
UNIT 3 STRATEGIC FRAMEWORK

Objectives

After studying this unit, you should be able to:

- 1 understand the meaning of intent and vision;
- 1 understand the issues related to core values and core purpose;
- 1 know the concept of mission and its characteristics;
- 1 appreciate the process of formulating mission statements;
- 1 discuss the characteristics, need and issues with respect to objectives; and
- 1 distinguish the concepts of vision and mission, objectives and goals, intent and vision etc.

Structure

- 3.1 Introduction
- 3.2 Strategic Intent
- 3.3 Vision
- 3.4 Core Values and Core Purpose
- 3.5 Mission
- 3.6 Business Definition
- 3.7 Objectives and Goals
- 3.8 Summary
- 3.9 Key Words
- 3.10 Self Assessment Questions
- 3.11 References and Further Readings

3.1 INTRODUCTION

Strategies are involved in the formulation, implementation and evaluation of process. The hierarchy of strategic intent lays the foundation for strategic management process. The process of establishing the hierarchy of strategic intent is very complex. In this hierarchy, the vision, mission, business definition and objectives are established. Formulation of strategies is possible only when strategic intent is clearly set up. This step is mostly philosophical in nature. It will have long term impact on the organization.

3.2 STRATEGIC INTENT

The foundation for the strategic management is laid by the hierarchy of strategic intent. The concept of strategic intent makes clear **WHAT AN ORGANISATION STANDS FOR**, Harvard Business Review, 1989 described the concept in its infancy. Hamed and Prahalad coined the term strategic intent. A few aspects about strategic intent are as follows:

- 1 It is an obsession with an organization.
- 1 This obsession may even be out of proportion to their resources and capabilities.

- 1 It envisions a derived leadership position and establishes the criterion, the organization will use to chart its progress.
- 1 It involves the following:
 - 1 Creating and Communicating a vision
 - 1 Designing a mission statement
 - 1 Defining the business
 - 1 Setting objectives

Vision serves the purpose of stating what an organization wishes to achieve in the long run.

Mission relates an organization to society.

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

Objectives state what is to be achieved in a given time period.

- 1 The strategic intent concept also encompasses an active management process that includes focussing the organization's attention on the essence of winning.
- 1 The concept of stretch and leverage is relevant in this context.

Stretch is a misfit between resources and aspirations.

Leverage concentrates, accumulates, conserves and recovers resources so that a meagre resource base can be stretched. Leverage reduces the stretch and focusses mainly on efficient utilization of resources.

- 1 The strategic fit matches organizational resources and environment. This positions the firm by assessing organizational capabilities and environmental opportunities.
- 1 Under fit, the strategic intent would seem to be more realistic.
- 1 It is hierarchy of intentions ranging from a board vision through mission and purpose down to specific objectives.

3.3 VISION

It is at the top in the hierarchy of strategic intent. It is what the firm would ultimately like to become. A few definitions are as follows:

Kotter "description of something (an organization, corporate culture, a business, a technology, an activity) in the future. The definition itself is comprehensive and states clearly the futuristic position.

Miller and Dess defined vision as the "category of intentions that are broad, all inclusive and forward thinking"

The definition lays stress on the following:

- 1 broad and all inclusive intentions;
- 1 vision is forward thinking process.

A few important aspects regarding vision are as follows:

- 1 It is more of a dream than articulated idea.
- 1 It is an aspiration of organization. Organization has to strive and exert to achieve it.
- 1 It is powerful motivator to action.
- 1 Vision articulates the position of an organization which it may attain in distant future.

Envisioning

This is the process of creating vision. It is a difficult and complex task. A well conceived vision must have:

- 1 Core Ideology
- 1 Envisioned Future

Core Ideology will remain unchanged. It has the enduring character. It consists of core values and core purpose. Core values are essential tenets of an organization. Core purpose is related to the reasoning of the existence of an organization.

Envisioned Future will basically deal with following:

- 1 The long term objectives of the organization.
- 1 Clear description of articulated future.

Advantages of having a Vision

A few benefits accruing to an organization having a vision are as follows:

- 1 They foster experimentation.
- 1 Vision promotes long term thinking.
- 1 Visions foster risk taking.
- 1 They can be used for the benefit of people.
- 1 They make organizations competitive, original and unique.
- 1 Good vision represent integrity.
- 1 They are inspiring and motivating to people working in an organization.

