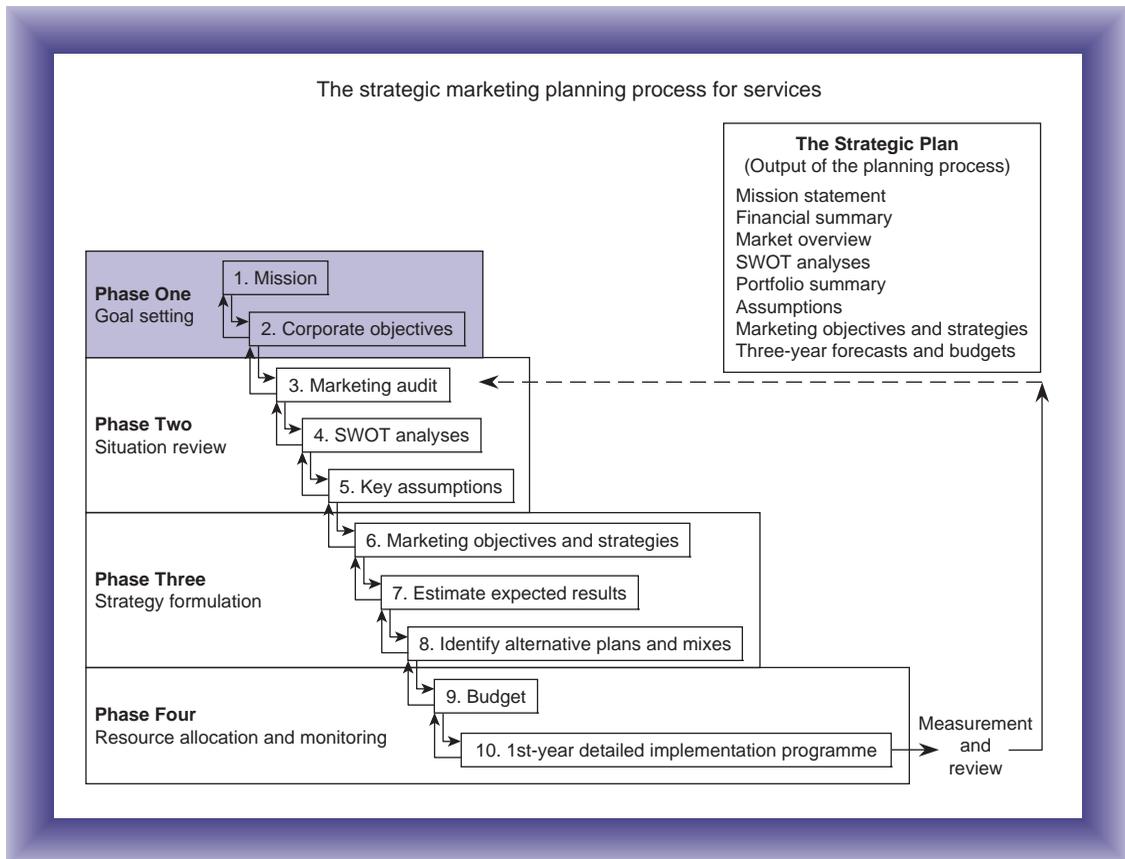


# 5 Marketing planning Phase One: the strategic context



In each chapter, we will stress the difference between the *process* of marketing planning and the *output* of this process – *the strategic marketing plan*. What should appear in the written output of the strategic marketing planning process was shown in Figure 4.3 in the previous chapter.

We have seen that the first phase of the marketing planning process involves determining (or re-examining) the mission statement and setting corporate objectives. In this chapter, we will look at both of these issues in some detail, using examples

from the service industry to illustrate how some companies have set about these tasks. Particular attention will be given to the problematic issue of mission development. These two steps form the strategic context and provide the pivotal link between the corporate plan and the marketing plan, as outlined in Figure 4.2.

## Step 1 Mission

### *A mission for services*

Business strategy is a top management responsibility that involves both identifying the future direction of the organization as well as managing the creative interaction of the functional disciplines of operations, marketing, finance and human resource management. It is both a process and a way of thinking which leads to the development of a set of strategies that assist the business in achieving its corporate objectives.

If the organization has no clear notion about its vision and values, it may be in a quandary regarding the way forward

Virtually all companies have a business strategy; however, this may be implicit or explicit. While some companies are successful with only an implicit strategy guiding the chief executive and the management team, it is our experience that companies developing an explicit strategy through a planned approach have a greater chance of long-term success.

The process of business strategy formulation should commence with a review and articulation of the company's mission. As briefly explained in Chapter 2, the mission (or vision) encapsulates the company's identity in terms of what it is, what makes it special, what it stands for, and where it is heading. It should explicitly reflect the basic beliefs, values and aspirations of the organization, providing an enduring statement of purpose that distinguishes the organization from its competitors and an important device for coordinating internal activity.

Mission statements must not be so broad as to make them meaningless

Studies conducted over the past 25 years reveal two important points. First, companies have been slow to develop mission statements that add value. Second, companies that develop well-thought-through mission statements and achieve high levels of employee engagement derive strong benefits. We briefly review these studies below.

Research in the late 1980s showed a relatively low take-up of mission statements by US organizations. One study<sup>1</sup> based on 181 of the top 1,000 corporations in the USA showed that 50% had not developed a formal mission. Another study by Byars and Neil<sup>2</sup> examined 157 mission statements from 208 members of the Planning Forum (the world's largest membership organization on planning and strategic management) and concluded that most of these were so broadly written that they had little meaning.

A 2001 study by three Canadian professors examined the relationship between the mission and organizational performance.<sup>3</sup> Drawing on

data from 83 large North American organizations they found that commitment to the mission, and the degree to which an organization aligns its internal structure, policies and procedures with its mission, were both associated with employee behaviour. It was this latter variable which was observed to have the most direct positive relationship with financial performance. This highlights the importance of engaging employees with the mission.

A study published in 2004 assessed the quality of 56 European, Japanese, and US firms' mission statements.<sup>4</sup> A number of quality measures were identified. The study results showed that the mission statements generally fell short of meeting these quality criteria.

A 2009 study by two European professors argued that mission statements can only be considered effective or successful if they stimulate organizational members to (a) process the information within the mission statement and (b) to reach a common understanding about the meaning of the information within the mission statement with respect to the conveyance process.<sup>5</sup> This study's results indicated that mission statements fulfil their expected role. The results also suggested that organizational employees are satisfied with their formal mission statement if the organizational image expressed by the mission statement is seen to be (1) difficult but feasible, (2) reasonably clear and understandable, (3) worthy/worthwhile, legitimate, (4) interesting, exciting, (5) important, influential, and (6) distinctive.

By the latter part of the 2000s, most large organizations had developed mission statements. A 2006 study found that 415 Fortune 500 firms, or 83% of these firms, had posted a mission statement on their website.<sup>6</sup> A later study published in 2010 found that 96% of the top 50 *Fortune* companies had adopted mission statements.<sup>7</sup> This study also compared the changes in the mission statements of the top 50 *Fortune* companies in 2000 and 2008. It found that there was a significant increase over this period in the number of companies that emphasized 'ethical behaviour' and 'global reach' in their mission statements. There was also a real increase in the number of companies that include 'employees' in their mission statements. Most of these companies also underlined the importance of creating excellent goods or services for the customers.

These investigations and our own research suggest that most large service organizations have developed formal mission statements. However, this adoption is much less in medium-sized and smaller firms. We conclude that across the whole service sector many organizations have yet to develop effective mission statements.

In contrast, service companies that have taken the development of a mission seriously have benefited significantly from the discipline and direction it has provided.

A study of the top 25 management methods and techniques deployed by senior managers around the world, published by US consulting firm Bain & Company in 2009, found that the mission statements were rated as one of the top five management tools. However, while senior managers' satisfaction rates with mission statements had improved in recent years, they lagged behind their satisfaction rates with strategic planning.<sup>8</sup>

It seems that, as with marketing planning itself, there still is some confusion among companies regarding how to define a mission. As a result, instead of a mission that reflects a unique commitment to corporate values and direction, what emerges can be a bland set of generalizations and meaningless statements. Not surprisingly, such missions are greeted at best with scepticism, at worst with derision.

