Chapter

2

# Mission, Objectives and Stakeholders

## 2.1 Stakeholders

Stakeholders are those organisations or people that have an interest in the organisation, these interests varied and for many reasons. They can be a source of potential conflict for the successful accomplishment of the organisations strategy and goals. The essential skills of negotiation and communication are needed by the organisations management team, in order to resolve conflicts that may exist between the strategic aims of the organisation and the goals, values and interests of its various stakeholders.

It is difficult for an organisation to be committed to treating all stakeholders equally, all stakeholders can be listened to, but at the same time it would very difficult to consider their views equally, after all not everyone can be pleased, the goals or personal objectives of stakeholders can enormously conflict, so whatever the decision made by an organisation there is always going to be winners and losers. Often the winners will be those who have the greatest influence and therefore bargaining power when it comes to an ultimate strategic decision made by the organisations Board of Directors.

**Examples of conflict that occur between an organisation and its stakeholders**

- Differences between customer and shareholder aims e.g. customers demand for better quality of product, but higher cost verses less profit and return to shareholders.
- Differences between internal superior and sub-ordinates e.g. budget cost control verses salary merit increases for staff.
- Differences between pressure groups and the organisation e.g. social responsibility verses rational economic view that a firm exists to create shareholder wealth e.g. higher cost of complying for social responsibility will reduce profit and dividends.
- Differences between views of investors/shareholders and the Board of Directors e.g. short-term or long-term view over investment decisions.
- Differences between the personal aims or goals of managers e.g. strong visionary founders or an autocratic CEO of a Board of Directors, often would influence heavily on key strategic decision making.
- Suppliers trying to maximise sales revenue by maximising price whilst customers trying to minimise cost.

**Types of stakeholder power**

> **The meaning of power**
> Ability or right to exert influence over other persons or situations.
> The possession of a controlling influence.

**Types of power (French and Raven 1958)**

According to French and Raven power can be employed under different conditions.

1. **Reward power** e.g. the ability to influence a persons reward or chances of promotion, this often stems from legitimate power.
2. **Coercive power** e.g. the ability to mediate punishment upon a person, or the potential to inflict it. Such influence can come from harsh warnings, dismissal or the prevention of obtaining reward, based upon fear and threat.
3. **Expert power** e.g. the ability to influence a person because of superior knowledge, expertise or skills, ÷we listen to him because of what he knowsø
4. **Legitimate (or positional) power** e.g. the ability to influence a person because of the position the individual holds. Through job grade or title within the chain of command e.g. ÷we listen to him because of who he isø
5. **Referent (or personal) power** e.g. the ability to influence because of the respect, admiration and loyalty from others, often because of charisma.

**Other types of power include**

- **Resource power** e.g. can control the access or granting of resources. Boards of Directors often have the legal authority to allocate more or less funds to divisions or departments, also powerful trade unions can control access to industry labour and influence pay rates.
- **System power** e.g. those who have direct access to the authority, power and politics within the organisational system and can therefore influence the direction and culture of it. This could be a bank with legal covenants over a companyøs assets, with a seat on the Board, or the founder or CEO of a company**.**

**How stakeholder conflict can be managed**

Cyert and March proposed four approaches for managing stakeholder conflict

- **Satisficing.** A decision-making strategy that aims for a satisfactory or adequate result, ÷rather than the optimal solutionø Management often pursue courses of action that will satisfy by the negotiation and compromise with different stakeholder groups.
- **Sequential attention.** A decision-making strategy where management ensure that stakeholders ÷take turnsø to have their goals realised.
- **Side payments.** Compensation (perhaps financial) offered to those stakeholders whose goals are not realised.
- **Exercise of power.** Often the most powerful stakeholders enforce their own decisions and exercise superiority when conflicts or disagreements exist e.g.

management may exercise legal authority or key shareholders use their voting rights.

Other examples include weighting of stakeholders and scoring of different strategies to determine the most acceptable outcome. Higher weightings are given to the more important stakeholders and a ÷weighted scoreø given to each strategic option as a selection process to determining the acceptability of each strategic option.

**Example 2.1**

List 10 stakeholders of an organisation and give reasons why they would be interested?

