



LEEDS BECKETT UNIVERSITY
LEEDS BUSINESS SCHOOL

Strategic Planning & Control

Lecture 3: Defining the Purpose of an Organisation

Part A : Mission

Part B: Prioritising Stakeholders

Part C: Corporate Responsibility & Sustainable Business Strategy

Module Info

- Lecture B this week : Assignment Briefing CW 2 and Reflective Writing Skills at H6
- Seminars this week (Week 2) = Practice round of Global Challenge and practice Results Analysis skills - make sure you are there to meet and start working with your team!
- Please download the “Guide to Getting Started with Decision Making in the Global Challenge Simulation” in Weekly Materials on MyBeckett for use in the seminar– it will help you navigate the practise round...
- Still some students not yet registered – you should do this before your seminar this week. Instructions and links to Registration screen on MyBeckett. Only use the link for your timetabled seminar group.
- Repeating Students – register please.
- After the practice round this week, prepare your own set of individual decisions for Round 1 in CESIM and come to next weeks’ seminar (Week 3) ready to debate with your team

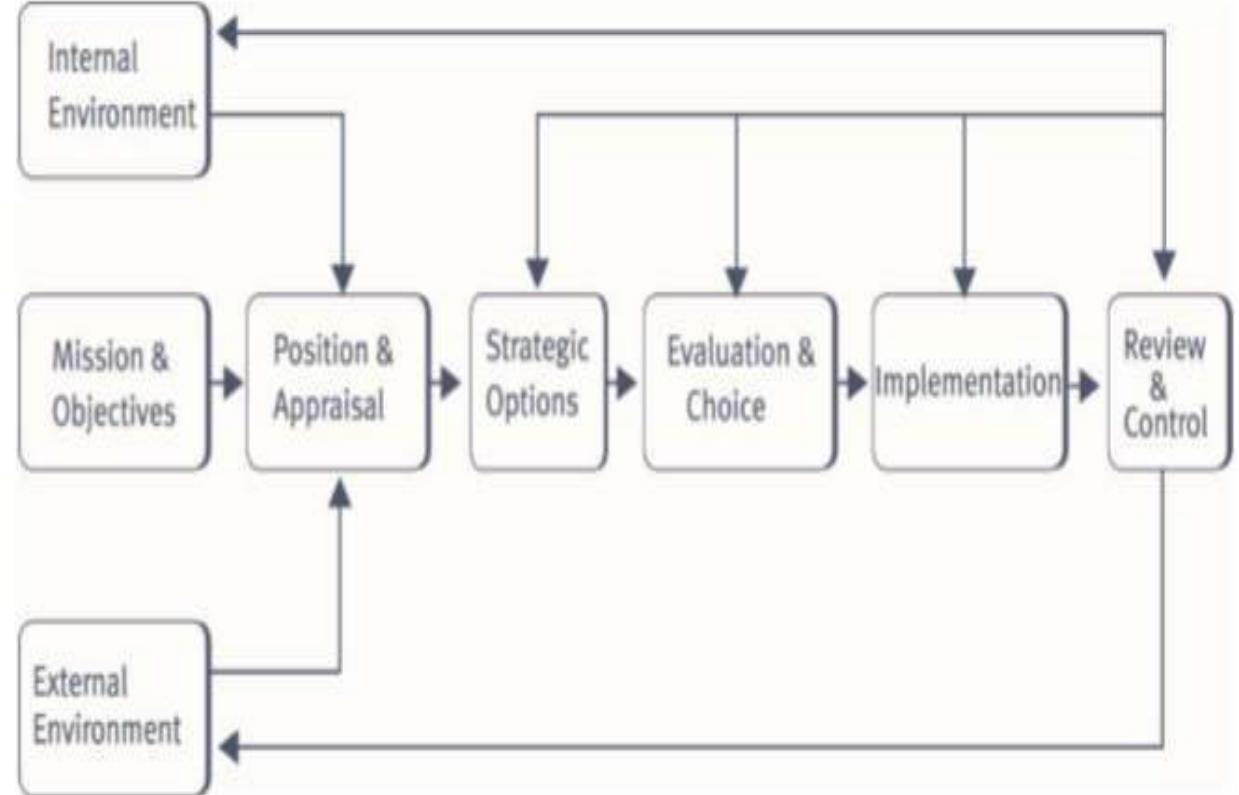
Learning Outcomes

1. To understand the purpose of the Mission Statement and the characteristics of an effective Mission Statement
2. To appreciate the role of Corporate Values and Culture in influencing success in strategy formulation and implementation
3. To be able to identify stakeholders in an organisation and their interests
4. To be able to prioritise stakeholders and determine the appropriate level of integration of their concerns into an organisation's strategic objectives
5. To evaluate the arguments for and against the inclusion of Corporate Social Responsibility and 'Sustainability' as part of the organisation's strategy.

