THREE STRATEGIC-MAKING TASKS OF AN ORGANISATION

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Abstract

Management's mission of what the organization is trying to do and to become over the long-term is referred to as the organization's mission. A mission statement specifies what activities the organization intends to pursue and what course management has charted for the future. It outlines "who we are, what we do and where we are headed". Mission statements are personalized in the sense that they set an organization apart from others in its industry and give it its own special identity, character and path for development. Without a concept of what the organization should and should not do, and a vision of where the organization needs to be going, a manager cannot function effectively as either leader or strategy-marker. There are there distinct aspects to the task of developing a company mission:-

- *Understanding what business a company is really in;*

- *Deciding when to change the missions and alter the company's strategic course; and*

- *Communicating the mission in ways that are clear, exciting and inspiring.*

Key Words: mission statement, objectives, performance targets, strategies, factors-internal and external to an organization.

Introduction

The three strategy-making tasks of any organization (profit-making or non-profit-making) are three and these are:

- Defining the business and developing a mission;

- Setting performance objectives; and

- Crafting a strategy to produce the desired results.

These tasks shall be discussed below, one by one.

UNDERSTANDING AND DEFINING THE BUSINESS

Deciding what business and organization is in is neither obvious nor easy. This requires taking three factors into account:-

- Customer needs or what is being satisfied;

- Customer groups or who is being satisfied;

- The technologies used and functions performed – how customer's needs are satisfied.

Defining a business in terms of what to satisfy, who to satisfy and how the organization will go about producing the satisfaction, and completeness to the definition. It also directs management to look outward and toward customers and markets as well as inward in forming markets and its

concepts of "who we are and what we do." A good example of a business definition that incorporates all three aspects is that of Polaroid Company: - "perfect and marketing instant photography to satisfy the needs of more affluent US and West European families for affection, friendship, fond memories and humour."

Mission Statement of say Supermarket

As a service-giving organization, our mission is to:-

"Satisfy our customers' immediate needs and wants by providing them with a wide variety of goods and services at multiple Location".

A company's mission statement always has a time dimension; it is subject to change whenever top management concludes that the present mission is no longer adequate.

Communicating a mission statement

A mission statement phrased in words that inspire and challenge can help build committed effort from employees, thus serving as a powerful motivational tool. Companies should communicate their missions in words that induce employee buy-in and convey a sense of organizational purpose. The best mission statements use simple concise terminology; they speak loudly and clearly, generate enthusiasm for the firm's future course and encourage personal effort and dedication from everyone in the firm. A short clear, often-repeated, inspiring mission statement has the power to turn heads in the intended direction and begin a new organizational march. A well conceived mission statement has real managerial value: -

- It crystallizes top management's own view about the firm's long - term direction and make-up;

- It helps keep the direction-related actions of lower-level managers on the right path;

- It conveys an organizational purpose and identity that motivate employees to do their best;

- It helps managers avoid either visionless or rudderless management;

- It helps an organization prepare for the future.

2. Establishing performance objectives: -

Establishing objectives convert the mission and directional course into designated performance outcomes. Objectives represent managerial commitment to produce specified results in a specified time. They spell out how much of what kind of performance by when. They direct attention and energy to what needs to be accomplished.

Unless an organization's mission and direction are translated into measurable performance targets and managers are pressured to steer progress in reaching these targets, an organization's mission statement is just window-dressing. Companies whose managers set objectives for each key result area and then aggressively pursue actions calculated to achieve their performance targets, are strong candidates to outperform the companies whose managers operate with hope, prayers and good intentions. For performance objectives to have value as a management tool, they must be stated in quantifiable or measurable terms and they must contain a deadline for achievement. Spelling out organizational objectives in measurable terms and then holding managers accountable for reaching their assigned targets within a specified time frame: -

- Substitutes purposeful strategic decision-making for aimless actions and confusion over what to accomplish; and

- Provides a set of benchmark for judging the organization's performance.

Objectives are needed for each key result area that managers deem important to success. Two types of key result areas relate to financial performance and strategic performance. Achieving acceptable financial performance is a must, otherwise the organization's survival ends up at risk. Achieving acceptable strategic performance is essential to sustaining and improving the company's long-term market position (Arthur, Thompson and Strickland, 1992).