**Mendelow’s stakeholder mapping model**

Mendelows matrix is a way of prioritising stakeholders by ÷subjectiveø mapping of them, in order to understand and resolve any issues or conflicts that may exist. This model prioritises by mapping which stakeholders should more likely considered and therefore ÷satisfiedø by the organisation.

- **Power** e.g. bargaining power, right or ability to exert influence over the organisations strategic aims and the general way it conducts itself.
- **Interest** e.g. interest in the activities or conduct of the organisation for varied reasons.

| | Interest in the organisation | |
|---|---|---|
| **Power over the organisation** | **Low** | **High** |
| **Low** | **Minimal Effort** | **Keep Informed** |
| **High** | **Keep Satisfied** | **Key players** |

**Prioritisation of stakeholders**

1. Key players
2. Keep Satisfied
3. Keep Informed
4. Minimal Effort

**The use of stakeholder mapping**

One way of managing stakeholders would be to prioritise by ÷mappingø which stakeholders should be more likely listened to, considered or satisfied by an organisation when key strategic decisions are made. Stakeholders can influence heavily the success or otherwise of a strategy adopted by an organisation.

- A stakeholderøs position may change over time once mapped, even though they may not have any power or any strong influence over what the organisation is doing at present, they could be able to exert greater influence in future.
- Stakeholders with weak bargaining power could influence other more powerful stakeholders. Stakeholders when united ÷collectivelyø can often exert stronger influence over the organisation e.g. labour trade unions or consumer groups can often exert a stronger influence over an organisation because of the ÷membershipø they represent.

### Other ways of identifying or classifying stakeholders

- **Internal** e.g. employees and management internally within the organisation, often exerting strong and immediate influence over the organisation.
- **Connected** e.g. customers, suppliers, competitors and industry regulators.
- **External** e.g. stakeholders outside and external to the organisation and its industry, such as, pressure groups, government, local community, media and financial investors.

### Primary and secondary stakeholders

- **Primary stakeholders** e.g. a formal and contractual relationship exists between the stakeholder and the organisation.
- **Secondary stakeholders** e.g. no contractual relationship exists between the stakeholder and the organisation.

### The process of stakeholder analysis

1. Identify and classify stakeholders e.g. using frameworks such as Mendelowøs matrix.
2. Analyse and understand the values, aims and influences of the different stakeholders identified and any ÷collectiveø relationships that exist between them.
3. Prioritise stakeholders e.g. even ÷key playersø you could rank further by using scoring measures.
4. Develop strategies to manage relations with different stakeholderøs identified e.g. consultation, participation or communication, perhaps building better relations with more influential stakeholders through regular contact, education and frequent consultation.
5. Frequently undertake stakeholder analysis to keep pace with changing stakeholder positions e.g. the level of interest or influence of existing stakeholders may change and even new stakeholders can emerge.

### The benefits of stakeholder analysis

- ✓ A clearer strategy for how to manage and build relations with stakeholders.
- ✓ Prioritises which stakeholders to consult and communicate with, therefore improving the effectiveness of any time and effort spent on stakeholder management.
- ✓ Information about stakeholders can be less costly than ignorance of them e.g. can prevent poor decisions from the viewpoint of stakeholders with high bargaining power.
- ✓ Feed forward control over strategic decision-making e.g. enhance good public relations in advance of unpopular decisions being made
- ✓ Can help improve the perception of the organisation by all its stakeholders when proactively managed by an organisation.

### The limitations of stakeholder analysis

A major drawback to stakeholder analysis is that it can be impossible for an organisation to be committed to treating all stakeholders with equal respect, all stakeholders can be listened to, but at the same time it would very difficult to consider their views equally, after all not everyone can be pleased, the goals or personal objectives of stakeholders can enormously conflict.

- ✘ Process may need to be regularly conducted due to the ÷mapping positionsø of different stakeholders can change frequently, so only valid for a point in time.
- ✘ Subjective ÷perceptionø of viewing the power and interest of different stakeholder groups.
- ✘ Time and cost of management e.g. to frequently manage and communicate with stakeholders, management opportunity cost.
- ✘ Often in practice there is no constructive cooperation with or effective strategies to manage stakeholders.
- ✘ Balancing act because you cannot please all stakeholders.

**Non-market strategy**

The terminology of market vs non-market strategy relates to the management of the organisations stakeholders. Market strategy is to with how an organisation strategically interacts with its suppliers, customers, or competitors and it more concerned with the immediate or task environment of the organisation and the industry it places itself within.

