DEFINING YOUR BUSINESS MISSION: A STRATEGIC PERSPECTIVE

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Introduction

One of the major problems for managers of business organizations is to allocate the necessary time for planning the future direction of their companies. Most of one's day is spent on administrative or tactical problems to the exclusion of issues of a more strategic nature. This occurs more frequently in smaller companies in which a manager may have to handle both the day-to-day operations and the long-range planning. However, even in large organizations, strategic or top level managers often spend a high percentage of their time devoted to internal rather then external matters.

The purpose of this article is to discuss the nature of strategic planning for the manager of either small or large organizations. While the time allotted and depth of analysis for strategic planning may vary by size of company, the basic procedure remains the same. In addition to providing an overview of the process of strategic planning, specific emphasis will be given to the importance of defining your business in terms of a company's mission statement. The argument will be made that once an organization has defined its business mission, the remaining steps of the strategic planning process will become easier for the manger.

Strategic Planning Process

The process of strategic planning involves a number of steps that involve analyses of conditions both inside and outside the organization. Table 1 lists the major steps in the strategic planning process. (1) The initial step is the definition of the company's mission and management philosophy. The statement of mission and operating philosophy will basically define the types of business ventures, both product and market, which a company will pursue. A second step in the process would be to assess the company's **internal** strengths and weaknesses. An analysis of most companies would reveal one or more dominant functions, such as marketing, production, finance, or research and development. At the same time a company is identifying its strengths, the weaknesses tend to be revealed as well. The third major step shifts to outside the organization in terms of monitoring changes in the external environment. Key elements of the external environment that are included for analysis are competitors, customers, suppliers, and dealers or distributors. In addition, attention should also be devoted to changes in cultural or social attitudes, technological advances, the state of the economy, the political climate, and legal requirements.

TABLE I
STRATEGIC PLANNING PROCESS

1. Define the company's mission and management philosophy
2. Identify internal strengths and weaknesses
3. Monitor changes in the external environment
4. Identify opportunities and threats
5. Formulate specific goals or objectives
6. Identify and evaluate alternative strategies
7. Select a strategy or strategies
8. Prepare functional plans to support each strategy

At the completion of the first three steps, the management of a company should be able to identify some actual or potential opportunities or threats. A given change in the external environment will normally have a positive, negative, or no effect on a company. With respect to managerial decision-making, the task is to capitalize on the opportunities and minimize the threats. One author (2) has suggested that an **environmental** opportunity may or may not be a **company** opportunity. The following assumptions may be in order to determine if an environmental opportunity is worth pursuing from the company's point-of-view. First, every environmental opportunity has specific success requirements. Second, each company has distinctive competencies or things it can do especially well. Third, a company is likely to enjoy a differential advantage in an area of environmental opportunity if its distinctive competencies or strengths exceed those of its actual or potential competitors.

Once opportunities or threats have been identified, some specific programs may be required. Whether a program is designed for an opportunity or a threat, some goals or objectives will be necessary. With respect to opportunities, most objectives traditionally refer to measures such as sales, market share, profits, or return-on-investment among others. The problem is that managers often fail to state specific objectives. While "increasing market share" may be a worthy objective, "increasing our market share for brand A by 5% by the end of 1984" is more meaningful. With the latter objective, a person in the company would know the extent of the increase desired in market share as well as the time period in which to accomplish the objective. For control purposes, the second objective will be much easier for program and personnel evaluation. Managers should also remember to set objectives when they are trying to minimize a possible threat. For example, "Decreasing customer complaints by 15% during the next calendar year" would also be an appropriate objective.

Once the overall goals or objectives have been formulated, a manager must identify and evaluate alternative strategies which may be used to attain the objectives. From a company-wide perspective, six major possibilities are available for consideration. The six options are presented in Table 2. The strategy option with the least risk will be market penetration which would involve attempting to gain greater sales, market share, or profits by being more productive in our existing markets with our existing products. If management decided to enter new markets with existing products, market development would hopefully occur. On the other hand, if either minor or major changes were made in the product offering, product development would be the strategy. The most risky approach would involve a change in both the product offered and market served which would result in a diversification strategy. A company may also desire to explore the possibility of gaining greater control of the manufacturing or distribution of its product through forward or backward integration. For example, a retailer may assess the feasibility of backward integration with respect to obtaining an interest in a wholesaler or manufacturer. Horizontal integration could also be selected and would involve the purchase of a competitor. A final strategic option is to cease offering a given product or serving a particular market due to a variety of factors, including increased competition, declining sales and profits, or the existence of alternative products and markets which offer a greater potential gain.

TABLE 2
STRATEGY ALTERNATIVES

1. Market Penetration
   Existing Products
   Existing Markets
2. Market Devleopment
   Existing Products
   New Markets
3. Product Development
   New Products
   Existing Markets
4. Diversification
   New Products
   New Markets
5. Integration
   Vertical
   Horizontal
6. Market or Product Contraction

The actual selection of a strategy will depend to a large degree on the company's strengths and its current product-market situation. It is not unusual for a company to pursue multiple strategies at any one time. for example, while a company may always strive to do a better job with its existing products and customers, the company may also be entering new markets or introducing new or improved products or services. Due to increasingly short product life cycles, the strategy of product or market contraction will also occur more frequently than desired for most companies. Regardless of the strategy or strategies under consideration for selection, a manager may wish to consider three questions. (6) The first question, "Where are we now?", involves an assessment along traditional lines of sales and profitability although other indicators may also be used. The second question, "Where do we want to be?", should point to desired levels of some of the same indicators used to answer the first question. The third question, "How shall we get there?", forces the manager to consider using one or more strategic options to attain the desired position.

