UNIT 4: STRATEGIC INTENT

UNIT STRUCTURE

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4.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- Explain the basic concept like strategic intent, vision, mission and business definition.
- describe the relevance of these concepts from the organization point of view.
- explain how these concepts' clarity makes the organization a successful entity.

4.2 INTRODUCTION

The vision of a company's long term goals and objectives is referred to as the strategic intent. It is the cornerstone of strategic architecture. Strategic intent involves a significant stretch for the organization as the existing skills, capabilities and resources are not considered sufficient for the task. In this unit we will discuss briefly about Concept of strategic intent, Concept of Vision, Defining Vision, Benefits of having Vision, Definition of Business and Business Models and their relationship with strategy.

4.3 CONCEPT OF STRATEGIC INTENT, STRETCH, LEVERAGE AND FIT

These strategic concepts are used to formulate, to lead, and to realize the ambitious enterprise performance. The concepts may be used to improve productivity. The intention is to have greater performance than that have at present. This can be achieved with the present knowledge and available resources at the disposal of the company.

The credit of development of the concept Strategic Intent goes to Hamel and Prahalad. Hamel and Prahalad (1994) conceptualize strategy formulation in terms of core competencies and in terms of resource stretch and leverage.

4.3.1 Strategic Intent

Strategic intent as defined by Hamel and Prahalad is used to define and to communicate a *sense of direction.* The direction is about the longer-term strategic position that the leaders of the organization wishes to achieve through its processes of objective setting and strategy formulation. Strategic intent comprises a *sense of direction*, *a sense of discovering* that will help in identifying opportunities to meet new challenges and *a sense of destiny* – that will create inspiration and commitment on the part of managers, employees, and the stakeholders. If a particular objective of a company becomes extremely

focused and directed towards a specific target, then it is said that company is showing a strategic intent.

In short strategic intent refers to the purposes for which the organization strives for. These could be in the form of vision, mission statement.

4.3.2 Strategy as Stretch

According to Hamel and Prahalad the strategic intent goes beyond the conventional model. It is not just restricted to matching internal competence and resources with company objectives. Strategic intent indicates *'stretch'* it means stretching of the present resources and capabilities to achieve the desired goals. The concept of strategic intent involves the use of *resource stretch.* It means that the enterprise will not be able to achieve strategic intent with the present management and use of resources and with the current operating capabilities of the enterprise. The resources and capability may be inadequate to meet the requirements of strategic intent. Hence for strategic intent both will need "stretching". Stretching is essential in order to meet the needs specified by strategic intent.

The stretch is essential as there is *gap* between the knowledge, resources and competence currently available to the enterprise. The degree of stretch that is required by the organization is defined by the strategic intent and the challenges the enterprise may face in achieving strategic intent. The gap between what enterprise wishes to achieve and what is the present performance and resource capabilities needs to be analysed.

4.3.3 Stretch

The gap between resources and aspirations is stretch. Stretch is misfit between the resources and aspirations. In order to meet the demands of the intent there is need to stretch present resources and

capabilities which may be at the present position are likely to be inadequate to meet the requirements of strategic intent. They need stretching.

Hamel and Prahalad comment that '*we believe that it is essential for top management to set an aspiration that creates, by design, a chasm between ambition and resources ... managers must create a misfit between resources and ambitions. Medium term challenges should demand more of the organization than what it currently believes is possible' (p. 146)*.

Strategic intent is the strategy of challenging competitor and overtaking the market leader. *Eg. Cummins Vs Caterpillar; Jio Vs Vodaphone; Titan Vs HMT.* Strategic intent is clear about the end results which a firm wishes to attain but it is flexible as regards to means and there is scope for creativity and improvisation. Dhirubhai Ambani of the Reliance Group is credited with having strategic intent of being global leader by being the lowest cost producer of polyester products.

4.3.4 Leverage

Hamel and Prahalad also added the concept of leverage. Leverage refers to concentrating, accumulating, complementing, conserving and recovering resources in such a way that the meager resource base is stretched in such a way that the organization will be able to meet its aspirations.

4.3.5 Fit

The concept of stretch is diametrically opposite of idea of *'fit'.* In fit, company try to match its resources with its current environment. Firms use SWOT techniques to assess organizational capabilities with environmental opportunities. It helps to understand what the company can achieve with its resources within the given environmental factors.



LET US KNOW

HOW APPLE USED STRATEGIC INTENT TO DOMINATE ITS MARKETS

Apple is the best example of using a Strategic Intent to guide it to market leadership. In 1996, they were just a 4% market share player in the PC business. In 2000, Steve Jobs came back as CEO and set the intent for Apple Computer to become great by being "the hub of your digital life". He saw the future trends involving the internet, the computing power available in one pc and the new digital forms of media that were emerging for use by individuals – and Jobs wanted an Apple computer to be at the epicenter of everyone's digital universe. Following this intent, the company first focused on updating the iMac platform, but following that, iTunes and then iPods hit the market to transform personal digital music and the iPhone came later to allow mobile computing access on one device, and the rest is history.

