



## Discovering Purpose: Developing Mission, Vision & Values

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*That business purpose and business mission are so rarely given adequate thought is perhaps the most important cause of business frustration and failure.*

Peter Drucker

Why did you attend that meeting this morning? Why have you chosen to pursue customer segment X and not customer segment Z? Hopefully, the answers support your business purpose, either current or future. Understanding *why* is perhaps the most motivating and success-driving reason for realizing your full potential. As a French researcher once noted, “Those who know why they are fighting will win over those who don’t.”

Purpose comes in two forms: current purpose, or mission; and future purpose, or vision. A **mission** is a clear, concise and enduring statement of the reasons for an organization’s existence today. A **vision** represents future purpose, providing a mental picture of the aspirational existence that an organization is working toward. Supporting both the current and future purpose are values. **Values** are the ideals and principles which guide the thoughts and actions of an organization and define its character. Working together, mission, vision and values provide a powerful directional force for unifying and coordinating actions and decisions to ensure the optimal use of resources.

As strategy is concerned with the intelligent allocation of limited resources, we can see that identifying a current and future purpose is critical. From a strategic thinking perspective, establishing a clear and compelling purpose provides the general basis or criteria on which resource allocation decisions should be made and measured against. Without purpose, the rationale for decision making becomes subjective and disconnected from the goals and objectives trying to be achieved.

We often hear the term “seeing the big picture” in reference to having a strategic, rather than a tactical, perspective. This phrase is rooted in your ability to understand the greater purpose for why the organization and specifically you, perform the work that you do. Understanding the current (mission) and future (vision) purpose moves you from a one-dimensional rationale to the “30,000 foot” view. And at 30,000 feet, you can’t help but see the big picture.

### **Current Purpose: Mission Statement**

A mission is the current reason for being. Why is this organization in business? What is the marketing group’s purpose? How do I contribute to the overall cause? Although a seemingly simple proposition, creating an effective mission statement can be one of the most challenging aspects of strategic thinking because it forces you to examine the very

core of *why*. It's also one of the most overlooked parts of strategy development, as everyone assumes they are working toward the same purpose. However, the perils of this assumption cannot be underestimated.

As human beings, we are driven to a great extent by our emotions. In order to take advantage of the power of the organization's emotional energy, a rationale born from this emotion is necessary to complement the financial and business reasons for work. While the paycheck is important, it only provides one side of the "why-we're-here" coin. Creating a sound current purpose addresses the other side of the coin. To generate the greatest creativity and extricate the deepest level of talent from an organization, don't tell them what to do and how to do it—tell them who they are. Defining the mission, vision and values accomplishes that task.

The mission statement also serves to begin to frame the business strategy. As the scope of business, customer targets and competitive arena are addressed in the mission statement, it naturally serves to begin defining elements of the business strategy. Defining these elements also forces you to decide what *not* to do, one of the key characteristics of strategic thinking. It is in this process of choosing what not to do and who not to target as customers that the business focus emerges. The importance of focus was clearly articulated by the noted military historian B.L. Hart when he said: "The principles of war can be condensed into one word—concentration."

One element of the mission that is often overlooked is the importance of the belief and commitment to it once it's developed. As with the United States Constitution and the Bible, a mission statement is only effective for those who believe in it. The belief then must go hand-in-hand with the commitment to follow it. A New Year's resolution statement is worthless in and of itself. It is the commitment to the New Year's resolution that matters, as evidenced by all the resolutions that have gone by the wayside.

Once the organization's mission is in place, mission statements for departments and functional groups within the organization are appropriate. Mission statements at these levels tend to be more specific and more closely reflect the daily activities of the particular group. Developing these sub-mission statements also acts to further clarify the "why" at that level and create greater team unity—both of which make for a stronger overall organization. Sub-missions are often overlooked, but can become a powerful motivator and guide for specific functional groups or departments.

### **Benefits of a Mission Statement**

The mission statement, or current purpose, is first and foremost one of the five key elements of strategic thinking. Without a current purpose, the crucial function of decision making has no objective basis from which to be measured. The mission statement gives everyone a baseline that guides and unifies decision making.

