

# Chapter 2

## Strategic analysis: Mission, vision and stakeholders

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### Chapter learning objectives:

| Lead  | Component   | Indicative syllabus content  |
|---|---|--|
| A.1 Evaluate the influence of key external factors on an organisation's strategy. | (b) Recommend approaches to business/government relations and to relations with society.  | <ul style="list-style-type: none"> <li>Non-market strategy and forms of corporate political activity.</li> </ul>   |
|   | (c) Discuss the drivers of external demands for environmental sustainability and corporate social responsibility and the organisation's response. | <ul style="list-style-type: none"> <li>External demands for sustainability and responsible business practices and ways to respond to these.</li> </ul>   |
| B.1 Evaluate the process of strategy formulation.                                 | (a) Evaluate the processes of strategic analysis and strategic options generation.  | <ul style="list-style-type: none"> <li>Vision and mission statements and their use in orientating the organisation's strategy.</li> <li>The process of strategy formulation.</li> <li>Strategic options generation (e.g. using Ansoff's product/market matrix and Porter's generic strategies).</li> <li>Scenario planning and long-range planning as tools in strategic decision making.</li> <li>Value drivers (including intangibles) of business and the data needed to describe and measure them.</li> <li>Game theory approaches to strategic planning and decision making. <i>Note: Complex numerical questions will not be set.</i></li> <li>Real Options as a tool for strategic analysis. <i>Note: Complex numerical questions will not be set.</i></li> <li>Acquisition, divestment, rationalisation and relocation strategies in the context of strategic planning.</li> </ul> |

# 1. Mission

The fundamental objective(s) of an entity expressed in general terms.

- **CIMA Official Terminology**

*The mission says why you do what you do, not the means by which you do it.*

- Peter Drucker

- The mission is the basic purpose of the organisation.
- It tries to identify its reason for existence.
- The strategy of the organisation should be designed to support the accomplishment of this mission.

## Mission statement

The mission statement is a published statement, apparently of the entity's fundamental objective(s). This may or may not summarise the true mission of the entity.

- **CIMA Official Terminology**

- Outlines the organisation's mission.
- Summarises the reasoning and values that underpin its operations.
- Should be in writing.
- There is no correct format.
- Varies in style and length for every organisation.
- Is typically a short and punchy explanation of the reason for the existence of the organisation.




### **Characteristics of a mission statement:**

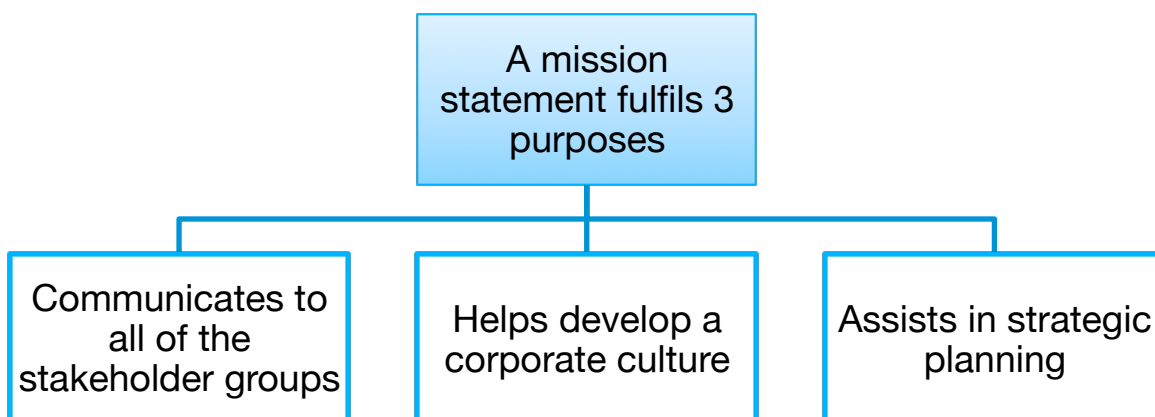
A mission statement has some or all of the following characteristics:

- Typically a brief statement of no more than a page in length.
- A general statement of the organisational culture.
- States the aims of the organisation.
- Indicates the business areas where the organisation wants to operate.
- Open-ended.
- Does not include commercial terms.
- Not time-assigned.
- Forms a basis for communication internal and external to the organisation.