While recognizing that different service organizations might use other terminology such as business definition, credo, statement of business philosophy, belief statement, vision statement, statement of purpose, and so on, we define a mission as follows:

A mission is an enduring statement of purpose that provides an animated vision of the organization's current and future business activities, in service and market terms, together with its values and beliefs and its points of differentiation from competitors. A mission helps determine the relationships with each of the key markets with which the organization interacts, and provides a sense of direction and purpose which leads to more correct independent decisions being made at all levels of the organization.

As already mentioned, it has to be recognized that some organizations might have a mission which, although strongly embedded in their culture, does not appear in writing. Such might be the case in smaller organizations, or in those with a strong, charismatic leader.

Thus, while it is not essential for the mission to appear in writing, we would recommend that it should do, in order that it does not run the risk of being misinterpreted or loses its impact at lower levels within the organization.

### ***The nature of corporate missions***

An examination of what has been written about missions suggests that a number of key issues are important and need to be taken into consideration. They are:

1. It is dangerous to define the mission too narrowly or too broadly.
2. The audience for the mission should be considered carefully.

3. It is crucial to understand the business one is in.
4. The mission should be unique to the organization preparing it.
5. The mission should be need-oriented, rather than offer-oriented.
6. Within any organization, there will need to be a hierarchy of mission statements.

Each of these issues gives rise to a number of interesting questions which need to be addressed.

### **1. How does one get the balance between too narrow and too wide?**

One of the classic examples of a services sector business which defined its mission too narrowly was the railway industry in the USA. In his early seminal paper on the topic, Levitt<sup>9</sup> argued that by defining itself to be in the locomotive business, rather than helping customers solve their transportation needs, the industry as a whole failed to identify and capitalize on opportunities, and thereby hastened its own demise.

Another example would be football clubs in Europe and elsewhere, whose narrow focus on the game itself obscured the fact that their customers' needs for entertainment could be met by other more sociable and comfortable alternatives. They just did not perceive themselves to be in the entertainment business and, with only a few exceptions, attendance figures fell dramatically.

Gestetner, a UK duplication machine manufacturer, defined its business narrowly as the duplication market. In 1995 Gestetner, along with other companies such as Lanier, Savin and Rex-Rotary, was taken over by Ricoh, the Japanese electronics and office equipment manufacturing company. In the 1990s IBM moved away from its long-standing mission and defined its business too narrowly as mainframe computers, with disastrous consequences, subsequently it developed a new mission and a focus on services and it eventually recovered – more about this later. In the last decade many diverse 'product' companies, including IBM with its consulting services, photocopier manufacturers which have developed bureau services, and jet engine manufacturers such as Rolls-Royce with their services-based concept of selling 'power by the hour', have successfully broadened the scope of their mission to embrace services.

However, just as there are dangers in defining the business too narrowly, to have no bounds can be equally ruinous.

The mission statement has to provide some focus on the activities of an organization

Indeed, this might be the more common of the two faults. For example, the deregulation of the financial services sector in many countries led to banks diversifying away from their core business into stockbroking

and investment banking, with disastrous results. Similarly, retailers have undertaken diversification away from what customers perceived to be their traditional realms. Finding they were unprofitable in these areas, they struggled to get back to their core retailing business. The fashion retailer Laura Ashley provides a good example of this.

Sometimes, their identity gets lost in the process. For example, with hindsight the attempts of Woolworths in the UK to diversify might now be seen as a fit of corporate folly, where all its old strengths were thrown away and nothing of substance put in their place. Another example is US energy services company Enron. This company entered into deals and projects which were beyond the scope of its mission. Creative accounting and corporate fraud added to their problems which led to their demise in the early part of the 2000s. Enron clearly did not emphasize 'ethical behaviour' in their mission and behaviour.

In these cases, if *effective* missions had been formulated, with the requisite strategic focus that this implies, it is questionable if some of them would have diversified into the non-core, non-profit-making, non-integrated business areas that they entered in recent years.

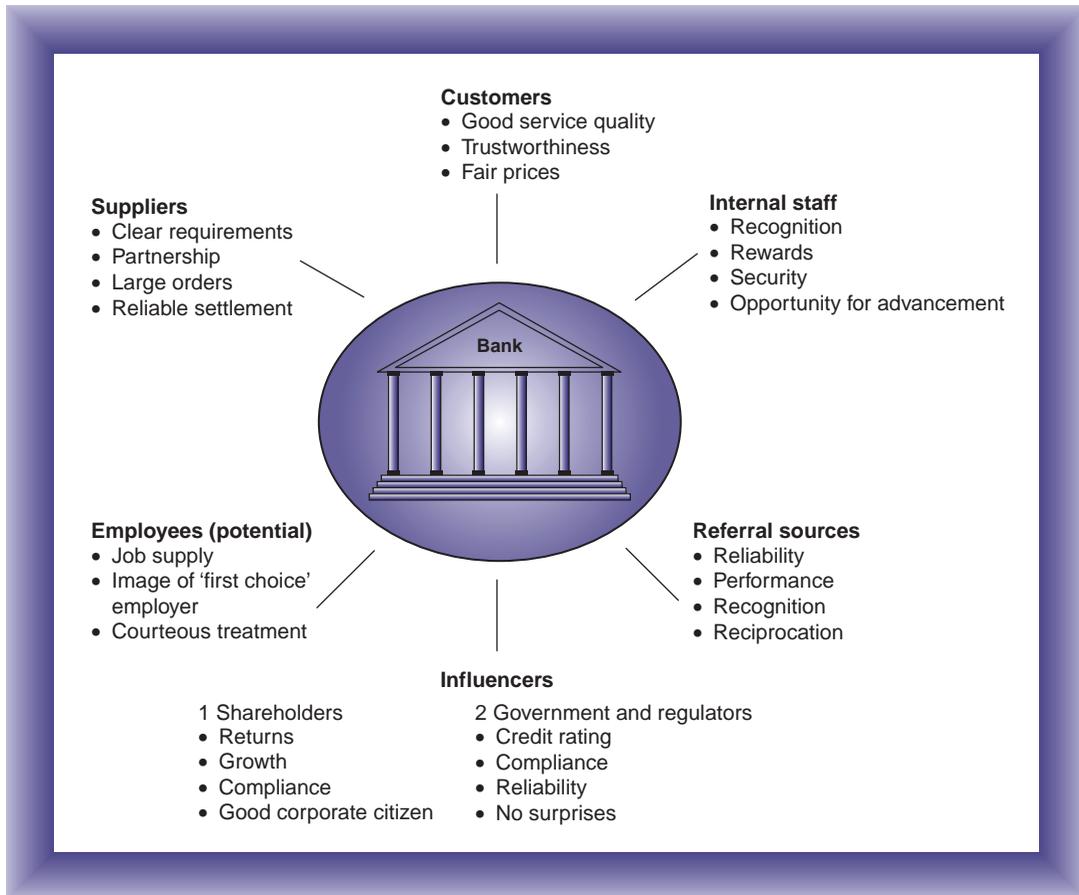
## 2. Who is the target audience for the mission and what are its expectations?

The reasons for writing a mission statement can vary. Some organizations might do it for public relations purposes; some might do it because they see that other companies have them. As we said earlier, however, it should be for the purpose of strategically focusing the business activities. By being clear about the mission's purpose, it becomes easier to define the target audience and to know the level of sophistication of their requirements.

Figure 5.1 identifies how a bank might consider its key audiences and their expectations, in terms of formulating a mission. This is based on a consideration of all the stakeholders described in the opening chapter. For some types of business, like water services, there might be additional stakeholders to consider such as environmentalists, whose concerns will be about issues like the extraction of water from rivers and the effluent pumped back into rivers or the sea.