Non-market strategy is about stakeholder interaction outside of the immediate or market (task) environment that the organisation competes within for example stakeholders such as pressure or activist groups, governments and their agencies, legal and international courts, the social public and media. According to Porter a firm competes indirectly with suppliers and customers as well as directly with its competitors, because each party to the transaction attempts to maximise profit. With non-market strategy in contrast the aims and goals of different stakeholders can be vastly different in terms of the nature of their interest in the organisation and the level of influence or bargaining power that they hold.

**Non-market strategy**

÷A way to pursue strategic goals through political and social leverageø

Non-market strategy helps groups gain soft power and influence and use them to their competitive advantage. It is developed towards government, press and influential groups. Through non-market strategies, groups can reshape the rule of the game through laws and regulation. It can also be driven by social pressure, media and education. Tools for non-market strategies are: events, demonstrations, networking, sponsoring, research, publications, but also the consequences of law suits. Connected to lobbying, nonmarket strategies are more global and long term focus. Managing nonmarket strategies invite firms to care about their reputation, values and social impact.

**Example**

To protect its market position in France in the period of liberalization, EDF managed to defend the vision and the interest of a large integrated utility firm. Thanks to its powerful network and influence, in Paris but also in Brussels, EDF has achieved not be divided and split, like other European firms. This defensive strategy helped the firm to protect its position on its domestic market. In the same time on a more offensive way, allowed EDF to gain market shares and assets in newly open markets that were looking for new competitors. Public policy of government can make and break companies and markets, due to its opaqueness and intangible nature it is often ignored or misunderstood by organisations.

**Source:** lexicon.ft.com

**Example**

Vodafone Group Plc turned a serious political challenge into a source of market differentiation. When the European Commission began a quest to lower cross-border roaming charges within the European Union, a lucrative income stream for all European mobile (cell) phone operators was suddenly threatened. The situation was particularly dire for Vodafone, which was more dependent on roaming revenues than its competitors. Operating in 24 of the European Unionøs 27 markets, it was the only major operator without a fixed-line business. But whereas most European operators did little other than voice strong opposition to any plans to cap roaming charges, Vodafone embarked on a skillful two-pronged strategy: First, it created Vodafone Passport as an opt-in program for frequent border crossers that applies home rates to a call made from another country in exchange for a flat 99¢ per call fee. It then used the programøs popularity as the basis for a targeted lobbying campaign, arguing that binding regulation was unnecessary to bring down prices. The campaign ultimately proved futile as the European Parliament enacted binding rules two years later. But its pre-emptive response to this emerging nonmarket challenge gave Vodafone an edge over competitors, enabling it to tout what would become a mandate with an innovative product and differentiator, adjusting early to new realities and shaping to some extent the content of the new rules.

**Source:** sloanreview.mit.edu/article/what-every-ceo-needs-to-know-about-nonmarket-strategy/

## 2.2 Vision statements

### Characteristics of vision statements

- The future state or mental picture of what the organisation wants to achieve over a very long time.
- Forward-looking and provides guidance and inspiration to focus on whatøs important for accomplishment over the long term.
- Culturally driven by leaders e.g. founder or a CEO, who try to communicate through a vision an image of the future which draws others in.