Rational Planning Model

3 main stages

- Strategic Analysis
- Strategic Choice
- Strategic Implementation



This session looks at Mission & Objectives and how these are based on understanding Stakeholder expectations



Part A

Mission



Mission

- Mission is the starting-point of strategy formulation.
- Provides clarity about what the organisation is **fundamentally** there to do
- It is the basis on which strategic objectives are set.
- Any strategy developed must be shown to be consistent with the mission before it is adopted.
- The culture and values of the organisation must be molded to serve the strategy.

“the mission of an organisation is the most generalised type of objective and can be thought of as an expression of its **raison d'être**”(reason for existing) (Johnson, Scholes & Whittington)

Example Mission Statements



“to maintain the conditions in which creation thrives, believing that creativity and beauty are essential drivers of progress.”



“Discover and spread ideas that spark conversation, deepen understanding, and drive meaningful change.”

Breadth of Mission...



“the mission says WHY you do what you do , not the means by which you do it” (Drucker)



To identify Mission , start with a description of what the company actually does, and then ask ‘Why?’



Example: a company that makes bricks : “ To make people’s lives better by improving the quality of built structures”



This breadth of mission helps to prevents ‘strategic drift’ by being too attached to the existing product range - remember Kodak?



Strategic Drift: “ the tendency for strategies to develop incrementally on the basis of historical and cultural influences , but fail to keep pace with a changing environment”

Purpose of a Mission Statement



TO COMMUNICATE
MISSION TO ALL
STAKEHOLDER GROUPS



TO DEVELOP A DESIRED
CORPORATE CULTURE



TO ASSIST IN
STRATEGIC PLANNING

Note- does not refer to specific commercial terms like profits or sales



Quiz: Can you recognise these companies from their mission statements

- “ To organise the world’s information and make it universally accessible and useful.”
- “To accelerate the world’s transition to sustainable energy.”
- “Together, we fight inequality to end poverty and injustice”

Corporate Values & Culture

- “ Culture is the set of values, guiding beliefs, understandings and ways of thinking that are shared by members of an organisation...it represents the unwritten, feeling part of the organisation” (CIMA)
- Established culture affects the way people perceive the strategic landscape
- so influences business strategy through how people (and therefore the organisation) respond to changes in business environment
- Openness or resistance to change
- Embedded culture can lead to strategic responses that stick with what is familiar - incremental strategies: risk of failure to act on changes in the environment – strategic drift.
- “ Culture eats strategy for breakfast” (Drucker)

Values



Core ethics and principles that will drive the behaviour and actions of management, staff and other stakeholders eg suppliers



Guide to staff behaviour – suitable decisions made



Demonstrate integrity and accountability to stakeholders



Set the company apart from competitors – source of competitive advantage. See link to Ben & Jerrys corporate values



Set the culture of the organisation

<https://www.benjerry.co.uk/values>

<https://www.oxfam.org/en/what-we-do/about/what-we-believe>

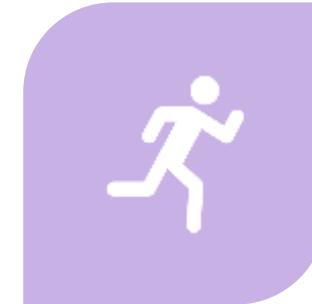
Criticisms of Mission Statements



MAY NOT REPRESENT
ACTUAL VALUES



OFTEN VAGUE



CAN BE SEEN AS PR
EXERCISE

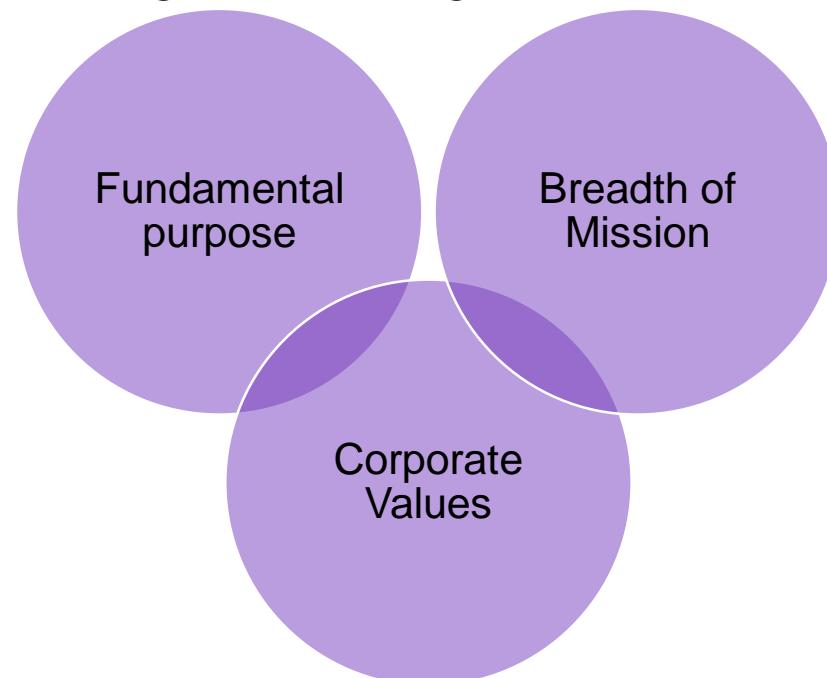


CAN BECOME QUICKLY
OUTDATED – FAST
MOVING INDUSTRIES

Mobile Inc & Coursework Assignment

- In your assignment you are asked to create a Mission Statement for Mobile Inc
- Can you do this incorporating the learning from this session?