It is important that the mission statement is not too long

While this framework can be extremely useful for identifying and mapping the relative importance of each of these groups, clearly a mission which tried to embrace every group and issue equally could end up exceedingly long. Therefore, some decisions have to be made regarding which target audiences the company wants to recognize within the mission. The context for such decisions will be the nature of the service product, the current position of the firm in its industry sector, and who the key players are among the stakeholders.



**Figure 5.1** Key audiences and their expectations in a bank

There is a view in many service organizations that the key messages in the mission should be concerned primarily with providing a sense of strategic direction and motivation of the *internal staff*.

When necessary, a modified version of this statement can be used for external purposes and reflect the considerations of other stakeholders.

There is, however, an obvious danger that, in producing an internally focused mission statement, the interests of two other principal stakeholders – the shareholders/owners of the business and the customer – are neglected.

Perhaps the approach to recruitment attributed to Bill Marriott of Marriott Hotels puts this in context. When he interviews prospective

managers he says, 'There are three important groups we need to satisfy – shareholders, customers and our employees. Which is the most important one to focus on?' To get the job you have to answer 'the employees'. Marriott argues that it is only by focusing on employees that he will have happy customers and only through happy customers will he provide good return to his shareholders.

### 3. What business are we in?

This question is closely related to the earlier one about defining the business too narrowly or too broadly. While many companies might claim that the answer is obvious, we have found that when asked to write it down without conferring, senior managers from the same service organization rarely come up with the same answer. This then poses another question: 'If *they* are confused, how must those at lower levels feel?'

Failure to recognize distinctive competences can lead to lost opportunities

The trap managers fall into is that they are guided by the nature of their output rather than the company's specific competences. Thus, the claim that their company was in the 'retail business' could, on deeper analysis, be found to be actually in the 'getting latest fashions into the High Street quickest' business. Similarly, the company that claims that it is in 'computer software' is likely to be really in the business of helping other companies to resolve managerial control problems, perhaps of a very specific nature.

Too often, companies fail to recognize their distinctive competences and, as a result, miss valuable opportunities to play to their strengths.

### 4. How unique is the mission statement?

Service organizations are in different sectors, have different facilities, staffing, levels of morale, geographic locations, track records, management styles, expertise, values, hopes and ambitions. Taking these into account, it is unlikely that all these areas of potential difference should lead to one company having a mission much the same as any other. Yet, in our dealings with many service companies, that is what we find. This is especially true of banks and professional service firms.

It is as if the mission has been bought off the shelf rather than made to measure.

All service organizations are different and this should be reflected in the mission statement

Not only may a service organization have specific competences, but it should also seek some differential advantages over its competitors. It might be closer to markets, be more efficient, be more aggressive, and so on. Any of these things ought to make the mission somewhat different. (Of course, the corollary of this statement is that, if the company genuinely cannot identify any differential advantages, it should seek to establish some.)

The underlying philosophy in striving for uniqueness is that success lies in obtaining a competitive advantage, in a preferred way, with a selected customer base. The acid test which discloses whether or not this has been achieved is to substitute a competitor's name into your mission. If it still makes sense, then you are implying that both companies are the same – something which is usually untrue.

### 5. Is the mission market-oriented?

Organizations that focus too closely on their service product rather than market needs can have an inclination to develop new improved services or spin-offs which, brilliant though they might be, may not be required by the market. The message is clear. In order to avoid this, the mission should be market-oriented and focus on customer needs.

Increasingly, organizations such as airlines, hotels and banks are considering customer needs and using this knowledge to make an input into the design of the services they offer.

### 6. At what level in the service organization is the mission statement being prepared?

Service organizations may have international headquarters, several national headquarters, divisional headquarters and, almost certainly, a number of individual service product, or business, centres. Clearly, then, it is unlikely that one central mission statement will suffice in providing the direction to these several hierarchical levels in the organization. It is suggested, therefore, that all the guidelines provided in this section can be applied equally well to any organizational level. This issue is expanded on later in this chapter.

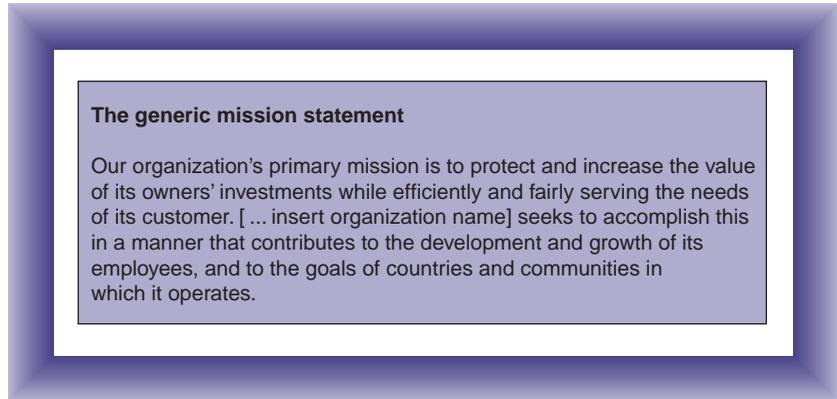
Here, we can see two levels of mission. One is a *corporate* mission statement; the other is a lower level or *purpose* statement. But there is yet another level, as shown in the following summary:

*Type 1* – These are generally found inside the annual reports and are designed to make shareholders feel good. They are invariably full of 'motherhood' statements and organizational puffery. As missions, they have little practical use and should not be confused with Type 2.

*Type 2* – The real thing. A meaningful statement, unique to the organization, which impacts on behaviour at all levels of the company.

*Type 3* – This is a 'purpose' statement (or lower level mission statement). It is appropriate at the strategic business unit, departmental or service level of the organization.

An example of Type 1 is given in Figure 5.2. This statement could apply equally to almost any organization in the world. They achieve nothing and it is difficult to understand why these pointless statements are so popular. Employees mock them and they rarely say anything likely to



**Figure 5.2**  
The generic mission statement

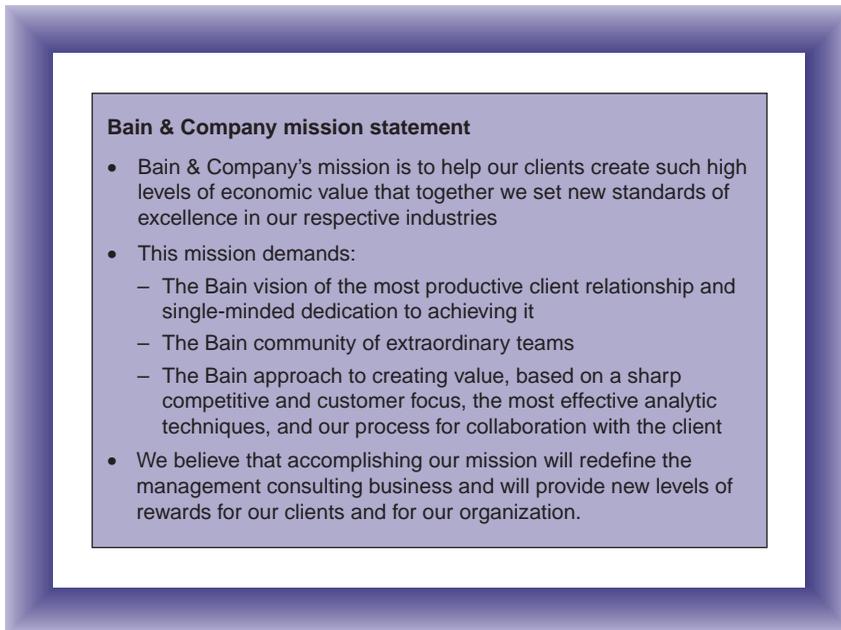
give direction to the organization. We have entitled this example ‘The Generic Mission Statement’ and they are to be avoided.