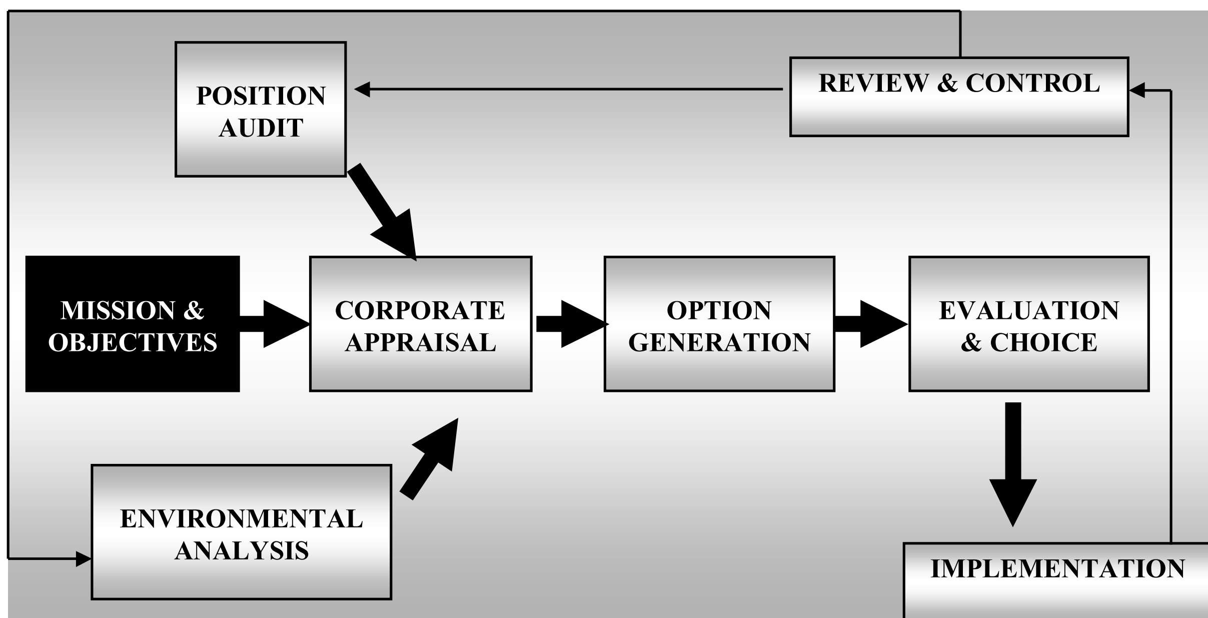
**Example of a vision statement**

**"Our Vision is a world without Alzheimer's disease."**
**(Alzheimer's Association)**

## 2.3 Mission statements

Every organisation should have a mission, purpose or reason for being. This can be embedded within a mission statement. A mission statement describes in writing the basic purpose of an organisation and what it is trying to accomplish. A mission statement is a brief description of an organisations fundamental purpose and objectives. It communicates basically why the organisation exists, what it does and for whom it does it for.

The rational planning approach is a top-down (centralised) and formal approach to strategic planning, it starts with the mission statement as the foundation for strategic formulation.




The mission statement forms the basis of communication to people inside and outside the organisation. The primary purpose of a mission statement is to **help formulate strategy, goals and objectives for the organisation**. Good mission statements must be brief, flexible, and not too rigid in description, also easy to remember and inspiring.
You should think of a mission statement as a cross between a slogan and an executive summary. Just as slogans and executive summaries can be used in many ways, so too can a mission statement. An effective mission statement should be able to tell your organisations story in about 3-4 sentences.

**Henry Mintzberg** described the basic elements of a mission statement

- Describes the organisations basic function in society **('why do we exist')** e.g. purpose, meaning and reason for being. The nature of the business.
- Describes the organisations intensions behind their action **('what is our business' and 'how do we compete')** e.g. nature of business, markets and products, how the organisation intends to compete, its aims or goals it wishes to achieve.
- The organisations aims or goals expressed in a way that can be measured **('what the organisation specifically wants to achieve')**. This is driven by the organisations culture and stakeholders e.g. founder or customer values.

A mission statement forms the basis of communication to stakeholders inside and outside the organisation. A mission statement can include other elements e.g. statements about the organisations **history, traditions, beliefs, values or culture**. The promotion of shared beliefs about principles and values for the people who work within the organisation or invest within it, it can promote a strong sense of culture, purpose and direction.

**Characteristics of mission statements**

- Normally a brief statement
- States the aims and purpose of the organisation
- Qualitative not quantitative
- Not time bound
- Communicates and guides direction

**Examples of mission statements**

We are an independent, non-profit global campaigning organisation that uses non-violent, creative confrontation to expose global environmental problems and their causes. We research the solution and alternatives to help provide a path for a green and peaceful future. **(Green peace)**

We will provide great tasting food backed up by excellent operations and friendly service in a relaxed, safe and consistent environment. **(McDonalds)**

Absolutely, positively overnight. **(Federal Express)**

Better things through chemistry. **(Du Pont)**

To be the undisputed leader in world travel **(British Airways)**

To be the consumers first choice for food, delivering products of outstanding quality and great service at a competitive cost through working ÷faster, simpler and together. **(Sainsbury's)**

