

Chapter Three

The Business Mission

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. A mission statement reveals the long term vision of an organization in terms of what it wants to be and whom it wants to serve. 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 structure. Mission statement sometimes called a creed statement, a statement of purpose, a statement of philosophy, a statement of business principles, or a statement "defining our business".

A good business mission describes an organization's purpose, customers, products or services, markets, philosophy, and basic technology. A mission statement should

- define what the organization is and what the organization aspires to be,
- be limited enough to exclude some ventures and broad enough to allow for creative growth,
- distinguish a given organization from all others,
- serve as a framework for evaluating both current and prospective activities, and
- be stated in terms sufficiently clear to be widely understood throughout the organization.

Some companies develop mission statements simply because they feel it fashionable. However, firms that develop and systematically revisit their vision, treat it as a living document, and consider it to be an integral part of the firm's culture, realize great benefits.

3.1 The importance of a clear mission

Organizations carefully develop a written mission statement for the following reasons:

- ✓ To ensure unanimity of purpose within the organization
- ✓ To provide a basis, or standard, for allocating organizational resources
- ✓ To establish a general tone or organizational climate

- ✓ To serve as a focal point for individuals to identify with the organization's purpose and direction
- ✓ To facilitate the translation of objectives in to a work structure involving the assignment of tasks to responsible elements within the organization
- ✓ To specify organizational purposes and the translation of these purposes in to objectives in such a way that cost, time, and performance parameters can be assessed and controlled

Some organizations develop both a mission statement and a vision statement. Whereas the mission statement answers a question "What is our business?" the vision statement answers the question "what do we want to become?" A clear mission statement is needed before alternative strategies can be formulated and implemented. 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

3.2 The nature of business mission

A declaration of attitude: 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. *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. *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.

A resolution of divergent views: Considerable disagreement among an organization's strategists over basic purpose and mission can cause trouble if not resolved. Too often, strategists develop a statement of business mission only when their organization is in trouble. Developing and communicating a clear mission during trouble times may indeed spectacular results and may even reverse decline.

A customer orientation: A 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 identify customers' needs and provide a product or service to fulfill those

needs. Good mission statements identify the utility of a firm's products to its customers. A major reason for developing a business mission is to attract customers who give meaning to an organization.

A declaration of social policy: social issues mandate that strategists consider not only what the organization owes its various stakeholders but also what responsibilities the firm has to consumers, environmentalists, minorities, communities and other groups. The issue of social responsibility arises when a company establishes its business mission. The impact of society on business and vice versa, is becoming more pronounced each year. Social policies directly affect a firm's customers, products and services, markets, technology, profitability, self concept and public image. An organization's social policy should be integrated into all strategic management activities, including the development of a mission statement.

3.3 Components of a mission statement

Mission statements can and do vary in length, content, format, and specificity. Since 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?
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?
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.....): 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?

3.4 Elements of corporate mission

a) **Organizational purpose** can be defined as the reason for which an organization exists. It can be expected that the perception that managers have of their organization’s purpose will give direction to the strategy process and influence the strategy content. Sometimes strategizing managers consciously reflect on, or question, the organizational purpose as they make strategic choices. However, more often their view of the organization’s purpose will be a part of a broader set of business principles that steers their strategic thinking. This enduring set of fundamental principles, that forms the base of a firm’s identity and guides its strategic decision-making, is referred to as the corporate mission while the purpose of an organization is at the heart of the corporate mission, three other components can also be distinguished.

