

Crafting Strategic Objectives: Examining the Role of Business Vision and Mission Statements

Bora B¹, Borah S² and Chungyalpa W^{1*}

¹Department of Management Studies, Sikkim Manipal Institute of Technology, India

²Department of Computer Applications, Sikkim Manipal Institute of Technology, India

Abstract

There exists abundant literature on business strategy topics. Yet very few of these examine the role of business mission and vision statements and their influence on strategic objectives. It is this apparent gap in the literature that this paper aims to cover. The paper aims at highlighting the importance of business vision and mission statements and how these dictate the strategic goals and objectives of the organization - both short term as well as long term.

The paper consists of three sections. The first section provides a quick overview of business strategy. The remaining sections discuss the mission statement and vision statement. It provides guidelines including templates on how to develop effective mission and vision statement. Finally, it applies the learning's to a case study - that of a hotel. My aim is to highlight how the three - mission statement, vision statement, and strategic objectives - are intertwined. It is necessary to first define the mission and vision statement prior to defining the strategic objectives. The mission and particularly the vision statement provide the foundation upon which strategic objectives are framed.

Keywords: Business vision statement; Business mission statement; Strategic objectives; Strategic objectives alignment

Introduction

If we were to conduct a survey of small (especially micro) businesses in India, majority of the businesses will reveal that they do not have a vision and mission statement. Indeed, majority of these businesses function without having a vision and mission statement and in some cases even a working strategy. Although business textbooks emphasize the importance of mission and vision statement, yet businesses seem to place minimal importance on it. The role of the mission and vision statement is not well understood yet it forms an integral part in strategy development and formulation but first we start by examining the concept of strategy.

Business Strategy: An Overview

Crafting and executing business strategy is the centrepiece of managing an enterprise. While there is no single definition that defines strategy, generally a company's strategy is the plan of action that determines the following:

- Its market position
- How it conducts its operation
- How it attracts and retains new and existing customers
- How it competes with other firms and
- How it achieves its organizational objectives [1].

One approach to understanding strategy is by examining its purpose and scope.

Purpose

What is the strategy primarily designed to accomplish? This is one of the key differentiators. For example, a marketing strategy is designed to achieve marketing objectives, likewise, a quality strategy is designed to achieve quality objectives.

Scope

Scope refers to the breadth or boundaries of the strategy. Some

strategies such as business strategies are enterprise wide. It provides direction for the entire firm. The functional areas of an enterprise i.e. marketing, finance, human resource, information systems etc. accordingly frame operational strategies on their part to support the business strategy. Other strategies are much more focused and narrow in scope. For example, promotional strategy to advertise and promote events, programs, new product etc.

Thompson and Strickland provides one of the best definition of the various types of strategy used by organizations. They talk of the strategy pyramid. Essentially, they state that strategy exists at many different levels. At the top of the strategy pyramid is the corporate strategy, below it is the business strategy, below that the functional strategy, and finally at the base of the pyramid is the operational strategy. This is depicted in Figure 1.

Each level has unique objectives, stakeholders, and scope. The corporate strategy is applicable to diversified firms with multiple divisions i.e. business units. Since all the divisions fall under a single firm, the corporate strategy is the overall strategy that encapsulates all the firm's business units. A corporate strategy is high level game plan for the firm. It involves management at the highest level (executive level). It deals with issues such as, which industries should the firm compete in, how to improve the competitive position and profitability of all its various business units, which business units should be provided the highest priorities in terms of resource allocation and investments etc.

***Corresponding author:** Wangchuk Chungyalpa, Assistant Professor, Sikkim Manipal Institute of Technology, Management Studies, Majitar, Rangpo, East Sikkim 737132, India, Tel: 9679260992; E-mail: wgc.1976@gmail.com; bedanta75@rediffmail.com

