The difference between a mission statement and a vision statement

Vision statement: It defines what your organization wants to become. A vision should stretch the organization's capabilities and image of itself. It gives shape and direction to the organization's future.

Mission statement: It defines the essence or purpose of a company – what it stands for or why do company exist? I. e. what broad products or services it intends to offer the customers.

The difference between a mission statement and a vision statement is that a mission statement focuses on a company's present state while a vision statement focuses on a company's future.

Values: They are the qualities that are considered; they represent an individual's highest priorities and deep driving forces.

Goal: It is an observable and measurable end result having one or more objectives to be achieved within a more or less fixed timeframe.

Objectives are the mission or purpose that can be reasonably achieved within the expected timeframe using available resources. An objective is broader in scope than a goal, and may comprise of several different goals. Objectives are the most basic planning tools underlying all planning and strategic activities

Situational Analysis:

Once the firm has specified its objectives, it begins with its current situation to devise a strategic plan to reach those objectives. An environmental scan is performed to identify the available opportunities. The situation analysis involves an analysis of both the external and internal environment. The

external environment can be divided into two categories: macro environment and micro environment. Macro environment can be analysed using PEST analysis while micro environment can be analysed using Porter's five forces.

Analyse the Organizational Environment – Evaluating economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.

SWOT Analysis

SWOT analysis is a tool for auditing an organization and its environment. SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors. Opportunities and threats are external factors.

Strength could be:

Your specialist marketing expertise.

A new, innovative product or service.

Location of your business.

Quality processes and procedures.

Weakness could be:

Lack of marketing expertise.

Undifferentiated products or services

Poor quality goods or services.

Damaged reputation.

Opportunity could be:

A developing market such as the Internet.

Mergers, joint ventures or strategic alliances.

Moving into new market segments that offer improved profits.

A new international market.

A market vacated by an ineffective competitor.

Threat could be: (Arises from PEST analysis)

A new competitor in your home market.

Price wars with competitors.

A competitor has a new, innovative product or service.

Competitors have superior access to channels of distribution.

Taxation is introduced on your product or service.

Simple rules for successful SWOT analysis

Be realistic about the strengths and weaknesses of your organization

SWOT analysis should distinguish between where your organization is today, and where it could be in the future.

SWOT should always be specific and subjective

Always apply SWOT in relation to your competition i. e. better than or worse than your competition.

Keep your SWOT short and simple. Avoid complexity and over analysis

Strategy Formulation

This process involves the planning and decision making that lead to the establishment of the organization's goals and strategic plan.

The three generic strategies (growth, stability, and retrenchment) apply at these levels, and accomplished through competitive actions.

The Porter's 5 Forces tool is a simple but powerful tool for understanding where power lies in a business situation. This is useful, because it helps you understand both the strength of your current competitive position, and the strength of a position you're considering moving into.

http://www. mindtools. com/media/Diagrams/Porter. GIF

Porter's Five Forces Analysis assumes that there are five important forces that determine competitive power in a business situation. These are:

Supplier Power: Here you assess how easy it is for suppliers to drive up prices. This is driven by the number of suppliers of each key input, the uniqueness of their product or service, their strength and control over you, the cost of switching from one to another, and so on. The fewer the supplier choices you have, and the more you need suppliers' help, the more powerful your suppliers are.

Buyer Power: This is driven by the number of buyers, the importance of each individual buyer to your business, the cost to them of switching from your products and services to those of someone else, and so on. If you deal with few, powerful buyers, then they are often able to dictate terms to you.

Competitive Rivalry: What is important here is the number and capability of your competitors. If you have many competitors, and they offer equally attractive products and services, then you'll most likely have little power in the situation, because suppliers and buyers will go elsewhere if they don't get a good deal from you.

Threat of Substitution: This is affected by the ability of your customers to find a different way of doing what you do – for example, if you supply a unique software product that automates an important process, people may substitute by doing the process manually or by outsourcing it. If substitution is easy and substitution is viable, then this weakens your power.

Threat of New Entry: Power is also affected by the ability of people to enter your market. If it costs little in time or money to enter your market and compete effectively, if there are few economies of scale in place, or if you have little protection for your key technologies, then new competitors can

quickly enter your market and weaken your position. If you have strong and durable barriers to entry, then you can preserve a favourable position and take fair advantage of it.

