**Chapter Two: The Business Vision Mission and Values**

Vision and mission statements often can be found in the front of annual reports. They often are displayed throughout a firm’s premises and are distributed with company information sent to constituencies. The statements are part of numerous internal reports, such as loan requests, supplier agreements, labor relations contracts, business plans, and customer service agreements.

Every organization has a unique purpose and reason for being. This uniqueness should be reflected in vision and mission statements. The nature of a business vision and mission can represent either a competitive advantage or disadvantage for the firm. An organization achieves a **heightenedsense** of **purpose** when strategists, managers, and employees **develop** and **communicate** a clear business vision and mission. Drucker says that developing a clear business vision and mission is the “first responsibility of strategists.”

* 1. **Vision**

A vision articulates the position that a firm would like to attain in the distant future.Vision is “big picture” thinking with passion that helps people feel what they are supposed to be doing in the organization.A vision is a picture of the future cast in the present. It is an image or description of the business as you aspire it to become in the future. A vision is a statement for where the organization is heading over the next five to ten years.

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 and foremost. The vision statement should be short, preferably one sentence, and as many managers as possible should have input into developing the statement.

A vision statement tends to be relatively short and concise, making it easily remembered. It should be also simple, positive, and emotional. However, an effective vision must stretch and challenges people as well.

Vision statements reflect a firm’s aspirations and are intended to capture the heart and mind of each employee and, hopefully, many of its other stakeholders.

Experience shows that the most effective vision statement results when a host of stakeholders (e.g., top-level managers, employees working in different parts of the organization, suppliers, and customers) are involved in developing it.

* 1. **Mission**

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.” It answers the pivotal question “What is our business?” A clear mission statement is essential for effectively establishing objectives and formulating strategies.

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. All organizations have a reason for being, even if strategists have not consciously transformed this reason into writing.**Organizations** exist because they perform an important function for members of the society. They define the role that they wish to play in terms of a mission statement. Thus a mission statement can help an organization to link its activities to the needs of the society and legitimise its existence.

Carefully prepared statements of vision and mission are widely recognized by both practitioners and academicians as the first step in strategic management.

A business mission is the foundation for priorities, strategies, plans, and work assignments. It is the starting point for the design of managerial jobs and, above all, for the design of managerial structures. Nothing may seem simpler or more obvious than to know what a company’s business is. A steel mill makes steel, a railroad runs trains to carry freight and passengers, an insurance company underwrites fire risks, and a bank lends money. Actually, “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. Only strategists can make sure that this question receives the attention it deserves and that the answer makes sense and enables the business to plot its course and set its objectives.

Developing a business mission is always a choice between alternatives, each of which rests on different assumptions regarding the reality of the business and its environment. It is always a high-risk decision. A change in mission always leads to changes in objectives, strategies, organization, and behavior. The mission decision is far too important to be made by acclamation. Developing a business mission is a big step toward management effectiveness.

Establishing a mission should never be made on plausibility/likelihood alone, should never be made fast, and should never be made painlessly.

According to Drucker, the most important time to ask seriously, “What do we want to become?” and “What is our business?” is when a company has been successful.

In multidivisional organizations, strategists should ensure that divisional units perform strategic-management tasks, including the development of a statement of vision and mission. Each division should involve its own managers and employees in developing a vision and mission statement that is consistent with and supportive of the corporate mission.

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. All organizations need customers, employees, and managers, and most firms need creditors, suppliers, and distributors. The vision and mission statements are effective vehicles for communicating with aforementioned important internal and external stakeholders.

**2.3 The Process of Developing Vision and Mission Statements**

A widely used approach to developing a vision and mission statement internally prepared i.e.

1. First to select several articles about these statements and ask all managers to read these as background information.
2. Then ask managers themselves to prepare a vision and mission statement for the organization.
3. After collecting the vision & mission statement prepared by employees/ committee members, a facilitator, or committee of top managers, should then merge these statements into a single document and distribute the draft statements to all managers. A request for modifications, additions, and deletions is needed next, along with a meeting to revise the document. To the extent that all managers have input into and support the final documents, organizations can more easily obtain managers’ support for other strategy formulation, implementation, and evaluation activities.
4. Lastly single organizational vision & mission statementis prepared by incorporating the necessary inputs from committee members/managers responsible for the preparation of vision & mission.