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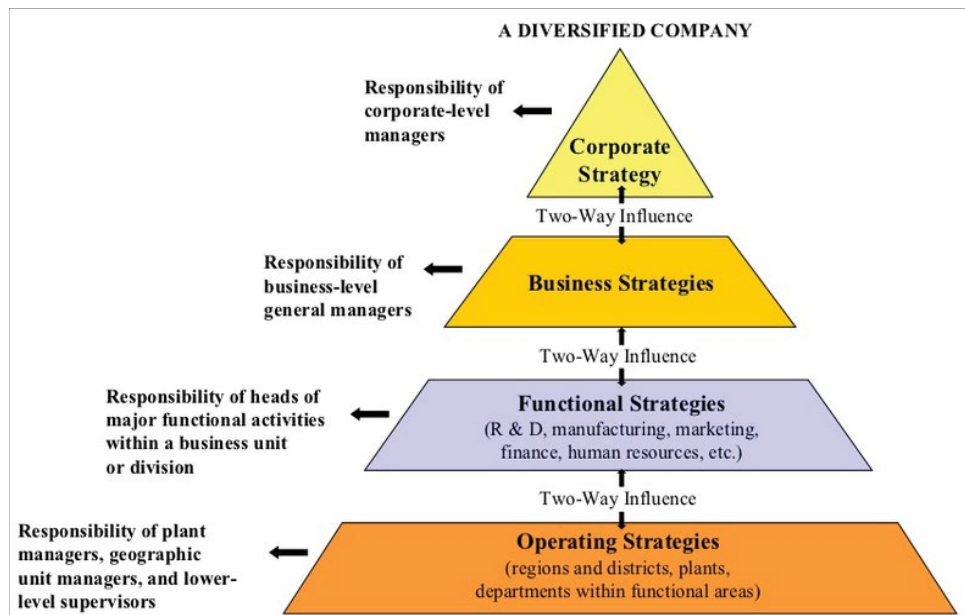


Figure 1: Strategy pyramid.

The business level strategy is strategy levelled at the individual business units. Business strategy is primarily aimed at businesses long term competitive position in the marketplace. A business plan is management's plan of action and responses to 'competitive forces, economic trends, technological developments, buyer needs and demographics, new legislation and regulatory requirements' and other important external factors that have an impact on the performance and profitability of the business [2]. For single business company, corporate strategy and business strategy are the same.

Functional strategies are strategies designed at the departmental level for example, production, marketing, finance, human resource etc. It can also refer to major functional processes such as new product development. Functional strategies are designed to achieve the departmental objectives and goals. However, much like the business level strategy, a functional level strategy must also support the overall corporate and business strategy of the company.

Finally, at the base of the strategic pyramid is the operating strategy. Operational strategy oversees two key areas:

Operational units of the organization: These refer to units such as plants, warehouse, distribution centres etc. Each unit requires a unique strategy to oversee its operations. Such strategy should be complimentary to the functional strategy under which the unit belongs and the overall business strategy of the organization.

Operational tasks: refers to key activities such as materials purchasing, inventory maintenance, logistics management, customer returns processing etc. Each such task requires a unique strategy [2,3].

Developing Business Mission Statement

Developing a mission statement is the first step in setting strategic direction. A mission statement describes the company's present business scope. It identifies 'who they are' and 'what they do.' The mission statement identifies the products and services being offered by the company, types of customers it has, and technological and business

capabilities of the company. A mission statement is a description of the current business of a company. The mission statement can be used as the basis for deciding where a company is headed in the future.

A well-defined mission statement incorporates the following three elements.

Customer needs i.e. what is being satisfied:

- Customer groups i.e. who is being satisfied
- Company's activities, technologies and competencies i.e. how the company goes about satisfying the wants and needs of its customers.

A mission statement that incorporates all the above three elements can be considered as a complete mission statement. It identifies the products and services currently being offered by the company as well as the customer group.

Major tasks

- Identify the target customers
- Identify the core products and services offered by the business
- Identify the key activities and capabilities to support the products and service offerings.

The following template can be used in framing the mission statement of the company:

Business mission statement template

Business mission statement template is given in Table 1.

Applying Concepts to a Case Study

I start by completing the business mission statement template for XYZ hotel. The template serves as a starting point in formulating the mission statement (Table 2).

I. Target Customer Group			
Name	Description		
II. Core products and service offerings			
S.no	Name	Description	Key activities and Capabilities

Table 1: Business mission statement template.