- Used to formulate goals.
- Guides the direction of the entity’s strategy and, as such, is a component of management information.

**Examples:**

|   |   |
|---|---|
|  | <p>Google’s mission is to organise the world’s information and make it universally accessible and useful.</p>   |
|  | <p>Transportation as reliable as running water, everywhere for everyone.</p>  |
|  | <p>To deliver superior sustainable value, we run our business with integrity and openness, delivering optimum financial results within clearly defined business principles.</p> |



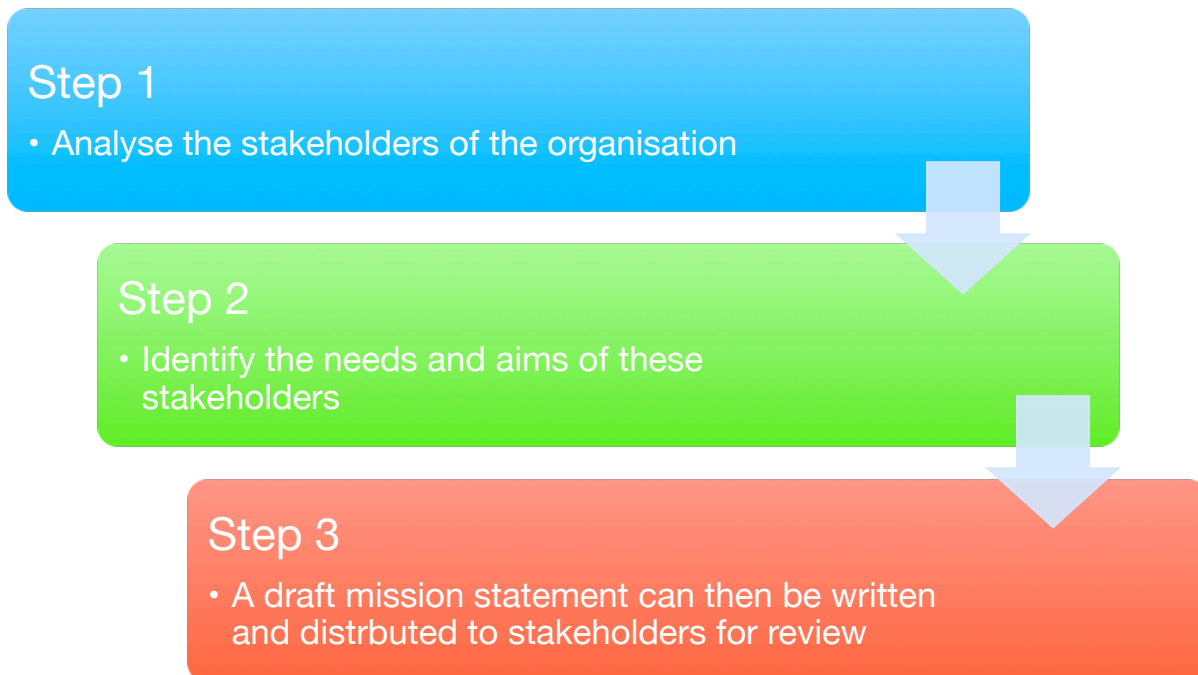
***Criticisms of mission statements:***

- May not represent the actual values of the organisation
- Often vague
- Often ignored
- May become quickly outdated

**The process of creating a mission statement**

- Mission statements are normally drafted by the senior managers or directors of the organisation.
- They are uniquely positioned to understand the high-level needs and aims of the business.

## Process



### Step 1:

The stakeholders of the organisation are customers, shareholders and employees, amongst others.

### Step 2:

The directors can attempt to create a mission statement that reflects these aims and shows how the organisation wants to relate to the stakeholders.

