

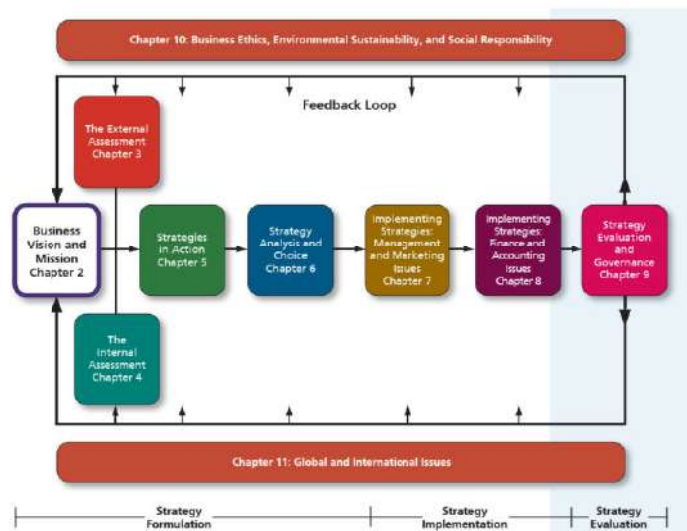
Chapter 2

Business Vision and Mission

Learning Objectives

- After studying this chapter, you should be able to do the following:
 - Explain the need for core values statements in strategic management.
 - Describe the nature and role of vision statements in strategic management.
 - Identify the characteristics of a vision statement.
 - Describe the nature and role of mission statements in strategic management.
 - Identify and discuss the characteristics of an effective mission statement.
 - Identify and discuss the components of mission statements.
 - Discuss the benefits for a firm of having clear vision and mission statements.
 - Evaluate and write mission statements for different organizations.

The Comprehensive, Integrative Strategic-Management Model



Preface

- Chapter 2 covers concepts for core values, vision, and mission statements.
- Vision and mission statements are considered the first step in strategic management.
- A new business begins with a set of beliefs about its product/service, customers, market, technology, and profitability, which are reflected in its core values, vision, and mission.
- As businesses grow, their core values, vision, and mission may be revised, but the original beliefs usually remain central.
- Core values, vision, and mission statements are often prominently featured in annual reports and displayed within a company's premises.
- These statements are also included in various internal documents such as business plans, supplier agreements, and customer service agreements.
- Many companies still lack core values, vision, and mission statements, missing out on opportunities to motivate stakeholders and strengthen strategic planning.

Core Values Statements: What Is Our Foundation?

- Core values provide the needed ethical foundation for creating an excellent vision and mission.
- A core values statement specifies a firm's commitment to integrity, fairness, discipline, equal employment opportunity, teamwork, accountability, continuous improvement, or other such exemplary attributes.
- Great firms possess core values that remain fixed and almost never change.

Core Values Statements: What Is Our Foundation?

- The core values of any firm should transcend technological changes, fads, product life cycles, and globalization.
- Because vision and mission statements do change over time, it is vital to know who you are before you can discuss, what you want to become, what business are you in, or how will you get there.
- Generally, if core values are open for change in the future, they are not core values

Core Values Examples

- For example, LinkedIn's core values (paraphrased) are:
 1. customers first,
 2. relationships matter,
 3. be open and honest,
 4. require excellence,
 5. take intelligent risks,
 6. act like an owner.



Core Values Examples

- For example, Disney has a core value "to make people happy;"



- Tyson Foods' core values statement that guides the firm's operations follows (paraphrased):

We are engaged in the production of food, seeking to pursue truth and integrity, while creating value for our shareholders, customers, employees, and communities. We strive to be an honorable, faith-friendly company composed of diverse people. We feed the world with trusted food products while being excellent stewards of the animals, land, and environment entrusted to us.



Vision Statements: What Do We Want to Become?

