

## CHAPTER 2

### THE BUSINESS VISION AND MISSION

#### CHAPTER OUTLINE

- ◆ What Do We Want to Become?
- ◆ What is Our Business?
- ◆ Importance of Vision and Mission Statements
- ◆ Characteristics of a Mission Statement
- ◆ Mission Statement Components
- ◆ Writing and Evaluating Mission Statements

#### 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 vision and 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 a vision and mission statement is discussed. The global economic recession has resulted in many firms changing direction, thereby altering their entire vision and mission in order to survive.

#### *Doing Great in a Weak Economy – Wal-Mart*

At a time when most firms were struggling, Wal-Mart significantly increased its revenues between 2007 and 2008. *Fortune* Magazine in 2009 rated McDonald's as the 11<sup>th</sup> "Most Admired Company in the World". Wal-Mart continues to expand internationally and is revitalizing its electronics departments in an effort to pull market share from competitors.

Wal-Mart is a corporate leader in sustainability and is in the process of redefining the global consumer products labeling process.

## I. WHAT DO WE WANT TO BECOME?

It is especially important for managers and executives in any organization to agree on the basic vision that the firm strives to achieve in the long term.

### 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.

## II. WHAT IS OUR BUSINESS?

### A. Mission Statements

1. Peter Drucker says that asking the question, “What is our business?” is synonymous with asking the question, “What is our mission?”
2. A mission is 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.”
3. 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.

### 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. Both profit and vision are needed to motivate a workforce effectively.

### **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.

### **III. IMPORTANCE (BENEFITS) 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 statements 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.

#### **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.

#### 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 describes an organization's purpose, customers, products or services, markets, philosophy, and basic technology.
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.**

#### 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 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. *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?

## 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.
- B. There is no one best mission statement for a particular organization, so good judgment is required in evaluating mission statements.

**StudyTip:** 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.jnj.com/connect/caring/employee-health](http://www.jnj.com/connect/caring/employee-health)
- Samsung:  
[www.samsung.com/us/aboutsamsung/corporateprofile/valuesphilosophy.html](http://www.samsung.com/us/aboutsamsung/corporateprofile/valuesphilosophy.html)