

GLOBAL
EDITION



Strategic Management

*A Competitive Advantage Approach,
Concepts and Cases*

SIXTEENTH EDITION

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Vision and Mission Analysis

Chapter Five

Learning Objectives

1. Describe the nature and role of vision statements in strategic management.
2. Describe the nature and role of mission statements in strategic management.
3. Discuss the process of developing a vision and mission statement.
4. Discuss how clear vision and mission statements can benefit other strategic-management activities.
5. Describe the characteristics of a good mission statement.
6. Identify the components of mission statements.
7. Evaluate mission statements of different organizations and write effective vision and mission statements.

Vision Statement

A vision statement should answer the basic question:

“What do we want to become?”

What Do We Want to Become?

- ❖ The **vision statement** should be short, preferably one sentence, and as many managers as possible should have input into developing the statement.
- ❖ The **vision statement** should reveal the type of business the firm engages.

Vision Statement Examples

- ❖ **General Motors'** vision is to be the world leader in transportation products and related services. *(Author comment: Good statement)*
- ❖ **PepsiCo's** responsibility is to continually improve all aspects of the world in which we operate—environment, social, economic—creating a better tomorrow than today. *(Author comment: Statement is too vague; it should reveal how the firm's food and beverage business benefits people)*

Mission Statement

- ❖ A declaration of an organization's “reason for being.”
- ❖ It answers the pivotal question “What is our business?”
- ❖ It is essential for effectively establishing objectives and formulating strategies.

Mission Statement

- ❖ It reveals what an organization wants to be and whom it wants to serve
- ❖ It is also called a creed statement, a statement of purpose, a statement of philosophy, a statement of beliefs, and a statement of business principles

A Comprehensive Strategic-Management Model

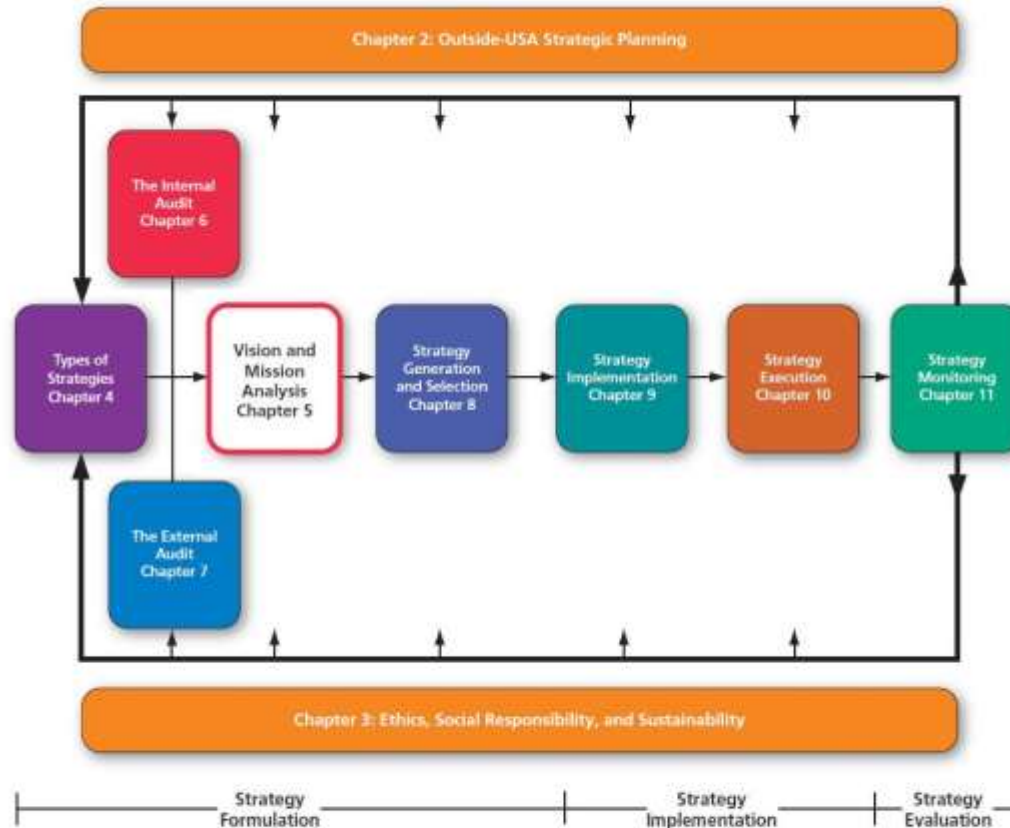


FIGURE 5-1

A Comprehensive Strategic-Management Model

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

Developing Vision & Mission Statements

A widely used approach includes:

- ❖ Select several articles about these statements and ask all managers to read these as background information.
- ❖ 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.