Our core purpose is to create value for customers to earn their lifetime loyalty. **(Tesco's)**

**Advantages of mission statements**

- ✓ An integral part of strategic planning to ensure consistent and suitable strategies that achieve appropriate goals or aims expressed by the mission statement.
- ✓ Can effect the buying behaviour of customerøs e.g. the ethical persona of the ÷Body Shopø attracts ÷ethically consciousø customers.
- ✓ Often stakeholder driven which helps set objectives and control the organisation in terms of direction and purpose.
- ✓ Communicates the organisations purpose to all stakeholders e.g. to guide employees, managers or inspire and influence other stakeholders.
- ✓ Employees can be guided and inspired e.g. internal promotion of the mission statement can motivate and guide employee values and behaviour.
- ✓ Can make a positive difference to the persona and culture of the organisation.

**Disadvantages of mission statements**

- Limited use by organisations of mission statements practically to help formulate and direct strategy. Often not used or ignored.
- Often viewed as part of public relations or marketing work and not taken seriously enough strategically e.g. ÷just a marketing sloganø
- Mission statements are often long, awkward and vague sentences that are not easily remembered or inspiring.
- May not be reviewed or kept up to date with the organisations key stakeholders or competitive environment.

**Example 2.2**

÷Our core purpose is to create value for customers to earn their lifetime loyalty.ø **(Tesco's)**

**Give some advantages and disadvantages of the above mission statement?**

**The differences between vision and mission statements**

Both communicate aims, purpose and cultural values of the organisation, however the following give some distinguishable differences.

- The mission statement communicates the ÷presentø state and purpose of the organisation e.g. what the organisation wants to achieve here and now. A vision statement describes what a company wants achieve in the ÷futureø
- A mission statement communicates how the organisation will get to where it wants to be e.g. what do we do to improve daily and what makes us different. A vision statement communicates what the organisation aims or wants to be.
- A mission statement is about the present which leads to the future, whereas a vision is about aspirations for the future and trying to lead change in the long-term with inspiration and courage.

## 2.4 Goals and objectives

**Goal (or aim)**
What the organisation plans or intends to achieve; normally converted to objectives which have measurability and timescale. Goals are long-term and should be sufficient to satisfy the mission statement.

**Objectives (or performance measures)**
A measurable description of a goal with a clearly defined desired result and timescale to achieve it.

**Characteristics of goals**

- Derived from mission
- Set before objectives
- Not quantifiable
- Not time bound

**Characteristics of objectives**

Objectives must be **'SMART'**

- **Specific** e.g. clear scope with no ambiguity about its purpose.
- **Measurable** e.g. quantifiable, ratio, percentage, absolute etc.
- **Agreed** e.g. accountability enforced upon those to achieve it.
- **Realistic** e.g. realistic for those achieving it, given a reasonable level of effort and the environment challenges they face.
- **Time bound** e.g. specific time or deadline when it is must be achieved.

**Advantages of objectives**

- ✓ Help define the key goals or aims of the organisation.
- ✓ Publicise and communicate strategic plans to staff and other stakeholders.
- ✓ Helps allocate staff responsibility and accountability.
- ✓ Gives direction to management and staff.
- ✓ Control of performance over time e.g. exception reporting and ÷gapø analysis for measurable deviations from plan.

**The contrast of goals to objectives**

- Goals are a ÷never ending journeyø they normally have no timescale or deadline for when they are achieved. Objectives always have a deadline.
- Goals are not normally quantified (or measurable). Objectives are always quantified.

**Illustration for the hierarchy of mission goals and objectives**

| Our mission to ÷provide value for money to customersø |
|---|
| Our goal to ÷keep prices lowø |
| Our objective ÷within the next 6 months, our prices will be 5% lower when compared to the cheapest competitorø |

**Critical success factors**

Critical success factors help define strategic information and should be an integral part of the organisations information strategy e.g. for defining information needs. Critical success factors are the key aims or goals of the organisation, which help support the corporate strategy and mission statement of the organisation. Critical success factors (CSF) are a way of achieving a clear definition of the information that is needed, therefore limiting the costly collection of data e.g. by filtering information the organisation does not need.

**Critical success factors (CSFs)**

Key goals linked to the business strategy of the organisation and if achieved will make the organisation more successful e.g. outperform its rivals. In order to achieve competitive advantage, an organisation needs to have critical success factors that differentiate it from the competition.