Choosing Strategy:

Firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus.

Differentiation

A strategy with which the organization seeks to distinguish its products or services from competitors.

Cost Leadership

A strategy with which the organization aggressively seeks efficient facilities, cuts costs, and employs tight cost controls to be more efficient than competitors.

Focus

A competitive strategy that emphasizes concentration on a specific regional market or buyer group.

Strategy Implementation

This involves the use of managerial and organizational tools to direct resources toward achieving strategic outcomes. Once strategies have been agreed on, the next step is implementation; this is where most failures occur. It is not uncommon for strategic plans to be drawn up annually, and to have no impact on the organization as a whole.

A common method of implementation is a total communication effort. This can involve slogans, posters, events, memos, videos, Web sites, etc. A critical success factor is whether the entire senior team appears to buy into the strategy, and models appropriate behaviours.

Strategic measurement can help in implementing the strategic plan. Appropriate measures show the strategy is important to the leaders, provide motivation, and allow for follow-through and sustained attention. By acting as operational definitions of the plan, measures can increase the focus of the strategy, aligning the workforce around specific issues. The results can include faster changes; greater accountability; and better communication of responsibilities, which may reduce duplication of effort.

Creating a strategic map helps identify focal points; it shows the theory of the business in easily understood terms, showing the cause and effect linkages between key components. It can be a focal point for communicating the vision and mission, and the plan for achieving desired goals. If tested through statistical-linkage analysis, the map also allows the organization to leverage resources on the primary drivers of success.

The senior team can create a strategic map by identifying and mapping the critical few ingredients that will drive overall performance. This can be tested through a variety of statistical techniques; regression analysis is frequently used, because it is fairly robust and requires relatively small data sets.

This map can lead to an instrument panel covering a few areas that are of critical importance. The panel does not include all of the areas organization measures, rather the few that the top team can use to guide decisions, knowing that greater detail is available if they need to drill down for more intense examination. These critical few are typically within six strategic performance areas: financial, customer/market, operations, environment (which includes key stakeholders), people, and partners/suppliers. Each area may have three or four focal points; for example, the people category may include leadership, common values, and innovation.

Factor’s affecting Strategy Implementation:

â-� Implementation running slower than foreseen time â-� Implementing staff were not capable enough â-� Activities’ coordination was not rightly performed â-� Some competitive jobs and crisis, diverted managers’ attention from â-� Implementation of strategies â-� Occurring unexpected problems â-� Subordinates were not trained effectively â-� Uncontrollable external environment factors â-� Managers could not be able to do leading and directing properly â-� Activities and key tasks of implementation process were poorly defined â-� There was no information system for sufficient control of activities

Strategy Reviewing:

Following actions should be considered for evaluating a strategy successfully: (1) Reviewing a base of strategy;

By developing a revised EFE Matrix and IFE Matrix, the underlying bases of an

Organization’s strategy can be approached and reviewed.

(A) A revised IFE Matrix should focus on changes in the organizations marketing,

Management, finance/accounting, production/operations, R&D, and MIS strengths and weaknesses.

(B) A revised EFE Matrix should indicate how effectively a firm’s strategies have

Been in response to key opportunities and threats.

(2) Measuring Organizational Performance

(A) Important strategy-evaluation activity is measuring organizational

Performance. This activity includes comparing expected results to actual results,

Investigating deviations from plans, evaluating individual performance, and

Examining progress being made toward meeting stated objectives. Both long-

Term and annual objectives are commonly used in this process.

(B) Failure to make satisfactory progress toward accomplishing long-term or annual objectives signals a need for corrective action.

(C) Quantitative criteria commonly used to evaluate strategies are financial ratios, which strategists use to make three critical comparisons:

a. comparing the firm’s performance over different time periods,

b. comparing the firm’s performance to competitors, and

c. comparing the firm’s performance to industry averages.

(D) Key financial ratios for measuring organizational performance:

Return on Investment, Profit Margin, Return on Equity, Earnings per share, Debt to Equity, Asset growth, Sales growth, and Market share.

(3) Taking Corrective Action

(1) Makes changes to reposition a firm competitively for the future.

