

Chapter 2: The Business Vision and Mission

CHAPTER 2

THE BUSINESS VISION AND MISSION

CHAPTER OUTLINE

- I. What Do We Want to Become?
- II. What is Our Business?
- III. Importance (Benefits) of Vision and Mission Statements
- IV. Characteristics of a Mission Statement
- V. Mission Statement Components
- VI. Writing and Evaluating Mission Statements
- VII. Conclusion

CHAPTER OBJECTIVES

After studying this chapter, you should be able to do the following:

- 1. Describe the nature and role of vision and mission statements in strategic management.
- 2. Discuss why the process of developing a mission statement is as important as the resulting document.
- 3. Identify the components of mission statements.
- 4. Discuss how clear vision and mission statements can benefit other strategic-management activities.
- 5. Evaluate mission statements of different organizations.
- 6. Write good vision and mission statements.

CHAPTER OVERVIEW

Chapter 2 focuses on the concepts and tools needed to evaluate and write business mission statements. A practical framework for developing mission statements is provided. Actual mission statements of large and small organizations and profit and nonprofit enterprises are presented and critically examined. The process of creating vision and mission statements is discussed.

EXTENDED CHAPTER OUTLINE WITH TEACHING TIPS

I. WHAT DO WE WANT TO BECOME?

A. Importance of a Vision Statement

1. 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.
2. Many organizations have both a vision and a mission statement, but the vision statement should be established first and foremost.
 - a. The vision statement should be short, preferably one sentence, and as many managers as possible should have input into developing the statement.
 - b. Table 2-1 provides examples of several vision statements.

II. WHAT IS OUR BUSINESS?

A. Mission Statements

1. Drucker says asking the question, "What is our business?" is synonymous with asking the question, "What is our mission?"
 - a. 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 (raison d'être)."
 - b. Sometimes called a creed statement, a statement of purpose, a statement of philosophy, a statement of beliefs, a statement of business principles, or a statement "defining our business," a mission statement reveals what an organization wants to be and whom it wants to serve.

- c. See Figure 2-1 – A Comprehensive Strategic Management Model. It shows developing mission and vision as the first step in strategic management.

B. Vision versus Mission

1. Many organizations develop both a mission statement and a vision statement. Whereas the mission statement answers the question, “What is our business?” the vision statement answers the question, “What do we want to become?”
2. Several examples are given in the textbook.

C. The Process of Developing a Vision and Mission Statement

1. As indicated in the strategic-management model, a clear mission statement is needed before alternative strategies can be formulated and implemented.
2. It is important to involve as many managers as possible in the process of developing a mission statement, because through involvement, people become committed to an organization.
3. A widely used approach to developing a mission statement is to:
 - a. Select several articles about mission statements and ask all managers to read these as background information.
 - b. Ask managers to prepare a mission statement for the organization.
 - c. A facilitator, or committee of top managers, should then merge these statements into a single document and distribute this draft to all managers.
 - d. A request for modifications, additions, and deletions is needed next along with a meeting to revise the document.

VTN (Visit the Net):

The website www.csuchico.edu/mgmt/strategy/module1/sld009.htm gives questions that help to develop mission and vision statements.

Teaching Tip: An excellent book on mission statements is entitled, *The Mission Statement Book: 301 Corporate Mission Statements from America's Top Companies*. The book is written by Jeffrey Abrahams and is an excellent resource for individuals interested in knowing more about the purpose and value of corporate mission statements.

III. IMPORTANCE OF VISION AND MISSION STATEMENTS

A. The Importance of Mission Statements is Well Documented

Rarick and Vitton found that firms with a formalized mission statement have twice the average return on shareholders' equity than those firms without a formalized mission statement. Bart and Baetz found a positive relationship between mission statements and organizational performance. Business Week reports that firms using mission statement have a 30 percent higher return on financial measures than those without such statements.

