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STRATEGY FOR FORMULATION OF THE COMPANY'S VISION, MISSION, OBJECTIVES AND STRATEGY (A STRATEGIC MANAGEMENT STUDY FOR BUSINESS SUSTAINABILITY)

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ABSTRACT

Strategic management has become the primary foundation for organizations in facing the dynamics of a volatile, uncertain, complex, and ambiguous (VUCA) business environment. Amid rapid technological change , shifting consumer preferences , and global competition , companies cannot rely solely on traditional management practices . One of the most critical foundations in strategic management is the formulation of a company's vision , mission , goals, and strategy . These four elements form an interrelated planning hierarchy : the vision provides a picture of the ideal future , the mission explains the reason for the organization's existence , goals set measurable targets , and strategies provide action plans . This article aims to comprehensively examine the strategies for formulating these four elements based on classical to contemporary strategic management literature . The method used is a literature study with a descriptive-qualitative approach , analysing various textbooks , indexed international journals , and teaching modules . The results of the study indicate that the formulation of a vision must involve elements of core ideology (core values and core goals) and an envisioned future (BHAG and vivid description). The mission must be formulated with answers Drucker's fundamental questions about business , customers , and added value . Objectives should follow SMART criteria and be developed at three levels : corporate , business, and functional . Strategies are formulated through SWOT analysis and a matrix of strategic alternatives (SO, WO , ST, WT). Systematic integration of these four elements has been shown to enhance sustainable competitive advantage . This article also presents a practical framework , company case examples , and implementation recommendations for managers and academics.

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INTRODUCTION

The last decade has witnessed unprecedented changes in the business landscape . The Industrial Revolution 4.0, digital disruption , the COVID - 19 pandemic , and geopolitical uncertainty have forced companies to continuously adapt . Data from Fortune (2023) shows that the average lifespan of companies in the S&P 500 has shrunk from 61 years in 1958 to just 18 years today , and is expected to continue to decline . This phenomenon indicates that without a clear strategic direction , companies are vulnerable to bankruptcy or acquisition .

In the Indonesian context , similar challenges are also faced . According to the Indonesia Competitive Index (2024), many medium- sized companies fail to survive beyond 10 years due to the lack of a long- term vision and inconsistently executed missions . Yet , strategic management has proven to be an effective tool for navigating uncertainty . One of the most important components of strategic management is the formulation of an appropriate vision , mission , goals , and strategy .

Vision and mission statements are often considered mere formalities . Many companies display them on boardroom walls without ever using them to guide decision - making . However , empirical studies show that companies with clear vision and mission statements have 30% better financial performance than those without (Bart & Baetz, 2018). Furthermore , measurable goals and integrated strategies enable more efficient resource allocation .

However , the reality on the ground shows that the practice of formulating these four elements is often done separately , unsystematically , and without involving key stakeholders . As a result, the vision is too abstract , the mission too broad , the goals unrealistic , and the strategy not aligned with internal and external conditions . Therefore , a comprehensive strategic guide is needed .

LIBRARY REVIEW

Theoretical Basis of Strategic Management

Strategic management is defined by David (2016) as " the art and science of formulating , implementing , and evaluating cross -functional decisions that enable an organization to achieve its objectives . " This process consists of three main stages : formulation , implementation , and evaluation . The formulation stage includes environmental analysis , establishing a vision and mission , determining long -term goals , and selecting strategies.

Company Vision Concept

Vision comes from the Latin word videre which means " to see ". In an organizational context, vision is a mental image of the future that one wants to achieve (Collins & Porras, 1996). Characteristics of a good vision include : (1) forward-looking (oriented 10-30 years), (2) challenging but achievable, (3) inspiring, (4) clear and concise. Research by Kantabutra & Avery (2010) shows that a vision that has the characteristics of a shared vision can increase employee commitment by up to 40%.

Corporate Mission Concept

A mission is a statement about the reason for an organization's existence (raison d'être). Drucker (1974) proposed five key questions : Who are our customers ? What is our added value ? What is our business ? What will our business be ? What should it be ? A good mission statement typically consists of 9 components (David, 2016): customers , products / services , markets, technology , philosophy , concern for public image , concern for employees , competitive advantage , and growth .