Apple had to create many new competencies over the last 15 years in order to achieve this intent – hardware design, software, touchscreens, etc. The result of this obsession to win at achieving their strategic intent is that now they're the world's most valuable company and brand by 2X!

Accessed through: http://www.bobvintonconsulting.com/blogs/how-apple-used-strategic-intent-to-dominate-its-markets-2/

4.4 CONCEPT OF VISION

When the firm expresses its aspirations as strategic intent should give tangible results. Those results will be the realization of firm's vision. Vision indicates the ultimate purpose of being here. For instance some companies may want to become world leader in next 10 years. Therefore vision articulates the position which a firm would like to attain in the long run. It is the dream of the organization.

Sometimes vision and mission are used synonymously. But there is different between the two. Mission is concerned with the present and the vision is more concerned with the future. The mission statement answers the questions what is our business? The vision statement gives the answers to this question. The answer may be "what do we want to be?" Vision statements charter the strategic path. It is powerful motivator to action. Often it is the action from which the vision is derived. Eg. Walt Disney wanted to make people happy.

Vision statement must be communicated to the members of the organization. They are the one who are going to help in bringing our dream to reality. Communication of vision to everyone is essential in order to achieve orgnisation's long term direction. The stakeholder will create confidence in their mind about the clarity of the purpose of the firm and knows where the company wants to progress.

Vision conveys the basic purpose. It creates a vivid image in the mind of the employees, shareholders and others. It instills positivity among the members. When the vision is clearly stated it indicates its direction in which the organization is heading. It creates enthusiasm among the employees. According to Peter Senge, *" A vision provides shared pictures of the future that foster genuine commitment and enrollment rather than compliance"*
Accodring to Miller and Dess, Vision simply as the "Category of intentions that are broad, all inclusive and forward thinking".

4.4.1 The Advantages / Benefits of Vision

- Good vision are inspiring and exhilarating
- It clarifies the path where organization wants to proceeds.
- It helps the organization to prepare for future.
- It clearly indicates top management views about the firm's long range direction.
- It directs in decision making process.
- It provides base for lower level managers to set departmental mission and objectives.
- It creates common identity and a shared sense of purpose.

- Good vision foster risk taking.

For availing these advantages the vision should act as an organizational charter of core values and principles. There should be determination of what makes us unique. A vision statement should not be only a 'high concept' statement or an advertising slogan.

For Example:

International Business Machines Corporation (IBM) has a vision statement and mission statement strongly associated with the organization and its brand. A firm's corporate vision statement sets the desired future state of the business to guide strategic direction. IBM's corporate vision is *"to be the world's most successful and important information technology company. Successful in helping out customers apply technology to solve their problems. Successful in introducing this extraordinary technology to new customers. Important, because we will continue to be the basic resource of much of what is invested in this industry."* This vision statement depicts IBM's developmental path as it maintains its position as one of the top players in the global market. IBM's vision statement marks the importance of leadership of the business in the information technology industry.

4.5 DEFINING MISSION

Clarifying the mission statement and defining the business is the starting point of business planning. Organization defines the basic reason for their existence in terms of a mission statement. Mission statement defines the role of the organization in the society. It describes the organization reasons for being. For some companies the mission statement may be in the form of very long statement or may be a just paragraph. Mission statement includes a statement on organizational philosophy and purpose. It indicates the fundamental purpose of the organization. The mission statement also includes the firm's philosophy about how it does business and treats its employees. Some experts are of the opinion that mission statement describes what the organization is now and a vision statement highlights on what the organization like to be in the near future.

According to Thompson (1997) mission is the *"Essential purpose of the organization, concentrating particularly why it is in existence, the nature of the businesses it is in and customers it seeks to serve and satisfy"*
In small organization the owner / founder establishes the mission of the enterprise. In some companies CEO frames the mission statement. However in the large organization a group of top managers is involved in the process of framing mission statement.

4.5.1 Characteristics of Mission Statement

Mission statement indicates the strategic thinking of the organization on its stakeholders namely shareholders, employees, customers, suppliers and the environment. It should answer the following questions:

1. What are the values, beliefs of the organization?
2. What is major competitive advantage of the company?
3. Who are the company's customers?
4. Are employees a valuable asset for the organization?