B. Reasons for Developing a Written Mission Statement

1. To ensure unanimity of purpose within the organization
2. To provide a basis, or standard, for allocating organizational resources
3. To establish a general tone or organizational climate
4. To serve as a focal point for individuals to identify with the organization's purpose and direction, and to deter those who cannot from participating further in the organization's activities
5. To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization

6. To specify organizational purposes and the translation of these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.

VTN (Visit the Net):

A great article on writing a meaningful mission statement is available at <http://sbinformation.about.com/cs/businessplans/a/mission.htm> mission and vision statements.

C. A Resolution of Divergent Views

1. Developing a comprehensive mission statement is important because divergent views among managers can be revealed and resolved through this process.
2. Considerable disagreement among an organization's strategists over vision and mission can cause trouble if not resolved.
3. An organization that fails to develop a vision statement as well as a comprehensive and inspiring mission statement loses the opportunity to present itself favorably to existing and potential stakeholders.

Natural Environment Perspective: Is Your Firm Environmentally Proactive?

This box describes the differences between proactive and reactive environmental policies and gives the reasons for having a proactive policy.

IV. CHARACTERISTICS OF A MISSION STATEMENT

A. A Declaration of Attitude

1. A mission statement is a declaration of attitude and outlook more than a statement of specific details. It is usually broad in scope for at least two reasons:
 - a. First, a good mission statement allows for the generation and consideration of a range of feasible alternative

objectives and strategies without unduly stifling management creativity.

- b. Second, a mission statement needs to be broad to effectively reconcile differences among and appeal to an organization's diverse stakeholders, the individuals and groups of persons who have a special stake or claim on the company.
2. An effective mission statement arouses positive feelings and emotions about an organization; it is inspiring in the sense that it motivates readers to action.
3. It should be short – less than 250 words.

B. A Customer Orientation

1. A good mission statement reflects the anticipation 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 to provide a product or service to fulfill those needs.
2. According to Vern McGinnis, mission statements should 1) define what the organization is and what it aspires to be, 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, and 5) be stated in terms sufficiently clear to be widely understood throughout the organization.
3. Good mission statements identify the utility of a firm's products to its customers.

C. A Declaration of Social Policy

1. The words *social policy* embrace managerial philosophy and thinking at the highest levels of an organization. For this reason, social policy affects the development of a business mission statement.

2. Despite differences in approach, more and more Arab-based companies are trying to assure outsiders that they conduct business in socially responsible ways. The mission statement is an effective instrument for conveying this message.
3. Table 2-2 identifies characteristics of mission statements.

Global Perspective: *Social Policies on Retirement, Japan Versus the World.* This box highlights the challenge that many countries face as their population ages. Some countries like Germany encourage immigration to bolster their workforces, but Japan has offered incentives for its elderly to work until a later age.

Teaching Tip: Your students may find it interesting to know that not only corporations find mission statement useful. Steven Covey, the author of the highly successful book, *The Seven Habits of Highly Successful People*, has written two books that explain how individuals and families can use mission statements to help them determine who they are and what they want to accomplish. The first book, *How to Develop and Use a Personal Mission Statement*, explains why individuals should write mission statements to provide a sense of direction and purpose for their lives. The second book, *How to Develop a Family Mission Statement*, applies the same principles in a family concept. Laurie Beth Jones advances a similar set of ideas in her popular book, *The Path: Creating Your Mission Statement for Work and for Life*.

V. MISSION STATEMENT COMPONENTS

- A. Components and Questions That a Mission Statement Should Answer
 1. *Customers:* Who are the firm's customers?
 2. *Products or services:* What are the firm's major products?
 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. *Self-concept*: What is the firm's distinctive competence or 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?

Teaching Tip: If you are interested in obtaining the mission statement for a particular company, a good place to look is the company's website or its annual report. Annual reports can be obtained directly from a company or through a service that disseminates annual reports. An example of the latter is The Public Register's Annual Report Service at www.prars.com. This service provides free access to the annual reports of over 3,600 public companies.

VI. WRITING AND EVALUATING MISSION STATEMENTS

- A. Perhaps the best way to develop a skill for writing and evaluating mission statements is to study actual company missions.

Mission statements of companies are not identical, but are actually customized, crystallized, cameos of the essential character and mission of each company. Thus, they are unique, concise, and concentrated with several conceptual components.