Appendix 1 gives an example of vision and mission of Reliance Technology Centre so as to develop an understanding of the concept of vision in the corporate world.

Activity 1

- 1. What is envisioning?

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- 2. What is strategic intent? Discuss the concept giving an example from the corporate world.

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- 3. Explain the concept of leverage stretch and fit.

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3.4 CORE VALUES AND CORE PURPOSE

Initial reference of these two terms were given in section 3.3. These concepts are very important in the process of envisioning. Collins and Porras have developed this concept for better philosophical perspective. As has already been discussed, a well conceived vision consists of core ideology and envisioned future. Core ideology rests on core values and core purpose.

Core Values are the essential and enduring tenets of an organization. They may be beliefs of top management regarding employees welfare, costumer’s interest and shareholder’s wealth. The beliefs may have economic orientation or social orientation. Evidences clearly indicate that the core values of Tata’s are different from core values of Birla’s or Reliance. The entire organization structure revolves around the philosophy coming out of core values.

Core Purpose is the reason for existence of the organization. Its reasoning needs to be spelt.

A few characteristics of core purpose are as follows:

- i) It is the overall reason for the existence of organization.
- ii) It is why of an organization.
- iii) This mainly addresses to the issue which organization desires to achieve internally.
- iv) It is the broad philosophical long term rationale.
- v) It is the linkage of organization with its own people.

Activity 2

1. What is core purpose? How is it different from core value?

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2. Give examples of two companies with respect to core purpose and core values.

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3.5 MISSION

The mission statements stage the role that organization plays in society. It is one of the popular philosophical issue which is being looked into business managers since last two decades.

Definition

A few definitions of mission are as follows:

Hynger and Wheelen “ purpose or reason for the organization’s existence.

David F. Harvey states “ A mission provides the basis of awareness of a sense of purpose, the competitive environment, degree to which the firm’s mission fits its capabilities and the opportunities which the government offers.

Thompson states mission as the “essential purpose of the organization, concerning particularly why it is in existence, the nature of the business it is in, and the customers it seeks to serve and satisfy.

The above definition reveals the following:

- i) It is the essential purpose of organization.
- ii) It answers “why the organization is in existence”.
- iii) It is the basis of awareness of a sense of purpose.
- iv) It fits its capabilities and the opportunities which government offers.

Nature

A few points regarding nature of mission statement are as follows:

- 1 It gives **social reasoning**. It specifies the role which the organization plays in society. It is the basic reason for existence.
- 1 It is **philosophical and visionary** and relates to top management values. It has long term perspective.
- 1 It **legitimises societal** existence.
- 1 It has **stylistic objectives**. It reflects corporate philosophy, identity, character and image of organization.

Characteristics

In order to be effective, a mission statement should possess the following characteristics.

- i) A mission statement should be **realistic and achievable**. Impossible statements do not motivate people. Aims should be developed in such a way so that they may become feasible.
- ii) It should neither be too broad nor be too narrow. If it is broad, it will become meaningless. A **narrower mission statement** restricts the activities of organization. The mission statement should be precise.
- iii) A mission statement should not be ambiguous. It must be **clear for action**. Highly philosophical statements do not give clarity.
- iv) A mission statement should be distinct. If it is not **distinct**, it will not have any impact. Copied mission statements do not create any impression.
- v) It should have **societal linkage**. Linking the organization to society will build long term perspective in a better way.
- vi) It should not be static. To cope up with ever changing environment, **dynamic** aspects be looked into.
- vii) It should be **motivating** for members of the organization and of society. The employees of the organization may enthuse themselves with mission statement.
- viii) The mission statement should indicate the **process of accomplishing** objectives. The clues to achieve the mission will be guiding force.

Examples of Mission Statement

A few examples of mission statement (academically not accepted) are as follows:

- 1 India Today “The complete new magazine”.
- 1 Bajaj Auto, “Value for Money for Years”.
- 1 HCL, “To be a world class Competitor”.
- 1 HMT, “Timekeepers of the Nation”.

Some experts argue that these are the publicity slogans. They are not mission statements. A few other examples are as follows:

Ranbaxy Industries “To become a research based international Pharmaceuticals Company”.