Mission statement framed should have following characteristics:

- It should clearly indicate the organizational purpose and outlook.
- It should have customer orientation
- It should also highlights on social objectives

1. Clarity : The mission statement should be clearly stated so that it leads to effective action. The dream must be presented in a positive way.

2. Realistic: It should be realistic and achievable.

3. Broad: The mission statement should be presented as the grand design of the firm's future.

4. Specific: Mission should be specific. It describes the scope within which the organization has to function.

5. Dynamic: The mission statement should be dynamic to balance between narrow and broad ways of doing things. It should bring balance between present requirements and future expectations.

6. Vision: The mission statement is the expansion of the vision of the company.

Example of Mission Statement:

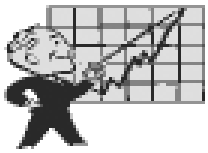
IBM's Mission Statement

IBM's mission is "to lead in the creation, development and manufacture of the industry's most advanced information technologies, including computer systems, software, networking systems, storage devices and microelectronics. And our worldwide network of IBM solutions and services professionals translates these advanced technologies into business value for our customers. We translate these advanced technologies into value for our customers through our professional solutions, services and consulting businesses worldwide."

The mission statement indicates what the business of IBM is. It detailed out company's aims and its activities on how to fulfill these aims. It also highlights on :

- To be the leader in the IT sector with most advanced technologies.
- Delivering better value to the customers.
- Providing professional solutions to the clients worldwide.

In nutshell the corporate mission statement highlights IBM's leadership in the information technology industry. IBM's corporate mission statement is very specific in providing bases for business processes. Mission statement is closely linked to the company's corporate vision statement.



CHECK YOUR PROGRESS

Q1. Define Strategic intent.

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Q2. State two advantages of vision.

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4.6 DEFINITION OF BUSINESS

Understanding business is vital to defining it and answering the question 'What is our Business?' The ideas generated while defining Business enable the framing of the mission and vision statement. The organizational purpose defines the activities that the organization performs or intends to perform and the kind of organization that it is or intends to be. The establishment of an organization's purpose is very much important. Unless and until there is clarity of purpose, the firm will not be able to develop clear objectives and strategies.

A good business definition or purpose includes a statement of products, markets, functions and objectives.

According to Peter Drucker *"*To know what a business is, we have to start with its purpose. Its purpose must be outside of the business itself….. There is only on definition of business purpose; to create a customer".

Business purpose of P&G:

"We will provide products of superior quality and value that improves the lives of the world's consumers".

The organization's purpose starts with defining its present and potential customers. It answers questions like:

A. Who is the customer?

B. What does he buy?

C. What does customer look for when he / she buys the products (value).

Answers to these questions also indicate the nature and quality of the product, process or technology, market environment and / or competitiveness.

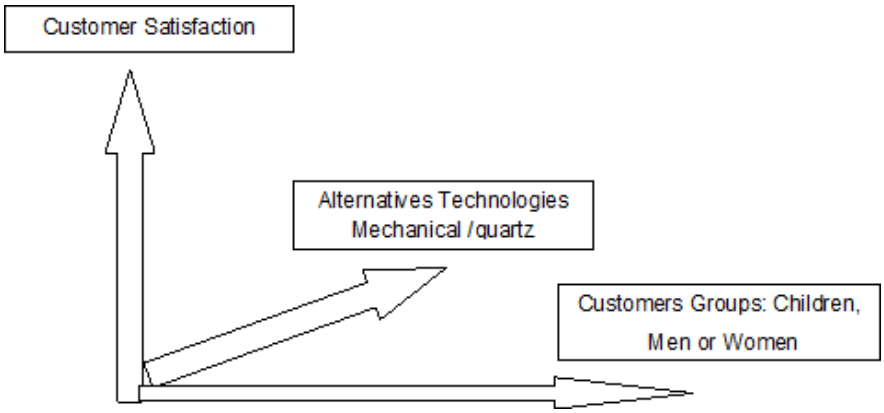
Many companies and managers are not clear about the exact nature of their business, nor are they always aware of the significance of this. The definitions of business should be based on four major factors;



Business definition of :

***Hindustan Uniliver**: To meet everyday needs of Indian people everywhere with branded products.*

4.6.1 Dimensions of Business Definition



Based on D. F. Abell, Defining the Business:The Strategic Point of Strategic Planning

Understanding definition of business is the alternative way of studying mission. Defining business is very vital. For example, Film producers

wrongly perceive their business as producing films but their actual business is to entertain viewers.

The mobile handset when introduced, the basic purpose was to provide just a means of communication but now with the change of technology it has become an important gazette for the users for multipurpose.

Derek Abell in a path breaking analysis, suggest defining a business along the three dimensions of customer groups, customer functions and alternatives technologies.

