

## E-Content BCH-601 : Business Policy

#### Lecture 5

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## Mission Statement and Goals

• It is the function of the top management team to provide the firm's <u>purpose</u> or "strategic intent."

Chester Barnard The Functions of the Executiv





Alfred Sloan My Years with General Motors



- Komatsu ---> "Encircle Caterpillar"
- Canon ---> "Beat Xerox"
- Kodak ---> "Be the leader in the imaging sector"
- Coca Cola ---> "To put a Coke within 'arms reach' of every consumer in the world."

# Fundamental question of the choice of Goals: Planning for what purpose(s)?

- Profitability (net profits)
- Efficiency (low costs)
- Market Share
- **Growth** (e.g., increase in total assets, sales, etc)
- Shareholder Wealth (dividends plus stock price appreciation)
- Utilization of Resources (e.g., ROE, ROI)
- Reputation
- Contribution to Stakeholders
   (e.g., employees, society)
- Survival (avoid bankruptcy)



## The Manager's role in balancing expectations

### **Business Roundtable:**

- "Balancing the shareholder's expectations of maximum return against other priorities is one of the fundamental problems confronting corporate management."
- Understanding corporate strategy means <u>understanding the</u> <u>competing value claims of multiple stakeholders</u>.
- <u>Stakeholders</u> are the individuals and groups who can affect, and are affected by, the strategic outcomes achieved and who have enforceable claims on a firm's performance.



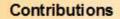


## Stakeholders and the Enterprise



#### External Stakeholders

- Customers
- Suppliers
- Governments
- Unions
- Local communities
- · General public



THE FIRM

#### Inducements









Contributions

Inducements





#### Internal Stakeholders

- Stockholders
- Employees
- Managers
- Board members