Long-range versus short-range objectives

An organization needs both long range and short-range objectives. Long-range/term objectives serve two purposes: -

- Setting performance targets five or more years ahead raises the issue of what the targeted long-range performance later;

- Pushing managers to weigh the impact of today's decision on long-range performance.

Short-range/term objectives spelt out the immediate and near-term results to be achieved. They indicate the speed at which management wants the organization to progress as well as the level of performance being aimed at for over the next two or three periods. Short-range objectives serve as stair steps for reaching the ultimate target.

Need for objectives at all management levels

For strategic thinking and strategy-driven decision-making to penetrate the organizational hierarchy, performance targets must be established not only for the organization as a whole but also for each of the organization's separate business and product lines down to each functional

area and department within the business-unit/ product line structure. Only when every manager from the CEO down to the lowest-level manager, is held accountable for achieving specific results in their units, is the objective-setting process complete enough to ensure that the whole organization is headed down the chosen path and that each part of the organization knows what it needs to accomplish. The objective-setting process is more top- down than it is bottom -up.

Top-down approach of establishing performance targets is a logical way to divide organization-wide targets into pieces that lower level units and managers are responsible for achieving. Such an approach also provides a valuable degree of unity and cohesion to the objective-setting and strategy-making, occurring in different parts of the organization. Top-down objective setting and strategizing steer lower-units toward objectives and strategies that take their cues from those of the total enterprise. When objective-setting and strategy-making begin at the bottom level of the organization and organization-wide objectives and strategies reflect the aggregate of what has come up from below, the resulting strategic action plan won't be consistent, cohesive or coordinated. Bottom-up objectives-setting, with no guidance from above, nearly always signals an absence of strategic leadership on the part of senior executives.

3. **Crafting a Strategy to produce the desired results**

Organizations need strategies to guide how to achieve objectives" and "how the top pursues the organization's mission." Strategy-making is all about "how" - how to: -

- Reach performance targets;

- Out-compete rivals;

- Seek and maintain competitive advantage;

- Strengthen the enterprises' long-term business position.

An organization's overall strategy and managerial game plan emerge from the pattern of actions already initiated and the plans managers have, for making fresh moves. In forming a strategy out of many possible options, the strategist forges responses to market change, seeks new opportunities and synthesizes different approaches taken at various times in various parts of the organization.

An organization's strategy evolves over time. The unpredictable character of competition and market change, make it possible to anticipate and plan for everything in advance. There is always something new to react to and some new strategic window opening up. This is why the task of strategizing is always ongoing, involving continuous review and reconsideration and fresh strategic initiatives are crafted to modify the current strategy.

In large diversified enterprises, decisions about what approaches to take and what new moves to initiate, involve corporate senior executives, heads of business units and product divisions, heads of major functional areas within a business or division, plant managers, district and regional sales managers and lower-level supervisors.

In diversified enterprises, strategies are initiated at four distinct organizational levels as exhibited below: -

Strategy level	Persons involved	Strategy-making functions and areas of focus
1. Corporate Strategy	CEO & other senior Executives (decisions are reviewed and	• Building and managing a high performing portfolio of business by boards of units making acquisitions; strengthening existing businesses that no longer fit into management's plans. • Capturing the synergy among related business units and

	approved by boards of directors)	turning it into competitive advantage; • Esta blishing investment priorities and steering corporate resources into business with the most attractive opportunities; • Reviewing/unifying major approaches proposed by business unit managers
2. Business Strategies	General Managers, heads of business units (decisions reviewed/approved by senior executives/board of directors.	• Devising moves and approaches to compete successfully and to secure a competitive advantage; • Forming responses to changing external conditions; • Uniting the strategic initiatives of key functional departments; • Taking actions to address company-specific issues and operating problems.
3. Functional Strategies	Functional managers, (decisions reviewed/approved by business-unit heads).	• Crafting moves and approaches to support business strategy and to achieve functional performance objectives; • Revising/unifying strategy related moves proposed by lower-level managers.
4. Operating Strategies	Field-unit heads/lower level managers within functional areas (decisions reviewed/approved by functional area heads/departmental heads)	• Crafting still narrower and more specific approaches/moves aimed at supporting functional and business strategies and achieving operating-unit objectives.

Single-business enterprises have only three levels of strategy-making (i.e. business strategy, functional strategy and operating strategy).