- *It is especially important for managers and executives in any firm to agree on the basic vision the organization strives to achieve in the long term.*
- *A vision statement should answer the basic question, "What do we want to become?"*
- *A clear vision provides the foundation for developing a comprehensive mission statement.*
- *Many organizations have both a vision and mission statement, but the vision statement should be established first.*
- *The vision statement should be short, preferably one sentence, and as many managers as possible should have input into developing the statement.*
- *In the book of Proverbs in the Bible, Chapter 29, Verse 18, says, "Where there is no vision, the people perish."*

Vision Statements Examples

- *Dr Pepper Snapple: to be the best beverage business globally; our brands are synonymous with refreshment, fun, and flavor today and tomorrow.*
- *IBM: to be the world's most successful information technology company focused on helping customers apply technology to solve their problems now and in the future.*
- *Hilton Worldwide: to fill the Earth with the light and warmth of hospitality by delivering exceptional experiences—every hotel and guest for all time.*
- *Starbucks: to be the premier purveyor of the finest coffee in the world while maintaining uncompromising principles as we steadily grow.*
- *Kellogg: to enrich and delight the world through foods and brands that matter today and tomorrow.*
- *Harley-Davidson: to fulfill dreams through the experiences of motorcycling for all time*

Characteristics of a Vision Statement

- *A vision statement should reveal the type of business the firm conducts.*
- *For example, a vision that says, "to become the best retail firm in the United States,"*
- *It's too broad because that firm could be selling anything from apples (A) to zebras (Z).*
- *Although typically a single sentence, vision statements need to do more than identify the product or service a firm offers.*
- *Vision statements should be written from a customer perspective.*

Characteristics of a Vision Statement

- *Ideally every organization wants its employees and customers to align their actions with the firm's vision.*
- *To fulfill this need, an excellent vision statement describes a desired future state.*
- *Being futuristic enables vision statements to be used to facilitate organizational change.*
- *The statement needs to be doable but challenging.*

Characteristics of a Vision Statement

- *Effective vision statements exhibit the following five characteristics:*
 1. *Clear:* reveals type of industry and what firm strives to become
 2. *Futuristic:* reveals what the firm strives to become or accomplish within five years
 3. *Concise:* one sentence in length
 4. *Unique:* reveals the firm's competitive advantage
 5. *Inspiring:* motivates the readers to support the firm
- *These five attributes can be used as guidelines for writing or evaluating vision statements.*
- *This vision assessment technique "The 5-out-of-5 Test."*

Vision Statement Analysis

- *There is no one best vision statement for a particular company in a given industry, but the 5-out-of-5 test can be used to both develop and evaluate vision statements.*
- *Six exemplary vision statements that meet the 5-out-of-5 test are provided in previous section.*
- *Four vision statements that do not meet the 5-out-of-5 test are given in the following:*

Vision Statement Analysis

- *Four Nonexemplary Vision Statements (paraphrased)*
 - *Avon Products, Inc.: to be the firm that best understands and satisfies the product and service needs of women globally.*
Lacks Characteristics 1, 2, and 4.
 - *Charles Schwab Corporation: to help investors help themselves.*
Lacks Characteristics 2, 4, and 5.
 - *Instagram: to capture and share the world's moments.*
Lacks Characteristics 1, 2, 4, and 5.
 - *Zappos.com: to deliver happiness to customers, employees, and vendors.*
Lacks Characteristics 1, 2, 4, and 5.

Mission Statements: What Is Our Business?

- *Current thought on mission statements is based largely on guidelines set forth in the mid-1970s by Peter Drucker.*
- *He is often called "the father of modern management" for his pioneering studies at General Motors and for his 22 books and hundreds of articles.*
- *Drucker believes that asking the question "What is our business?" is synonymous with asking "What is our mission?"*



Mission Statements: What Is Our Business?

