

The Business Vision and Mission

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That business missionis so rarely given adequate thought is perhaps the most important saingle cause of business frustration.

1. PETER DRUCKER

We can perhaps best understand vision and mission by focusing on a business wh- en it is first started. In the beginning, a new business is simply a collection of ideas. Starting a new business rests on a set of beliefs that the new organization can offer some product or services to some customers, in some geographic area, using some type of tech- nology, at a profitable price. A new business owner typicassly believes that the manage-ment philosophy of the new enterprise will result in a favourable public image and that this concept of the business can be communicated to, and will be adopted by, important constituencies. When the set of beliefs about a business at its inception is put into writing, the resulting document mirrors the same basic ideas that underlie the vision and mission statements. As a business grows, owners or managemers find it necessary to revise the fo- unding set of beliefs, but those original ideas usually are reflected in the revised stateme- nts of vision and mission.

Vision and mission statements often can be found in the front of annual reports. They often are displayed throuhgout a firm's premises and are distributed with company information sent to constituencies. The statements are part of numerous internal reports, suchas loan requests, supplier agreements, labor relations contracts, business plans, and customer service agreements. In a recent study, researchers concluded that 90 percent of all companiesd have used a nission statement sometime in the previous five yeras.¹

2. WHAT DO WE WANT TO BECOME?

It is especially important for managers and executives in any organization to agree upon the basic vision that the firm stgrives 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 n ission statement, but the vision should be established first and foremost. The viusion statement should be short, prefereably one sentence, and as many managers as possible should have input into developing the statement.

3. WHAT IS OUR BUSINESS?

Current throught on mission statements is based largely on guidelines set forth in the mid-1970s by Peter Drucker, who is often called "the father of modern management" for his pioneering studies at general Motors Corporation and for his 22 books and hundre- ds of articles. Drucker has been called "the preminent management thinker of our time."

Drucker says that asking the question "What is our business?" is synonymous wi- th asking the question "What is our mission?" An enduring statement of purpose that dist- inguishes one organization from other similar enterprise, the *mission statement* is a decl- aration of an organizatioin's "reason for being". It answers the pivotal question "What is our business?" A clear mission statement is essential for establioshing objectives and for- mulating strategies.

¹ Barbara Barkus, Myron Glassman, and Bruce McAfee, "Mission Statements: Are They Smoke and Mir- ors"? *Business Horizons* (November-December 2000); 23

Sometimes called a *creed statement*, 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. As illustrated in Figure 2-1, carefully prepared statements of vision and mission are widely recognized by both practitioners and academicians as the first step in strategic management.

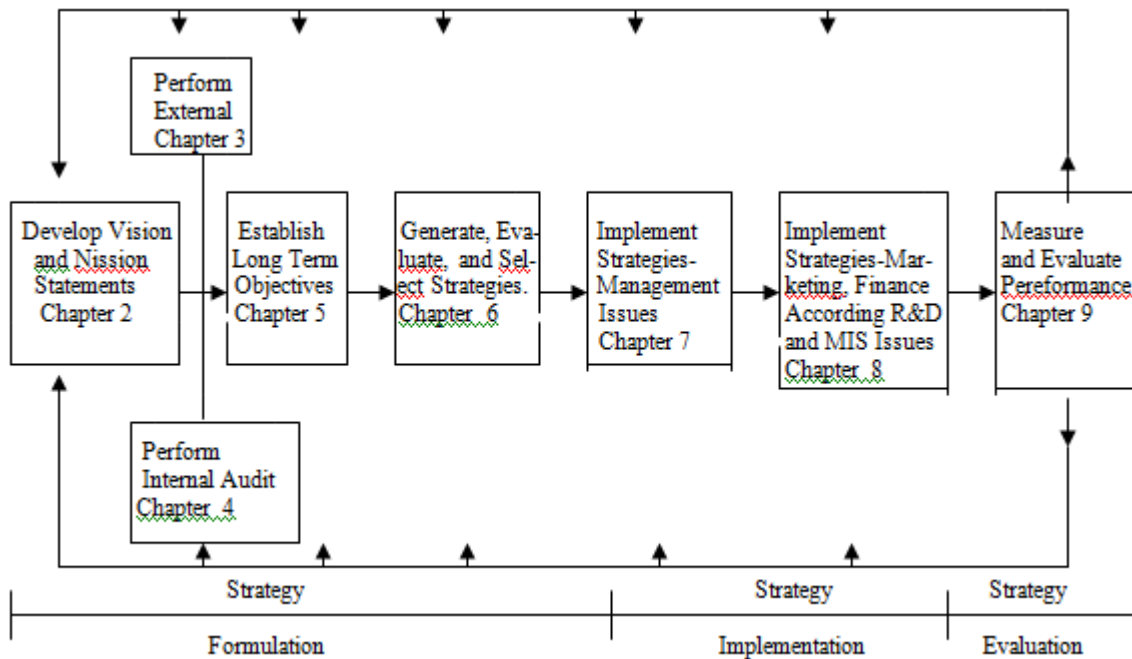


Figure 2.1. A Comprehensive Strategic – Management Model

Source: Fred R. David, “How Companies Define Their Mission,” *Long Range Planning* 22, no. 3 (June 1988): 40

