day customer, he is demanding saying give me different uses of this product. Sometimes the organization might not have thought in that direction. So, this is given by the customer feedback which the organization can always get from customers. What new or different buyer segments should we concentrate on? So, on the one hand of the spectrum, you may be having a market which is highly demanding. On the other hand, you may also be having a segment which is not so, demanding.

On the other extreme side, you may have a segment which is satisfied with what you are offering. So, all these are possible, what new geographic or product markets should we be pursuing depending on what you can put out into the market- you should be able to delineate your market segments. So, many companies have gone out of business, because they are not able to sync with the market changes which are occurring so rapidly.

If you look at our own country market changes, which are occurring after the liberalization process, especially after 2010 onwards have been extremely drastic. So, an organization requires to be on its toes to fulfill these needs of different product segments, different geographic areas within the same country. Then what should the company's business makeup look like in 5 years? This is where I said corporate planning process used to look at 5 years.

Now, when you are looking at strategic vision, 5 years may seem a lot, and you must be prepared to look at a time horizon less than 5 years. What kind of company should we be trying to become? In other words, what is happening in the the present-day setup organizations have to keep in sync with the change in markets. You cannot really look at strategy without markets. They are highly linked together. So, strategy has to be linked to markets and when you are linking it to markets, your mission statement to strategic vision- how do you come out with it becomes quite important.

In order to do this an organization comes out with goals. These goals, are required for an organization to legitimize its business. So, they not only legitimize the organization, they identify the inter-organizational relationships, they have a PR value, that is public relations value. It helps in image building with suppliers customers, public policymakers and the government.

A well specified goal also helps in coordination of multiplicity of tasks, managing of conflicts setting up standards of performance and it acts like a motivator for the employees in the organization. Goals can be looked at in 3 compartments 1. Official- this is described in the memorandum of association and also available in the charter of the company. It is also given in the annual reports of the company. This official goal is many times abstract. So, in order to

decipher it further, you come to what is called the: 2. Operative goal- that is what organization is really attempting to do? It can be inferred from organizational policies. These operative goals help focus attention, reduce uncertainty and choose organizational design alternatives. This is what behavioral expert will always do. These are called OD interventions in an organization. 3. Operational goals gives a full description to be used by supervisory personnel or managers to influence the behavior of subordinates and measure their performance. So, it is more detailed, explains what is expected of an employee working in the organization. How he should be able to achieve targets.

So, in the present-day setup if you go walk into any of the Smart Bazaar (earlier Big Bazaar) outlets, operated by Reliance, one finds mobbed by so many salespeople wanting to lure a customer with offers- their sales supervisors are monitoring them right from morning to evening. So, in other words, the supervisor gives the target to the field person and the field person has to satisfy this target. Even in organizations it works in the same manner.

So, if you look at the official goals, it is abstract, idealistic, Operative goals are actual goals but not articulated, Operational goals are detailed and measurable. So, there is a wonderful book on these policies. This book is by George Steiner, I have taken out this pyramid from his book only, pyramid of business policies-top management planning. So, he looks at policies under: major policy- that is the line of business or the Code of Ethics; secondary policy with respect to geographical area, major cost/ products. So, whether you want to confine yourself to the state or number of states or the entire country or move into international markets, everything comes in the secondary policies; the functional policies i.e. marketing, production, etc; procedures and standard operating plans that is with respect to customer orders; servicing -the rules that is the delay of payment cheques, security etc. George Steiner gives a more in-depth coverage into all these heads in his book.

After this, we move to the strategies. We look at growth strategies, dependency reduction strategies. We will take up these in the next class. Thank you.