### Step 3:

Any feedback on the draft can be built into the final mission statement, which can then be widely published to as many interested parties as possible.

## The lifespan of a mission statement



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- There are no set rules on how long a mission statement will be appropriate for an organisation.
- It should be reviewed periodically to ensure that it still reflects the company's environment.
- If the market or key stakeholders have changed since the mission statement was written, then it may no longer be appropriate.

## 2. Vision statement

- The vision statement identifies the ideal position that the company wants to reach in the medium to long term.
- It essentially describes the longer-term aspirations of the organisation.
- Vision statements help give a longer-term direction to the organisation's strategies.
- Vision statements are designed to help staff make decisions and behave in such a way as to help move the company towards its ideal long-term position.

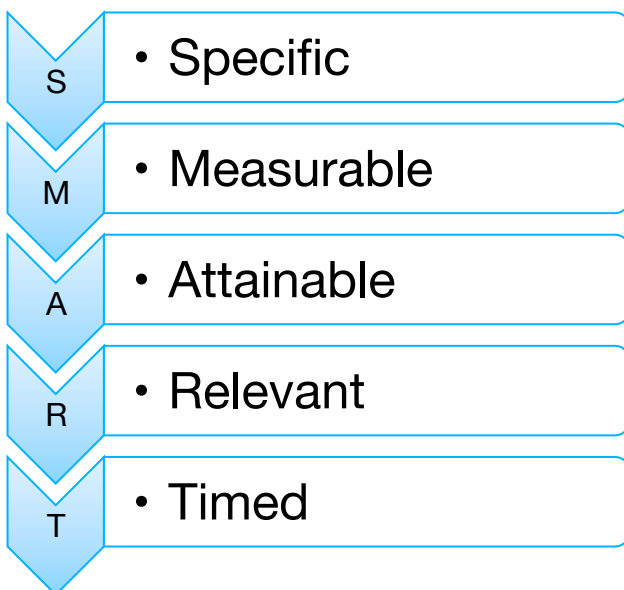
### Examples:

|   |   |
|---|---|
|  | <p>To make people happy.</p>  |
|  | <p>We strive to create local opportunity, growth, and impact in every country around the world.</p> |

## 3. Objectives

A mission is an open-ended statement of the firm's purpose and strategy. Objectives are more specific and seek to translate the mission into a series of milestones for the organisation to follow.

To be useful for motivation, evaluation and control purposes, objectives should be SMART



## Key issues

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- Objectives drive action.
- It can be difficult to prioritise multiple often conflicting objectives.
- This is made more complex when some objectives are hard to quantify.
- There will be a mix of financial and non-financial objectives.
- There is always the danger of short-termism.
- Objectives will vary across stakeholder groups, and a strategy may satisfy some groups but not others.

## 4. Stakeholders

The mission and objectives need to be developed with two sets of interests in mind:

- The interests of those who have to carry them out – typically managers and staff.
- The interests of those who focus on the outcome – such as shareholders, customers and suppliers.

Together these groups are known as stakeholders “those persons and organisations that have an interest in the strategy of the organisation.”

**-CIMA Official Terminology**

### Stakeholders include:

- Shareholders
- Employees
- Managers/directors
- Suppliers
- Customers
- Competitors
- The government
- The local community