- A mission statement reveals what an organization wants to be and who it wants to serve.
- All organizations have a reason for being, even if strategists have not consciously transformed this reason into writing.
- Drucker has the following to say about mission statements (paraphrased):

A mission statement is the foundation for priorities, strategies, plans, and work assignments. It is the starting point for the design of jobs and organizational structures. Nothing may seem simpler or more obvious than to know what a company's business is. A lumber mill makes lumber, an airline carries passengers and freight, and a bank lends money. But "What is our business?" is almost always a difficult question and the right answer is usually anything but obvious. The answer to this question is the first responsibility of strategists.



Mission Statements: What Is Our Business?

- An enduring statement of purpose that distinguishes one organization from other similar enterprises, the mission statement, is a declaration of an organization's "reason for being."
- Sometimes called ...
 - a creed statement,
 - a statement of purpose,
 - a statement of philosophy,
 - a statement of beliefs,
 - a statement of business principles,
 - a statement of defining our business

Mission Statements: What Is Our Business?

- Some strategists spend almost every moment of every day on administrative and tactical concerns.
- Those who rush quickly to establish objectives and implement strategies often overlook the development of a vision and mission statement.
- This problem is so widespread that many corporations, organizations, and small businesses in the United States have not yet developed a formal vision or mission statement.
- Some companies develop mission statements simply because owners or top management believe it is fashionable, rather than out of any real commitment.

Characteristics of a Mission Statement

- A mission statement is a declaration of attitude and outlook.
- It usually is broad in scope for at least two major reasons.
 - First, a quality mission statement allows for the generation and consideration of a range of feasible alternative objectives and strategies without unduly stifling management creativity. Apple's mission statement, for example, should not open the possibility for diversification into pesticides—or Ford Motor Company's into food processing.
 - Second, a mission statement needs to be broad to reconcile differences among and appeal to an organization's diverse stakeholders, the individuals and groups of individuals who have a special stake or claim on the company. Thus, a mission statement should be **reconciliatory**.

Characteristics of a Mission Statement

- Stakeholders include employees, managers, stockholders, boards of directors, customers, suppliers, distributors, creditors, governments (local, state, federal, and foreign), unions, competitors, environmental groups, and the general public.
- Stakeholders affect and are affected by an organization's strategies, yet the claims and concerns of diverse constituencies vary and often conflict.
- All stakeholders' expectations on an organization cannot be pursued with equal emphasis.
- A quality mission statement reveals that the organization will strive to meet the varied expectations of stakeholders.

Characteristics of a Mission Statement

- The statement of mission should be sufficiently broad to allow judgments about the most promising growth directions and those considered less promising.
- Numbers should not be included in a mission statement.
- George Steiner offers the following insight on the need for a mission statement to be broad in scope:

Mission statements are not designed to express concrete ends, but rather to provide motivation, general direction, an image, a tone, and a philosophy to guide the enterprise. An excess of detail could prove counterproductive since concrete specification could be the base for rallying opposition; all in the firm need to be onboard with the firm's mission.



Characteristics of a Mission Statement

- An effective mission statement should not be too lengthy.
- The recommended length is less than one hundred words.
- An effective mission statement should arouse positive feelings and emotions about an organization; it should be inspiring in the sense that it motivates readers to action.
- A mission statement should be enduring, but never cast in stone, meaning that a statement may need to be changed at any time depending on changes anywhere in the integrative model of strategic management.

Characteristics of a Mission Statement

- A business mission reflects judgments about future growth directions and strategies that are based on forward-looking external and internal analyses.
- An effective mission statement generates the impression that a firm is successful, has direction, and is worthy of time, support, and investment from all stakeholders.
- The statement should provide useful criteria for selecting among alternative strategies.
- A clear mission statement provides a basis for generating and screening strategic options.