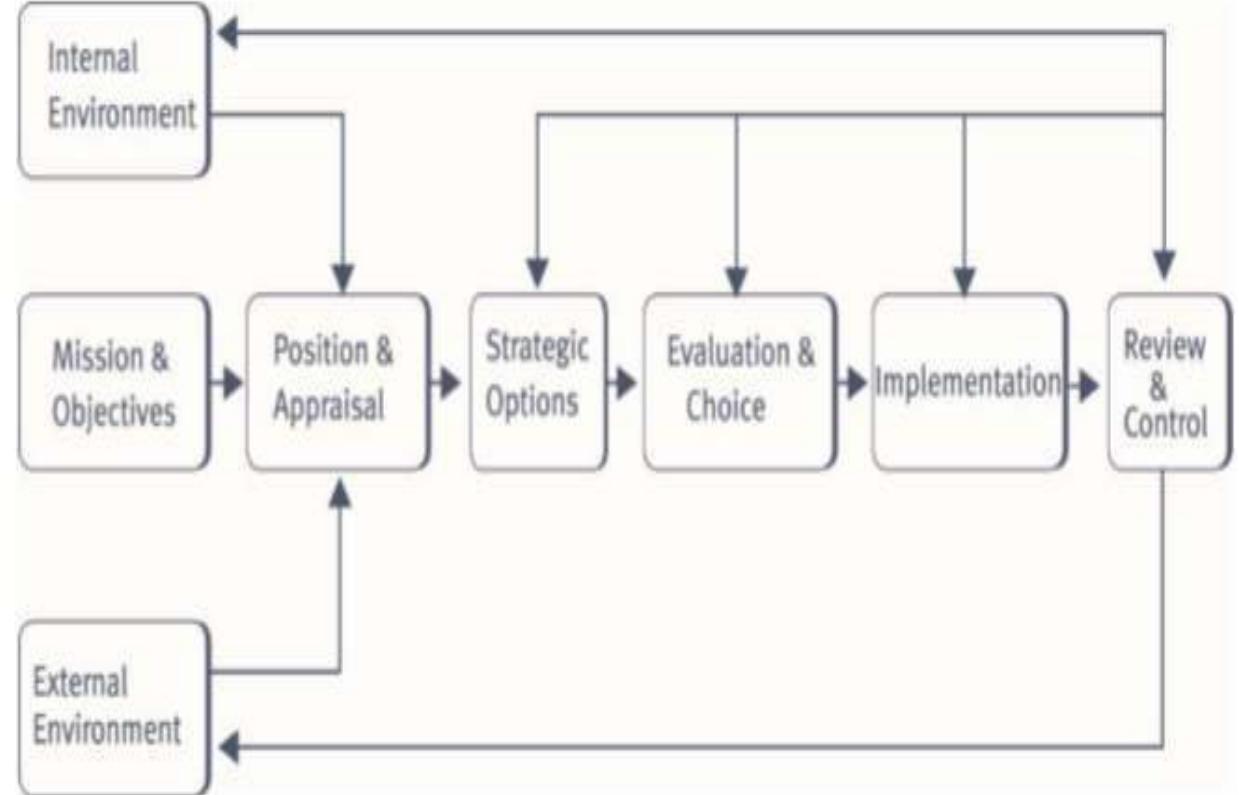
**3 key
attributes**



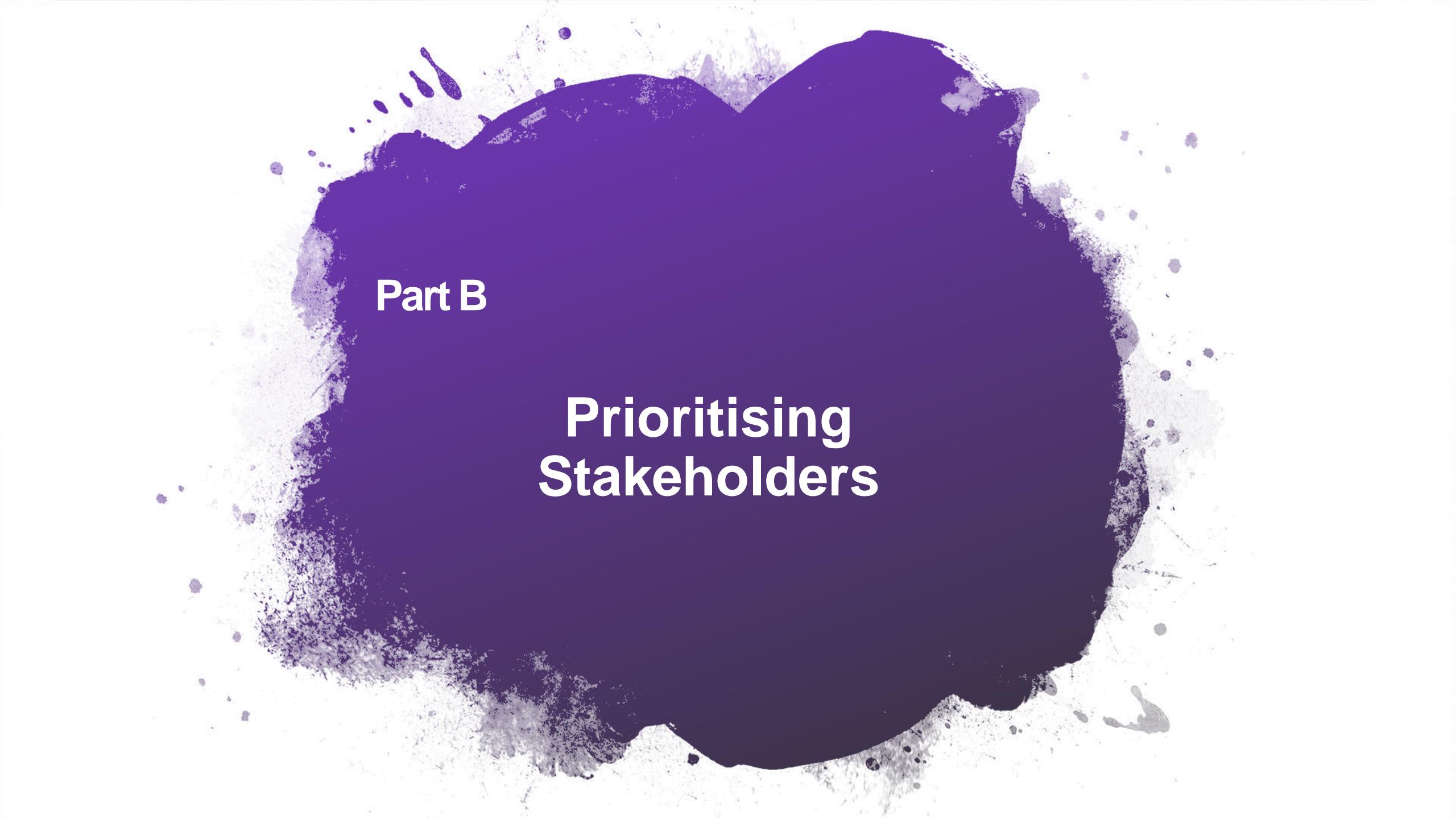
Rational Planning Model

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Part B

Prioritising Stakeholders



Organisational Purpose

- Primary aim of **profit seeking organisations** is to increase the wealth of their owners.
- **Profit, or shareholder wealth, maximisation** assumes that management are motivated and free to adopt policies that serve the interests of just one social group: the owners of the business ie **shareholders**.
- **Stakeholder analysis** suggests that management may seek to serve, or may be constrained by, a **wider group of interested parties**.
- **Not-for-profit organisations** eg charity or public sector organisations (eg NHS) are likely to have **multiple aims, reflecting a wider group of stakeholders**

Stakeholder Analysis

- Stakeholders are ‘those groups or persons with an interest in what the organisation does’
- Need to understand who are the organisation’s key stakeholders are and what they want or expect
- First step to inform both Mission and development of Strategy
- 3 types of stakeholder:

Internal Stakeholders	Connected Stakeholders	External Stakeholders
<ul style="list-style-type: none">• Management• Employees	<ul style="list-style-type: none">• Shareholders• Lenders• Customers• Suppliers	<ul style="list-style-type: none">• Government• Community• Pressure Groups