Thus, the process of developing a vision and mission statement represents a great opportunity for strategists to obtain needed support from all managers in the firm.

During the process of developing vision and mission statements, some organizations use discussion groups of managers to develop and modify existing statements.

Externally organizational vision and mission statements can be prepared, i.e. by hiring an outside consultant or facilitator to manage the process and help draft the language. Sometimes an outside person with expertise in developing such statements, who has unbiased views, can manage the process more effectively than an internal group or committee of managers. Decisions on how best to communicate the vision and mission to all managers, employees, and external constituencies of an organization are needed when the documents are in final form. Some organizations even develop a **videotape** to explain the statements, and how they were developed.

The process of developing a mission statement should create an “emotional bond” and “sense of mission” between the organization and its employees.

Vision is “a possible and desirable future state of an organization” that includes specific goals, whereas mission is more associated with behavior and the present.

* 1. **Importance (Benefits) of Vision and Mission Statements**

It is recommended for organizations’ to carefully develop a clear written vision and mission statement in order to reap the following benefits

1. Achieve clarity of purpose among all managers and employees.
2. Provide a basis for all other strategic planning activities, including the 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.
11. Effective vehicles for communicating with important internal and external stakeholders

**2.5 Mission Statement Components**

Mission statements can and do vary in length, content, format, and specificity. Most practitioners and academicians of strategic management feel that an effective statement should include nine components. Because a mission statement is often the most visible and public part of the strategic-management process, it is important that it includes the nine characteristics that listed below:

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?

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. These nine basic components serve as a practical framework for evaluating and writing mission statements. As the first step in strategic management, the vision and mission statements provide direction for all planning activities.

**Examples of the Nine Essential Components of a Mission Statement**

1. Customers

 To earn our customers’ loyalty, we listen to them, anticipate their needs, and act to create value in their eyes. (Lexmark International)

1. Products or Services

Standard Oil Company (Indiana) is in business to find and produce crude oil, natural gas, and natural gas liquids; to manufacture high-quality products useful to society from these raw materials; and to distribute and market those products and to provide dependable related services to the consuming public at reasonable prices. (Standard Oil Company)

1. Markets

We are dedicated to the total success of Corning Glass Works as a worldwide competitor. (Corning Glass Works)

1. Technology

We will continually strive to meet the preferences of adult smokers by developing technologies that have the potential to reduce the health risks associated with smoking. (RJ Reynolds)

1. Concern for Survival, Growth, and Profitability

To serve the worldwide need for knowledge at a fair profit by adhering, evaluating, producing, and distributing valuable information in a way that benefits our customers, employees, other investors, and our society. (McGraw-Hill)

1. Philosophy

Our world-class leadership is dedicated to a management philosophy that holds people above profits. (Kellogg)

1. Self-Concept

Crown Zellerbach is committed to leapfrogging ongoing competition within 1,000 days by unleashing the constructive and creative abilities and energies of each of its employees.

1. Concern for Public Image

To contribute to the economic strength of society and function as a good corporate citizen on a local, state, and national basis in all countries in which we do business. (Pfizer)

1. Concern for Employees

To recruit, develop, motivate, reward, and retain personnel of exceptional ability, character, and dedication by providing good working conditions, superior leadership, compensation on the basis of performance, an attractive benefit program, opportunity for growth, and a high degree of employment security. (The Wachovia Corporation)

Well-designed vision and mission statements are essential for formulating, implementing, and evaluating strategy. Developing and communicating a clear business vision and mission are the **most commonly overlooked** tasks in strategic management. Without clear statements of vision and mission, a firm’s short-term actions can be **counterproductive to long-term interests**. Vision and mission statements always should be subject to **revision**, but, if carefully prepared, they will **require infrequent major changes**. Organizations usually reexamine their vision and mission statements **annually**. Effective mission statements stand the test of time.

**2.6 Characteristics of a Mission Statement**

**A Declaration of Attitude**

An effective mission statement should not be too lengthy; recommended length is less than 250 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**. All of these are desired characteristics of a statement. **An effective mission statement generates the impression that a firm is successful, has direction, and is worthy of time, support, and investment—from all socioeconomic groups of people.**

It reflects judgments about **future growth directions** and strategies that are based on forward-looking external and internal analyses. A business mission should provide **useful criteria** for selecting among alternative strategies. A clear mission statement provides a basis for generating and screening strategic options. The statement of mission should be dynamic in orientation, allowing judgments about the most promising growth directions and those considered less promising.