Strategic Objectives

Objectives are the translation of a mission into specific targets . In the literature , three levels of objectives are recognized : (1) Corporate objectives (profitability , growth , shareholder value) , (2) Business objectives (market share , differentiation), (3) Functional objectives (production efficiency , customer satisfaction , innovation). The SMART criteria (Specific, Measurable, Achievable, Relevant, Time-bound) have become a global standard (Doran, 1981).

Corporate Strategy

Strategy is an integrated plan to achieve goals . According to Porter (1980), there are three generic strategies : cost leadership, differentiation, and focus. At the corporate level , strategies can include growth , stability , or retrenchment . Ansoff (1965) developed the product -market matrix : market penetration , market development , product development , and diversification.

Classical and Contemporary Strategy Formulation Models

The most widely used model is the SWOT Analysis model (Learned et al., 1969), which combines strengths , weaknesses , opportunities , and threats . Subsequently, the IE Matrix (Internal-External), Grand Strategy Matrix , and Quantitative Strategic Planning Matrix (QSPM) were developed . Recent developments emphasize dynamic capabilities (Teece, 2007) in response to rapid change .

Integration of Vision, Mission, Goals, and Strategy

Literature confirms that all four elements must form a causal chain . Vision → Mission → Goals → Strategy. If one is weak , the entire process will falter . Research by Rarick & Vitton (2019) shows that only 23% of companies have a strong link between vision and operational strategy. Therefore , this article will deepen the formulation strategy .

RESEARCH METHODS

This study uses a qualitative approach with a library research method . This library study was chosen because this topic is conceptual and requires a synthesis of various theories and previous empirical findings . Primary data sources are the latest editions of strategic management textbooks (David, 2016; Wheelen et al., 2018; Hunger & Wheelen, 2014), international journals indexed by Scopus and Web of Science (2010-2024), and national journals accredited by SINTA. Secondary sources include company reports , teaching modules, and dissertations.

Data Analysis Techniques

The analysis was conducted using a descriptive-interpretive method . The steps are : (1) data reduction by selecting relevant literature , (2) data presentation in the form of a concept matrix, (3) drawing conclusions and cross -verifying between sources . This approach allows the author to build a comprehensive formulation framework .

DISCUSSION

Effective Corporate Vision Formulation Strategy

Based on literature synthesis , the failure of vision formulation is caused by: (a) the vision is too general (" to be the best company "), (b) no buy -in from employees , (c) no clear BHAG, (d) the vision is only created by the CEO without participation . To overcome this , Collins & Porras (1996) offer a two- component vision framework :

Component 1: Core Ideology

1. Core values: values that are inherent and will not change . Examples : integrity , innovation , customer care .
2. Core purpose: the fundamental reason for an organization's existence beyond simply seeking profit . Example : " To organize the world's information and make it universally accessible " (Google).

Component 2: Envisioned Future

1. BHAG (Big Hairy Audacious Goal): a giant target that requires 10-30 years . Example: " Landing a man on the moon and returning him safely to Earth " (NASA, 1961).
2. Vivid description: a vivid , colorful , and emotional description of the dreamed future .

Practical Steps for Formulating a Vision

1. Form a vision formulation team consisting of representatives from all levels of management .
2. Brainstorm using the appreciative inquiry method : " Imagine our company 20 years from now in its best condition . What would it be like ?"
3. Identify core values through a survey of existing values .
4. Determine your core purpose by asking, " Why does this company exist ?" repeatedly until you find a fundamental answer .
5. Choose a BHAG that is challenging but still makes sense .
6. Write a vivid description in 100-200 words, avoid technical jargon .
7. Test the vision on 100 employees at random ; revise if less than 70% understand it .

Case Study of Effective Vision

1. Amazon: " To be the most customer - centric company on earth ."
2. Tesla: " Accelerating the world's transition to sustainable energy ." Both visions have a BHAG (becoming customer -centric ; energy transition) , are clear , and inspiring .