The following should appear in a mission or purpose statement, which should normally run to no more than one page:

1. *Role or contribution* – For example, charity, profit seeker, innovator, opportunity seeker.
2. *Business definition* – This should be done in terms of benefits provided or needs satisfied, rather than the services offered.
3. *Distinctive competences* – These are the essential skills, capabilities or resources that underpin whatever success has been achieved to date. Competence can consist of one particular item or the possession of a number of skills compared with competitors. All should be considered in terms of how they confer differential advantages, i.e. if you could equally well put a competitor’s name to these distinctive competences, then they are not distinctive competences.
4. *Indications for the future* – This will briefly refer to what the firm will do, what it might do and what it will never do.

### ***Example of service organization mission statements***

In examining actual mission statements for service companies, it is clear that there are vast differences in their length, structure and content. Some are more general statements of philosophy, while others are much more specific. In this section, we will review some examples of different approaches to the development of service organization missions and illustrate the wide range of approaches that are adopted which, in the view of the authors, represent good practice.



**Figure 5.3**  
Bain & Company  
mission statement

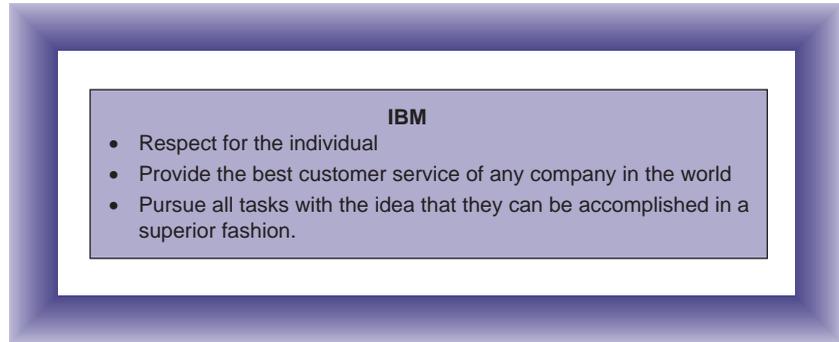
The mission statement for Bain & Company, shown in Figure 5.3, emphasizes special competence in creating added value through a commitment to mutually productive relationships between the firm and their clients. This was developed as a result of a five-day intensive workshop retreat by senior management at Bain. We consider this to be an especially useful way of structuring a mission statement – starting with a general statement of strategic intent, followed by specific bullet points on what is required to achieve the mission. In 2011, commenting on Bain & Company's mission statement, a partner of the firm stated that even though this mission statement was developed in 1985 'every time we peer into it, it's just as real, it's just as current, it's just as vibrant as it was years ago'.<sup>10</sup>

The Bain & Company example is a good illustration of the possible longevity of a carefully constructed mission statement. However, for many service firms, mission statements need to evolve over time. The following discussion of mission statements for IBM and British Airways illustrates this process of evolution.

Thomas Watson, IBM's founder, articulated his company's philosophy in the phrase 'IBM means service'. IBM defines itself as a *service* company and the corporate philosophy articulated by Watson was not just to be a *good* service company, but to be the *best* service company in the world. The IBM mission espoused by Watson in the 1960s is shown in Figure 5.4.

Watson argued that the basic philosophy of the organization was more concerned with its customer service performance than with technical

**Figure 5.4**  
Organizational  
statement of  
philosophy for IBM



or economic resources, organizational structure, innovation or timing. Some 20 years later, the then IBM chairman stated: 'We've changed our technology, changed our organization, changed our marketing and manufacturing techniques many times, and we expect to go on changing. But through all this change, Watson's three basic beliefs remain. We steer our course by those stars.'

The problems suffered by IBM in the 1990s stemmed from a lack of focus on these basic beliefs. A number of books written on IBM's problems provide evidence that during this period they began to focus more on technology than on customer needs. Their subsequent turnaround in the 2000s was based on a renewed emphasis on the customer and transformation to a service-based company.

Missions which are statements of business philosophy, such as this, give overall guidance in terms of values, but do not give much focus to service and product areas on markets. Clearly in the case of IBM during the 1990s this proved to be a weakness. Since then IBM has reinvented itself by focusing on services rather than products.

IBM is now more focused on articulating who they are, what they do, and what they offer as outlined in their new mission statement, the statement of values and business model shown in Figure 5.5. In developing these values all IBM staff around the world and selected other parties were invited to engage in an open 'values jam' on the IBM global intranet. The 'values jam', held over a 90-hour period in October 2008, had some 90,000 log-ins that generated over 32,000 posts. In their responses staff were thoughtful and passionate about the company they want to be a part of and were also brutally honest.<sup>11</sup> Such a Web-based initiative provides an opportunity to canvas a large number of staff and receive their views on the mission and values of the firm within a short time period.

#### **IBM Mission Statement**

At IBM, we strive to lead in the invention, development and manufacture of the industry's most advanced information technologies, including computer systems, software, storage systems and microelectronics.

We translate these advanced technologies into value for our customers through our professional solutions, services and consulting businesses worldwide.

#### **IBM Values**

- Dedication to every client's success
- Innovation that matters, for our company and for the world
- Trust and personal responsibility in all relationships

#### **IBM Business Model**

The company's business model is built to support two principal goals: helping clients succeed in delivering business value by becoming more innovative, efficient and competitive through the use of business insight and information technology (IT) solutions; and, providing long-term value to shareholders. The business model has been developed over time through strategic investments in capabilities and technologies that have the best long-term growth and profitability prospects based on the value they deliver to clients. The company's strategy is to focus on the high-growth, high-value segments of the IT industry.

The company's global capabilities include services, software, hardware, fundamental research and financing. The broad mix of businesses and capabilities are combined to provide business insight and solutions for the company's clients.

The business model is flexible, and allows for periodic change and rebalancing. The company has exited commoditizing businesses like personal computers and hard disk drives, and strengthened its position through strategic investments and acquisitions in emerging higher value segments like service oriented architecture (SOA) and Information on Demand. In addition, the company has transformed itself into a globally integrated enterprise which has improved overall productivity and is driving investment and participation in the world's fastest growing markets. As a result, the company is a higher performing enterprise today than it was several years ago.

The business model, supported by the company's long-term financial model, enables the company to deliver consistently strong earnings, cash flows and returns on invested capital in changing economic environments.

**Figure 5.5** IBM mission statement, values and business model

British Airways is a further example of how mission statements need to evolve over time. In the 1990s, the British Airways mission focused on a number of key themes including corporate charisma, creativity, business capability, competitive stance and training philosophy. In 2004 British Airways developed a new set of vision, values and goals. Entitled the 'The BA Way' this new mission represents a statement of British Airways' business strategy, values and goals which was communicated across the company. This initiative involved defining targets and measurements for their non-financial business goals