Factors that shape strategy

Many factors enter into the forming of a company's strategy. The interplay of external and internal factors is frequently complex and always industry-and-company specific. No strategic two strategy-choices are made in exactly the same context as situational factors always differ. This is why managers need to assess all the various situational factors, both external and internal, before they begin crafting strategy. These factors are dealt with hereunder: -

External factors

1	2	3
Societal & political, regulatory and citizenship considerations	Industry attractiveness and competitive conditions	Specific company opportunities & threats

Internal factors

1	2	3
Organisational strengths, weaknesses and competitive capabilities	Personal ambitions, business philosophies and ethical principles of key executives.	Shared values and company culture.

External factors

Societal, political, regulatory and citizenship considerations

What a company can and cannot do strategy-wise is always constrained by what is: -

- legal;

- in compliance with government policies and regulations;

- considered socially acceptable; and

- constitutes community citizenship.

Societal concerns have impacted many companies' strategies. For example, American concerns over the growing volume of foreign imports and political debate over whether to impose tariffs and import quotas to help reduce US trade deficit have been key factors in the strategic decisions of Japanese and European companies to locate plants in the USA. Companies now consider societal values, community concerns and regulatory requirements when analyzing their external situation.

Industry's attractiveness and competitive conditions

Industry's attractiveness and competitive conditions are big strategy-determining factors. A company's assessment of the industry and competitive environment directly affects how it should try to position itself in the industry and what its basic competitive strategy approach should be. When a firm concludes that its industrial environment has grown unattractive, it may craft a strategy of disinvestment and abandonment.

Company opportunities and threats

Business opportunities a company has and the threats to its position that it faces are key influences on strategy. Strategy needs to be deliberately crafted to capture some or all of a company's best growth opportunities, especially the ones that can enhance its long-term competitive position and profitability. Strategy should be geared to providing a defence against external threats to the company's well being and future performance.

Internal factors

Organisational strengths, weaknesses and competitive market position

In order to match strategy to a firm's internal situation, management should build strategy around what the firm does well and avoid strategies whose success depends heavily on something the company does poorly. In short, strategy must be well matched to company strengths, weaknesses and competitive capabilities. An organization's core strengths - the things it does well, are an important strategy-making consideration. The best path to competitive advantage is found where a firm has core strengths in one or more of the key requirements for market success, where rivals do not have matching competences.

Personal ambitions, business philosophies and ethical beliefs of managers

Managers' decisions are influenced by their own vision of how to compete and how to position the enterprise and by image, they want the company to have. Managers' personal value, business philosophies and ethical beliefs have important influences on strategy.

Influence of shared values and company culture on strategy

An organization's policies, practices, traditions and ways of doing things combine to give it a distinctive culture. A company's strategic actions typically reflect its cultural traits and managerial values. In some cases, a company's core beliefs and culture even dominate the choice of strategic moves. This is because culture related values and beliefs become so embedded in management's thinking and actions that they condition how the enterprise responds to external events. Strong cultural influences partly account for why companies gain reputation for strategic traits as technological leadership, growth through acquisitions and total customer satisfaction.

Tests of a winning strategy

How can a manager judge which strategic option is best for the company?

What are the standards for determining whether a strategy is successful or not? Three tests can be used to evaluate the merits of one strategy over another and to gauge how good a strategy is:

The goodness of fit test

A good strategy is well matched to the company's situation - both internal and externaL factors and its own capabilities and aspirations.

The competitive advantage test

A good strategy leads to sustainable competitive advantage. The bigger the competitive edge that a strategy helps build, the more powerful and effective it is.

Performance test

A good strategy boosts company performance. There are two kinds of performance improvements that are most telling. These are gains in profitability and gains in the company's

long-term business strength and competitive position.

Strategic options with low potential on one or more of these criteria do not merit strong consideration. The strategic option with the highest potential on all three counts can be regarded as the best or most attractive strategic alternative. Once a strategic commitment has been made

and enough time has elapsed to see results, these same tests can be used to determine how well a company's current strategy is performing. The bigger the margins by which a strategy satisfies all three criteria when put to test in the market place, the more it qualifies as a winning strategy.

There are, of course, some additional criteria for judging the merits of a particular strategy:

clarity, internal consistency among all the pieces of strategy, timeliness, match to personal values and ambitions of key executives, the degree of risk involved and flexibility. These can be used to supplement the three tests referred to above.

