Lesson two(continuation)

Purpose or mission

This is, in effect, a statement of why the company exists. Company statements of purpose tend to fall into three groups:

_ The purpose is to create shareholder value.

_ The purpose is to meet the needs and expectations of all the stakeholders

– employees, customers, suppliers and the community as well as investors.

_ The purpose is of a higher order in that it is aspirational and idealistic,

or challenging and inspiring.

Each of these three approaches will be discussed further in the next lessons.

Policies

In the context of company strategy, policies are guiding rules or principles that are regarded as an integral part of the company's 'success model'; that is to say, they are practices or ways of doing things, often long established, that are seen as indispensable parts of the company's formula for achieving a sustainable competitive advantage. A simple example will make this clear. Marks and Spencer has long practised the policy of unquestioningly accepting returned goods and refunding customers' money. This practice is one among a number that the company believes have been important factors in its long-term success. It is also the case that until relatively recently the company refused to accept credit cards. This policy was believed by many outsiders to be seriously mistaken and a contributory factor in the company's loss of market share in recent years.

Defining what business, the company is in and defining what kind of company it is

Decisions about corporate purpose and company policies are closely linked to two key sets of strategic decisions – what business the company is in or is to be in and what kind of company it is or is to be.

Decisions of the first kind are to do with choice of industry or industries in which to operate and which sectors or niches within broad industry groups to focus on. Decisions of the second kind are to do with the difficult and intangible area of corporate culture. Both sets of decisions are complex and will be treated at some length in later lessons.

Text exploration (lecture tw