Target Customer Group		
Name	Description	
Honeymooners/couples only	Refers to newly and recently married couples. They consist of just the husband and wife without any children.	
Nuclear Family/one to four kids	Refers to nuclear family usually consisting of the husband, wife and children.	
Joint family	Refers to a joint family. A joint family is accompanied by the grandparents, relatives, friends and others.	
Core products and service offerings		
Name	Description	Key activities and capabilities
Honey moon suit	Suit designed specifically for honeymooners.	Infrastructure capabilities and Excellent service
Family suit	Large suit consisting of twin beds where extra beds can be accommodated. Designed for joint family and large families.	
Double suit	Standard double suit	
Single suit	Standard single suit	
Catering service	Catering service available for events	Excellent service
Restaurant service		Excellent cook and service
Rent a Hall	For events i.e. weddings, birthdays, conferences etc.	Infrastructure capabilities
Sightseeing services	Local sightseeing service	Excellent network
Gift (souvenir) shop	Local handicrafts	

Table 2: Business mission statement template for XYZ hotel.

Having completed the above template, I now have enough materials to create a mission statement for the organization. The template serves as a vital input to the process. We should avoid creating a detailed profile of the target customers or creating a detailed profile of the products and service offerings at this stage. At this stage the idea is to merely identify the target customer groups and define the product and service offerings in general. A more in-depth analysis and evaluation can be done at a later stage.

Next, we frame the mission statement for the organization.

Mission statement for XYZ hotel

XYZ Hotel is dedicated to providing the best care and comfort for our customers. We provide the best quality food and accommodation arrangements for our guests. All our rooms are furnished with all the necessary amenities including free Wi-Fi services and local area network connection detailing various sightseeing places, local attractions, eateries and much more. Each room commands an inspiring view of the local landscape.

Our other services include event hosting service, restaurant service, gift shop, sightseeing tours, and business services.

Our excellent infrastructure and world class service makes us an excellent venue for weddings, birthday parties, graduation parties etc. We delight in offering excellent in-house restaurant service with a diverse menu and unmatched services. Our gift shops pride in carrying the local handicrafts of the region. Each item undergoes stringent quality control to ensure the best value for the price. Our delivery service can guarantee delivery to all major metropolitan cities in India. We provide insurance and warranty coverage for all gifts bought from our store. Our sightseeing services are designed with the customer in mind. We offer unique packages designed specifically to meet the varying needs of our guests. Our fleet of transportation vehicles

and our wide network with local businesses ensures a convenient and hassle free trip. Our business services include amenities such as video conferencing, printing, photocopying, and scanning services. In addition, we offer various computers and workstations with the latest technologies and configurations all connected to the internet via high speed broadband connections. We strive to meet even the unexpressed needs and wishes of our guests.

Developing Business Vision Statement

Next comes the vision statement for the organization. The vision statement essentially specifies 'where an organization is headed.' It provides long term direction to the company. A vision statement is a very important strategic tool. A vision statement normally considers the company position and situation five years or more from today. It is aimed at answering key questions such as:

- Where do we want to be five years from hence?
- What new products and services should we be offering?
- What industry standing do we want to achieve?
- What are the changes in our target customers - which new target customer groups should we focus upon?

Setting the vision statement is a precursor to setting objectives and goals. It is the vision statement that dictates the company strategic objectives and goals. Strategic vision is a reflection of management's intentions and goals concerning the future of the organization. It is a reflection of how well the management have considered the future of the company. Setting the vision statement requires analysing the internal and external business environment. It is aimed at shaping the business direction and path for the next five years. It is also aimed at understanding how its present business needs will change in the years to come.

Major tasks

The process of formulating strategic vision involves answering the following sets of questions:

- What changes are occurring in the Market Arena and what implications do these changes have for the business?
- What new or different customer needs should we be moving to satisfy?
- What new or different buyers segment should we be concentrating on?
- What new geographic or product market should we be pursuing?
- What should the company’s business make up look like in five years?
- What kind of company should we try to become [2]?

In creating the vision statement for the organization, the following template can be used to define the vision statement. The template is a summary of the important points to consider while formulating the vision statement (Table 3).

Applying Concepts to a Case Study

Analysis of external environment is given in Table 4.

Vision Statement for XYZ hotel

We are committed to providing the best food and accommodations for our local, national, and international customers. We want to be specially remembered for our unique hospitality, fitness and wellbeing, sports adventure, and delectable cuisine. Our target is to become the industry best in both national and international arena. To this end our aim is to adopt eco-friendly and sustainable business practices; deliver a healthy, safe, comfortable and secure experience; and provide unparalleled user experience via seamless connectivity across devices and platforms. Our goal is to offer the highest quality of customer satisfaction.