Secondly, the mission statement ensures that different functional groups within the organization or individuals within a department have the same underlying rationale for actions. In this sense, the purpose unifies efforts and maximizes the utilization of

resources to reach the established goals and objectives. Acting as a compass, it ensures that everyone is pulling in the same direction.

Third, it addresses the deeper, emotional component of why people do what they do for an organization or customer base. It taps into the right-brain (emotional, intuitive, visual, and synthesizing) versus the left-brain (logical, reasoning, quantitative, analyzing). As we discussed before, the left-brain is satisfied by the paycheck; the right-brain needs something more, something that appeals to the emotional side. The mission statement acts to fulfill the emotional needs of the right-brain, creating a satisfied whole.

Fourth, companies with mission statements have a higher likelihood of financial success. Research has shown that companies with a well-crafted mission statement have greater financial success and are recognized for superior quality compared to companies with poor or nonexistent mission statements. Other studies have reported firms working by a mission statement have a 30% higher return on certain financial measures than firms that lack mission statements. Not only does identifying and articulating a mission statement make common sense, it also makes financial sense.

Finally, the current purpose or mission statement acts as a rallying point for people in good times and in bad times. A mission statement focuses people on the truly important things that will drive success. In difficult times, the mission statement serves as a reminder to stay on the task at hand. It also helps prevent people from becoming reactive to minor competitor moves, and instead helps them follow the course that has been set.

### **Criteria for a Mission Statement**

In addition to being a clear and concise statement that represents the reason for being, a good mission statement should answer the following four questions:

1. What function is performed?
2. How is the function performed?
3. For whom is the function performed?
4. Why is the function performed?

### **What function is performed?**

The first question to be answered is, “What do you do?” On the surface, this may seem to be a ridiculously obvious question and answer. Give it some thought. In his landmark article entitled “Marketing Myopia,” Harvard professor Theodore Levitt challenged people to step back and think about their function in a more expansive way. He argued that one of the reasons the railroad industry met with a dramatic decline is that they viewed their function as moving things by rail, when they could have defined their function more inclusively as transportation. This may have freed their minds to adapt to the changing business landscape and recreate their offering to remain a more relevant fixture in the marketplace.

### **How is the function performed?**

Strategy is inherently based on competition. When considering this second question in formulating a mission statement, assess how your competition performs the function.

Then ask yourself, are we performing the function in a unique manner? If not, how long will we last before this lack of differentiation transforms our offering into a commodity?

### **For whom is the function performed?**

Who is benefiting from your function? And more importantly, who is paying for the value generated by your function? The customer group identified in the mission statement should be focused enough to allow concentration of your sales and marketing resources but broad enough to provide a sustainable source of revenue. Perhaps the single biggest sales and marketing error of “trying to be all things to all people” usually occurs because people haven’t defined their market properly during the development of the mission statement.

This question also helps define the market segments and the market fragments. Market segments are the groups that are divided up by the marketer based on the marketer’s designated criteria. The most common segmentation criteria are demographic information; i.e., geography, age, income level, budget, etc.

Market fragments, on the other hand, are initially formed by the constituents of the market themselves, not by the marketers. This occurs when a group of customers fragments, or breaks off, from a traditional segment to pursue something different. For example, when beer drinkers started turning their tastes toward the handful of microbrew beers, the mass beer producers took notice of this trend, or market fragmentation, and capitalized on it by creating their own microbrew beers.

### **Why is the function performed?**

One of the characteristics of a good mission statement is that it captures the motivation of why you do what you do. It tugs at the emotional, right-brain component in each of us and gives that *raison d’être* that keeps people interested in meeting the daily challenges to reach their goals. It also places “the job” in a larger community context and gives people a more meaningful face for their efforts.

The answers to these four questions form the basis of the mission statement. In developing responses to these four questions, it’s important to be specific enough to create focus but broad enough to allow for flexibility in the day-to-day execution. When the mission statement begins to come together, it’s also important to ensure that it represents the uniqueness of the organization. The litmus test is to replace your company’s name with a competitor’s name. If the statement works with the competitor’s name inserted, you haven’t captured the unique characteristics of the organization and need to re-work it.