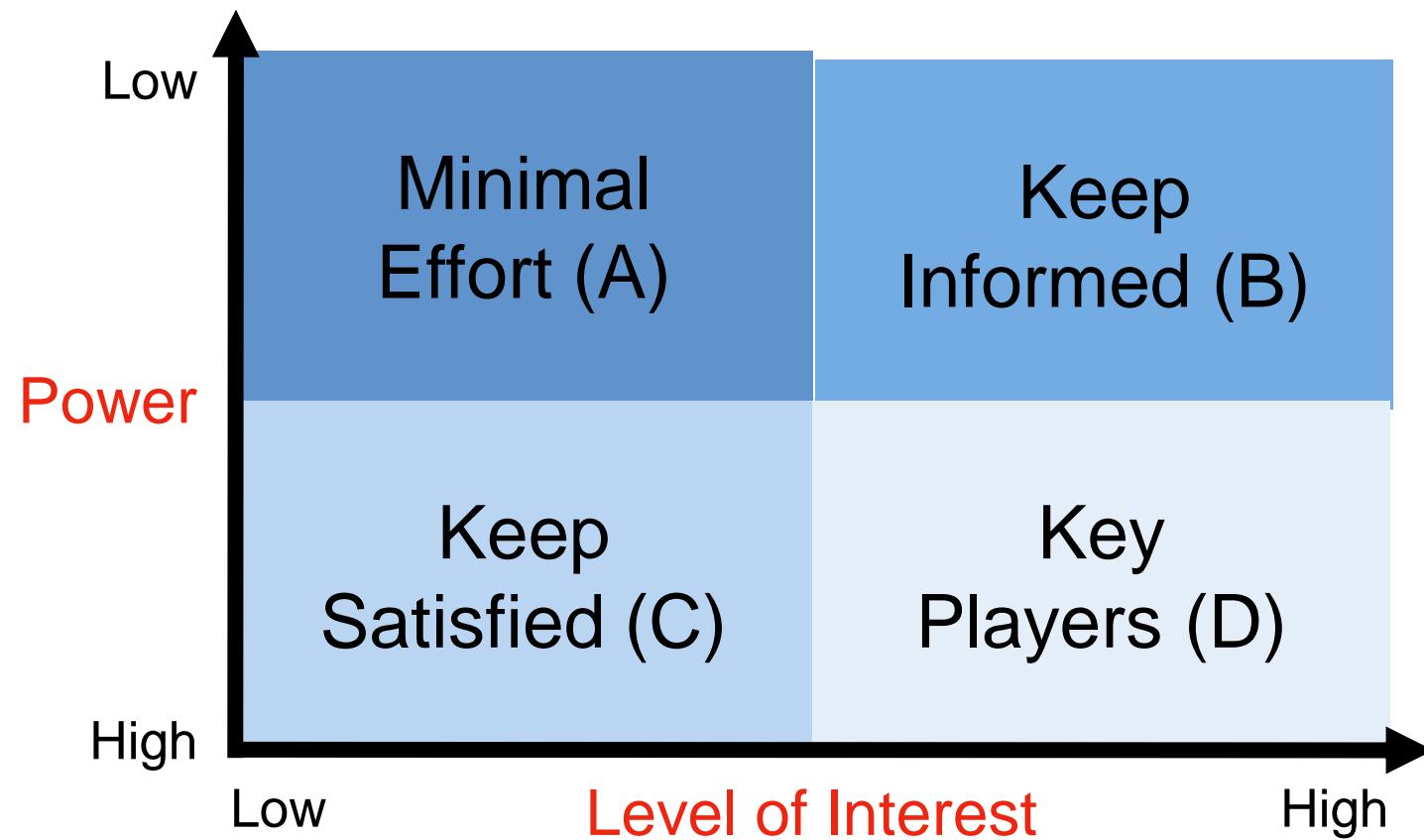
Prioritisation of Stakeholders

- Problem is that stakeholders often have **conflicting interests**
- **Examples:**
 - Shareholders want to maximise profits.
 - Employees want pay rises and to enjoy development opportunities, training, flexible working, comfortable working environment, health and wellbeing provisions
 - Customers want high specification / high quality products and also want low prices
 - Shareholders want profits
 - Lenders want the organisation to operate within its overdraft limit
 - Suppliers want to be paid on time
- Impossible for an organisation to satisfy all the needs of all the stakeholders
- **It must decide which are the key stakeholders and prioritise them**

Mendelow's Power/Interest Matrix

- Can help to identify who are the priority Stakeholders
- By considering 2 dimensions:
- How much **power** the stakeholder has to impact the organisation if dissatisfied
- How much **interest** the stakeholder has in the organisation – ie how likely is it to exercise its power and take action

Stakeholder Mapping – Mendelow's Matrix





Power

- Does the stakeholder have the power to disrupt the organisation's plans or operations if they are dissatisfied with strategy?

This is influenced by factors such as

- ✓ Dependence on a stakeholder for a key resource
- ✓ Dependence on a stakeholder for essential skills , knowledge and expertise
- ✓ High level of political influence
- ✓ High level of formal power in the governance structure of the organisation

The risks of dissatisfied stakeholders exercising their power are considered on the next slides....



Interest

- How likely it is that a stakeholder will take some sort of action to exercise his or her power?
- Not all stakeholders have the time or inclination to follow management's decisions closely
- Some factors that may suggest higher level of interest
 - ✓ High personal financial or career investment in the business
 - ✓ Absence of alternative (job, customer, supplier, employer)
 - ✓ Potential to be called to account for failing to monitor (regulator)
 - ✓ High social impact of firm (e.g. well known, visible product association with particular issues)

Internal Stakeholder Interests

Stakeholder	Interests	Nature of Power: risks if dissatisfied
Managers and employees	<ul style="list-style-type: none">• Job/Career• Pay & Benefits• Promotion• Satisfaction	<ul style="list-style-type: none">• Pursuit of 'systems goals' not shareholder interests eg internal politics• Prevent or impede implementation of strategy• Industrial Action• Resignation - loss of skills/ work for competitor