Setting Strategic Objectives

Once the business vision statement has been defined, the next step is defining the strategic objectives for the business. The business vision statement is a key input to this process. The business vision statement defines the strategic objectives and goals of the organization. Setting strategic objectives transforms the strategic vision into specific performance targets. Setting strategic objective is a key element of crafting strategy. It is a very important exercise to ensure that the organization’s long term plans and goals are attained. It exhibits management’s commitment to action and outcomes. All objectives must meet the SMART criteria to be effective. The SMART methodology is a widely-used technique to frame meaningful objectives. SMART is an acronym that stands for:

S. No	Topic	Analysis
1	Current changes in the external environment	
2	Expected (future) changes in the market environment	
3	New or different customer needs	
4	New or different buyer segments	
5	New Geographic or product market	
6	Business make up five years from hence	

Table 3: Business vision statement template.

S No	Topic	Analysis
1	Current changes in the external environment.	<ul style="list-style-type: none"> • National tourism is picking up. The Indian government and various state governments are strongly promoting domestic tourism. • International tourism is picking up. • Eco friendly practices are becoming standard among hotels i.e. renewable energy sources and water conservation (Jacobs, 2015).
2	Expected (future) changes in the market environment	<ul style="list-style-type: none"> • Wide use of internet technologies to support business functions. Seamless connectivity across platforms and devices (mobile connectivity). • Adoption of computer based information systems to support business transactions.
3	New or different customer needs	<ul style="list-style-type: none"> • Customers today are tech savvy and self-sufficient travellers. • Customers are health conscious. • Adventure sporting
4	New or different buyer segments	<ul style="list-style-type: none"> • Growing middle class with more disposable income • International clients
5	New Geographic or product market	<ul style="list-style-type: none"> • Opening hotels in the immediate surrounding areas – popular tourist’s destinations.
6	Business make up five years from hence	<ul style="list-style-type: none"> • Adventure sporting services • Health and fitness services

Table 4: Analysis of external environment.

Qualitative objective	Quantitative objective
To improve customer satisfaction and service provided by the organization.	To decrease customer complaints/support calls by 20%.
	To increase repeat customer base by 25%.

Table 5: Qualitative vs quantitative objectives – a comparison.

Pillar	Building Block of Business Model	Description
Product	Value Proposition	A Value Proposition is an overall view of a company’s bundle of products and services that are of value to the customer.
	Target Customer	The Target Customer is a segment of customers a company wants to offer value to.
	Distribution Channel	Distribution Channel is a means of getting in touch with the customer.
Customer Interface	Relationship	The Relationship describes the kind of link a company establishes between itself and the customer.
	Value Configuration	The Value Configuration describes the arrangement of activities and resources that are necessary to create value for the customer.
Infrastructure Management	Capability	A capability is the ability to execute a repeatable pattern of actions that is necessary in order to create value for the customer.
	Partnership	A Partnership is a voluntarily initiated cooperative agreement between two or more companies in order to create value for the customer.
	Cost Structure	The Cost Structure is the representation in money of all the means employed in the business model.
Financial Aspects	Revenue Model	The Revenue Model describes the way a company makes money through a variety of revenue flows.

Source: Reprinted from The Business Model Ontology: A proposition in a design science approach by Osterwalder A [6]. Doctoral dissertation, University of Lausanne p: 43.

Table 6: Four pillars and nine building blocks of the business model.

Objectives must be measurable. It is always a good practice to quantify objectives rather than state it in qualitative terms (eg. Table 5).

Both the objectives refer to customer satisfaction and service. However, the quantitative objective lists specific parameters by which the objective can be measured and evaluated (Table 5).

Attainable

Objectives must be attainable that is, it must be achievable. Thus, setting objectives requires careful assessment and understanding of the capabilities of the organizational resources. Resources include all tangible and intangible assets. Tangible assets include things such as plant, equipment, machinery, tools, infrastructure, work environment, human resource. Intangibles includes knowledge capability, skills capability, innovation, change and adaptability, supplier relations etc.

Relevant

Objectives must be linked to the overall goals and mission of the organization. Objectives that are misaligned with the mission and goals of an enterprise will only result in confusion, misdirection, and waste of valuable organizational resources.

