



STRATEGIC MISSION FORMULATION BY BANKS IN INDIA: A COMPARATIVE STUDY

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ABSTRACT

PURPOSE

Post liberalization Indian banking industry has undergone a paradigm shift providing new services to customer and posing unique challenges with the fast changing business environment. With increasing competition, emerging customer demands, regulatory interventions, and technology led disruptions, and higher shareholder expectations, the organizations are being forced to constantly review and revisit their operating models along with change in the vision, mission and objectives as per the required change of the dynamic environmental forces. A number of studies have been conducted in India which examined the Advertisement Effectiveness, Strategy Formulation, Environmental Scanning, Product performance, Marketing Strategies of banking sector. But there is no descriptive study showing the strategic mission formulation by the banks is been conducted, which have a crucial role in deciding the course of action of the banks to achieve objectives in future and to pursue its team to achieve the mission and vision. So the present paper makes insight on the Banks in India in order to make their management effective and efficient in formulation of Strategic Mission which ultimately decide the future course of action for the banks and pursue the teams to achieve their vision and objectives of the organization in the rapid changing business environment.

RESEARCH TYPE: Empirical

FINDINGS

All the selected banks have been found focusing immensely on customers in their mission statements. PNB is found lagging behind its counterparts (SBI and ICICI Bank) as far as focusing on products and services, market and technology in its mission is concerned.

The private sector bank ICICI bank is found focusing more on growth and profitability in its mission. while it is the selected public sector/ nationalized banks which are focusing more on concern for social welfare in the same. Not even a single bank is found focusing on employees in its mission statement.

PRACTICAL IMPLICATIONS

The management of the banks may start adopting efficient and effective strategies for Mission Formulation for the banks in order to improve their overall efficiency to achieve Vision and objectives of the organization which ultimately affects policy formulation, management practices, product management and controlling practices of the banks.

RESEARCH LIMITATIONS

The formulation of Strategic Mission, more often than not is considered a routine matter. Hence for the managers it may be bit tough to exactly reveal the extent to which their bank indulges in formulation of strategic Mission statement. Further, confidentiality may prevent the managers to elaborate on the said issue.

KEY WORDS: Banks, Strategic Mission, Business Environment, Vision, Objectives.

INTRODUCTION

The mission, vision and values are more often established when the company or group is initially set up and the mission is incorporated into the organization action plan or strategic plan. A vision and mission are critical and standard elements of a company's organizational strategy. Most established organizations develop organizational vision statements and mission statements, which acts as foundation in the establishment of organization objectives. The organization then develops tactical and strategic plans for objectives. The vision of the organization provides a common sense of purpose and identity, provide long-term direction and communicate internally and externally what their organization is about. Establishing the mission, vision and values are also continues process of review to ensure that they are still relevant for the current challenges and environment. Many companies find it useful to review these at the start of their process of strategic planning. The Management of the organization must ensure that the organization operates in a way that is consistent with its mission, vision and values or ethical principles. This should be the basis for planning and monitoring, expenditures, reviewing all activities, decision-making and policies. Companies use a variety of ways to communicate why they exist in society, how they work and what it is they hope to achieve. The core purpose of the company is mostly defined in the strategic plan and the organization governing documents. Companies are not legally permitted to execute

operations which are not within the premises of their core purpose, as defined in their organization governing documents. Vision statements are sometimes confused or used similar with mission statements. Vision statement should include a perspective of corporate values and offer more of a direction. The mission statement of the organization does not include a single element rather it is a combination of the core values of the organization on which organization working on. Mission statements have been reported as a broad framework around which other strategic aspects like vision, strategic intent and capabilities, behavioral standards, goals, core values, objectives, business models etc. evolve.

LITERATURE REVIEW

The literature is inundated with those scholars who believe that before writing a mission statement, leaders in the organization essentially have an idea of what is in store for the future and thus the vision is the foundation for the mission statement. The vision provides a strategic direction, which is the springboard for the mission and related goals. Mission statements are broadly believed to be base to any strategy formulation process (**Wheelen and Hunger, 1998**). The mission of an organization represents the reason for existence and for creating value for society. More fundamentally, mission statements are supposed to move on the path of success as a purpose of an organization in line with the values and perception of stakeholders and should give answer the questions: “what business are we in?” (**Johnson et al., 2008**) “What is our business for?” Mission statements are said to do a good job in capturing corporate level strategy in terms of scope, boundaries and value creation (**Johnson, 2008; David; 1993**). Mission statements have been reported as a broad framework around which other strategic aspects like vision, strategic intent and capabilities, behavioral standards, goals, core values, objectives, business models etc. evolve (**Campbell and Tawadey, 1992**).

Several studies (**Campbell, 1997; Mullane, 2002; Rigby, 1994; Campbell and Yeung, 1991**) have explained that how mission and vision statements can be used to build a common and shared sense of purpose and also serve as framework through which employees focus are created. Some schools of thought believe mission and vision statements tend to enhance motivation, shape attitude & behavior, cultivate high levels of commitment and ultimately impact positively on employee performance (**Mullane, 2002; Collins and Poras, 1991; Ireland and Hitt, 1992, Drucker 1959, Klemm et al., 1991**).