õThe limited number of areas in which results, if satisfactory, will enable successful competitive performanceö
**(Rockart and Hoffman)**

**Key performance indicators (KPI) or measures**
Measures which determine the success, or otherwise, of a critical success factor.

Johnson, Scholes and Whittington define CSFøs as performance differentials which will enable the organisation to win customers or supply a market more efficiently. They are essentially key business goals which will enable an organisation to be more successful in the eyes of its main stakeholders e.g. investors and customers if commercial, but if non-profit making then society, government and any regulator. CSFøs are those factors which enhance competitive performance and help achieve the business strategy.

**Johnson, Scholes and Whittington's six stage process**

1. Identify CSFøs which support the business strategy.
2. Identify core competences or skills, the organisation need to deliver each CSF.
3. Ensure sufficient competences exist for each CSF to gain competitive advantage.
4. Identify KPIøs e.g. ÷performance standardsø for each CSF to outperform its rivals.
5. Ensure competitors cannot imitate or outperform its KPIøs.
6. Monitor performance of each KPI against competitors to ensure competitive advantage is maintained.

**Example 2.3**

Identify some examples of CSFs that might be used for a fast food chain?

**Exam Tip:** Be careful when recommending CSFs and perhaps resultant KPIøs (or ÷measuresø) in your exam. Many candidates identify CSFøs as increased sales, market share or even profitability and this is a fundamental exam error. These recommendations would be more outcomes of achieving a CSF, but they would not be CSFs. A KPI or ÷performance measureø is also not a target, it does monitor performance but it does not suggest any level of desired outcome.

**Example 2.4**

Suggest some possible critical success factors for a catalogue company selling clothing and recommend suitable performance indicators (KPIøs) that could be used to measure the success of each one suggested?

| **CSF** | **KPIs** |
|---|---|
| | |

## 2.5 Value drivers (including intangibles)

This section helps understand value drivers (including intangibles) of business and the data needed to describe and measure them.

> **Value Driver**
>
> Something adding value to a product or service.
> An activity or organisational focus that enhances the value of a product or service in the perception of the consumer and which therefore creates value for the producer. Advanced technology, reliability, or reputation for customer relations can all be value drivers.
>
> Source: www.qfinance.com

Value drivers can come in many forms such as sustainability performance, a strong management team, use of cutting edge technology, brand strength, satisfied customers, product reliability, product diversity or brand reputation. It can also include what are traditional shareholder value measures as well such as cash flow and earnings. Value drivers should be linked to organisational capabilities which give it competitive advantage, they do mean something different to Rappaportøs shareholder value drivers (see later within chapter 11 section 11.5) but are important factors that shape and determine business value to the organisation e.g. greater market capitalisation.

There is no ÷perfectø value driver; however the journey normally begins with a clear understanding of the variables that actually create value in a significant way for the organisation within its own industry and to ensure that whatever value drivers that are chosen, they are both controllable and manageable to a certain degree. For example cost reduction for a commodity such as coffee, if chosen as a value driver for a coffee shop chain, could be futile if globally such a precious commodity increases in price and this uncontrollable by the organisation, however its customer service and the quality of its coffee may be seen as fundamental drivers of value which to some extent can be controlled and shaped in order to increase value for the business.

**Distinguishing value drivers from critical success factors**

Critical success factors help an organisation differentiate itself from its rivals and improve competitive performance, whereas value drivers when leveraged, increase business value. Critical success factors can also help leverage value drivers and at the same time be value drivers themselves.

To help make this problem worse for you what about the announcement in 2007 by M&S which was ÷Plan A is our way to help protect the planet ó by sourcing responsibly, reducing waste and helping communities... There is no Plan B. M&S set out 100 commitments to achieve in 5 years. Is this a critical success factor or a value driver?

You could argue it is a critical success factor as it does perhaps enhance competitive performance allowing differentiation, premium pricing and increased average spend by more ethically conscious customers. It could also be a value driver if the business fundamentally views or relies upon sustainability to generate business value.