Importance of Vision and Mission Statements

- ❖ To make sure all employees/managers understand the firm's purpose or reason for being.
- ❖ To provide a basis for prioritization of key internal and external factors utilized to formulate feasible strategies.
- ❖ To provide a basis for the allocation of resources.
- ❖ To provide a basis for organizing work, departments, activities, and segments around a common purpose.

Benefits of Having a Clear Mission and Vision

TABLE 5-2 Ten Benefits of Having a Clear Mission and Vision

1. Achieve clarity of purpose among all managers and employees.
 2. Provide a basis for all other strategic planning activities, including 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.
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Characteristics of a Mission Statement

- ❖ A good mission statement allows for the generation and consideration of a range of feasible alternative objectives and strategies without unduly stifling management creativity.
- ❖ A mission statement needs to be broad to reconcile differences effectively among, and appeal to, an organization's diverse stakeholders

Characteristics of a Mission Statement

Stakeholders

- ❖ include employees, managers, stockholders, boards of directors, customers, suppliers, distributors, creditors, governments (local, state, federal, and foreign), unions, competitors, environmental groups, and the general public.

Characteristics of a Mission Statement

1. Broad in scope; does not include monetary amounts, numbers, percentages, ratios, or objectives
2. Fewer than 150 words in length
3. Inspiring
4. Identifies the utility of a firm's products
5. Reveals that the firm is socially responsible
6. Reveals that the firm is environmentally responsible
7. Includes nine components: customers, products or services, markets, technology, concern for survival/growth/profits, philosophy, self-concept, concern for public image, concern for employees
8. Reconciliatory
9. Enduring

A Customer Orientation

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

A Customer Orientation

A mission statement should also:

- ❖ serve as a framework for evaluating both current and prospective activities
- ❖ be stated in terms sufficiently clear to be widely understood throughout the organization

A Customer Orientation

- ❖ A good mission statement reflects the anticipations of customers.
- ❖ The operating philosophy of organizations should be to identify customers' needs and then provide a product or service to fulfill those needs.

Considerations

- ❖ 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.

Considerations

- ❖ 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.
- ❖ Please, do not offer me *things*.

Mission Statement 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. **Survival, growth, and profitability**—Is the firm committed to growth and financial soundness?

Mission Statement Components

6. **Philosophy**—What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
7. **Self-concept (distinctive competence)**—What is the firm's major competitive advantage?
8. **Public image**—Is the firm responsive to social, community, and environmental concerns?
9. **Employees**—Are employees a valuable asset of the firm?

Example Mission Statements

PepsiCo

- ❖ We aspire to make PepsiCo the world's (3) premier consumer products company, focused on convenient foods and beverages (2). We seek to produce healthy financial rewards for investors (5) as we provide opportunities for growth and enrichment to our employees (9), our business partners and the communities (8) in which we operate. And in everything we do, we strive to act with honesty, openness, fairness and integrity (6).
- ❖ *Author comment: Statement lacks three components: Customers (1), Technology (4), and Distinctive Competence (7); 62 words*

Example Mission Statements

Royal Caribbean

- ❖ We are loyal to Royal Caribbean and Celebrity and strive for continuous improvement in everything we do. We always provide service with a friendly greeting and a smile (7). We anticipate the needs of our customers and make all efforts to exceed our customers' expectations. We take ownership of any problem that is brought to our attention. We engage in conduct that enhances our corporate reputation and employee morale (9). We are committed to act in the highest ethical manner and respect the rights and dignity of others (6).
- ❖ *Author comment: Statement lacks six components: Customers (1), Products/Services (2), Markets (3), Technology (4), Survival/Growth/Profits (5), and Public Image (8); 86 words*

Exemplary Proposed Mission Statement

Avon

- ❖ Our mission is to provide women (1) quality fragrances, cosmetics, and jewelry (2) at reasonable prices backed by outstanding customer service provided by our thousands of door-to-door sales representatives (7, 9) operating globally (3). We use the latest technology (4) to profitably develop and market products desired by women all over the world (5). Avon representatives put integrity first (6) in setting a good example in every community (8) they operate—as they sell beauty. *(58 words)*

Exemplary Proposed Mission Statement

L'Oreal

- ❖ Our mission is to design, produce, and distribute the world's best fragrances, perfumes, and personal care products (2) to women, men, and children (1) by utilizing the latest technological improvements (4). We empower our highly creative team of researchers to develop safe, eco-friendly (7) products that will enable our firm to profitably grow (5) through thousands of retail outlets. We strive to be one of the most socially responsible (8) firms on the planet (3) and appreciate our employees (9) making that happen, while following the “golden rule” in all that we do (6). (*85 words*)