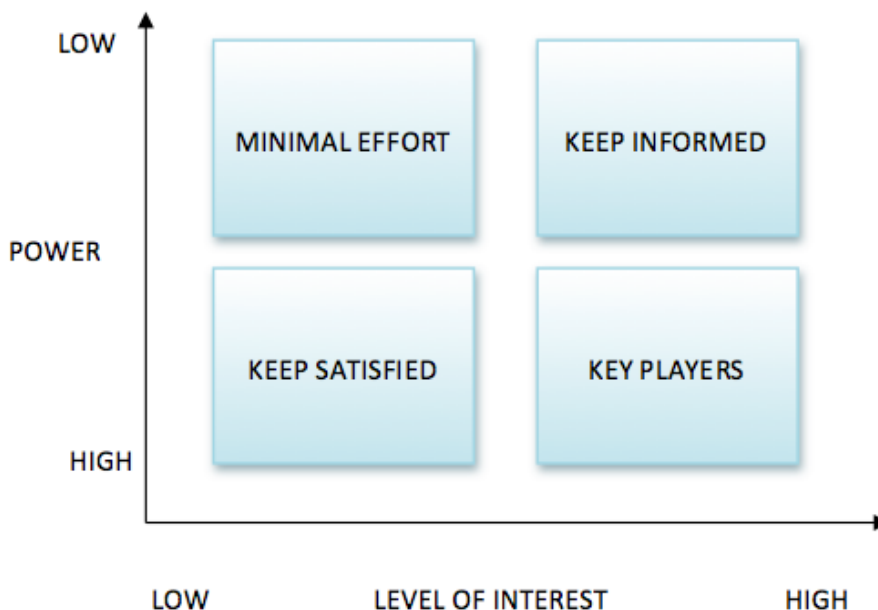
## Stakeholder groups and their needs

| Stakeholders                         | Objectives  |
|--------------------------------------|---|
| <b>Internal stakeholders</b>         |   |
| - Managers and employees             | Career development, pay, job security                                 |
| <b>External stakeholders</b>         |   |
| - Government and regulatory agencies | Compliance with relevant laws and regulations, collection of taxation |
| - Industry associations              | Member rights, compliance with industry rules and practices           |
| <b>Connected stakeholders</b>        |   |
| - Shareholders                       | Profit, share price, dividends  |
| - Customers                          | Low prices, quality goods, quality service                            |
| - Financers                          | Interest payments, security, meeting loan agreement terms             |
| - Suppliers                          | Assured demand, fair price paid, payments made on time                |

## 5. Mendelow's power/interest matrix

- A model that can be used to prioritise shareholders and decide how to deal with each of them.
- Does this by examining their level of power in combination with their level of interest.

### Stakeholders Mapping: The Power Interest Mapping



## Sources of stakeholder power

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### *Positional power:*

- Arises because of an individual's position in the organisational hierarchy.
- Is reflected in their formal authority and reputation.
- For instance, directors of an organisation.

### *Resource power:*

- This arises because an individual can control, obtain or create resources or other items of value.
- For example, unionised labour can exert control and influence the key labour resources in the organisation.

### *System power:*

- This arises because a stakeholder has high visibility or political access and relevance to a particular situation.
- A director who is closely connected to a major shareholder is likely to have significant power in the organisation.

### *Expert power:*

- This arises when an individual has information, knowledge and expertise that is important to an organisation.
- Skilled employees have more power than unskilled employees.

### *Personal power:*

- This arises when an individual has good communication skills and a good reputation.
- A popular director is likely to have more power in an organisation.

## Applying Mendelow's Matrix

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### *Minimal Effort:*

- Their low level of interest and power make these stakeholders open to influence.
- They are more likely than others to accept what they are told and follow instructions.

### *Keep informed:*

- These stakeholders are likely to have high levels of interests in the strategy but lack sufficient power to influence it.
- Management needs to convince opponents of the strategy that the plans are justified.
- Otherwise, these stakeholders will try to gain power by joining with parties with high power but low interest.