Characteristics of a Mission Statement

- *A mission statement should:*
 1. *define what the organization is,*
 2. *be limited enough to exclude some ventures and broad enough to allow for creative growth,*
 3. *distinguish a given organization from all others,*
 4. *serve as a framework for evaluating both current and prospective activities,*
 5. *be stated in terms sufficiently clear to be widely understood throughout the organization.*
- *The mission statement should reflect the anticipations of customers.*
- *Rather than developing a product and then trying to find a market, the operating philosophy of organizations should be to identify customers' needs and then provide a product or service to fulfill those needs.*

Characteristics of a Mission Statement

- *Desired characteristics of an effective mission statement are*
 1. *Broad in scope; does not include monetary amounts, numbers, percentages, ratios, or objectives*
 2. *Concise; fewer than one hundred words in length*
 3. *Inspiring*
 4. *Identifies the utility of a firm's products*
 5. *Reveals that the firm is socially responsible*
 6. *Reveals that the firm is environmentally responsible*
 7. *Includes nine components: customers, products or services, markets, technology, concern for survival/growth/profits, philosophy, distinctive competence, concern for public image, concern for employees*
 8. *Reconciliatory; resolves divergent views among stakeholders*
 9. *Enduring but never cast in stone*
 10. *Attracts customers; is written from a customer perspective*

Characteristics of a Mission Statement

- *Quality mission statements identify the utility (value) of a firm's products to its customers.*
- *This is why Verizon's mission statement focuses on communication rather than on telephones;*
- *It is why ExxonMobil's mission statement focuses on energy rather than on oil and gas;*
- *It is why Union Pacific's mission statement focuses on transportation rather than on railroads;*
- *It is why Universal Studios' mission statement focuses on entertainment rather than on movies.*

Characteristics of a Mission Statement

- *The following utility statements are relevant in developing a mission statement:*
 - *Do not offer me things.*
 - *Do not offer me clothes. Offer me attractive looks.*
 - *Do not offer me shoes. Offer me comfort for my feet and the pleasure of walking.*
 - *Do not offer me a house. Offer me security, comfort, and a place that is clean and happy.*
 - *Do not offer me books. Offer me hours of pleasure and the benefit of knowledge.*
 - *Do not offer me CDs. Offer me leisure and the sound of music.*
 - *Do not offer me tools. Offer me the benefits and the pleasure that come from making beautiful things.*
 - *Do not offer me furniture. Offer me comfort and the quietness of a cozy place.*
 - *Do not offer me things. Offer me ideas, emotions, ambience, feelings, and benefits.*
 - *Please, do not offer me things.*

Components of a Mission Statement

- *Most practitioners and academicians of strategic management agree there are nine mission statement components to be included in an exemplary statement.*
 1. **Customers**—Who are the firm's present and potential customers?
 2. **Products or services**—What are the firm's major products or services?
 3. **Markets**—Geographically, where does the firm compete?
 4. **Technology**—Is the firm technologically current?
 5. **Concern for survival, growth, and profitability**—Is the firm committed to growth and financial soundness?
 6. **Philosophy**—What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
 7. **Distinctive competence**—What is the firm's major competitive advantage?
 8. **Concern for public image**—Is the firm responsive to social, community, and environmental concerns?
 9. **Concern for employees**—Are employees a valuable asset of the firm?

Mission Statement from a Customer Perspective

1. **Customers:** Our customers are outdoor enthusiasts seeking fishing excitement and adventure.
2. **Products or services:** We provide fast, clean boats, all the bait and tackle needed, and friendly first mates to create memories for a lifetime.
3. **Markets:** Our fleet of fast, clean vessels operate all along the North Carolina Coast.
4. **Technology:** Our vessels are equipped with the very latest safety and fish finding equipment to ensure that customers comfortably are "catching rather than just fishing."
5. **Concern for survival, growth, and profitability:** Our prices are as low as possible to garner repeat customers and a reasonable return for our owners.
6. **Philosophy:** We assure customers the utmost courtesy and care as our motto on every vessel is to follow the Golden Rule.
7. **Distinctive competence:** For customer enjoyment and safety, we provide the most experienced staff in the industry.
8. **Concern for public image:** Our vessels use emission-friendly engines; we strive to bring repeat tourists to all communities where we operate.
9. **Concern for employees:** Our captains and first mates are "on a mission" to help customers have a great time.