**A Customer Orientation**

Good mission statement reflects 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.

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.

A **major reason** for developing a business mission statement is to attract customers who give meaning to an organization.

It is the customer who determines what a business is. It is the customer alone whose willingness to pay for a good or service converts economic resources into wealth and things into goods. What a business thinks it produces is not of first importance, especially not to the future of the business and to its success. What the customer thinks he/she is buying, what he/she considers value, is decisive—it determines what a business is, what it produces, and whether it will prosper. And what the customer buys and considers value is never a product. It is always utility, meaning what a product or service does for him or her. The customer is the foundation of a business and keeps it in existence.

**Characteristics of a Mission Statement**

* Broad in scope; do not include monetary amounts, numbers, percentages, ratios, or objectives
* Not to be too lengthy/ Less than 250 words in length
* It should be motivating, Inspiring: it should be motivating for members of the organization and of society, and they should feel it worthwhile working for such an organization or being its customers
* Identify the utility of a firm’s products
* Reveal that the firm is socially responsible
* Reveal that the firm is environmentally responsible
* Include nine components customers, products or services, markets, technology, concern for survival/growth/ profits, philosophy, self-concept, concern for public image, concern for employees
* Reconciliatory
* Enduring/persistent

**2.**7**. Business values**

**Values** are traits or qualities having intrinsic worth, such as courage, respect, responsibility, caring, truthfulness, self-discipline, and fairness.Organizational values define the acceptable standards which govern the behaviour of individuals within the organization. Values serve as a **baseline** for actions and decision-making and guide employees in the organization's intentions and interests. The values driving behavior define the organizational culture. A strong value system or clearly defined culture turns beliefs into standards such as best quality, best performance, most reliable, most durable, safest, fastest, best value for the money, least expensive, most prestigious, best designed or styled, easiest to use. If asked, "What do we believe in?" or "List our organization's values" all employees in the organization should write down the same values.

Organization's values are always in line with its purpose or mission, and the vision that the organization is trying to achieve.Values largely **govern the actions** of the workforce.

Values hold a major role in daily decision making, norms and relationship guidelines and how people interact with each other and customers and suppliers.

Supervisors need to appreciate the significance of values and value systems. Values affect how a supervisor views other people and groups, thus influencing interpersonal relationships. Values affect how a supervisor perceives situations and solves problems. Values affect how a supervisor determines what is and is not ethical behavior. Values affect how a supervisor leads and controls employees. Supervisors must communicate, encourage and reinforce the desired values and related behaviors to integrate them into the organizational culture.

Values are the fundamental principles that, along with the mission, make an organization unique.

Values usually associated with *ethical behavior and social responsibility*. Values are the principles, standards, and actions considered worthwhile in the organization, includes how people treat each other, how groups conduct business and what is most important to the organization

### 2.7. Setting Goals and Objectives

**2.7.1 Goals**

A company’s goal describes the desired future position the company wants to be.

The selection of the company’s goals is based on the defined mission of the company. In a situation where a strategic planning model separates the goals from the objectives, it means that the goals are broad and timeless statements of the end result that the organisation considers that they can use to achieve their mission. A goal should clearly state what is to be achieved and when the results will be accomplished. Company goals do not state how the results will be achieved. Organisations normally have multiply goals at the same time all existing in a complex hierarchy. An organisation may have a series of less permanent goals that define targets for the organisation. All strategic goals affect the organisation’s overall direction and productivity. Profitability is usually the main goal of many business organisations, no matter how it is measured or defined. A goal is a statement of specifics that quantify the objectives.

**2.7.2 Objectives**

The organisation’s objectives establish the intended nature of the enterprise and the direction in which the organisation wants to move.

Objectives are those ends or results which the organisation set out to achieve through not only its existence but also its operations. Every organisation has a number of different objectives are pursued by business organisations at a given time. Some examples include survival, growth, continuity of profit, production at least cost, good quality products or services, quick delivery, meeting target dates, customer and employee satisfaction to mention just a few.