(2) Examples of changes that may be needed are altering an organization’s structure, replacing one or more key individuals, selling a division, or revising a business mission.

(3) Taking corrective action raises employees’ and managers’ anxieties. Research suggests that participation in strategy-evaluation activities is one of the best ways to overcome individuals’ resistance to change.

Strategy Review in Brief:

Business Strategy Review analyses and interprets contemporary research on strategic management and the wider business environment. Using SWOT, reviews can be done like: Do the right skills exist in the current staff? Are there enough resources to invest in areas of critical need? Are the appropriate systems and structures in place to support the needs of the team? Does the culture reinforce and connect with the mission and vision of the organization?

Now the review moves to the external environment. What opportunities exist for development and growth? Do these opportunities correspond to the organization's strengths? What are the critical changes the market faces over the next one, three, and five years? How well is the organization positioned for the anticipated market changes? Additional points for debate include the greatest innovation or change that needs to occur for the organization to be successful, and the values that will drive these changes.

Next, using the SWOT assessment process, threats in the current and future market are identified. How the competition is positioned relative to the opportunities for growth that have been identified, and how are they positioned relative to the organization's strengths and weaknesses?

With this information, organizations can finalize their strategy by defining the vision, creating a mission statement, and identifying their competitive advantages. The communication of the strategy will require a clear, consistent message. It is an ideal time for the leadership to operationally define each critical area of the plan to ensure agreement and commitment.

Key stakeholders should be included in the process. Soliciting their input is often a valuable aide in implementation.

Key stakeholders can be engaged in different ways. Aside from events, publicity, and personification of the vision and strategy by key leaders, stakeholders can be engaged by soliciting their input on the current state of the organization and the vision (similar to the SWOT analysis described earlier). Involving stakeholders in this manner should be done seriously, with intent to use their distinct perspectives; this can add to the soundness of the analysis. Asking for opinions and then ignoring them can arouse distrust and resentment.

The career development, performance management and reward systems must be reviewed to ensure linkage to and support of the strategic intent. Many organizations have found they needed to link their strategic plan to their internal systems and structures to ensure overall alignment and to avoid confusion.

Stakeholders and their Importance in Business Strategy:

Definitions:

An individual or group with an interest in an organisation. Any individual or group who can affect or are affected by the achievement of a firm’s objective. Groups/individuals that have an interest in the well-being of the company and/or are affected by the goals, operations, activities of the organisation.

Understanding and managing stakeholders is a key part of strategic analysis. As you plan your growth strategy, you need to think who your stakeholders are and if they have changed.

There are a number of useful approaches which will help you analyse your stakeholders. Start by making a list. Then see if you can identify what their demands are. The next step is to draw a map which shows the relationships between your business and the stakeholders and the relationships they have with each other.

To get a deeper understanding try drawing a power matrix plotting the power the stakeholder has over setting the rules for your business against the operational power (resources, funding, people). Finally you need to understand the salience each stakeholder has. This is the power, urgency and legitimacy they have over your business and it helps you identify the priority your management team need to follow to get the best outcomes.

Once you have this detailed analysis of your stakeholders, you are in a much better place to prioritise your efforts. This is also a key component for any change programme.

Classifications:

Internal stakeholders are employees, managers etc. Connected stakeholders are shareholders, customers, suppliers, financiers etc. External stakeholders are government, the community, pressure groups etc.

Shareholders look for: High profits, high dividend, long term growth, prospect of capital gain, positive corporate image, and preferential treatment as customers.

Employees look for: High pay, job security, good working conditions, fair treatment, fringe benefits, health and safety, promotion prospects etc.

Customers look for: Low prices, value for money, high quality products, good service, innovation, certain and regular supply, choice of goods variety, clear and accurate information.

Suppliers look for: A long term relationship with the firm, large size and high value of contracts, frequent and regular orders, prompt payment, fair prices, and growth of the firm leading to more orders.

Creditors look for: Prompt payment, payment of interest on outstanding debt, repayment at agreed date, credit worthiness of the organisation, sufficient positive cash flow to meet obligations.

The community looks for: Employment prospects, safeguarding the environment, acceptance of social responsibility, ethical behaviour.

The Government looks for: Compliance with laws and regulations, efficient use of resources, employment, contribution to the national economy, and payment of taxes.