### **Tone**

After creating the first draft, begin to hone the words so that the language and tone of the statement reflect the culture of the organization. A perfect example of the importance of tone is the renowned Johnson & Johnson Company Credo. The Credo represents the family-quality of the company through its language and tone: “We believe our first

responsibility is to the doctors, nurses and patients, to mothers and fathers and all others who use our products and services...”.

Infusing a mission statement with the tone of the organization’s values and culture helps to further brand the company’s current purpose in the hearts and minds of employees and customers. By using language that works on both the logical and emotional level, the mission statement also serves to motivate employees to put forth their best effort to contribute to the overall good of the organization.

### **Mission Statement Score**

One way to ensure that your mission statement is fulfilling its potential is to rate it according to five criteria. Score one point for each of the following questions that the mission statement addresses, with a perfect score being a total of five points.

1. What function is performed?
2. How is it performed?
3. For whom is it performed?
4. Why is it performed?
5. Does it convey the company’s uniqueness?

If the mission statement isn’t scoring at least four points, it would be worthwhile to rethink it and determine what’s missing.

### **Examples of Mission Statements**

The following examples of mission statements provide a look at the variety of ways to convey one’s current purpose. As you read through them, assess how well they meet the criteria of a good mission statement by rating them on the scale of five potential points.

#### **Merck:**

The Mission of Merck is to provide society with superior products and services—innovations and solutions that improve the quality of life and satisfy customer needs—to provide employees with meaningful work and advancement opportunities and investors with a superior rate of return.

**Score = 4 points.** Meets general criteria but lacks differentiation—you could replace Merck’s name with a number of other large healthcare companies.

#### **Lowe’s Companies:**

Lowe’s is in the business of providing the products to help our customers build, improve and enjoy their homes. Our goal is to out-service the competition and be our customer’s 1<sup>st</sup> choice store for their products.

**Score = 3-4 points.** Good differentiation (“out-service the competition”) but lacks “how,” and “who” is relatively weak.

#### **Robert Mondavi Winery:**

By strongly adhering to our values and management philosophy, we will:

- Produce and market top quality wines providing exceptional value across the premium wine segment for our worldwide customers and,

- Manage for the long-term to build value for our shareholders and stakeholders.  
**Score = 4 points.** Covers basics but lacks differentiation.

### **Center for Creative Leadership:**

To encourage and develop leadership skills for the good of the society overall.

**Score = 3 points.** Doesn't address "how," and "who" ("society") is too broad to be meaningful.

In summary, a good mission statement meets the following criteria:

- Clear
- Concise
- Answers *What? How? Who? Why?*
- Captures uniqueness
- Reflects values
- Motivational

### **Future Purpose: Vision Statement**

While the mission statement answers "What is the purpose today?," the vision statement answers "Where is our purpose headed in the future?" Knowing where you are and where you're going is a vital combination for organizational success.

Just as the mission statement is designed to utilize the right-brain, emotional energy of individuals, so too does the vision statement provide motivation. The motivation supplied through the vision statement differs from the mission statement in that it represents aspiration, or that which is yet to be realized. Whereas the mission statement represents the purpose being lived out today, the vision statement represents the purpose as a goal still to be achieved. Robert Greenleaf, in his work *Servant Leadership*, defines vision in the following manner, "...the overarching purpose, the big dream, the overarching concept...something presently out of reach...so stated that it excites the imagination and challenges people to work for something they do not yet know how to do."

The future purpose of the organization is described through a vision statement. The vision statement creates a mental picture of what the purpose of the organization will look like in the future. The vision statement provides two things: strategic guidance and motivational focus. As the vision statement represents the future purpose, the strategic thinking that goes into creating it ensures that it represents the best use of the organization's resources in reaching its objectives. It serves to align individuals from different functional areas and geographic locations to move toward the same future purpose, allowing them to use their creativity and talents to get from "here to there." In this sense, it guides actions that are not necessarily geared toward the short-term by showing the desired longer-term future and the benefits of realizing that future.

### **Criteria for a Vision Statement**

In his work *Leading Change*, John Kotter outlines six characteristics of a sound vision statement.