There are at least three major reasons why an organisation establishes objectives and why these objectives are important in strategic management. The reasons are as follows:

1. Objectives help to define the organisation in the environment because they enable the organisation to justify its existence and help to attract people who identify with the objectives to work for the organisation.

2. Objectives help to co-ordinate decision and decision makers. This is because objectives help to direct employees to the required standards of behaviour and reduce conflicts in decision making since all employees know the objectives of the organisation.

3. Objectives also help to provide standards for assessing organizational performance. Without stated objectives it would be difficult for an organisation to evaluate itself or for anybody to evaluate the success or failure of the organisation. Therefore, an organisation’s objectives are very crucial to strategic management

Objective therefore, indicates management’s intentions towards pursing and accomplishing its mission. Usually, objectives and goals address all the areas of the operation of the company including profitability, sales growth, market share, innovation, productivity, physical and financial resources, risk, public responsibility, manager performances and development.

### Importance of Setting Goals & Objectives

•Planning is the most important management function.

–“*Failing to plan is planning to fail*”

Setting goals and objectives is important because it is the first and most critical step in a company’s planning process.

Objectives should be SMART

***S* Specific**, ***M* Measurable**, ***A*Achievable**, ***R* Realistic**, ***T* Time-oriented**

Specific Objectives

The objective to be Specific,it should beConcrete, Detailed, Focused, Well-defined, Straight-forward, Action-oriented.

Measurable Objectives

Measurements for objectives help you know when you have accomplished them. If you set an objective that is measurable, when you complete it you have tangible evidence of completion. e.g. a marketing objective of an organization may be to increase its profits by 5% or increase its market share by 3%.
Achievable Objectives

Achievable objectives are those that you can actually accomplish (something you can really do within the time frame set) and not an aspiration. Achievable objectives need to challenge you but not so much so as to be unattainable or to cause frustration in being unable to complete.

Realistic Objectives

**Realistic objectives are those that you have the resources to accomplish including:***Skills*, *Funding*, *Equipment*, *and Staff.*

Time-Oriented Objectives

Time-oriented objectives are those which have deadlines for completion. The time frames create sufficient urgency and lead to action.

The deadlines, just as with overall objectives, must be achievable and realistic.

For a complex objective, break into small parts with a date for completion for each.

## TheDifference between goals and objectives

* Goals are broad; objectives are narrow.
* Goals are general intentions; objectives are precise.
* Goals are intangible; objectives are tangible.
* Goals are abstract; objectives are concrete.
* Goals can't be validated as is; objectives can be validated.

### Types of Objectives (Controls) Required

1. Financial Objectives

Outcomes focused on improving a firm’s ***financial***performance.

1. Strategic Objectives

Outcomes focused on improving a firm’s ***competitiveness*** and its ***long-term business position.***

Every company needs *both* strategic and financial objectives!

Examples: Financial Objectives

•Increase sales growth 6 to 8 percent and accelerate core net earnings per share growth to 13 to 15 percent in each of the next five years

•Generate Internet-related revenueof for example $1.5 billion.

•Cut overhead costs by for example $30 million per year.

Examples: Strategic Objectives

•Capitalize on e-commerce (FedEx)

•We want a majority of our customers, when surveyed, to say they consider us the best financial institution in the community (for banks)

•We want to operate 8,000 stores by 2018—up from 6000 in the year 2013 (wholesale firm)

### Setting Objectives

1. Decide on the essence of the objective (e.g., profitability, product quality, absenteeism). -These should be specific to the organization...the “Key Performance Indicators” and tied to Key Success Factors
2. Decide on the formula to measure the objective (e.g., annual profit as % of sales, # of product defects, ratio of hours missed to total employee hours).
3. Quantify (outcome and timeframe) the objectives.

Objectives are needed at All Levels

**Process is *top-down*!**

1. First, establish ***organization-wide*** objectives
2. Next, set ***business*** and ***product line*** objectives
3. Then, establish ***functional*** and ***departmental*** objectives
4. ***Individual*** objectives come last

Objective-setting needs to be more of a ***top-down*** than a bottom-up process in order to guide lower-level managers and organizational units toward outcomes that support the achievement of overall business and company objectives.