

How do a firm's
strategic goals
improve
organizational
performance?



**ASSIGN
BUSTER**

How do a Firm's Strategic Goals Improve Organizational Performance?

Abstract

Strategic goals are derived from an organization's mission statement. Ahead of his time, management consultant, educator, and thought leader Peter Drucker (1973), in his book "Management, tasks, responsibilities, and practices", stated " *A business is not defined by its name, statutes or articles of incorporation. It is defined by the business mission. Only a clear definition of the mission and purpose of the organization makes possible clear and realistic business objectives .*" From the time that mission statements became popular, in the mid-1980s, the effect of mission statements on organizational performance was predominantly studied in a practical orientation, but poorly researched in theory (Alegre, Berbegal-Mirabent, Guerrero, and Mas-Machuca, 2018). More recently, in this decade, there has been an increase in scholarly research into the definition and implementation of mission statements and how a mission statement impacts organizational performance. This paper provides an overview of the existing literature which provides a common understanding of the effective definition and implementation of a mission statement and its derived strategic goals, as well as how this affects a firm's bottom line. This paper ends with suggestions and recommendations for further research in terms of effective communication of a mission statement and strategic goals down to a project management level in order to improve organizational performance.

Keywords: mission statement, strategic goals, organizational performance,

Hoshin Kanri

How do a Firm's Strategic Goals Improve Organizational Performance?

This paper began with a discussion of how mission statements are widely used as a strategic tool to improve organizational performance. Relevant literature on mission statements, organizational goals, and how these higher-level objectives are implemented on a project management level was discussed, and observations and recommendations were made to implement communication processes which aid the implementation of a firm's strategic goals.

Introduction

Organizations who issue a new mission statement typically follow up with strategic planning which result in new organizational goals. This can be a result of a well-needed course correction due to disappointing past performances. Many firms are surprised to find out that a new mission statement and new organizational goals are not easily implemented, and associated projects are not often aligned or properly executed. This paper reviews some of the available literature and research on the importance of mission statements and organizational goals and how these are communicated throughout all levels of the organization.

This paper further shows how goal setting and implementation is related to stakeholder management or how goals can be achieved by having a structured framework which not only provides a methodology (e. g. Hoshin Kanri) but is also supported by a minimum required capability to manage stakeholder engagement, continuous improvement processes, business analytics, and project management processes.

<https://assignbuster.com/how-do-a-firms-strategic-goals-improve-organizational-performance/>

Literature Review

Mission Statement

A mission statement can be categorized as either weak or strong. Weak or empty mission statements can negatively influence employees' behavior or, as a minimum, be irrelevant to organizational performance (Godoy-Bejarano and Tellez-Falla, 2017). On the other hand, firms who have strong or powerful mission statements which clearly identify financial goals, are customer oriented, and recognize the organization's purpose and direction, have a higher financial performance than those firms who do not (Alegre, Berbegal-Mirabent, Guerrero, and Mas-Machuca, 2018). Mission statements are most effective and boost organizational financial performance when they are easy to read, provide a positive message and includes direct references to goals or stakeholders (Godoy-Bejarano and Tellez-Falla, 2017).

Strategic Goals

Executive management set out new strategic goals, aligned with the mission statement, but often fails to translate these goals into actions leading to a positive change in organizational performance. This is supported by literature from scholars who have argued that these upper-level strategic goals do not always accurately reflect what actually drives organizational behavior (Kotlar et al. 2018). In the research by Kotlar et al. (2018) implementing organizational goals require an emphasis to link these organizational goals to goals at lower levels throughout the organization (e. g. department, individual). Further emphasis is given to measurement of organizational goals performance which is constrained by the availability of <https://assignbuster.com/how-do-a-firms-strategic-goals-improve-organizational-performance/>

data. The 'balanced scorecard' approach is often used to deal with measuring multiple goals (Kotlar et al. 2018).

Organizational goals can either be financial or non-financial and either internal or external. Internal organizational goals emphasize the interests of internal stakeholders, whereas external organizational goals are oriented on, for example, customers, regulatory bodies, and the community (Kotlar et al. 2018). In recent years, it became very popular for organizational goals to be S. M. A. R. T; Specific, Measurable, Achievable, Realistic, and Time-based. However, literature reports that rigidly adhering to this traditional approach may be driving the firm in the wrong direction. It is further reported that in the current dynamic and uncertain business environment, companies need to be flexible in adjusting their goals in relation to the competitive environment (Reeves & Fuller, 2018).

So what drives firms to transform organizational goals into individual goals and behaviors? Gagné (2018) developed a conceptual model which explains how organizational goals translates into organizational behavior. This model is based on human motivation or individual conditions which in turn influence individual actions and outcomes. Gagné (2018) describes the need for bringing individuals back into the strategic planning and goal setting process. In Gagné's motivational model, integrating the why with the how at the individual level is essential to the feedback loop where the process goes back from implementation to deliberation or adjustments of organizational goals. Gagné (2018) further describes a method for transforming strategy into action which is based on setting organizational goals and cascading

down the hierarchy in a way that will foster alignment between different departments and levels within the organization.