Eicher Consultancy “To make India an economic power in the lifetime, about 10 to 15 years, of its founding senior managers.”

Formulation of Mission Statements

The mission statements are formulated from the following sources:

- i) National Priorities projected in plan documents and industrial policy statements.
- ii) Corporate philosophy as developed over the years.
- iii) Major strategists have vision to develop mission statements.
- iv) The services of consultants may be hired.

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.

Activity 3

- 1. Distinguish between Mission and Purpose.

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- 2. Explain the essentials of Mission statement.

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- 3. Formulate Mission statements of any two organizations of your choice.

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3.6 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:

- 1 Customer groups are individual customers, commercial organizations, sports organizations, educational institutions etc.
- 1 Customer functions are record time, finding time, alarm service etc. It may be a gift item also.
- 1 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.

3.7 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

- 1 Objectives are opened attributes denoting a future state or out come and are stated in general terms.
- 1 When the objectives are stated in specific terms, they become goals to be attained.
- 1 In strategic management, sometimes, a different viewpoint is taken.
- 1 Goals denote a broad category of financial and non-financial issues that a firm sets for itself.
- 1 Objectives are the ends that state specifically how the goals shall be achieved.
- 1 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:

- 1 The goals are broad while objectives are specific.
- 1 The goals are set for a relatively longer period of time.
- 1 Goals are more influenced by external environment.
- 1 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:

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

What Objectives should be set?

According to Peter Drucker, objectives should 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 relates 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 resource 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 characteristics 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 help 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.

Activity 4

- 1. For a company of your choice, apply the concept of business definition.

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- 2. Select any organization of your choice. You formulate vision, business definition, mission, objectives, core purpose and core values.

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3.8 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.

Mission is the social reasoning of organization. It has external orientation. It legitimizes social existence.

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. Overall this unit tries to give a view of strategic intent as a whole.

3.9 KEY WORDS

- Business Definition** : It explains the business of an organization in terms of customer needs, customer groups and alternative technologies.
- Core Purpose** : It is the reason for organization’s existence.
- Core Values** : It is the essential and enduring character of organization.
- Goals** : A broad category of financial and non financial issues that a firm sets for itself.
- Mission** : It is the social reasoning of organization. It links organization to society.
- Objectives** : What is to be achieved in a given time period. They are the manifestation of goals.
- Strategic Intent** : It makes clear what an organization stands for.
- Vision** : What an organization wishes to achieve in the long run.

3.10 SELF ASSESSMENT QUESTIONS

- 1) What is strategic intent? Discuss the concept of leverage, stretch and fit with respect to business organization.
- 2) What is mission? How is it different from purpose? Discuss the essentials of a mission statement.
- 3) Stage five mission statements of big companies in India and review them critically.
- 4) Explain the three dimensions of a business definition. Illustrate.
- 5) What are objectives? How are they set? State the characteristics of objectives.
- 6) How will you set objectives for a large organization? Assume imaginary details.
- 7) Explain the following:
 - a) Core Value
 - b) Core Purpose
 - c) Leverage
- 8) Visit two companies of your choice and collect the details regarding hierarchy of strategic intent.

3.11 REFERENCES AND FURTHER READINGS

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RELIANCE TECHNOLOGY CENTRE

Reliance Industries Limited is the largest private sector in India and is the second largest manufacturer of polyester in the world. Reliance Technology Centre was set up in 1997 and presently is engaged in manufacturing PET homo and co-polymer fibres. The following is the vision and mission of the company.

VISION

- 1 To establish a centre of excellence for research and development in PET homo and copolymer fibres and resins through disciplined, motivated and time bound execution of projects;
- 1 To create an environment conducive to intellectual growth, efficient flow of information and accountability in order to achieve a productive and sustained phase of research activities;
- 1 To closely interact with the business group companies and technical for short, medium and long-term quality and process issues;
- 1 To thrive to become a catalyst to the growth of company's polyester business;
- 1 To leverage synergy between Reliance's PET, polymers and fibre intermediate business;
- 1 To create, maintain and pursue strategic research alliance for top end research activities.

MISSION

To achieve 'Global leadership in polymers, fibres and resin businesses'.

Source: www.ril.com