**Introducing value drivers and value based management to the organisation**

1. Identify and select value drivers e.g. by stakeholder marketing and benchmarking.
2. Establish if possible key metrics for measuring each value driver.
3. Set specific target values for each value driver.
4. Define actions that need to be taken to achieve specific target values e.g. strategy turned into specific steps to achieve targets in the short term.
5. Assign responsibilities for actions defined.
6. Link reward incentives for achieving specific target values e.g. incentive schemes with measurable progress to achieve targets and motivate managers and staff.
7. Monitoring systems designed and established to measure progress.
8. Periodic review of the validity of key value drivers being used and the measures, targets and actions which support them.

**Advantages of using value drivers**

- ✓ Value based management like the balanced scorecard approach, aligns the organisations operational and financial -tacticsø with its long-term strategy.
- ✓ Combines financial and operating performance into one measurement tool.
- ✓ Helps prioritise for an organisation how to allocate time and resources to the right areas when attempting to improve performance.

**Disadvantages of value drivers**

- ✘ Lack of information to clarify which are the important and more relevant drivers of success e.g. those which create value in a more significant way.
- ✘ Problems of measuring performance if the value driver is intangible.
- ✘ Correlation of value drivers with staff incentives or actions can be difficult to design and implement.
- ✘ Target setting to achieve them can be highly subjective, if you get it right you can excel performance, but get it wrong it will suffer.
- ✘ Cost of modifying existing traditional approaches, change management will demand time and resources which the organisation may not have.
- ✘ Different stakeholders may have different and conflicting value drivers.

**Key summary of chapter**

Stakeholders are those organisations or people that have an interest in the organisation, these interests varied and for many reasons. They can be a source of potential conflict for the successful accomplishment of an organisations strategy.

**How conflicting objectives between stakeholders can be managed**

- Prioritisation and Satisficing
- Sequential attention
- Side payments
- Exercise of power
- Weighting, scoring and measures.

**Mendelow's stakeholder mapping model**

Mendelows matrix is a way of prioritising stakeholders by ÷subjectiveø mapping of them, in order to understand and resolve any issues or conflicts that may exist. This model prioritises by mapping which stakeholders should more likely considered and therefore ÷satisfiedø by the organisation.

- **Power** e.g. bargaining power, right or ability to exert influence over the organisations strategic aims and the general way it conducts itself.
- **Interest** e.g. interest in the activities or conduct of the organisation for varied reasons.

| Power over the organisation | Interest in the organisation: Low | Interest in the organisation: High |
|---|---|---|
| **Low** | **Minimal Effort (priority four)** | **Keep Informed (priority three)** |
| **High** | **Keep Satisfied (priority two)** | **Key players (priority one)** |

**Non-market strategy**

The terminology of market vs non-market strategy relates to the management of the organisations stakeholders. Market strategy is to with how an organisation strategically interacts with its suppliers, customers, or competitors and it more concerned with the immediate or task environment of the organisation and the industry it places itself within.

Non-market strategy is about stakeholder interaction outside of the immediate or market (task) environment that the organisation competes within for example stakeholders such as pressure or activist groups, governments and their agencies, legal and international courts, the social public and media.

**Vision statements**

The future state or mental picture of what the organisation wants to achieve over the very long time. Forward-looking and provides guidance and inspiration to focus on whatøs important for accomplishment over the long term.

**The differences between vision and mission statements**

- The mission statement communicates the ÷presentø state and purpose of the organisation, the vision describes what a company wants achieve in the ÷futureø
- A mission statement communicates how the organisation will get to where it wants to be, the vision communicates what the organisation wants to be.
- A mission statement is about the present which leads to the future, the a vision is about aspirations for the future.

**Mission statements**

Every organisation should have a mission, purpose or reason for being. This can be embedded within a mission statement. A mission statement describes in writing the basic purpose of an organisation and what it is trying to accomplish. A mission statement is a brief description of an organisations fundamental purpose and objectives. It communicates basically why the organisation exists, what it does and for whom it does it for.