The final step of the strategic planning process requires the preparation of functional action plans to support each strategy that will be implemented. This step means the beginning of the transition from strategic to tactical planning. While the individual functional plans in research and development, production, and marketing may be relatively easy to prepare, the integration of these functional plans into an overall tactical plan may be very difficult. The tendency exists for each department within the organization to stress their dominant concerns. For example, production usually stresses long production runs of few models, while marketing desires the opposite. The need for functional integration is particularly critical when a company embarks on major changes in their products, markets, or both.

While each of the eight steps of the Strategic Planning Process listed in Table 1 could be the focus of an article, the reminder of the discussion will focus on the initial step of defining a company's mission and management philosophy. The next section discusses the qualifications of an effective mission statement.

Company Mission Statements

The preparation of a company's mission statement is one of the most critical and fundamental components of the strategic planning process. As noted in Table 1, the definition of the company's mission and management philosophy is the initial step in strategic planning. However, this critical step is often the most difficult activity for management to undertake and complete. A number of leading authorities in management have suggested the level of overall importance of a mission statement. One authority (4) suggests that the mission statement stake out broad areas of business in which the firm can, or perhaps cannot, operate. Another expert (7) advances the idea that the mission statement is the foundation on which detailed objectives, strategies, and tactical plans can be worked out.

Given the importance of a company's mission statement, the major concern of managers is how to approach this activity. One author (2) has suggested that a mission statement is developed by answering questions such as "What is our business? Who is the customer? What is value to the customer? What will our business be? What should our business be?" Answers to these questions may be an appropriate step in the formulation of a mission statement. However, one individual (5) has indicated that the mission of a company should fit the following qualifications:

1. It should define what the organization is and what the organization aspires to be.
2. It should be limited enough to exclude some ventures and broad enough to allow for creative growth.
3. It should distinguish a given organization from all others.
4. It should serve as a framework for evaluating both current and prospective activities.
5. It should be stated in terms sufficiently clear to be widely understood throughout the organization.

An example of a company's mission statement may help to clarify the relationship of the mission statement to the strategic planning process. It has been suggested (8) that Southwest Airlines' primary mission or purpose is "to provide mass transit for as many passengers as possible". In accordance with this mission statement, Southwest Airlines has stressed lower fares to increase the overall market as well as its own market share. Specific actions taken include minimum fares, frequent flights, and high labor productivity. Compare the above mission statement for Southwest Airlines to the following for a publishing firm which states its mission is "to provide high quality textbooks" or a drilling equipment manufacturer's mission "to provide quality drilling equipment to the oil industry". The major limitation of the last two mission statements is a reliance on a product, rather than a customer, orientation. The difference between a product or customer orientation is a key to establishing a management philosophy to guide the present and future activities of the organization.

Management Philosophy

The content of a company's mission statement will vary to a large degree on whether a company defines its business in product or customer terms. One author (3) has suggested that firms succeed or fail over time based on their ability to define themselves in terms of customer needs. The tendency for managers to define their businesses too narrowly in product terms has been called "marketing myopia". Table 3 provides some examples of the differences between a product and a customer-defined business.

The critical point for managers to consider with respect to formulating their company's mission statement and management philosophy is that basic customer needs continue long after a given product or service has vanished from the marketplace. While the need for a telephone may some day be non-existent, the need for communication will continue. Similarly, while the need for oil and gas may diminish, the need for energy will exist. The identification of potential opportunities and threats in the strategic planning process will hinge to a large extent on how managers view changes in the external environment. The adoption of a customer-orientation for defining the company's mission should help to spot both opportunities and threats which may have been missed or simply dismissed if a company was operating under a product-dominated management philosophy.

While some managers may believe that a product definition is objective while a consumer-orientation is subjective, they should recognize that the majority of successful products and service are geared to specific customer needs. Rather than developing a product and trying to find a market, the operating philosophy of organizations should be to identify customers needs and then provide a product or service to fulfill those needs.

TABLE 3
PRODUCT VERSUS CUSTOMER ORIENTATIONS

Product-Orientation	Company	Customer-Orientation
Telephones	AT&T	Communication
Oil and Gas	Exxon	Energy
Railroads	Union Pacific	Transportation
Movies	Universal Studios	Entertainment
Bowling Balls	Brunswick	Recreation
Computers	IBM	Information Processing
Banking	Chase Manhattan	Financial Services

Conclusions

The purpose of defining your business mission is to specify the purpose of the company and to provide direction for those who work in the organization. The argument has been advanced (5) that the organization which has a clear understanding of why it exists, what it wants to achieve, and for whom, is more likely to succeed. In addition, the emphasis on strategic management and planning is likely to increase in the future; so the activities of the strategic planning process will become critical for long-run survival. A statement of a company's mission and management philosophy should enable a manager to successfully undertake the task of identifying and implementing effective business strategies.

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