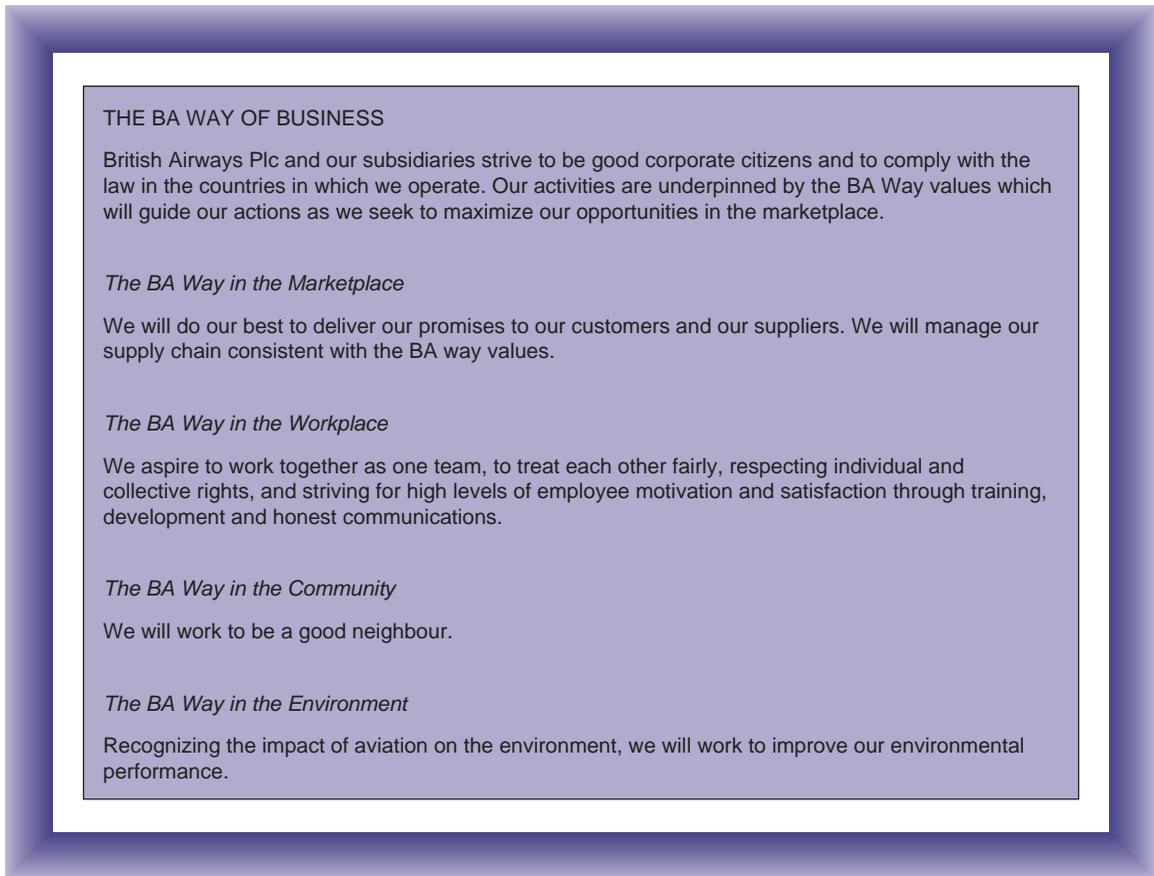


Figure 5.6 'The BA Way'

including customer advocacy, safety and security, respected company and employee motivation. A key principle underpinning 'The BA Way' is that British Airways relies on the active engagement and support of all stakeholders to deliver business success. This was updated in the latter part of this decade following the appointment of Willie Walsh as Chief Executive of British Airways (see Figure 5.6).

DHL, now part of the logistics group Deutsche Post DHL, has had a number of mission and vision statements over the past two decades. A recent review of DHL websites in different countries identified a number of mission and vision statements including a new much shorter vision for DHL aimed at becoming *'The logistics company for the world.'*<sup>12</sup>

Some companies adopt such short mission statements. For example, the Google mission statement is as follows: *'Google's mission is to organize the world's information and make it universally accessible and useful.'* We view such short statements as 'straplines' rather than proper mission statements. For strategic marketing planning purposes we recommend a more comprehensive mission statement is developed such as the earlier version of the DHL mission shown in Figure 5.7.

DHL will become the acknowledged global leader in the express delivery of documents and packages. Leadership will be achieved by establishing the industry standards of excellence for quality of service and by maintaining the lowest cost position relative to our service commitment in all markets of the world.

Achievement of the mission requires:

- o Absolute dedication to understanding and fulfilling our customers' needs with the appropriate mix of service, reliability, products and price for each customer
- o An environment that rewards achievement, enthusiasm, and team spirit and which offers each person in DHL superior opportunities for personal development and growth
- o A state of the art worldwide information network for customer billing, tracking, tracing and management information/communications
- o Allocation of resources consistent with the recognition that we are one worldwide business
- o A professional organisation able to maintain local initiative and local decision making while working together within a centrally managed network.

The evolution of our business into new services, markets, or products will be completely driven by our single-minded commitment to anticipating and meeting the changing needs of our customers.

**Figure 5.7** DHL World Express – worldwide mission statement

The mission for DHL in Figure 5.7 and the earlier example for Bain & Company in Figure 5.3 both focus on many of the key issues we consider should be addressed in a mission statement for such a firm. It also illustrates the need to develop corporate objectives which are highly integrated with the mission statement. Without a strong linkage, which provides a means of measuring whether the mission can be achieved, much of the potential value of a mission can be dissipated. The relationship between corporate objectives and mission has been well summed up by the chairman and CEO of General Mills:

We would agree that, unless our mission statement is backed up with specific objectives and strategies, the words become meaningless, but I also believe that our objectives and strategies are far more likely to be acted upon where there exists a prior statement of belief (i.e. a mission) from which specific plans and actions flow.

We return to this issue later in this chapter when, in Figure 5.12, we look at a simple framework for undertaking a consistency check between a mission and the corporate objectives.

Mission statements can be an empty statement on a piece of paper, or can reflect and underpin fundamental values of an organization in pursuit of its strategy.

### **Levels of mission statement**

It is unlikely in most large organizations that one mission statement will suffice

Just as companies have different levels of objectives, ranging from strategic objectives through to tactical objectives and action plans, a service organization should consider to what extent it should develop mission or purpose statements at lower levels of the organization. Cranfield University in the UK has, for example, an overall University Mission Statement, while each of the university's schools (such as Aerospace, Computer Science, Management, etc.) has its own mission statement. Also, within the School of Management, for example, each group, such as the Marketing Group, has its own mission statement, all contributing to this university's outstanding success.

Thus, a bank with diverse financial services operations could have a mission statement for the bank as a whole, as well as individual missions for each business unit: it might develop missions for retail banking, corporate banking, international banking, investment banking, and its insurance and stockbroking activities.

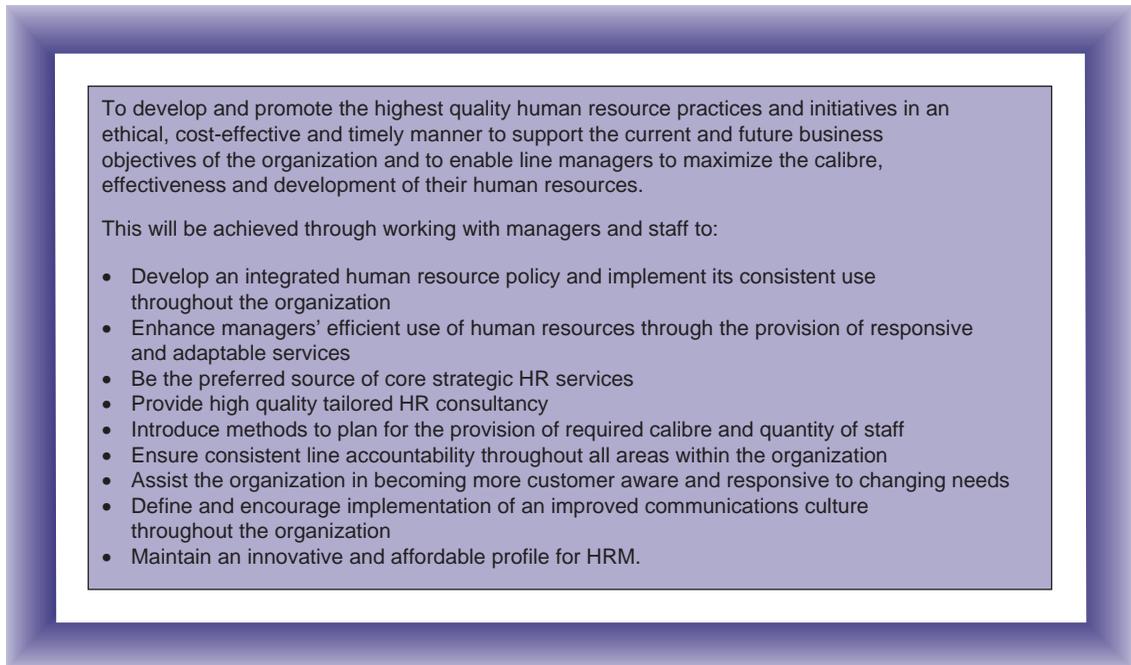
Many multi-business service organizations are in a similar position of needing to develop missions for their constituent parts.