**Characteristics of mission statements**

- Normally a brief statement
- States the aims and purpose of the organisation
- Qualitative not quantitative
- Not time bound
- Communicates and guides direction

**Goals and objectives**

| **Goals**<br>What the organisation plans or intends to achieve. Normally converted to objectives which measurability and timescale. Long-term and sufficient to satisfy the mission statement. |
|---|
| **Objectives**<br>A measurable goal with a clearly defined timescale to achieve it.<br>Objectives should ÷SMARTø (specific, measurable, agreed, realistic and time bound). |

**Critical success factors (CSFs) and key performance indicators (KPI)**

| **Critical success factors (CSFs)**<br>õThe limited number of areas in which results, if satisfactory, will enable successful competitive performanceö<br>**(Rockart and Hoffman)**<br>Johnson, Scholes and Whittington define CSFøs as performance differentials which will enable the organisation to win customers or supply a market more efficiently. CSFøs are those factors which enhance competitive performance and achieve business strategy. |
|---|
| **Key performance indicators (KPI)**<br>Measures which determine the success, or otherwise, of a critical success factor. |

**Value drivers (including intangibles)**

| **Value Driver**<br>Something adding value to a product or service.<br>An activity or organisational focus that enhances the value of a product or service in the perception of the consumer and which therefore creates value for the producer. Advanced technology, reliability, or reputation for customer relations can all be value drivers.<br>Source: www.qfinance.com |
|---|
| There is no ÷perfectø value driver; however the journey normally begins with a clear understanding of the variables that actually create value in a significant way for the organisation within its own industry and to ensure that whatever value drivers that are chosen, they are both controllable and manageable to a certain degree. |

# Solutions to lecture examples

**Example 2.1**

List 10 stakeholders of an organisation and give reasons why they would be interested?

- Employees and management (security of job, status, income, sense of belonging, career progression, working conditions)
- Government (trade and industry statistics, compliance with the law, employment law and health and safety)
- Local authorities (business rates, local employment)
- Suppliers (profit and payment)
- Customers (price, quality, service)
- Local community (sponsorship and support, local employment)
- Inland revenue (tax and national insurance)
- Customs and excise (VAT)
- Pressure groups (ethics, pollution, interest groups, working conditions)
- Media (interest, news, gossip)

**Example 2.2**

**Tesco's mission statement**

**Advantages**

- ✓ Shows they are customer rather than product focused
- ✓ Short, concise and to the point
- ✓ Not too generalised
- ✓ Communicates a purpose (they exist for customers)

**Disadvantages**

- ✘ No mention of the markets they serve or how they intend to compete e.g. how will they earn a customers lifetime loyalty?
- ✘ No mention of employees at all or any guidance or goals for them
- ✘ Seems the only concern is customers and the way they are getting value for money

If Tescoøs is to create value for customers and earn their loyalty, it must guide employees to provide friendly and helpful advice to customers (although there was no guidance) and set goals e.g. price below competition, improve range or quality of goods and services provided or reduce queuing times or have courteous, friendly and helpful staff.

**Example 2.3**

Identify some examples of CSFs that might be used for a fast food chain?

- Fast and efficient service e.g. payment, handling and delivery of food
- Good stock control system
- Quality standards for food produced
- Staff friendliness, courteousness and helpfulness towards customers
- Frequent product innovation for menus
- Customer satisfaction
- Convenience of location
- Hygiene and safety of food storage, processing and cooking

**Example 2.4**

Suggest some possible critical success factors for a catalogue company selling clothing and recommend suitable performance indicators that could be used to measure the success of each one suggested?

| Suggested CSF | Suggested KPIs/Measures |
|---|---|
| 1. Product range e.g. diversity, quality, fashion and size of clothing offered | 1. % Market share/ Number of customer complaints analysed by reason/Number of returns analysed by reason. Also ratings from customer surveys. |
| 2. Delivery on time, in the right place and courtesy of driver | 2. Complaints about late deliveries, or deliveries not received, or rudeness of delivery drivers. |
| 3. Low pricing relative to competition | 3. Competitor analysis of prices with price deviations measured as a % compared to the cheapest rival. |
| 4. Easy to use/good looking catalogue | 4. Customer ratings/satisfaction surveys. |
| 5. Customer loyalty | 5. % repeat business (or orders) or average expenditure per customer, also market share. |
| 6. Stock availability | 6. Stock turnover ratios for different products monitored/ % stock outs occurring for different products. |
| 7. Courtesy of staff | 7. Sampling reports from ÷mystery shopperø enquires, recorded conversations, customer surveys/questionnaires/ % ratings. Number of complaints about staff with reasons. |
| 8. Accuracy of billing | 8. Sampling and inspection of accounts to check accuracy and completeness, reported % of errors. Number of customer complaints about inaccuracies. |