Table 2-3 presents a variety of Mission Statements as examples. Two of them are reproduced below—one pithy, and the other more detailed and comprehensive.

Etisalat

To extend people's reach. At Etisalat, we are actively developing advanced networks that will enable people to develop, to learn and to grow. (*Authors' comment: the statement addresses one component: technology.*)

Isam K. Kabbani Group

To provide our part of the Arab world (3) with local and reliable services in a variety of sectors and products (2). To create employment to thousands of personnel and in-house training for hundreds of young (9) Arab graduates in crucial sectors to the benefit of the IKK Group (5), the graduates themselves and their own communities (8). To set a good example of our basic business philosophy: "Hire well, train well, pay well and treat well." (6). *(Authors' comment: the statement addresses six components: markets, technology, concern for survival, growth, and profitability, philosophy, concern for public image, and concern for employees.)*

- B. Examples of the essential components of mission statements provided in Table 2-4.

VTN (Visit the Net):

The website <http://www.nonprofits.org/npofaq/03/21.html> provides mission statement information on nonprofit firms.

Teaching Tip: Along with vision statements and mission statements, some organizations articulate corporate "values" statements, which describe the underlying principles that determine everything the organization does and stands for.

- Johnson&Johnson:
www.inj.com/community/health_safety/policies/vision.htm
- Samsung:
www.samsung.com/us/aboutsamsung/samsunggroup/valuesphilosophy/SAMUNGGroup_ValuesPhilosophy.html

Teaching Tip: You are invited to visit the text's website at www.pearsoned.co.uk/awe/david for this chapter's web exercises.

VII. CONCLUSION

- A. Every organization has a unique purpose and reason for being, and this uniqueness should be reflected in vision and mission statements.
- B. An organization achieves a heightened sense of purpose when strategists, managers, and employees develop and communicate a clear business vision and mission.

- C. A good mission statement reveals an organization's customers; products or services; markets; technology; concern for survival, growth, and profitability; philosophy; self-concept; concern for public image; and concern for employees.
- D. Well-designed vision and mission statements are essential for formulating, implementing, and evaluating strategy.
- E. They being essential tools for strategies, vision and mission statements should be subject to revision, but would require infrequent major changes if carefully crafted.

ISSUES FOR REVIEW AND DISCUSSION

1. Compare and contrast vision statements with mission statements in terms of composition and importance.

Answer: Many organizations develop both a mission statement and a vision statement. Whereas the mission statement answers the question, "What is our business?" the vision statement answers the question, "What do we want to become?" Both statements are essential for success of the firm.

2. Do small local stores need to have written vision and mission statements? Why or why not?

Answer: Less formality and detail characterize strategic management in small businesses such as local stores. However, local stores are not immune to competitive pressures, changes in technology, changes in demographic factors, and resistance to change. Therefore, it is recommended that even the smallest organization develop a written mission statement. Such a formal statement indicates vision and good management, which could enhance a small business's efforts to secure bank financing and to develop good supplier, customer, and employee relationships.

3. Why do you think organizations that have a comprehensive mission statement tend to be high performers? Does having a comprehensive mission cause high performance?

Answer: Having a comprehensive mission statement does not guarantee or cause high performance. However, a comprehensive mission statement can contribute significantly to high performance. As described in the chapter, a comprehensive mission statement provides numerous benefits that usually translate into high performance (see Q. 14 below).

4. Explain why a mission statement should not include strategies and objectives.

Answer: A mission statement should not include strategies and objectives because the statement needs to be broad in scope to effectively provide a basis for performing an external and internal audit and for generating and selecting among alternative strategies. Including specific strategies and objectives in a mission statement could reduce—and even stifle—the level of innovative and creative thinking in an organization. Also, including specific strategies and objectives in a mission statement jeopardizes the potential for the statement to be widely accepted by all managers and employees of the organization. Acceptance of a clear mission is a prerequisite for gaining acceptance for strategies and objectives of the organization.

5. What is your college or university's self-concept? How would you state that in a mission statement?

Answer: These answers will vary by institution. See the examples in the chapter.