Time bound

Each objective must have a stated time limit within which it must be accomplished. This is important in evaluating whether organization has been successful in achieving their objectives. Time constraints must be set taking into 'consideration the environment in which the change must be achieved, the scope of the change expected, and how it fits into the overall work plan' [4].

It is vital to ensure that the strategic objectives are aligned with the mission and vision statement of the organization. Objectives must be set for key areas managers deem important to success. The key areas can be categorized into two board areas (i) financial performance (ii) strategic performance. Strategic performance is in itself very broad and can be narrowed down to specific sub areas.

One alternative in identifying key areas or areas of importance is by examining the individual business model components. A business model is an abstract representation of the business logic of a firm [5]. One of the most comprehensive definition of business model is provided by Alexander Osterwalder [6]. His definition of a business model is comprised of four pillars - Product, Customer Interface, Infrastructure Management, Financial Aspects. The four pillars are in turn made of nine building blocks that together represent a business model. Table 6 below shows the various elements within each of the pillars along with summary description of the elements.

Major tasks

- Identify relevant areas - where strategic objectives need to be defined.
- Define strategic objectives. Use SMART criteria.

Applying Concepts to a Case Study

Example of strategic objectives of XYZ hotel is given in Table 7.

Conclusion

Business strategy development is largely viewed as a design and plan in the implementation of resources of an organization. In framing

Customer specific objectives	
OBJ 1	To achieve and maintain outstanding customer service such that customer complaints are near zero and customer satisfaction ratings are at least 4 or 5, all within the first 12 months of operation.
OBJ 2	To offer adventure sports such as trail hikes, mountain biking, paragliding, rafting, to our customers within the first five years of operations.
OBJ 3	To attract more international customers within the first two years of operations.
Internal operations/strategic objectives	
OBJ 4	To create strong information systems support of key business services and functions such that 90% to 100% of the core functions and services are supported by information systems all within the first 24 months of operation.
OBJ 5	To develop and implement well designed business process model that meet business requirement, goals, and objectives. The process model must include well designed processes to cover all the core areas of the business. All the major (top priority) business requirements must be validated by the process model within the first two months of operation.
OBJ 6	To develop online capability to support hotel reservations such that online reservations account for 60% of the total revenues by the end of the third year of operations.
OBJ 7	To develop online capability to provide customer support such that 80% of the target customers are informed about the online support facilities and at least 30% actively utilize the online support facilities. The customer support will provide services relating to customer query, customer feedback, customer grievance redressal, customer discussion forums, FAQ etc.
OBJ 8	To develop online capability to support marketing and sales functions.
OBJ 9	To establish partnerships with other hotels in the area based on revenue sharing model.
OBJ 10	To establish partnership across industries i.e. with tours and travel companies, transportation service providers, etc.
People/Learning Strategic Objectives	
OBJ 11	To achieve industry specific certifications related to hotels within three years of operation.
OBJ 12	To develop strong brand recognition amongst the target customers such that 80% of the target customers are familiar with the company brand within the first three years of the company operations.
OBJ 13	To establish a knowledgebase of best practices within three years of operation.
OBJ 14	To obtain ISO 9001 certification in quality management within five years of operation.
OBJ 15	To have a team of well trained staff within a year of operation
OBJ 16	To create a organizational culture that cherishes customer service, innovation.
Financial Strategic Objectives	
OBJ 17	To realize 50% growth in gross revenues from different product and service offerings by the end of third year of operation.
OBJ 18	To ensure stable earnings during off season periods
OBJ 19	To decrease expenses by 5% and increase net profit by 10% annually.

Table 7: Example of strategic objectives of XYZ hotel.

strategies, most organizations perform a detailed examination and assessment of the organization's internal capabilities and limitations and evaluation of the external environment. Developing business strategy should begin with defining the mission statement and vision statement of the organization. Many organizations place little importance on defining the mission and vision statement prior to defining the strategic objectives. The result is that their strategic objectives do not reflect the present and future realities of the organization. This paper aimed at highlighting the importance of business mission and vision statement to formulation of strategic objectives. All strategic objectives should be considered in the light of the business mission and vision statement. Only then will there be a proper alignment of business mission, vision, and strategic objectives.

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