1. **Imaginable.** It needs to paint a visual picture of the desired future in the minds of those who read it.
2. **Desirable.** It should appeal to the people that are striving to reach it and the customers they are serving.
3. **Feasible.** While aspirational in nature, it needs to articulate a realistic and achievable future purpose.
4. **Focused.** It should provide concentrated direction to those following it.
5. **Flexible.** By being broad in scope, it allows for modifications due to the dynamic nature of the business environment.
6. **Communicable.** The vision statement should be easy to articulate to others.

Capturing the essence of these six characteristics in the vision statement often requires considerable thought and time.

### Examples of Vision Statements

Vision statements are generally more concise than mission statements, and in some cases short enough to put on a bumper sticker. They also tend to play to the grand scheme of things, bringing together the feasible and the incredible.

**Microsoft:** A computer on every desk, and in every home.

**IKEA:** Change for ever, the structure of the furniture market.

**Disney:** The idea of Disney is a simple one. It will be a place for people to find happiness and knowledge. It will be a place for parents and children to spend pleasant times in one another's company; a place for teachers and pupils to discover greater ways of understanding an education. Here the older generation can recapture the nostalgia of days gone by, and the younger generation can savor the challenge of the future.

**Giro:** Become the Nike of the biking industry.

**Komatsu:** Encircle Caterpillar.

In summary, a good vision statement meets the following criteria:

- Mental picture of future purpose
- Strategic guide
- Imaginable
- Desirable
- Feasible
- Focused
- Flexible
- Communicable

### Values

Engrained in the current and future purpose are values. Values are the ideals and principles which guide the thoughts and behavior of an organization. As values represent the core beliefs, they are a powerful shaper of an organization's culture. Values shape the conduct of people in their interactions with customers, suppliers, vendors and one another. They also provide another benchmark for use in the daily decision-making

process. The chosen course of action must comply with the values in order to be considered a good decision.

While we all possess varying individual values, there are several reasons why organizational values should not be produced by company-wide consensus. First, there are probably a number of employees that don't belong at the company and their input may not accurately represent the best interest of the whole. Second, it assumes that all input is equally valuable, and that may not be the case. Therefore, the values should be identified by the most trusted members of the group.

In order to have their full effect, values should be integrated into all aspects of the company—from the interview and candidate-selection process to setting the criteria for employee dismissal. Once again, the powerful right-brain, emotion-driven component is engaged by values and acts as a strong complement to the logical “right and wrong” reasoning of individuals. As with purpose, the strength and impact of values is dependent upon the depth of their belief and the ensuing commitment to them.

One of the common mistakes in identifying values is to list terms that are honorable and worthy but not held in deep belief by the organization. For instance, it is difficult if not impossible to value both “highest quality” and “frugality,” even though they may both be desirable. In considering values, it's also helpful to list those which give the organization its unique character. If the company has a number of stories depicting how its employees have gone the extra mile in servicing customers, then it would be fair to list “service” as a value. However, if the company does an average job with respect to customer service, listing it as a value weakens the overall perception of the values because it's not a deeply embedded belief.

### **Examples of Values**

The following is a list of companies and their respective values. As you'll notice, the list is usually between three to five values. A laundry list of more than five values becomes unwieldy to use in the day-to-day decision-making process.

**Wal-Mart:** Excellence, customer service, respect to employees.

**McDonald's:** Quality, consistency, cleanliness, value.

**Pfizer:** Integrity, innovation, respect for people, customer focus, teamwork, leadership, performance, community.

#### **American Express:**

- Placing the interests of Clients and Customers first.
- A continuous Quest for Quality in everything we do.
- Treating our People with respect and dignity.
- Conduct that reflects the highest standards of Integrity.
- Teamwork—from the smallest unit to the enterprise as a whole.
- Being Good Citizens in the communities in which we live and work.

In summary, a good set of values meets the following criteria:

- Represent ideals and principles
- Guide action and decision making
- Provide foundation for mission and vision
- True to the organization

### **The Importance of *Why***

Answering the fundamental question of *why?* will enable you to begin to strategically think about your business. Without clearly establishing a mission, vision and the underlying values, your ability to follow the fundamental tenet in good strategy of intelligently allocating resources will be severely diminished. Take the time to think about your organization or group's purpose and values—your future business success depends on it.

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