6. Explain the principal value of a vision and mission statement.

Answer: Many organizations develop both a mission statement and a vision statement. Whereas the mission statement answers the question, "What is our business?" the vision statement answers the question, "What do we want to become?" Both the vision statement and the mission statement ensure unanimity of purpose within the organization and make important statements about "who the firm is" and "what it wants to become" to outside stakeholders.

7. Why is it important for a mission statement to be reconciliatory?

Answer: A mission statement needs to be reconciliatory because the claims of a firm's various stakeholders often conflict. An effective mission statement reconciles major differences among key stakeholders.

8. In your opinion, what are the three most important components to be included in writing a mission statement? Why?

Answer: All of the evaluative criteria described in Chapter 2 are important, but three are particularly important: customers, products or services, and markets.

9. How would the mission statement of a for-profit and a nonprofit organization differ?

Answer: The mission statements of profit versus nonprofit organizations would not differ in format, except for the survival, growth, and profitability component.

10. Write a vision and mission statement for an organization of your choice.

Answer: This is a worthwhile classroom activity.

11. Conduct a search on the Internet with the keywords vision statement and mission statement. Find various companies' vision and mission statements, and evaluate the documents. Write a one-page, single-spaced report on your findings.

Answer: This is a worthwhile activity for students to perform as a homework assignment followed by class discussion of the assortment of statements identified.

12. Who are the major stakeholders of the bank that you do business with locally? What are the major claims of those stakeholders?

Answer: The major stakeholders of a bank include commercial customers, consumer customers, shareholders, communities, managers, and employees. Each stakeholder group relies upon the organization. Customers expect the bank to perform in a manner that protects them financially. Shareholders expect the firm to be profitable. Local

communities rely upon the bank to provide jobs and pay taxes. Employees rely upon the bank for their income.

13. How could a strategist's attitude toward social responsibility affect a firm's strategy? What is your attitude toward social responsibility?

Answer: Firms must seek to address the concerns of many stakeholder groups. Social policies ultimately affect the environment directly and indirectly. The beliefs of the primary strategists in the organization will absolutely affect how social policy is addressed in the organization's mission statement and strategies. Some strategists believe that organizations have tremendous social obligations. Others believe that organizations have no obligation to do any more for society than is legally required. Most strategists agree that the first social responsibility of any business must be to make enough profit to cover the costs of the future, because if this is not achieved, no other social responsibility can be met. Strategists should examine social problems in terms of potential costs and benefits to the firm, and they should address social issues that could benefit the firm most. As a responsible member of society, my attitude toward social responsibility is that I must contribute in a beneficial manner to society, practice good business ethics, obey the law, and be ready to respect and serve others.

14. List the seven characteristics of a mission statement.

Answer: A mission statement has the following characteristics: 1) It is broad enough to allow for the generation and consideration of a range of feasible alternative objectives and strategies without stifling management; 2) it can reconcile differences among, and appeal to, an organization's diverse stakeholders; 3) it is less than 250 words; 4) it arouses positive feelings and emotions about the organization; 5) it should be enduring; 6) it generates a favorable impression of the firm; and, 7) it is useful for judging opportunities and strategies.

14. List eight benefits of having a clear mission statement.

Answer: Eight benefits of having a clear mission statement are:

- (1) Firms with a formalized mission statement have been known to have twice the average return on shareholders' equity than those firms without a formalized mission;

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- (2) There is a positive relationship between mission statements and organizational performance;
- (3) Organizational purposes can be translated into actionable objectives in such a way that cost, time, and performance parameters can be assessed and controlled;
- (4) It promotes a unanimity of purpose within the organization;
- (5) It provides a basis or standard for allocating organizational resources;
- (6) A positive tone pervades the organizational environment with a clear mission statement;
- (7) It serves as a focal point for individuals to identify with the organization's purpose and direction, and to deter those who cannot, from participating further in the organization's activities;
- (8) To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization.

16. How often do you feel a firm's vision and mission statement should be changed?

Answer: This depends on the individual firm. Vision and mission statements should be evaluated on a regular basis to determine if they are still appropriate. Firms may wish to change the statements in times of crisis and in times of success. Ultimately the vision and mission should be in tune with the company and its environment.