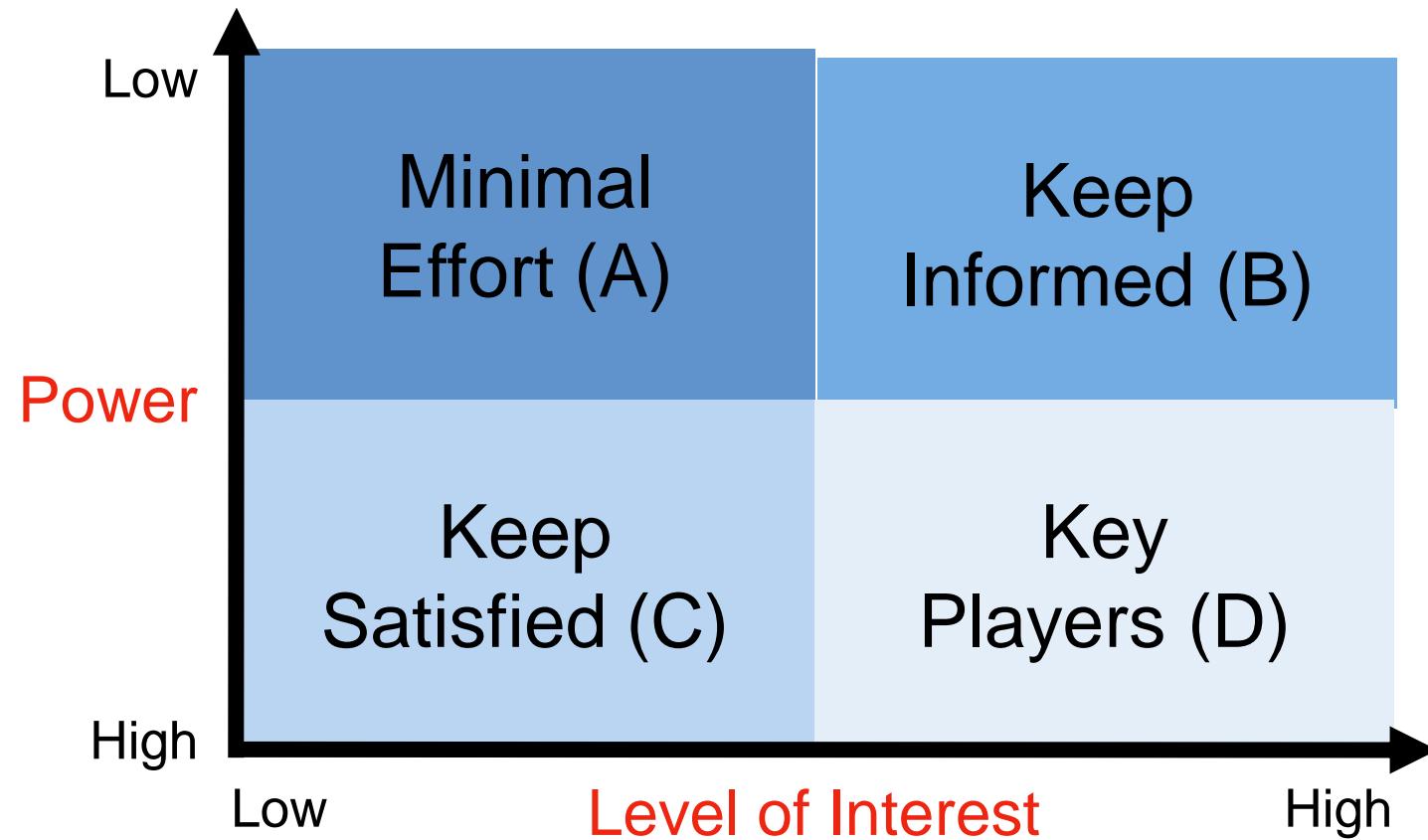
Connected Stakeholder Interests

Stakeholder	Interests	Nature of Power: risks if dissatisfied
Shareholders	<p>Shareholder wealth:</p> <ul style="list-style-type: none"> • Profits • Share price • Dividends • Level of risk 	<ul style="list-style-type: none"> • Sell shares • Remove management
Bankers	<ul style="list-style-type: none"> • Security of loan • Repayments to agreed schedule • Meet other loan agreement terms 	<ul style="list-style-type: none"> • Denial of further lending • Higher interest charges • Receivership
Suppliers	<ul style="list-style-type: none"> • Stable & long-term demand • Fair prices agreed • Paid on time 	<ul style="list-style-type: none"> • Withdrawal of credit • Court action • Terminating relationship • Allocating capacity to other businesses (competitors?)
Customers	<ul style="list-style-type: none"> • Product/service design that meet needs • Quality • Acceptable price • Good service 	<ul style="list-style-type: none"> • Buy elsewhere

External Stakeholder Interests

Stakeholder	Interests	Nature of Power: risks if dissatisfied
Government	<ul style="list-style-type: none">• Compliance with regulation• Tax• Jobs	<ul style="list-style-type: none">• Increased regulation• Increased tax• Legal action
Interest/ Pressure Groups	<ul style="list-style-type: none">• Environment• Social / Human rights• Other	<ul style="list-style-type: none">• Adverse publicity• Pressure on government to regulate• Direct action• Sabotage