It may also be appropriate to have missions at individual functional levels. For example, missions could be developed for internal service functions. An example of a mission for a human resource department is shown in Figure 5.8. Some organizations develop a range of missions for internal service activities and departments. A customer service mission statement, for instance, expresses the company's philosophy and commitment to customer service and the need for it follows from the increasing recognition that service quality is an important means of gaining competitive advantage. In some cases, customer service and quality missions are stated separately. In others, they may be combined as part of the statement of a firm's overall mission.

In each case, the 'mission' should focus on the company, business unit, or functional service activity. Where missions are formulated, for example at the departmental level, they should be consistent with higher level missions within the organization.

### **From mission statements to vision and values**

Some companies have expanded their mission statement to include vision and values. The most authoritative work on this topic is that undertaken by consultant Hugh Davidson.<sup>13</sup> His research was prompted by the fact that most of the written materials on missions, visions and values discuss how important they are and provide guidance on how to design statements, but that there is little published



**Figure 5.8** Human resource mission statement

work on how to make them really work in organizations. His research involved interviewing top management (chairpersons and chief executives) in 125 well-run companies and non-profit organizations in the UK and USA. The companies included: BP, FedEx, DuPont, Tesco, Nestlé, Johnson & Johnson, and IBM.

Davidson found that the term ‘mission’, which has been widely used over the past three decades, has become somewhat less popular in recent years and its use has been subject to criticism because many companies have not developed missions in a thorough and detailed manner. He concluded that it didn’t matter which words were used to describe the business vision; what was important were three fundamental questions:

‘What are we here for?’ – ‘Purpose’

‘What is our long-term destination?’ – ‘Vision’

‘What beliefs and behaviours will guide us on our journey?’ – ‘Values’.

A good example of a services company putting this into practice is Goldman Sachs. They are a market leader in their sector and one of the best companies in the investment-banking industry. They define their purpose, vision and values as:

*Purpose/Mission:* To provide excellent investment and development advice to major companies

*Vision:* To be the world's premier bank in every sector

*Values:* – Client first  
– Teamwork

But just having a statement of mission, vision and values is not enough. Companies such as Goldman Sachs live these on a day-to-day basis. Goldman Sachs is no longer a partnership but they still maintain a partnership ethos. As Davidson points out, where they differ radically from most other investment banks is on values. They put their client before profit. Everyone at Goldman Sachs understands the importance of always putting the client first. They also place teamwork high on their agenda.

Extending the mission to include the vision and its associated values forms a significant element of an organization's strategy. Put simply, without a clear, concise and well-communicated vision, the organization is unlikely to be highly successful in achieving its goals. Organizations are increasingly realizing that developing a mission, a vision and a set of associated values may be a difficult activity, but it is one that is very worthwhile. Having a strong and appropriate mission, vision and values can enable companies to develop a distinctive culture and a focus for their employees, resulting in a 'people advantage' that is difficult to imitate.

### ***Developing a service mission***

Time must be devoted to the mission statement

Many of the examples of missions have the advantage of being short and simple. However, it must be remembered that the few sentences on a piece of paper represent the end result of a 'distillation' process which has extracted the essential few key elements from a mass of raw material.

To arrive at a meaningful mission statement is, therefore, a time-consuming and sometimes painful experience, not something that can be rushed.

Bearing this in mind, the organization must be genuinely committed to developing its mission (and the vision and values that underpin this) if it is going to get any lasting value out of the investment of time and energy it puts into it. Speed and compromise are not legitimate in the mission formulation process.

Producing the mission statement should be a group process

While the mission can be developed by the chief executive in isolation, or by a management consultant, such approaches miss the vital part of the process – that of creating ownership and gaining organizational acceptance of the outcome. Mission development should therefore be an enterprise-wide consultative process, which involves input from different functional areas and management levels. The example above

of IBM using its intranet shows how many staff in different locations can be consulted in a short time.

The more managers and staff involved in formulating the mission, the more committed to it they will be.

There are a number of ways by which the desired level of involvement can be accomplished. Here are two approaches we have used with success.

### **Workshops**

These can be held in the context of a broader marketing planning exercise, or as stand-alone events. Typically, the participants would be senior executives, but there is no reason why a representative cross-section of other members of the organization could not produce valuable inputs.

How the workshop unfolds will vary from company to company, but it is likely to follow these general steps:

1. *Introduction* – The chief executive explains why it is important for a mission to be formulated. The top-level support the CEO brings leaves participants in no doubt that they are working on a real task.
2. *Orientation* – Time is spent explaining the purpose of missions and what they contain (much as we have done in this chapter). Examples from other companies can be used as visual aids. Participants are encouraged to critique such examples.
3. *Syndicate work* – Small groups of 4–6 people are charged with developing a first draft of the company's mission.
4. *Plenary session* – The individual groups present their missions and all contributions are analysed and discussed regarding their strengths and weaknesses.
5. *Pulling together* – Either by further syndicate work, or through the mechanism of a specially constituted task group, the draft mission takes shape.
6. *Testing* – The draft mission is tested out in other parts of the organization and amended when it is sensible to do so. Thus, the final mission is developed.

### **Top team approach**

This would involve working with the board of directors and so the total group size is only about eight, thereby precluding syndicate work. Here, we adopt a slightly different methodology:

1. *Orientation* – This operates in much the same way as described above.
2. *Individual* – Team members work in isolation to formulate a working mission.
3. *Clarification and review* – Individual contributions are put onto flip charts (without attribution) and posted around the room. Team members then circulate, either:
  - a. studying all flip charts unaware of the author; or
  - b. each author in turn answers only questions seeking clarification (there is no critique made).
4. *Reformulating the mission* – Working individually, team members, building on the previous phase, reformulate a second draft of the mission.
5. *Clarification and review* – Step 3 is repeated, but this time missions that are essentially the same are grouped together.
6. *Discussion* – The team, through detailed discussions, review the missions, and seek to develop a mission that is both realistic and one to which they are all committed. (In some cases this process extends over several meetings.)

Both of these broad approaches have worked well for us, because we played a catalyst role and were not involved in corporate politics, as well as being unbiased regarding what the outcome should be. We were also able to challenge corporate assumptions which were suspect or just not true, hence establishing a more permissive, and therefore creative, learning environment. As a result of our experiences, we would strongly recommend that a company following the routes we have outlined seeks out an experienced third party, such as a consultant or someone from a business school, to facilitate the event. Furthermore, such a person might also be able to help further develop the final mission and improve its potential as a communications aid. Those wishing to explore mission statements in more detail should refer to the additional references that we provide.<sup>14</sup>

While the mission statement should not be changed often, it should be reviewed regularly

Once established, the mission should not be susceptible to frequent change, because what the company wishes to become should remain more or less the same. The exception to this general rule is if a fundamental change takes place, such as, for example, if new technology develops and renders the company's current technology redundant, or a new strategic direction is determined. Nevertheless, while the mission will not be changed very often, it should be re-examined for its relevance on a fairly regular basis. It should also be introduced to new employees on the first day of their induction programme so they are familiar with the mission and what it represents.

### The realizable mission

A mission statement, while seemingly simple in its completed form, may be the result of intensive and critical self-review for the company. The mission should position the services firm clearly in the markets in which it seeks to serve its customers and should provide an animated version with which employees can identify. Describing a mission statement as an 'animated vision' suggests that it should be forward-thinking, inspirational and dramatized. When the mission is communicated it should have the capacity to motivate the workforce towards organizational goals.

Figure 5.9 illustrates that it is necessary to develop a strong overlap between intellectual agreement (the statement of mission) and emotional commitment (the shared values of employees). It is this linkage between mission and values, made by management and other employees, which determines the extent to which the mission is realizable. This was summed up well by Jack Crocker, President of Super Value Stores Inc., who said, 'If a corporation is to succeed and experience continuing, long-term growth, there must exist a meaningful company philosophy [a mission] that justifies the personal commitment and dedication of its people.'