Approaches to performing the strategy-making task

Companies and managers perform the strategy-making task differently (John, Pearce and Robinson, 2003). In small-owned managed companies, strategy-making is developed informally. Often, the strategy is never written but exists mainly in the entrepreneur's own mind and in oral understandings with key subordinates. The largest firms, however, tend to develop their plans via an annual strategic planning cycle that includes broad management participation, lots of studies and numerous meetings to probe and question. The Larger and more diverse an enterprise the more managers feel it is better to have a structured annual process with written plans, management scrutiny and official approval at each level. Along with variations in how managers personally participate in analyzing the company's situation and deliberating what strategy to pursue, so are the variations met in organizational process of formulating strategy.

Strategy-making styles used by managers

Master Strategist approach

Here the manager personally functions as chief strategist, and chief entrepreneur, exercising strong influence over assessment of the situation, over the strategy alternatives that are explored and over the details of strategy (Arthur, Thompson and Strickland, 1992). This does not mean that the manager personally does all the work but it means that the manager personally becomes the chief architect of strategy and wields as proactive hand in shaping some or all of the major pieces of strategy. The manager acts as strategy commander and has a big ownership stake in the chosen strategy.

Delegate-it-to -Others approach

Here, the manager in charge delegates the exercise of strategy-making to others, perhaps a strategic planning staff or a task force of trusted subordinates. The manager then stays off the side, keeps in touch via reports and conversations, offers guidance if needed, reacts to informal trial recommendations, then puts stamp of approval on the strategic plan after it has been formally presented and discussed and a consensus reached. However, the manager rarely has much ownership in the recommendation and privately, may not see much urgency in pushing hard to implement some or much of what has been written down in the company's official strategic plan. This strategy-making style has the advantage of letting the manager pick and choose from the alternative strategic ideas that come from below for it allows room for broad participation and input from many managers and areas. The weakness is that a manager may end up so detached from the process of formal strategy-making that he/she exercises no real strategic leadership and it is thought subordinates are likely to conclude that strategic planning is not important enough to warrant a claim on the boss's personal time and attention. This strategy is set for rudderless direction setting. Often, the strategy-making that occurs is short-run-oriented

and reactive. It will be dealing more with today's problems than with positioning the enterprise to capture tomorrow's opportunities.

Collaboration approach

This is a middle approach whereby the manager enlists the help of key subordinates in hammering out a consensus strategy that all the key players will back and do their best to implement successfully. The biggest strength of this strategy-making style is that those who are charged with crafting the strategy also have to implement it. Giving subordinate managers such a clear-cut ownership stake in the strategy they subsequently must implement, enhances commitment to successful execution. When subordinates have a hand in proposing their part of the overall strategy, they can be held accountable for making it work.

Champion approach

In this style, the manager is interested neither in personally crafting the details of strategy nor in the time-consuming task of leading a group to brain storm a consensus strategy. Rather, the manager encourages subordinate managers to develop, champion and implement sound strategies. Here, the strategy moves upward from the doers and the fast-trackers. Executives serve as judges, evaluating the strategy proposals that reach their desks. This approach works best in large diversified companies where CEO cannot personally make strategy-making in each business division. Headquarters' executives depend on talented managers at the business unit

level who can see strategic opportunities that the executives may articulate general strategic themes as organization-wide guidelines. But the key to strategy-making is stimulating and rewarding new strategic initiatives conceived by champions who believe in the opportunity

and badly want the blessing to go after it. With this approach, total strategy is shaped by the sum of the championed initiatives that get approved.

The group approach to strategy-making has its risks too. Sometimes the strategy that emerges is a middle-of-the-road compromise that lacks bold and creative initiative. Other times, it represents political consensus with outcome shaped by influential subordinates, powerful, functional departments or coalitions that have a common interest in promoting their own version of what the strategy ought to be. The big danger of a delegate-it-to-Others approach is a serious lack of top-down direction and strategic leadership.

N.B The strength of the champion style is that it suits large diversified companies.

CONCLUSION

Clearly related to concept of strategy, is the concept of a company's business model. While the word model conjures up images of ivory-tower ideas that may be closely connected to the real world, such images do not apply here. A company's business model is management's story-line for how the strategy will be a money-maker. The story line sets forth the key components of the entire price's business approach, indicates how revenues will be generated and makes a case for why the strategy can deliver value to the customers in a profitable manner. A company's

business model thus explains why its business approach and strategy will generate ample revenues to cover costs and capture a profit.

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