Stakeholder Mapping – Mendelow's Matrix



Mendelow ‘s Matrix

Box A Low Power & Interest	Minimal Effort <p>Their lack of interest and power makes them open to influence. They are more likely than others to accept what they are told and follow instructions</p>
Box B High Interest/ Low Power	Keep Informed <p>These stakeholders are interested in the strategy but lack the power to do anything. Managements needs to convince opponents to the strategy that the plans are justified, otherwise they will try to gain power by joining with parties with high power and low interest.</p>
Box C High Power/ Low Interest	Keep Satisfied <p>The key here is to keep these stakeholders satisfied to avoid them gaining interest and moving to Box D. this could involve reassuring them of the outcomes of the strategy well in advance</p>
Box D High Interest & Power	Key Players – Participation <p>Strategy must be acceptable to these stakeholders as they could stop management plans if dissatisfied.</p> <p>Participation in planning process vital – communicate strategy and discuss implementation. Include priorities in objective setting for strategy.</p>



Quiz :where would the following sit?

Nurses in a hospital?

An airline's check-in staff?

A local community group (10 people on the committee) is concerned about destruction of jungle habitat in the village in Nepal where a key material in the company's product is mined.

Stakeholder Prioritisation : Implications for strategy

- Mission and Strategic Objectives must:
- **Actively reflect the priorities and interests of the Box D (*Key Players*) and involve them in the process.**
- **should also take into account Box C (*Keep Satisfied*) stakeholders**
- Other stakeholders (Boxes A & B) may need to kept informed about the organisation's chosen strategy, but do not need to be considered when designing the strategy.

Mobile Inc & Coursework Assignment

Plot all the specific stakeholders of your Mobile Inc company at the end of Round 5 on a Mendelow's matrix thinking carefully about how you prioritise these into the quadrants on the matrix. (Refer to Lecture 3 (Part B),

For the 3 stakeholders you judge as the most important:

Examine the specific 'interests' of the stakeholder.

Discuss the nature of the 'power' held by each stakeholder - if their needs are not met how could they impact the company?

How well is your Mobile Inc company meeting the needs of this stakeholder currently?

What should be considered when formulating the company's strategy?

Relate your answer as specifically as possible to your Mobile Inc company in the Global Challenge simulation.

- You are asked to set objectives for your chosen strategy – you should ensure that the objectives selected reflect the priorities of these important stakeholders.

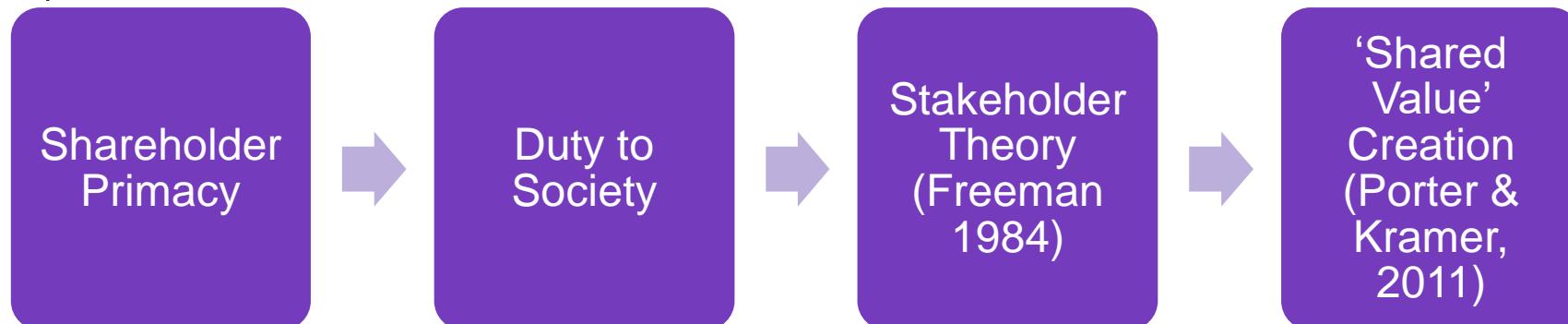


Part C

Corporate Responsibility and Sustainable Business Strategy

Corporate Social Responsibility

- Impact of an organisation on society is seen as increasingly important
- CSR concerns the extent to which organisations engage with a perceived responsibility to society beyond their legal requirements
- Perspectives of this area have and are still changing rapidly
- 2019 Strategic Report guidelines from FRC require UK companies to report on how the Directors consider Stakeholder issues in line with revisions to the UK Corporate Governance Code (2019)
- June 2021 Value Reporting Foundation: to develop corporate reporting framework to drive sustainability performance (merger IIRC and Sustainability Accounting Standards Board)



Argument against CSR

**‘The Business of
Business is
Business’**

- Shareholder Primacy
- “There is one and only one social responsibility of business—to use its resources and engage in activities to increase its profits so long as it stays within the rules of the game” (Milton Friedman, 1970)
- Business benefits society through providing employment, making investments, and paying tax
- Expenditure on social/environmental concerns inappropriate use of shareholders funds
- This perspective was perhaps more prevalent in USA than in Europe where regulation and Corporate Governance requirements meant that this was rather out of date.