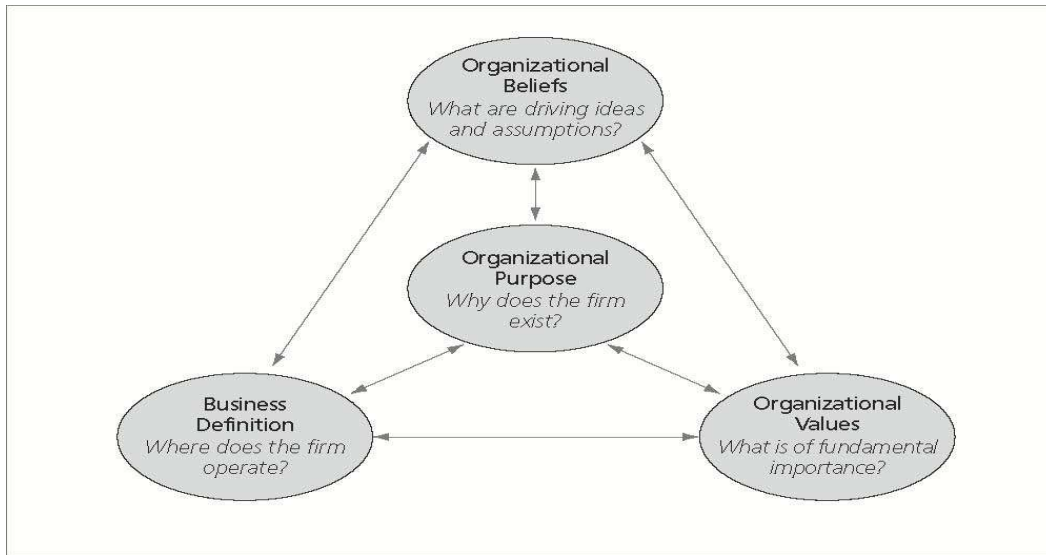
b) **Organizational beliefs:** All strategic choices ultimately include important assumptions about the nature of the environment and what the firm needs to do to be successful in its business. If people in a firm do not share the same fundamental strategic beliefs, joint decision-making will be very protracted and conflictual – opportunities and threats will be interpreted differently and preferred solutions will be very divergent. To work swiftly and in unison, a common understanding is needed. The stronger the set of shared beliefs

subscribed to by all organizational members, the easier communication and decision-making will become, and the more confident and driven the group will be.

- c) **Organizational value:** Each person in an organization can have their own set of values, shaping what they believe to be good and just. Yet, when an organization's members share a common set of values, determining what they see as worthwhile activities, ethical behavior and moral responsibilities, this can have a strong impact on the strategic direction. Such widely embraced organizational values also contribute to a clear sense of organizational identity, attracting some individuals, while repelling others. Although it can be useful to explicitly state the values guiding the organization, to be influential they must become embodied in the organization's culture
- d) **Business definition:** For some firms, any business is good business, as long as they can make a reasonable return on investment. Yet, if any business is fine, the firm will lack a sense of direction. In practice, most firms have a clearer identity, which they derive from being active in a particular line of business. For these firms, having a delimiting definition of the business they wish to be in strongly focuses the direction in which they develop. Their business definition functions as a guiding principle, helping to distinguish opportunities from diversions. Of course while a clear business definition can focus the organization's attention and efforts, it can lead to shortsightedness and the missing of new business developments.

Coming up with a strategically insightful definition of what business an organization is presently in is not as simple as it might seem. Is IBM in the computer business (a product-oriented definition) or the information and data processing business (a customer service or customer needs type of definition) or the advanced electronics business (a technology-based definition)?

Figure 3.1 Elements of a corporate mission



3.5 Developing a Strategic Vision

Involves *thinking strategically* about Firm’s future business plans - Where to “go”

Tasks include

- ✓ Creating a road map of the future
- ✓ Deciding *future business position*
- ✓ Providing *long-term direction*
- ✓ Giving firm a *strong identity*

To succeed in the long term, businesses need a vision of how they will change and improve in the future. The vision of the business gives it energy. It helps motivate employees. It helps set the direction of corporate and marketing strategy.

What are the components of an effective business vision?

Davidson identifies six requirements for success:

- ✓ Provides future direction
- ✓ Expresses a consumer benefit
- ✓ Is realistic
- ✓ Is motivating
- ✓ Must be fully communicated
- ✓ Consistently followed and measured

A concept that is often confused with mission is vision. Individuals or organizations have a vision

if they picture a future state of affairs they wish to achieve. While the corporate mission outlines the fundamental principles guiding strategic choices, a strategic vision outlines the desired future at which the company hopes to arrive. In other words, vision provides a business aim, while mission provides business principles (see Figure 3.2).

Figure 3.2 Corporate mission and strategic vision

