Study Material

Class - M. Com
Subject Code – MC 4.1
Subject – Strategic Management
Topic – Strategic Management (Vision, Mission, Objective, Policies)

Prepared by - Dr. G. Vijayalakshmi.
             Faculty of Commerce, Karim City College.

Learning outcome of this study material:

STRATEGIC MANAGEMENT PROCESS

VISION, MISSION, OBJECTIVES, POLICIES

A **Mission Statement** defines the company's business, its objectives and its approach to reach those objectives.

A **Vision Statement** describes the desired future position of the company. Elements of **Mission** and **Vision** Statements are often combined to provide a **statement** of the company's purposes, goals and **values**.

Role played by mission, vision:

Objective - Definition and meaning

In business, an objective refers to the specific steps a company will take to achieve a desired result. The result is the goal. Hence the term 'goals and objectives.' In other words, my goal is what I want to become, while my objective is how I plan to get there.

A business' goal is more general and may not specify when things will happen. Objectives, on the other hand, are specific and tell you what the company will do to reach its goal.

A business' primary aim is to add value, which in the private sector involves making a profit. Strategic objectives or aims may include brand building, market leadership, expansion, or gaining a specific share of the market.

Objectives, if a company is losing money, may include laying off staff and closing some branches.

An objective is 'SMART'
A company's business objective is a detailed picture of a step its senior management plans. Specifically, they are steps it plans to take to reach a specific goal.

According to *businesscasestudies.co.uk*, these must be **SMART** so that the company can gauge and monitor its progress

SMART refers to the first letter of each of the five words listed below. They describe what an objective must be:
- **S**pecific – Easy to understand and clear.
- **M**easurable: in other words, easy to quantify.
- **A**chievable: possible to be attained.
- **R**ealistic: this one is similar to achievable. The aim must not be 'pie in the sky'.
- **T**ime-bound: related to specific durations and dates.

POLICIES: Policies are principles, rules and guidelines formulated or adopted by an organization to reach its long term goals .They are designed to influence and determine all major decisions and actions, and all activities take place within the boundaries set by them.

FACTORS THAT SHAPE A COMPANY'S STRATEGIES
Organizations do not exist in a vacuum. Many factors enter into the forming of a company's strategy. Each exists within a complex network of environmental forces. These forces, conditions, situations, events, and relationships over which the organization has little control are referred to collectively as the organization's environment.

In general terms, environment can be broken down into three areas:

- ❖ Macro environment, or general environment (remote environment) - that is, economic, social, political and legal systems in the country;
- ❖ Operating environment - that is, competitors, markets, customers, regulatory agencies, and stakeholders; and
- ❖ The internal environment - that is, employees, managers, union, and board directors.

Analysis of the Macro Environment
An organization ignores the macro environment at its own great peril. Many studies support the concept that there are needs to be a link between the organization's strategic decisions and its environment. All organizations are affected by four macro environmental forces: political-legal, economic, technological, and social.

Political and Regulatory Forces
Political-legal forces include the outcomes of elections, legislation, and court judgments, as well as the decisions rendered by various commissions and

agencies. The political sector of the environment presents actual and potential restriction on the way an organization operates.

Among the most important government actions are: regulation, taxation, expenditure, takeover (creating a crown corporation, and privatization. The differences among local, national, and international subsectors of the political environment are often quite dramatic. Political instability in some areas makes the very form of government subject to revolutionary changes.

In addition the basic system of government and the laws the system promulgates, the political environment might include such issues as monitoring government policy toward income tax, relative influence of unions, and policies concerning utilization of natural resources.

Political activity may also have significant impacts on three additional governmental functions influencing a firm's external environment:

➤ Supplier function. Government decisions regarding creation and accessibility of private businesses to government-owned natural resources and national stockpiles of agricultural products will profoundly affect the viability of some firm's strategies.
➤ Customer function. Government demand for products and services can create, sustain, enhance, or eliminate many market opportunities.
➤ Competitor function. The government can operate as an almost unbeatable competitor in the market place, Therefore, knowledge of government strategies can help a firm to avoid unfavorable confrontation with government as a competitor.

In general, the impact of government is far-reaching and increasing.

Economic Forces
Economic forces refer to the nature and direction of the economy in which business operates. Economic factors have a tremendous impact on business firms. The general state of the economy (e.g., depression, recession, recovery, or prosperity), interest rate, stage of the economic cycle, balance of payments, monetary policy, fiscal policy, are key variables in corporate investment, employment, and pricing decisions.

The impact of growth or decline in gross national product and increases or decreases in interest rates, inflation, and the value of the dollar are considered as prime examples of significant impact on business operations.

To asses the local situation, an organization might seek information concerning the economic base and future of the region and the effects of this outlook on wage rates, disposable income, unemployment, and the transportation and commercial base. The state of world economy is most critical for organizations operating in such areas.

Technological Forces
Technological forces influence organizations in several ways. A technological innovation can have a sudden and dramatic effect on the environment of a firm. First, technological developments can significantly alter the demand for an organization's or industry's products or services.

Technological change can decimate existing businesses and even entire industries, since its shifts demand from one product to another. Moreover, changes in technology can affect a firm's operations as well its products and services.

These changes might affect processing methods, raw materials, and service delivery. In international business, one country's use of new technological developments can make another country's products overpriced and non-competitive. In general,

Technological trends include not only the glamorous invention that revolutionizes our lives, but also the gradual painstaking improvements in methods, in materials, in design, in application, unemployment, and the transportation and commercial base. They diffusion into new industries and efficiency" (John Argenti).

The rate of technological change varies considerably from one industry to another. In electronics, for example change is rapid and constant, but in furniture manufacturing, change is slower and more gradual.

Changing technology can offer major opportunities for improving goal achievements or threaten the existence of the firm. Therefore, "the key concerns in the technological environment involve building the organizational capability to
1. forecast and identify relevant developments - both within and beyond the industry,
2. assess the impact of these developments on existing operations, and
3. define opportunities" (Mark C. Baetz and Paul W. Beamish).

These capabilities should result in the creation of a technological strategy. Technological strategy deals with "choices in technology, product design and

development, sources of technology and R&D management and funding" (R. Burgeleman and M. Maidique).

The effect that changing technology can have upon the competition in an industry is also dealt with other chapters. Technological forecasting can help protect and improve the profitability of firms in growing industries.

Social Forces
Social forces include traditions, values, societal trends, consumer psychology, and a society's expectations of business.

The following are some of the key concerns in the social environment: ecology (e.g., global warming, pollution); demographics (e.g., population growth rates, aging work force in industrialized countries, high educational requirements); quality of life (e.g., education, safety, health care, standard of living); and noneconomic activities (e.g., charities).

Moreover, social issues can quickly become political and even legal issues. Social forces are often most important because of their effect on people's behaviour. For an organization to survive, the product or service must be wanted, thus consumer behaviour is considered as a separate environmental behaviour. Behaviour factors also affect organisations internally, that is, the employees and management.

A society's expectations of business present other opportunities and constraints. These expectations emanate from diverse groups referred to as stakeholders. Stakeholders include a firm's owners (stockholders), members of the board of directors, managers and operating employees, suppliers, creditors, distributors, customers, and other interest groups - at the broadest level, stakeholders include the general public.

Determining the exact impact of social forces on an organization is difficult at best. However, assessing the changing values, attitudes, and demographic characteristics of an organization's customers is an essential element in establishing organizational objectives.