Many missions make the mistake of focusing on shareholders, customers and managers and do not attempt to motivate the non-managerial workforce. Companies should make employee engagement a high

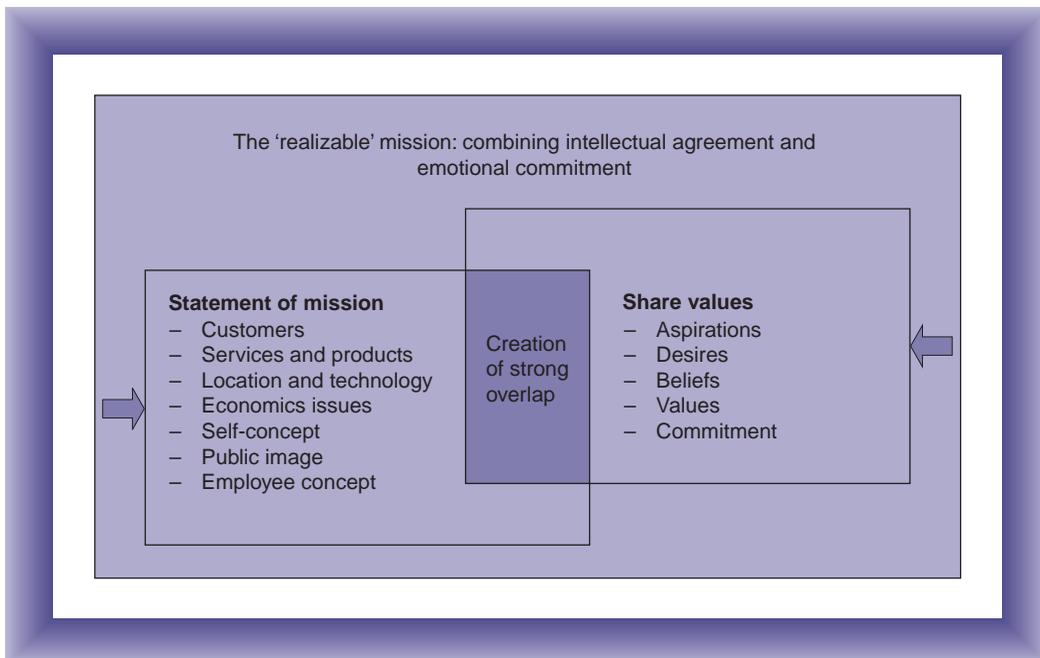


Figure 5.9 The 'realizable' mission

priority in their mission statements, as in a service organization it is often the collective behaviour of employees which brings success or failure.

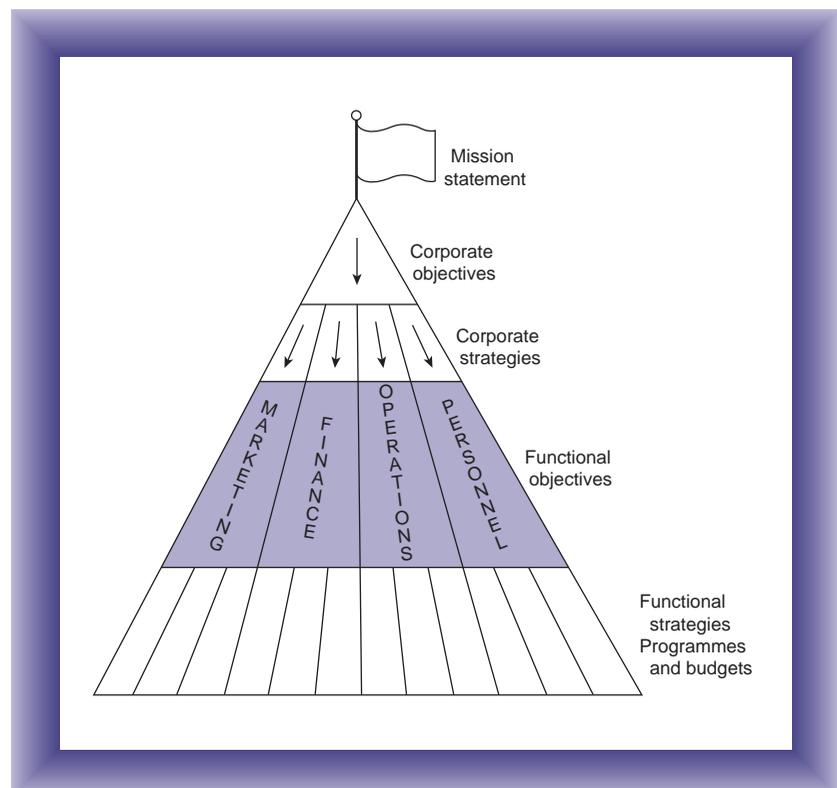
## Step 2 Corporate objectives

### *Corporate objectives and strategies*

Once the mission has been developed, attention needs to switch to the corporate objectives and strategies. By way of recapitulation, how these are related is illustrated by Figure 5.10. From this, we can see that the corporate objectives and strategies need to be consistent with the sense of identity and direction provided by the mission statement. Thus the mission statement and corporate objectives need to be closely integrated. The corporate objectives should enable the organization to determine if its mission is being achieved.

As we saw earlier, the language of the corporate objectives will, in most cases, be in terms of profitability or return on capital invested, for these measures are universal yardsticks of organizational efficiency.

How these objectives will be achieved gives rise to the corporate strategies which impact on the various functional areas of the business. While there can be no absolutes in terms of what corporate



**Figure 5.10**  
Mission statement and the hierarchy of objectives and strategies

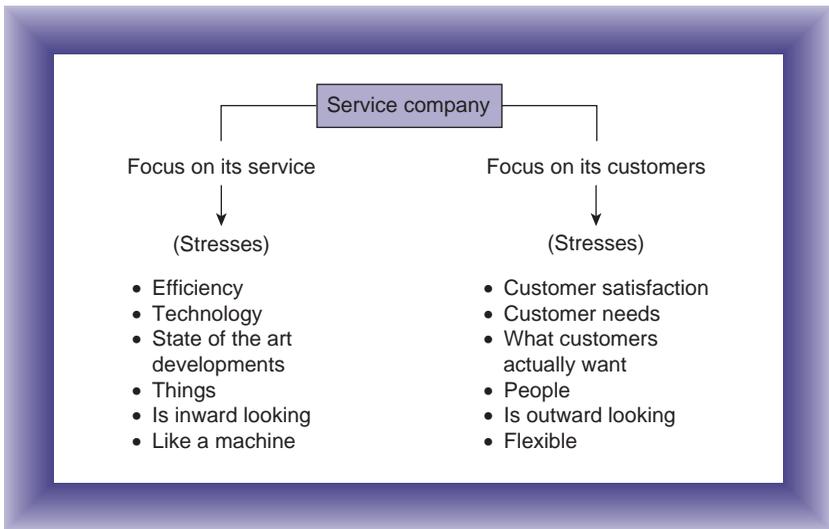
strategies should address, it is likely that they will cover much of the following:

1. Market standing, e.g. sales and market share by market segment and the nature of services provided.
2. Innovation, e.g. new avenues of development.
3. Productivity, e.g. productivity of employees; effective use of capital and resources.
4. Financing, e.g. the nature of funding; levels of investment in fixed assets.
5. Staff performance *and development*, e.g. management and worker attitudes; preparedness to change.
6. Social responsibility and sustainability, e.g. to the environment; to the local community; legislative requirements.

From Figure 5.10, it will be seen that what is a *strategy* at a higher level may become an *objective* at the next level down, so giving a hierarchy of objectives and strategies.

Service companies need to consider which specific functional areas will make the largest contribution to achieving the corporate objectives and, in doing this, formulate a mix of strategies which are mutually supportive. It is unlikely that any functional area can be completely ignored because, clearly, all parts of the organization are interdependent.