OBJECTIVES

The major objectives of the study are as under:

- To know the extent to which the selected banks indulges in strategic mission formulation.
- To see which of the mission component influence the mission statement of the selected banks more.
- To asses if the selected banks differ in their mission statement pursuit.

HYPOTHESIS

Keeping in mind the objectives of the study following hypothesis has been tested:

- The selected banks do not differ significantly in their strategic mission formulation pursuit.

RESEARCH METHODOLOGY

This is an empirical study. Both primary and secondary data is used by the researcher to arrive at necessary conclusions. The primary data have been collected to assess the extent to which selected banks taken into consideration the various factors while formulating the mission statement. For this the researchers have used a structured questionnaire addressed to the managerial cadre of the respective Banks. The questionnaire has been designed by the researchers keeping in mind prominent component of a strategic vision. In all, 63 managers from SBI, 69 managers from PNB and 74 managers from ICICI Bank have been included in the sample. The choice of the sample has been governed by judgment and convenience of the researchers. The secondary data incorporated in the research is the outcome of literature reviewed on the said theme. The data so collected have been analyzed with the help of SPSS software using various statistical techniques like mean, standard deviation, ANOVA, post hoc analysis etc. and presented with the help of appropriate statistical tables.

SCOPE OF THE STUDY

The present study aims at assessing the extent to which the various component is scanned by the banks while formulation of strategic mission. Three top banks of the country i.e. State Bank of India (SBI), Punjab National Bank (PNB), ICICI Bank have been included in the sample of the study. SBI and PNB are the largest public sector banks of the country and offering verities of product to serve its customer base, whereas ICICI is the largest private sector bank and offering diversified services to its customers.

THRUST OF THE STUDY

The researchers, after reviewing literature on mission formulation by banks have devised their own dimensions concerning same to garner the views of the respondents. The thrust of this study is on the formulation of Mission Statement by the selected banks.

ANALYSIS & INTERPRETATION

The mission statement of the organization does not include a single element rather it is a combination of the core values of the organization on which organization working on. To keep a wider focus the organizations gives due consideration to various stakeholders either insider or outsider like customers, product and services, market, technology, concern for survival, growth and profitability, concern for social welfare, concern for employees and so on.

The following section make an insight on the selected banks that how they taken into consideration the various mission essential while developing mission statement.

Table 1: Focus Areas of Banks' Mission

Variable	Name of the Bank	Mean	S.D.	F-Value	Significance	Post Hoc Analysis			
						Bank	Mean Difference	Significance Value	
Customers	SBI	4.62	0.75	0.895	0.410	SBI	PNB	0.025	0.852
							ICICI	0.16	0.223
	PNB	SBI	-0.025			0.852			
		ICICI	0.135			0.292			
	ICICI	SBI	-0.16			0.223			
		PNB	-0.135			0.292			
Product and Services.	SBI	4.30	0.557	38.08	0.000*	SBI	PNB	0.939	0.000*
							ICICI	-0.009	0.942
	PNB	SBI	-0.939			0.000*			
		ICICI	-0.948			0.000*			
	ICICI	SBI	0.009			0.942			
		PNB	0.948			0.000*			
Market.	SBI	4.38	0.521	203.129	0.000*	SBI	PNB	1.743	0.000*
							ICICI	-0.160	0.133
	PNB	SBI	-1.743			0.000*			
		ICICI	-1.903			0.000*			
	ICICI	SBI	0.160			0.133			
		PNB	1.903			0.000*			
Technology	SBI	4.38	0.521	158.354	0.000*	SBI	PNB	2.019	0.000*
							ICICI	0.854	0.000*

	PNB	2.36	0.664				PNB	SBI	-2.019	0.000*	
		ICICI	3.53					0.744	ICICI	-1.165	0.000*
	SBI		3.73				0.723	ICICI	SBI	-0.854	0.000*
		PNB	3.46				0.698	PNB	PNB	1.165	0.000*
Concern for Survival Growth & Profitability.	SBI		3.73	0.723	21.164	0.000*	SBI	PNB	0.266	0.045	
		ICICI						-0.54	0.000*		
	PNB	3.46	0.698	PNB			SBI	-0.266	0.045		
ICICI		4.27	0.833	ICICI	ICICI	-0.807	0.000*				
	Concern for Social Welfare.	SBI	4.42	0.633	21.847	0.000*	SBI	PNB	0.424	0.001*	
ICICI								-0.371	0.003*		
PNB		4.05	0.859	PNB			SBI	-0.424	0.001*		
		ICICI	3.62	0.641			ICICI	ICICI	-0.796	0.000*	
SBI			2.29	0.607			0.514	0.599	SBI	PNB	-0.062
		PNB								2.35	0.682
ICICI	2.41		0.757	ICICI	SBI	0.062			0.605		
		PNB			-0.058	0.618					
SBI	2.29	0.607	ICICI	SBI	0.12	0.312					
				PNB	0.058	0.618					

Source: Managers' Survey.