Arguments for CSR

Benefits to the bottom line ...

Stakeholder theory (Freeman)

- Financial benefits to taking into account a wider group of stakeholders (not just shareholders)
- Staff development/wellbeing

Quiz: What are the financial benefits?

- Responsible environmental management

Quiz: What are the financial benefits?

- A strong reputation for corporate responsibility?

Quiz: What are the financial benefits?

Arguments for CSR

Benefits to the bottom line ...

Stakeholder theory (Freeman)

- Financial benefits to taking into account a wider group of stakeholders.
 - Staff development/wellbeing
 - = employee loyalty = lower training & recruitment; higher productivity & quality, lower unionisation, attract better applicants
 - Responsible environmental management
 - = reduced regulatory/ government interference and costs
 - A strong CR reputation
 - is attractive to customers, and can differentiate from competitors eg Ben & Jerry's
 - Reduces risk attached to expected future profit flows
 - enhances share values
 - Is important to investors & lenders
 - improves access to sources of finance
 - ESG ratings used
 - However.....
- Criticised for not taking into account the costs involved!



Sustainability

- *The use of resources such that the needs of future generations are not compromised*
- Not polluting the environment at a rate faster than can be absorbed
- carbon neutrality , planting trees, making products recyclable, use of renewable energy....
- Ensures the long-term survival of the business – resource availability
- Can lead to cost savings in the short- term eg alternative or reduced energy use; reduced packaging waste

Sustainability

'The use of resources such that the needs of future generations (and the business in the future) are not compromised'

Example

Coca Cola Water Stewardship policy

"We recognize that water is essential to our business and to the communities where we operate, and are committed to being responsible stewards of this vital resource ...We want to do this by improving water availability, quality, access and governance (James Quincy, Chairman & CEO, 2023)

Coca Cola's 3 Goals (2023)

- Achieve 100% circular water use – or regenerative water use – across 175 facilities identified as “leadership locations” by 2030.
- Work with partners to help improve the health of 60 watersheds identified as most critical for the company's operations and agricultural supply chains by 2030.
- Aim to return a cumulative total of 2 trillion litres of water to nature and communities globally, between 2021-2030.

<https://www.coca-colacompany.com/sustainability/water-stewardship>

Implications for Strategy



Identify the sustainability/corporate responsibility issues that are significant to the organisation
(NB Porter's concept of Shared Value 'Win/Win' focus – benefit to society AND THE ORGANISATION!)

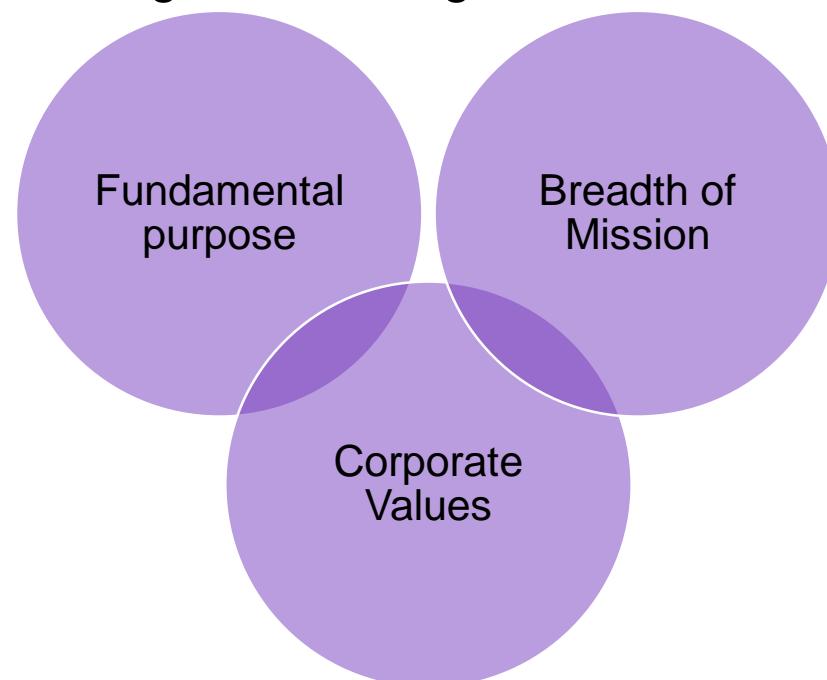


Embed these areas into the organisation's MISSION and CORPORATE STRATEGY
(NB Note for Coursework assignment: Mission should include an indication of corporate values – the specific relevant sustainability concerns for Mobile Inc could inform this.....)

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**3 key
attributes**



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Thank you

Any questions?