Dimensions	Relate to
Customer Groups	Could be individual customer or industrial users.
Customer Functions	Finding time, recording time, e.g. Using watch as a fashionable accessory and as a gift item.
Alternative Technologies	Own production unit, Franchised Outlet or Undertaking distribution agency.

This kind of clarification helps in defining business explicitly. A clear definition is useful for strategic management in many ways. It helps in deciding objectives, alternative strategies, functional policy etc.

Like strategy, business can be defined at the corporate or SBU levels. When a firm operates in one area only then its definition might be comparatively simple than those firms who operates at many level and areas. At the corporate level, the business definition will concern itself with the wider meaning of customer groups, customer functions and alternative technologies. The significance of Abell's approach to defining business lies in it being marketing- and customers oriented approach rather than a product oriented approach.

4.7 BUSINESS MODELS AND THEIR RELATIONSHIP WITH STRATEGY

In short, strategic intent refers to the purposes for which the organization strives for. These could be in the form of vision, mission statement. At the business level it can be expressed in the form of business definition or business model. When it is expressed in the precise terms it becomes objectives or goals. Here, strategic intent lays down the framework within which firms would operate. It provides directions to achieve the goals.

In order to be successful in the market organization need to find out Critical Success Factors (CSFs). CSFs are strategic of key factors. CSFs can be found out by asking simple question like What do we need to do in order be successful? Key factors are based on practical logic. These factors can be the result of long run experience which leads to development of intuition, judgment for use in strategic decision making.

Brainstorming can be used through which critical factors can be found out. CSFs are used to pinpoint key results areas, determining objectives in those areas.

Product / industry	**CSFs**
Maruti	Low cost with better quality
Courier Service	Speedy service, reliability and price.

The term business model has become more popular after 1990s with the development of internet. It is used to express number of ideas. Ideas those create some value to the customers. Big giants like Wal-Mart, Google as a search engine, Amazon as a option for online buying have become successful only because of their business model.

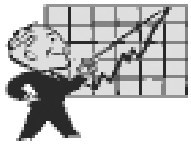
Now, people are techno-savvy and they don't have time to read physical papers, so news papers have come with E-newspaper concept. They are able to offer this facility free of cost to the reader because they earn revenue through online advertisement.

Business model can be defined as *'a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network'. (Shafer and others)*

There is intimate relationship between business models and strategy of an organization. Strategies are combinations different action plans to achieve desired goals and business model can be used to do analysis of these strategies choices and appropriate selection of a particular strategy. Companies operating in same industry may have different business models.

There is difference in the business model used by TCs, Infosys and Wipro. Strategies doesn't specify how to earn money but business model does that perfectly.

The vision, mission, business definition and business models are helpful in determining the basic philosophy that organization might opt in long run.



CHECK YOUR PROGRESS

Q1. State the dimensions of business definition.

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Q2. Define business model.

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4.8 LET US SUM UP

In this unit we have discussed the following:

- Strategic intent comprises a *sense of direction*, *a sense of discovering* that will help in identifying opportunities to meet new challenges and *a sense of destiny* – that will create inspiration and commitment on the part of managers, employees, and the stakeholders.
- Strategic intent indicates *'stretch'* it means stretching of the present resources and capabilities to achieve the desired goals. The concept of strategic intent involves the use of *resource stretch.*
- Vision conveys the basic purpose. It creates a vivid image in the mind of the employees, shareholders and others. It instills positivity among the members. When the vision is clearly stated it indicates its direction in which the organization is heading. It creates enthusiasm among the employees.
- Business can be defined under three dimensions of customer groups, customer functions and alternatives technologies.

- Business model can be defined as 'a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network'.



4.9 FURTHER READING

1. Cherunilam Francis (2015), Business Policy and Strategic Management, Himalaya Publication House , New Delhi
2. C Appa Rao, B Parvathiswara Rao, K Sivaramakrishna (2008); Strategic Management and Business Policy, Excel Books, Nerw Delhi
3. Tandon A (2010); Business Policy and Strategic Management; Anmol Publications Pvt.Ltd.
4. Rao Subba P();Business Policy and Strategic Management: Text and Cases; Himalaya Publication House , New Delhi



4.10 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q. 1: Strategic intent as defined by Hamel and Prahalad is used to define and to communicate a *sense of direction.*

Ans. to Q. 2: Good vision are inspiring and exhilarating. It clarifies the path where organization wants to proceeds.

Ans. to Q. 3: Customer group, customer function, alternative technologies.

Ans. to Q.4: Business model can be defined as 'a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network'.



4.11 MODEL QUESTIONS

Q1: Discuss the concept of vision. Also state its advantages.

Q2: Define mission and state its characteristics.

Q3: Discuss the major factors which define business.

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