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.²

Some strategists spend almost every moment of every day on administrative and tactical concerns, and strategists who rush quickly to establish objectives and implement strategies often overlook the development of a vision and mission statement. This problem is widespread even among large organizations. Many corporations in America have not yet developed a formal vision or mission statement.³ An increasing number of organizations are developing these statements.

Some companies develop mission statements simply because they feel it is fashionable, rather than out of any real commitment. However, as will be described in this chapter, firms that develop and systematically revisit their vision and mission statements, treat them as living documents, and consider them to be an integral part of the firm’s culture realize great benefits. Johnson & Johnson (J&J), the maker of medical-related products, is an example firm. J&J managers meet regularly with employees to review, reword, and reaffirm the firm’s vision and mission. The entire J&J workforce

² Peter Drucker, *Management: Tasks, responsibilities, and Practices* (New York: Harper & Row, 1974): 61.

³ Fred David, “How Companies Define Their Mission,” *Long Range Planning* 22, no. 1. (February 1989): 90-92; John Pearce II and Fred David, “Corporate Mission Statements: The Bottom Line,” *Academy of Management Executive* 1, no. 2 (May 1987): 110.

recognized the value that management places on this exercise, and these employees responded accordingly.

4. VISION VERSUS MISSION

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?" Many organizations have both a mission and vision statement.

It can be argued that profit, not mission or vision, is the primary corporate motivator. But profit alone is not enough to motivate people.⁴ Profit is perceived negatively by some employees in companies. Employees may see profit as something that they earn and management then uses and even gives away to shareholders. Although this perception is undesired and disturbing to management, it clearly indicates that both profit and vision are needed to effectively motivate a workforce.

When employees and managers together or fashion the vision and mission statements for a firm, the resultant documents can reflect the personal visions that managers and employees have in their hearts and minds about their own futures. Shared vision creates a commonality of interests that can lift workers out of the monotony of daily work and put them into a new world of opportunity and challenge.

5. THE PROCESS OF DEVELOPING VISION AND MISSION STATEMENTS

As indicated in the strategic-management model, clear vision and mission statements are needed before alternative strategies can be formulated and implemented. It is important to involve as many managers as possible in the process of developing these statements, because through involvement, people become committed to an organization.

A widely used approach to developing a vision and mission statement is first to select several articles about these statements and ask all managers to read these as background information. Then ask managers themselves to prepare a vision and mission statement for the organization. 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. 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. Some organizations hire 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 an unbiased view, 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 developed, and how they were developed.

An article by Campbell and Yeung emphasizes that the process of developing a mission statement should create an "emotional bond" and "sense of mission" between the organization and its employees.⁵ Commitment to a company's strategy and intellectual agreement on the strategies to be pursued do not necessarily translate into an emotional bond; hence, strategies that have been formulated may not be implemented. These researches stress that an emotional bond comes when an individual personally identifies with the underlying values and behavior of a firm, thus turning intellectual agreement and commitment to strategy into a sense of mission. Campbell and Yeung

⁴ Joseph Quigley, "Vision: How Leaders Develop It, Share It and Sustain It," *Business Horizons* (September-October 1994): 39.

⁵ Andrew Campbell and Sally Yeung, "Creating a Sense of Mission," *Long Range Planning* 24, no. 4. (August 1991): 17.

also differentiate between the term *vision* and *mission*, saying that 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.

6. IMPORTANCE (BENEFITS) OF VISION AND MISSION STATEMENTS

The importance (benefits) of vision and mission statements to effective strategic management is well documented in the literature, although research are mixed. Rarick and Vitton found that firms a formalized mission statement have twice the average return on shareholders' equity than those firms without a formalized mission statement have; Bart and Baetz found a positive relationship between mission statements and organizational performance; *Business Week* magazine reports that firms using mission statements have a 30 percent higher return on certain financial measures than those without such statements; however, some studies have found that having a mission statements does not directly contribute positively to financial performance.⁶ The extent of manager and employee involvement in developing vision and mission statements can make a difference in business success. This chapter provides guidelines for developing these important documents. In actual practice, wide variations exist in the nature, composition, and use of both vision and mission statements. King and Cleland recommended that organizations carefully develop a written mission statement in order to keep the following benefits:

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 then to translate these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.⁷

Reuben Mark, former CEO of Colgate, maintains that a clear mission increasingly must make sense internationally. Mark's thoughts on vision are as follows:

When it comes to rallying everyone to the corporate banner, it's essential to push one vision globally rather than trying to drive home different messages in different cultures. The trick is to keep the vision simple but elevated: “We make the world's fastest computers” or “Telephone service for everyone.” You're never going to get anyone to change the machine guns only financial objectives. It's got to be something that makes people feel better, feel a part of something.⁸

7. CHARACTERISTICS OF A MISSION STATEMENT

7.1. A Declaration of Attitude

A mission statement is more than a statement of specific details; it is a declaration of attitude and outlook. It usually is broad in scope for at least two major reasons. **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. Excessive specificity would limit the potential of creative growth for the organization. On the other hand, an overly general statement that does not exclude any strategy alternatives could be dysfunctional.

Lenovo Computer's mission statement, for example, should not open the possibility for diversification into pesticides or Volkswagen's into food processing.

⁶ Charles Rarick and John Vitton, “Mission Statements Make Cents,” *Journal of Business Strategy* 16 (1995); 11, Also, Christopher Bart and Mark Baetz, “The Relationship Between Mission Statements and Firm Performance: An Exploratory Study,” *Journal of Management Studies* 35 (1998); 823; “Mission Possible,” *Business Week* (August 1999); F12.

⁷ W.R. King and D.I. Cleland, *Strategic Planning and Policy* (New York: Van Nostrand Reinhold, 1979); 124.

⁸ Brian Dumaine, “What the Leaders of tomorrow See,” *Fortune* (July 3, 1989): 50.

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 individuals who have a special stake or claim on the company. Stakeholders include employees, managers, stockholders, boards of directors, customers, suppliers, distributors, creditors, governments (local, state, federal, and foreign), unions, competitors, environmental groups, and general public. Stakeholders affect and are affected by an organization's strategies, yet the claim and concerns of diverse constituencies vary and often conflict. For example, the general public is especially interested in social responsibility, whereas stockholders are more interested in profitability. Claims on any business literally may number in the thousands, and they often include clean air, jobs, taxes, investment opportunities, career opportunities, equal employment opportunities, employee benefits, salaries, wages, clean water, and community services. All stakeholders' claim on an organization cannot be pursued with equal emphasis. A good mission statement indicates the relative attention that an organization will devote to meeting the claims of various stakeholders. Many firms are environmentally proactive in response to the concerns of stakeholders, as indicated in the "Natural Environment Perspective" box.

The fine balance between specificity and generality is difficult to achieve, but it is well worth the effort. George Steiner offers the following insight on the need for a mission statement to be broad in scope:

Most business statements of mission are expressed at high levels of abstraction. Vagueness nevertheless has its virtues. 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. Precision might stifle creativity in the formulation of an acceptable mission or purpose. Once an aim is cast in concrete, it creates a rigidity in an organization and resists change. Vagueness leaves room for other managers to fill in the details, perhaps even to modify general patterns. Vagueness permits more flexibility in adapting to changing environments and internal operations. It facilitates flexibility in implementation.⁹

In addition to being broad in scope, 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 the above are desired characteristics of a statement. An effective mission statement generates the impressions that a firm is successful, has direction, and is worthy of time, support, and investment – from all socioeconomic groups of people.

It reflects judgements about future growth directions and strategies that are based upon 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 judgements about the most promising growth directions and those considered less promising.

8. 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 exhibits nine characteristics or components. Because a mission statement is often the most visible and public part of the strategic-management process, it is important that it includes all of these essential components:

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?

⁹ George Steiner, "Strategic Planning: What Every Manager Must Know" (New York: The Free Press, 1979): 160.

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?

8.1. Writing and Evaluating Mission Statements

Perhaps the best way to develop a skill for writing and evaluating mission statements is to study actual company missions. Therefore, the mission statements are evaluated based on nine desired components.

There is no one best mission statement for a particular organization, so good judgment is required in evaluating mission statements. Realize that some individuals are more demanding than others in assessing mission statements in this manner. For example, if a statement merely includes the words "customers" without specifying who the customers are, is that satisfactory? Ideally a statement would provide more than simply inclusion of a single word such as "products" or "employees" regarding a respective component. Why? Because the statement should be informative, inspiring, enduring, and serve to motivate stakeholders to action. Evaluating a mission statement regarding inclusion of the nine components is just the beginning of the process to assess a statement's overall effectiveness.

9. CONCLUSION

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 heightened sense 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."

A good mission statement reveals an organization's customers; products or services, market; 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 statement. As the first step in strategic management, the vision and mission statements provide direction for all planning activities.

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 action 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.

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