



RAMA UNIVERSITY

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FACULTY OF COMMERCE & MANAGEMENT

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**SUBJECT: BUSINESS POLICY & STRATEGIC
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Lecture-8



Mission vs Purpose

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

- (i) Mission is the societal reasoning while the purpose is the overall reason.
- (ii) Mission is external reasoning and relates to external environment. Purpose is internal reasoning and relates to internal environment.
- (iii) Mission is for outsiders while purpose is for its own employees.

BUSINESS DEFINITION

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

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

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

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

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

A clear business definition is helpful in identifying several strategic choices. The choices regarding various customer groups, various customer functions and alternative technologies give the strategists various strategic alternatives. The diversification, mergers and turnaround depend upon the business definition. Customer oriented approach of business makes the organization competitive. On the same lines, product/ service concept could also give strategic alternatives from a different angle. Business can be defined at the corporate or SBU levels. At the corporate level, it will concern itself with the wider meaning of customer groups, customer functions and alternative technologies. If strategic alternatives are linked through a business definition, it results in considerable amount of synergic advantage.

OBJECTIVES AND GOALS

Objectives refer to the ultimate end results which are to be accomplished by the overall plan over a specified period of time. The vision, mission and business definition determine the business philosophy to be adopted in the long run. The goals and objectives are set to achieve them.

Meaning

Objectives are openended attributes denoting a future state or out come and are stated in general terms.

When the objectives are stated in specific terms, they become **goals** to be attained.

In strategic management, sometimes, a different viewpoint is taken.

Goals denote a broad category of financial and non-financial issues that a firm sets for it self.

Objectives are the ends that state specifically how the goals shall be achieved.

It is to be noted that objectives are the manifestation of goals whether specifically stated or not.

Difference between objectives and goals.

The points of difference between the two are as follows:

- The goals are broad while objectives are specific.
- The goals are set for a relatively longer period of time.
- Goals are more influenced by external environment.
- Goals are not quantified while objectives are quantified.

Broadly, it is more convenient to use one term rather than both. The difference between the two is simply a matter of degree and it may vary widely.

Need for Establishing Objectives

The following points specifically emphasize the need for establishing objectives:

- Objectives provide **yardstick to measure performance** of a department or SBU or organization.
- Objectives serve as a **motivating force**. All people work to achieve the objectives.
- Objectives help the organization to **pursue its vision and mission**. Long term perspective is translated in short-term goals.
- Objectives **define the relationship** of organization with internal and external **environment**.
- Objectives provide a **basis for decision-making**. All decisions taken at all levels of management are oriented towards accomplishment of objectives.

What Objectives are Set

According to Peter Drucker, objectives be set in the area of market standing ,innovation productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude and public responsibility. Researchers have identified the following areas for setting objectives:

Profit Objective – It is the most important objective for any business enterprise. In order to earn a profit, an enterprise has to set multiple objectives in key result areas such as market share, new product development, quality of service etc. Ackoff calls them performance objectives.

Marketing Objective may be expressed as: “to increase market share to 20 percent within five years. or “ to increase total sales by 10 percent annually. They are related to a functional area.

Productivity Objective may be expressed in terms of ratio of input to output. This objective may also be stated in terms of cost per unit of production.

Product Objective may be expressed in terms of product development, product diversification, branding etc.

Social Objective may be described in terms of social orientation. It may be tree plantation or provision of drinking water or development of parks or setting up of community centers.

Financial Objective relate to cash flow, debt equity ratio, working capital, new issues, stock exchange operations, collection periods, debt instruments etc. For example a company may state to decrease the collection period to 30 days by the end of this year.

Human resources objective may be described in terms of absenteeism, turnover, number of grievances, strikes and lockouts etc. An example may be “to reduce absenteeism to less than 10 percent by the end of six months.

Characteristics of Objectives

The following are the characteristic of corporate objectives:

(i) They form a **hierarchy**. It begins with broad statement of vision and mission and ends with key specific goals. These objectives are made achievable at the lower level.

(ii) It is impossible to identify even one major objective that could cover all possible relationships and needs. Organizational problems and relationship cover a multiplicity of variables and cannot be integrated into one objectives. They may be economic objectives, social objectives, political objectives etc. Hence, **multiplicity of objectives** forces the strategists to balance those diverse interests.

(iii) A **specific time horizon** must be laid for effective objectives. This timeframe helps the strategists to fix targets.

(iv) Objectives must be within reach and is also challenging for the employees. If objectives set are beyond the reach of managers, they will adopt a defeatist attitude. **Attainable objectives** act as a motivator in the organization.

(v) Objectives should be **understandable**. Clarity and simple language should be the hallmarks Vague and ambiguous objectives may lead to wrong course of action.

(vi) Objectives must be **concrete**. For that they need to be quantified. Measurable objectives helps the strategists to monitor the performance in a better way.

(vii) There are many constraints internal as well as external which have to be considered in objective setting. As different objectives compete for scarce resources, objectives should be set **within constraints**.

Process of Setting Objectives

Glueck identifies four factors that should be considered for objective setting. These factors are: the forces in the environment, realities of an enterprise's resources and internal power relations, the value system of top executives and awareness by the management of the past objectives.

They are briefly narrated below:

(i) **Environmental forces**, both internal and external, may influence the interests of various stake holders. Further, these forces are dynamic by nature. Hence objective setting must consider their influence on its process.

(ii) As objectives should be realistic, the efforts be made to set the objectives in such a way so that objectives may become attainable. For that, **existing resources of enterprise and internal power structure** be examined carefully.

(iii) **The values of the top management** influence the choice of objectives. A philanthropic attitude may lead to setting of socially oriented objectives while economic orientation of top management may force them to go for profitability objective.

(iv) Past is important for strategic reasons. Organizations cannot deviate much from the past. Unnecessary deviations will bring problems relating to resistance to change.

Management must **understand the past** so that it may integrate its objectives in an effective way.

SUMMARY

Strategic intent refers to the purpose for which the organization strives for. It is the philosophical framework of strategic management process. The hierarchy of strategic intent covers the vision and mission, business definition and the goals and objectives. Stretch is misfit between resources and aspirations. Leverage stretches the meagre resource base to meet the aspirations. The fit positions the firm by matching its organizational resources to its environment.

Vision constitutes future aspirations. This articulates the position that a firm would like to attain in the distant future. A well conceived vision consists of core ideology and envisioned future. The core ideology rests on the core values and the core purpose. Core values are the essential and enduring tenets while the core purpose is the reason of organization's existence.

Mission is the social reasoning of organization. It has external orientation. It legitimizes social existence. The mission statements may be precise, realistic, achievable, clarity for action, distinct, dynamic, motivating etc. Mission is the social reasoning while purpose is the internal reasoning.

Business definition explains the business of an organization in terms of customer needs, customer groups and alternative technologies goal denote a broad category of issues which a firm sets for itself. Objectives are the ends that state specifically how the goals shall be achieved. Objectives are being set

- (i) as yardstick to measure performance
- (ii) as motivating force
- (iii) to pursue its vision and mission
- (iv) to define the relationship with environment
- (v) as a basis for decision making

Profit, marketing, productivity, product, society, human resource, finance may be the bases for setting objectives. Objectives are characterized as follows:

- (i) Hierarchy
- (ii) Multiplicity of Objectives
- (iii) Specific Time Horizon
- (iv) Attainable Objectives
- (v) Understandable
- (vi) Concrete
- (vii) Setting within Constraints