Mission Formulation : Answering Drucker's Fundamental Questions

Mandatory Elements in a Mission Statement

David (2016) summarizes 9 mission components . The following is an explanation and examples :

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Component	Questions answered	Example (PT Unilever Indonesia)
Customer	Who are our customers ?	People from various circles
Products / services	What products are offered ?	Food , drink , hygiene , beauty
Market	Where do we operate ?	Indonesia and the global market
Technology	What technology is used ?	Environmentally friendly innovation
Philosophy	What values are embraced ?	Sustainability , quality , ethics
Public image	How do we want to be seen ?	Socially conscious company
Employee	How are human resources treated ?	Developing employee potential
Competitive advantage	What makes us different ?	Local and global research
Growth	Are we growth oriented ?	Yes, sustainable

Common Mistakes in Missions

1. Too long (more than 300 words) so it is difficult to remember .
2. It only contains jargon like " synergy ", " excellence ", without operational meaning .
3. There is no difference with competitors .
4. Never re - evaluated (even though Drucker emphasized periodic evaluation every 3 years).

Mission Formulation Process

1. Internal analysis : identification of core competencies .
2. External analysis : mapping unmet customer needs .
3. Workshop with top management to answer Drucker's 5 questions .
4. Draft formulation with 9 components .
5. Validation to the board of directors and commissioners .
6. Socialization to all employees through town halls and posters.

Setting Measurable and Tiered Goals

Hierarchy of Goals

In a large organization , having just one goal is not enough . A hierarchy of goals is needed :

- Corporate goals (long term , 5-10 years): 20% ROI, #1 market share .
- Business objectives (for each SBU, 3-5 years): sales growth of 15% per year .
- Functional objectives (annual or quarterly): production costs decrease by 5%, customer satisfaction index >85.

Expanded SMART Criteria (SMARTER)

Some experts added E (Evaluated) and R (Reviewed). So :

1. Specific: not " increase sales " but " increase sales of product X in the East Java region".
2. Measurable: use numeric KPIs (Rp, %, units).
3. Achievable : based on historical data and resources .
4. Relevant: aligned with the mission .
5. Time-bound: "by December 31, 2025".
6. Evaluated: there is an evaluation mechanism every quarter .
7. Reviewed: subject to change if conditions change .

Examples of Bad vs. Good Goals

1. Bad: " Increase customer satisfaction ." (not measurable , not timetabled)
2. Good: " Improve Customer Satisfaction Index score from 78 to 85 by the end of fiscal year 2026 by reducing complaint response time from 24 hours to 4 hours."

Use of the Balanced Scorecard (BSC)

Kaplan & Norton (1996) recommend objectives from four perspectives : financial , customer , internal business processes , and learning & growth . With the BSC, objectives are not only financial but also non- financial and sustainable .

Corporate Strategy Formulation : Analysis and Alternatives

Strategy Formulation Stages

Systematic strategy formulation consists of 3 stages (David, 2016):

1. Input level : IFE, EFE, and CPM matrices .
2. Matching stage: Matriks SWOT, SPACE, BCG, IE, Grand Strategy.
3. Stage of results: QSPM (Quantitative Strategic Planning Matrix).

In-depth SWOT Analysis

SWOT is not just a list. There needs to be a cross analysis :

Internal External	Strength (S)	Weaknesses (W)
Opportunity (O)	SO (aggressive) strategy: use strengths to seize opportunities	WO (turnaround) strategy: improve weaknesses to take advantage of opportunities
Threat (T)	ST strategy (diversification): use strengths to avoid threats	WT (defensive) strategy : minimize weaknesses and avoid threats

Example : A retail company with a wide distribution network (S) faces e-commerce opportunities (O) → SO strategy: developing omnichannel.

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Grand Strategy Matrix

This matrix divides strategies based on competitive position (strong vs weak) and market growth (fast vs slow):

1. Quadrant I (strong position , fast market): concentration strategy , vertical integration , related diversification .
2. Quadrant II (weak position , fast market): turnaround strategy, unrelated diversification.
3. Quadrant III (weak position , slow market): retrenchment strategy, divestment .
4. Quadrant IV (strong position , slow market): unrelated diversification strategy , joint venture.

Porter's Generic Strategies and Adaptation in the Digital Age

Porter (1980) proposed three generic strategies : cost leadership (lowest cost), differentiation (unique product), and focus (niche market). In the digital age, cost leadership can be achieved through automation and AI. Differentiation through digital customer experiences . Focus through hyper-personalization.