The Importance of Vision and Mission Statements

- *A meta-analysis of 20 years of empirical research on mission statements concluded there is a positive relationship between mission statements and measures of financial performance.*
- *King and Cleland recommend that organizations carefully develop a written mission statement to reap the following benefits:*
 1. To make sure all employees/managers understand the firm's purpose or reason for being.
 2. To provide a basis for prioritization of key internal and external factors utilized to formulate feasible strategies.
 3. To provide a basis for the allocation of resources.
 4. To provide a basis for organizing work, departments, activities, and segments around a common purpose.

The Importance of Vision and Mission Statements

- *The benefits of having a clear vision and mission are:*
 1. Achieve clarity of purpose among all managers and employees.
 2. Provide a basis for all other strategic planning activities, including internal and external assessment, establishing objectives, developing strategies, choosing among alternative strategies, devising policies, establishing organizational structure, allocating resources, and evaluating performance.
 3. Provide direction.
 4. Provide a focal point for all stakeholders of the firm.
 5. Resolve divergent views among managers.
 6. Promote a sense of shared expectations among all managers and employees.
 7. Project a sense of worth and intent to all stakeholders.
 8. Project an organized, motivated organization worthy of support.
 9. Achieve higher organizational performance.
 10. Achieve synergy among all managers and employees.

Developing Vision and Mission Statements

1. *Involve as Many Managers as Possible*
2. *Provide Background Information*
3. *Individual Preparation*
4. *Consolidate and Draft the Statements*
5. *Distribute the Draft*
6. *Request for Modifications and Feedback*
7. *Revision Process*
8. *Obtain Support for Strategy Activities*
9. *Consider Using Discussion Groups or External Facilitators*
10. *Create an Emotional Bond*
11. *Incorporate Customer Perspective*

A Critiqued Mission Statement

- *Hershey's Actual Mission Statement (paraphrased) (12 words)*
- ☒ *We bring sweet moments (2) of Hershey happiness (6) to the world (3) every day.*

☞ *Statement lacks six components:*

- *Customers (1),*
- *Technology (4),*
- *Survival/Growth/ Profits (5),*
- *Distinctive Competence (7),*
- *Public Image (8),*
- *Employees (9).*

A Critiqued Mission Statement

- *A Proposed Mission Statement for Hershey (73 words)*
- ☒ *We aim to serve consumers of all ages and lifestyles (1) by providing high-quality chocolate, candy, and snack products (2) globally (3). We intend to grow and expand our product offerings (5) using robotics and business analytics (4). We are dedicated to supporting all communities where we operate (8), especially to the boys and girls in the Milton Hershey School (6). Through our friendly and well-trained employees (9), we provide consumers the best chocolate anywhere and wrapped in Hershey Happiness (7).*

Chapter Summary

- *Every organization has a unique purpose that should be captured in its vision and mission statements.*
- *Clearly defined core values, vision, and mission can be a competitive advantage.*
- *A quality mission statement covers nine key components.*
- *Vision and mission statements provide essential direction for strategic planning and decision-making.*
- *Without clear statements, short-term actions may conflict with long-term goals.*
- *Although they should be revisable, well-prepared statements typically need only occasional major changes and are reviewed annually.*
- *A compelling vision and mission can create an emotional bond among employees and customers, making daily work feel more meaningful.*

Topics for Further Collaboration ...

- *Frederick W. Smith, Founder and CEO of FedEx Corporation (Page 72 – David Book)*
- *Global Capsule 2 (Page 73 – David Book)*
- *Ethics Capsule 2 (Page 79 – David Book)*