• **Mission Essential 1 : Customers**

Table 1 indicates that with a mean score ranging between 4.46 (ICICI Bank) to 4.62 (SBI), the selected banks perhaps always keep their customers in mission statement. As all the banks have got extremely high scores, these do not differ significantly with each other. The managers of SBI pointed out that the mission of the bank is to be prompt, polite and proactive with its customers. PNB seeks to bring in unbanked customer in its kitty while ICICI Bank aims at becoming the first choice for banking customers. Thus, the banks under study have kept customers as prime focus for their mission statements. This is in fact on expected lines as customers are real king of today's market and

deserve special attention. Such an attention can be given to them only if they become a part of company's mission.

- **Mission Essential 2 : Product and Services**

Table 1 indicates product and services are considered in mission statements of SBI and ICICI Bank while PNB's managers have some doubts in this regard. There is not much to choose between SBI and ICICI Bank and have not been detected to be differing significantly by Post Hoc. PNB, with a rather lower than expected score of 3.36 has been found to be differ significantly to other two selected banks. On enquiring, the managers of SBI pointed out that bank have the mission of creating product and services as per the requirement of the customers. ICICI's Bank managers' too claimed that their bank preaches delivering high quality and world class products and services to its customers. The managers of PNB could not disclose as to how products and services are a part of Bank's mission statement. This is perhaps the reason why they have given restricted score to their bank on this front.

- **Mission Essential 3 : Market**

Once again the managers of SBI and ICICI Bank have stressed on the point that their mission focuses on the market. The two banks have got the mean scores of 4.38 and 4.54 respectively and thus are not significantly different. It is PNB once again that is not opined to be focusing on markets in its mission statement. With an extremely low mean score of 2.64, it differs significantly to other two banks. This is rather surprising as it is the market (present or prospective) which is served by the organization and the same always remain in its scheme of things. It is on account of this that SBI preaches to serve even remotest part of the country to global market in its mission statement. Even ICICI bank has endeavoured to serve global markets in its statement. This is high time for PNB to make its mission broad and more vibrant one. This is how it can contribute to the growth of the bank.

- **Mission Essential 4 : Technology**

Table 1 indicates that SBI and to a lesser extent ICICI Bank also focuses on technology in their mission. PNB, as in the above cases flatters on this front also. The managers of SBI claimed that their bank has kept the mission of imbibing state of the art technology to drive excellence. The managers of ICICI bank claimed that technology is directly not focused in the mission of the bank but indirectly its role is made clear to all. The managers of PNB once again kept mum on the issue. The mission of PNB should be such that it gives a chance to its managers to speak out.

- **Mission Essential 5 : Concern for Survival, Growth and Profitability**

Table 1 indicates that with a mean score of 4.27 ICICI Bank has a keen focus on survival, growth and profitability. Its managers claimed that the mission of the bank incorporates maintaining a healthy financial profile and diversify earnings across businesses and geographies. Being a private sector bank such a concern is quite obvious for ICICI bank. The managers of SBI and PNB meanwhile admitted that these issues are not directly a part of their mission statement but indirectly these remain a concern for them. That's why the banks have got neither high nor very low score on this front. Post-Hoc has indicated that SBI and PNB have not differed significantly to each other but they do differ significantly to ICICI Bank.

- **Mission Essential 6 : Concern for Social Welfare**

Table 1 indicates that public sector/ nationalized banks score over their private counterparts on focusing of social welfare in mission statement. SBI and PNB have got mean ratings of 4.42 and 4.05 respectively while ICICI has got 4 below mean rating. Both SBI and PNB claimed that their mission statement keeps an eye on underprivileged people as well as remote areas. The managers of ICICI Bank could not narrate any such on orientation on further investigation by the researcher. If this is the scenario, even the score of 3.6 seems an exaggerated one for ICICI Bank. ANOVA has indicated a significant difference among the banks.

- **Mission Essential 7 : Concern for Employees**

It is ironical to see that none of the selected banks under study keeps a focus on the employees in their mission statement. All the banks have got a miserably low mean score of less than 2.5 on this front. This is not the right kind of strategy to go ahead in service sector. It is so because customers in service sector are directly served by the employees only. If the employees are not satisfied, they can never satisfy the customers. Employees, in turn are focused upon by the organizations if they figure in mission. It is so because organizations are guided by their vision and mission. It can thus be said that present mission focus of the banks concerning employees needs to have a relook.

CONCLUSION:

All the selected banks are focusing immensely on customers in their mission statements. Whereas there is stringent need for PNB to focus on products and services, market and technology in its mission statement. The private sector bank ICICI bank is found focusing more on growth and profitability in its mission. while it is the selected public sector/ nationalized banks which are focusing more on concern for social welfare in the same. There is need for every selected bank to make employee as the integral part of the mission statement as not even a single bank is found focusing on employees in its mission statement.

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