Service companies approach the setting of objectives in different ways, as Figure 5.11 shows. Of course, this illustration is fairly general. However, it does show that when a company focuses on its services at the expense of its customers, a certain type of organizational ‘culture’



**Figure 5.11**  
Different types of organization focus

almost naturally follows. This is equally true when the company focuses on customers.

That this happens is supported by considering the history of British Airways both before and after its privatization. In its earlier life, it saw itself as being in the business of flying planes. A consequence of this was that it was led by objectives which stressed technical efficiency and customers came a poor second to the pursuit of operational excellence. A major turnaround in profitability was brought about by privatization, which forced the company to modify its objectives and recognize that its future success lay in satisfying passenger requirements. However, as stated earlier, the company lost its pre-eminent position in the late 1990s and it abandoned its focus on customers to a fiscal, cost-cutting orientation. Yet, to switch from one type of culture to another is never easy. In the present competitive environment, it needs to develop a stronger emphasis on both customer service and its cost structure.

As we have said before, only customer-focused objectives and strategies (and organizations) hold the prospect of corporate success in the longer term. Those readers wishing to examine corporate objectives in further detail should consult a strategy text such as Richards.<sup>15</sup>

### ***Quantitative versus qualitative objectives***

While objectives may sometimes be of a qualitative nature for internal company purposes, they must always be capable of being measured.

Objectives should therefore be clear and provide specific targets to be achieved in a given time. If imprecise objectives are allowed, the organization will never have proper yardsticks against which to measure its performance. Thus, if a hotel decided that one of the objectives was to provide the best bedrooms in the area, it would have to spell out the criteria by which it expected to be judged. Then surveys could be conducted to benchmark competitors and to ascertain whether these criteria were being met.

Here is how a financial services company phrased its objectives in quantitative terms:

- *Profit* – Double group earnings over the next five years.
- *Growth* – Treble revenues over the same period.
- *Innovation* – At least one new product or service to be launched every two years, with the intention of its accounting for 10% of total sales revenue within two years of launch.

- *Corporate image* – To improve unprompted recognition (as measured by external research) from 30% to 50% over three years.
- *Services* – Improve advisory and value-added services from 15% to 20% of total revenue over four years.
- *Staff* – Reduce staff turnover by 60% over three years.

Managers working in this organization are left in no doubt about what they are expected to achieve. Everything can be measured.

However, for broad statements of intent that are made public, such as in the annual report, qualitative objectives may be justified.

It is important that the company does not have too many high level corporate objectives. Generally we suggest between six and ten high level corporate objectives are sufficient; however, this may vary from one organization to another. In the case of the financial services company above it had six key quantitative objectives.

A study undertaken by Hackett Benchmarking examined the planning and control practices of world-class companies with non-world-class companies. It found that the mediocre company has 372 line items of objectives and budget detail while the world-class companies have 21. As Chatterjee concludes: 'The process of identifying the few core objectives that drive a top firm's competitive advantage is not easy, but it puts the firm in a much better position to manage the risks of failure than the average company. As a result, the firm does not suffer from information overload, which facilitates better control and communication. Furthermore, focusing resources on the most mission-critical objectives avoids wasted effort and misallocated resources. If something is not performing up to par, it is much easier to spot it from amongst 21 items than 372. However, to cull a large laundry list of objectives down to a handful of critical ones requires the utmost possible clarity as to how your business model is supposed to work.'<sup>16</sup>

To achieve this process, the organization must identify the top six to ten high level corporate objectives and a related set of subsidiary objectives that can be measured and tracked over time. When company's control systems attempt to track everything, they're much less likely to be successful.

As Tim Ambler, a leading researcher into company performance, observes, large companies have far too many measures. Further, often some of the most important measures do not reach board level. He found that measures of important objectives such as customer satisfaction and customer retention only reached board level in 36% and 51% of the companies he surveyed, respectively.<sup>17</sup>

Once a set of appropriate corporate objectives is established, it is important to ensure that these are tightly integrated with the mission. If the mission captures the key strategic essence of what an organization is seeking to accomplish, the corporate objectives should enable the organization to determine if its mission is being accomplished. Unfortunately, we have found few firms that address this issue. How might this be done in practice?

Figure 5.12 provides a structured framework for undertaking this task. It shows the example of how a leading information technology company has ensured its mission and its corporate objectives are closely integrated. It commenced this process by undertaking a content analysis of the key elements within its mission statement. These are shown at the top of this figure and listed with the letters 'a' to 'g'. It then listed the seven key corporate objectives, which it had identified. These are numbered '1' to '7' in this figure. It then considered each element of its mission and determined whether each of the objectives either partially or fully address this element of the mission. These are shown by the small and large text in the figure. It concluded from this process that three new corporate objectives needed to be added to address mission statement elements relating to 'outstanding customer value', 'enhancing the company's role as primary contractors', and 'providing best in-class staff development'. Finally, it identified that the objective of 'new products representing greater than 30% turnover in 5 years' was not addressed as an element within the mission statement. When the top team management considered this, it concluded that this element was so vital to its strategy that it made a further revision to address this issue in its mission statement.

By undertaking this fairly simple process, firms can make sure that the key elements in phase one – goal setting – of the marketing planning process are integrated.

Finally, it must be stressed that for corporate objectives to have any real meaning, they must be based on a deep understanding of customer needs. Consequently, the marketing process has to take place where the customers are, so that a mutual interdependency develops between marketing planning at the operational level and the setting of corporate objectives and strategies.

Corporate Objectives	Existing Mission Elements						New Mission Elements Needed	
	(a) Europe's leading supplier	(b) One of top 5 international suppliers by market share	(c) Expand core government and public sector work	(d) Outstanding customer value	(e) Creating long-term partnerships	(f) Enhance role as prime contractors		(g) Best-in-class staff development
1 Maintain position as market share leader and 15% annual growth	✓							
2 Increase profitability	✓							
3 Overseas >30% of turnover in 5 years	✓							
4 Keep staff turnover below 12%							✓	
5 Develop strong long-term customer partnerships	✓			✓				
6 Government and public service areas to be >25% of turnover in 5 years			✓					
7 New products >30% of turnover in 5 years								✓
New objective				✓				
New objective						✓		
New objective								✓

✓ Fully addressed    ✓ Partly addressed

Figure 5.12 Corporate objectives and mission need to be tightly integrated

## Summary

In this chapter, we have looked at the first phase of the planning process, which we called the 'strategic context'. It consists of two steps: formulating the corporate mission and setting corporate objectives and strategies. We went on to define the mission statement and to discuss its strategic value. Companies who had trouble in formulating their mission did so partly from ignorance and partly because they fell into some common traps – they made it too broad or too narrow, were unclear about the audience to which it was addressed, were confused about the nature of their business, the mission was not sufficiently unique and representative of the company, it lacked a motivational element, or it focused on the service products rather than on the customers.

Being clear about what the mission means is one thing, formulating it so that it is both realistic and acceptable is something else. We looked at participative methods for arriving at a mission which had organizational value. Methods such as these not only utilized organizational creativity, but also initiated the communication process which is so essential if the mission is to impact on the hearts and minds of managers and staff.

Corporate objectives and strategies are designed to make the mission come alive. We saw that the organization also had to align its objectives and strategies towards meeting customer needs and that, sometimes, this could have profound implications for the corporate culture. Although objectives could be qualitative or quantitative in nature, the latter must be capable of being measured, because they remove ambiguity. However, we did see that there was a role for qualitative objectives in terms of providing a broad backdrop to the organization.

The success of the whole marketing planning process is determined to a large extent by the way these first two steps are tackled. That is why it should be done very thoroughly. No marketing plan can be written properly until these elements of the overall corporate strategy are in place. That they should be in place is the responsibility of top management, not the marketing department.

However, as will be seen, these corporate objectives must inevitably be driven by a deep understanding of customer markets, which entails getting marketing planning done where the customers are. Thus, both top-down corporate objectives and bottom-up, customer-driven marketing plans are mutually interdependent.