Communication

Hoshin Kanri (HK) is a strategic management framework that is precisely recognized for connecting a mission statement and derived organizational goals to an individual execution level. HK is most successfully implemented by companies who apply advanced management methodologies (e. g. Six Sigma, Kaizen), however, results are much depending on the organization's managerial maturity (Giordani da Silveira et al. 2017). The HK methodology builds on the organization's mission and transforms the firm's strategic goals to all relevant stakeholders at all the hierarchical levels with the aim to increase performance and continuous improvement. The Hoshin Kanri framework as presented by Barnabè & Giorgino (2017) is articulated in four distinct phases; Focus, Alignment, Integration, and Review or FAIR. The results are reported in an X-matrix, which is a report what links long-term strategic goals into short-term initiatives and targets. The X-matrix further improves communication by displaying a variety of data and priorities throughout all levels of the organization (Barnabè & Giorgino, 2017).

Short-term initiatives and targets are represented by projects. Project Management and the use of projects as a means to an end has become very popular but a substantial number of projects do not meet organizational goals or expectations (Papke-Shields & Boyer-Wright (2017)). The study by Papke-Shields & Boyer-Wright (2017) explores an expanded and more

generalized approach to how strategic planning and organizational goal setting translates into successful execution of projects.

Remaining Challenges

Communicating the mission statement and the organizational goals effectively are one of the biggest challenges organizations face. Many companies still struggle with converting business strategy to day-to-day actions. Barnabè & Giorgino (2017) report a mixed result of implementing Hoshin Kanri successfully. Successful implementation of Hoshin Kanri is dependent on a strong presence of highly skilled and autonomous professionals who understand cause-and-effect relationships, have a strong project management background, and support continuous improvement methodologies. The main strength of Hoshin Kanri is to align a firm's strategic goals with daily operations through the development and implementation of a collaborative approach, involving the firm's employees at all hierarchical levels (Barnabè & Giorgino, 2017).

In our research into the mission statement, organizational goals, and communication techniques, there have been few references to business analytics. Key Performance Indicators (KPIs) report out the status of, for example, on-time delivery, quality, or cost. These KPIs are based on available data. Data and analytic tools can be used to diagnose the available data and improve performance, but there has been little focus on the potential of business analytics to capture value for the organization (Sharma, Mithas, & Kankanhalli, 2014). Research by Sharma Mithas, & Kankanhalli (2014) further shows the potential value that could be created and captured

through the use of business analytics. Their research also discusses the main question we're trying to answer in our research; how can business analytics be used to improve organizational performance?

Without a business analytics skillset, organizations might not understand the business and the analytics required to extract relevant information and draw the right conclusions. In order to make well-informed decisions and capture the benefits from data-driven decision making, managers should pursue an understanding of business analytics. There can be strong resistance from managers who are not comfortable with data or analytics, but in order to measure organizational performance and be able to continuously improve processes, the data input to the KPIs must be accurate and trustworthy (Bartlett, 2013).

References

- Alegre, I., Berbegal-Mirabent, J., Guerrero, A., & Mas-Machuca, M. (2018). The real mission of the mission statement: A systematic review of the literature. *Journal of Management and Organization*, 24 (4), 456-473. doi: <http://dx.doi.org.ezproxy.libproxy.db.erau.edu/10.1017/jmo.2017.82>
- Barnabè, F., & Giorgino, M. C. (2017). Practicing lean strategy: Hoshin kanri and X-matrix in a healthcare-centered simulation. *TQM Journal*, 29 (4), 590-609. Retrieved from <http://search.proquest.com.ezproxy.libproxy.db.erau.edu/docview/1922887608?accountid=27203>
- Bartlett, R. (2013). *A practitioner's guide to business analytics*. McGraw-Hill. ISBN-13: 978-0-07-180759-3

- Drucker, P. (1973). *Management, tasks, responsibilities and practices*. New York: Harper & Row.
- Gagné, M. (2018). From strategy to action: Transforming organizational goals into organizational behavior: From strategy to action. *International Journal of Management Reviews*, 20, S83-S104. doi: 10.1111/ijmr. 12159
- Giordani da Silveira, W., Pinheiro de Lima, E., Gouvea da Costa, Sergio E, & Deschamps, F. (2017). Guidelines for hoshin kanri implementation: Development and discussion. *Production Planning & Control*, 28 (10), 843-859. doi: 10. 1080/09537287. 2017. 1325020
- Godoy-Bejarano, J. M., & Tellez-Falla, D. F. (2017). Mission power and firm financial performance. *Latin American Business Review*, 18 (3-4), 211-226. doi: 10. 1080/10978526. 2017. 1400389
- Kotlar, J., Massis, A., Wright, M., & Frattini, F. (2018). Organizational goals: Antecedents, formation processes and implications for firm behavior and performance. *International Journal of Management Reviews*, 20 (S1), S3-S18. doi: 10. 1111/ijmr. 12170
- Papke-Shields, K. E., & Boyer-Wright, K. M. (2017). Strategic planning characteristics applied to project management. *International Journal of Project Management*, 35(2), 169-179. doi: 10. 1016/j. ijproman. 2016. 10. 015
- Reeves, M., & Fuller, J. (2018). When SMART goals are not so smart. *MIT Sloan Management Review*, 59 (4), 1-5. Retrieved from <http://search.proquest.com.ezproxy.libproxy.db.erau.edu/docview/2074384329?accountid=27203>

- Sharma, R., Mithas, S., & Kankanhalli, A. (2014). *Transforming decision-making processes : A research agenda for understanding the impact of business analytics on organisations*. European Journal of Information Systems, 23(4), 433-441. doi: <http://dx.doi.org/ezproxy.libproxy.db.erau.edu/10.1057/ejis.2014.17>