Example of Application : Case of PT XYZ (Fictitious)

PT XYZ is a footwear manufacturing company in Tangerang. A SWOT analysis shows :

1. S: efficient production technology , strong local brands .
2. W: dependence on a single supplier of raw materials .
3. O: ASEAN export market grows 20% per year .
4. Q: Increase in import tariffs for raw materials from China. Therefore, the chosen strategy is: (1) Diversification of suppliers to Vietnam and Eastern Indonesia (ST); (2) Expansion to Malaysia through a joint venture (SO); (3) Automation of production to reduce costs (WT). As a result , net profit increased by 15% in 2 years .

Integration of the Four Elements in the Strategic Management Cycle

Causal Chain Model

Here is the integration that must be done :

1. Vision (long -term direction) →
2. Mission (business field , values , customers) →
3. Objectives (quantitative and qualitative targets) →
4. Strategy (how to achieve goals) →
5. Policy & Program (implementation) →
6. Evaluation (feedback to revise the vision if necessary) .

Without integration , for example , if goals are set without considering strategy, gaps will arise. Likewise , if the vision changes but the mission remains unadjusted , inconsistencies will result.
The Role of Communication and Organizational Culture

The vision and mission must be communicated continuously . Studies show that companies that post their vision in every meeting room and repeat it in daily briefings have double the employee engagement rate (Gallup, 2022). Furthermore , the organizational culture must align with the strategy. If the strategy demands innovation but the culture is bureaucratic and risk- averse , the strategy will fail .

Example of Integration in a Successful Company : Apple Inc.

1. Vision: "We believe we are on earth to make great products ." (informal , but clear version).
2. Mission: " To provide the best computing experience to students , educators , and creative professionals worldwide through innovative hardware , software , and service."
3. Goal: (by 2010) Control 20% of the premium smartphone market.
4. Strategy: Differentiation through integrated design , closed ecosystem , continuous innovation .
5. The result : Apple became the company with the highest market capitalization in the world.

Review Cycle Recommendations

1. Review the vision every 5 years (because the business landscape changes drastically).
2. Review the mission every 3 years .
3. Review goals annually (budget adjustments) .
4. Review the strategy every quarter (based on the evaluation results).

Discussion : Implementation Challenges in Indonesian Companies

Based on the author's observations of several medium- scale Indonesian companies , the biggest challenges in formulating these four elements are :

1. Centralization of formulation : the vision and mission are created solely by the founder or managing director , without involving line managers . As a result , the mission is not operational .
2. A mere formality : strategy documents are simply kept in a cupboard , not used for day-to-day decision making .
3. There is no alignment with the HR system : for example the mission is " customer oriented " but the bonus system is only calculated from cost efficiency .
4. Lack of regular evaluation : a vision written 10 years ago is still used without revision even though the industry has changed completely.

The solutions offered are: (a) hold an annual strategy retreat with an external facilitator ; (b) link individual KPIs to the achievement of strategic goals ; (c) conduct a strategy audit by an independent consultant every 2 years .

CONCLUSION

Based on a lengthy discussion , this article concludes several important things :

1. A company's vision should be formulated using Collins & Porras' two- component approach : core ideology (core values and goals) and an envisioned future (BHAG and vivid description). A good vision is challenging , clear , and can be internalized by all employees .

2. A company's mission should answer Drucker's 5 questions and incorporate David's 9 elements . An effective mission should be neither too broad nor too narrow , and it should be evaluated periodically .
3. Strategic objectives should adhere to SMARTER (Specific, Measurable, Achievable, Relevant, Time-bound, Evaluated, Reviewed) criteria . Objectives are structured hierarchically from the corporate to the functional level , ideally using the Balanced Scorecard.
4. Strategy formulation requires a comprehensive environmental analysis (SWOT, IE Matrix , Grand Strategy) and the selection of strategic alternatives through the QSPM. Porter's generic strategies remain relevant to digital adaptation .
5. Integration of the four elements is an absolute requirement. The causal chain framework of
Vision→Mission→Objectives→Strategy→Implementation→Evaluation
must be maintained consistently .

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