### Keep satisfied:

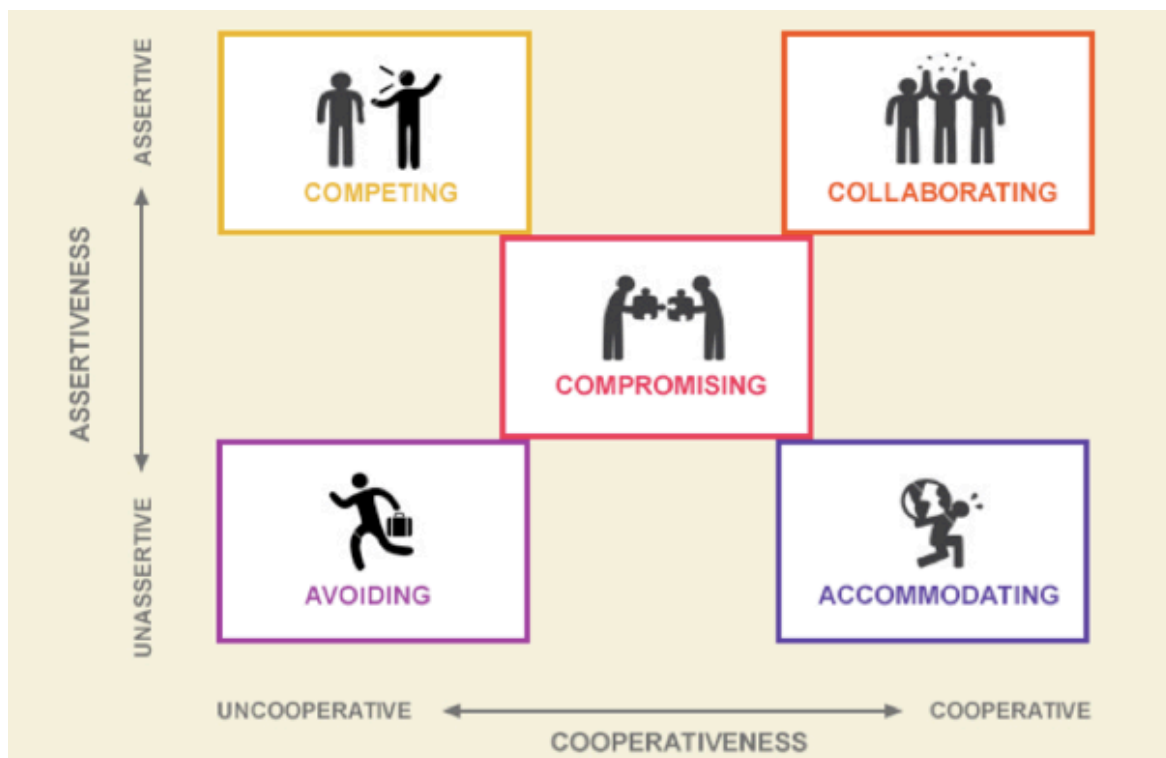
- Keep these stakeholders satisfied to avoid them gaining interest and moving to the “key players” box.
- This could involve reassuring them of the outcomes of the strategy well in advance.

### Key players:

- Potentially the most influential stakeholder groups in the strategic planning process.
- Their participation in the planning process is vital.
- Management therefore needs to communicate plans to them and discuss implemental issues.

## Resolving competing stakeholder objectives

The **Thomas–Kilmann Conflict Mode Instrument** model uses two variables, assertiveness and co-operativeness, for mapping the nature of conflict and how it might or might not be resolved:



Another model of stakeholder conflict resolution is that of **Cyert and March**, who suggest four ways of resolving conflicting stakeholder objectives:

### Satisficing:

- Involves negotiations between key stakeholders to arrive at an acceptable compromise.

***Sequential attention:***

- When management focuses on each group of stakeholders' needs in turn.

***Side payments:***

- Where stakeholders' primary objectives cannot be met, so they are compensated in one way or another.

***Exercise of power:***

- When a deadlock is resolved by a senior figure forcing through a decision simply based on the power they possess.

## **Stakeholder alliances**

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***Stakeholder analysis:***

Not all stakeholders will make useful allies. Using Mendelow's Matrix will help the organisation determine the most important stakeholders and the ones that it would be sensible to consider as potential allies.

***Matching needs:***

A strategic alliance will only work if it benefits both of the parties. Once the organisation has identified potential partners, it needs to research what their aims are, as well as considering how they could link with and support its own aims.

***Creation of the alliance:***

Once the organisation has identified the benefits of the alliance, it will be in the position to negotiate the terms with the desired partners. The alliance will need to be monitored on an ongoing basis to ensure that both of the parties are achieving the benefits they wanted.

## 6. Chapter summary

