

# The Foundations of Strategy: Mission, Vision, and Values

By

Linda D. Henman, Ph.D.

What is strategy? The definitions vary slightly, but the common elements and their effects on the realities of organizational life are apparent. According to three long-standing experts in the field, strategy is

“a framework of choices that determine the nature and direction of an organization.”<sup>1</sup>

“those policies and key decisions adopted by management that have *major* impacts on financial performance. These policies and decisions usually involve significant resource commitments and are not easily reversible.”<sup>2</sup>

“the *key* factors that dictate the...direction of an organization together with the *process* that the CEO...uses to set direction.”<sup>3</sup>

Every organization is headed somewhere. Too often, however, that direction is not the result of a conscious choice. Instead, leaders engage in *perceived* potential, reactive decision making, or short-term gains designed to placate shareholders and analysts.

Conversely, an effective strategy provides a way to create and capture value while serving the customer. It offers the winning formula for an organization’s purpose, direction, goals, and standards: the organization’s mission, vision, and values. People often talk about mission, vision, and values as if they were all the same thing. However, we should think of them distinctly; each plays a complementary but separate role in the success of any strategy.

## Mission

A mission statement should play the same role in your organization that the Holy Grail did in the Crusades. Your mission defines your reason for being, the touchstone against which you evaluate your strategy, activities, and expectations for overcoming the competition. Without one, you will diffuse resources, enable individual units of the organization to operate in silos, create conflicting tactics, and confuse customers, suppliers, financiers, and employees. Conversely, when you have a well articulated sense of purpose, you will build a firm foundation that provides clear guidance for all significant decisions and establishes a point of reference for setting strategy and planning its execution. A mission statement answers these questions:

Why do we exist?

What is our business?

Who are our customers?

What do our customers value?

In addition to defining the organization's identity, the mission guides its development over time. Although it should be resistant to capriciousness, as the external landscape changes, the leaders must recognize how to translate purpose into practice

Not responding to change often has detrimental, if not devastating repercussions. For example, in 1979 Americans experienced long lines at the gas pumps. Gas prices soared (or at least we thought so then) while supply dwindled. The writing had been on the wall years earlier, but not everyone at the Ford Motor Company read it. Henry Ford II was the chairman of Ford. Lee Iacocca headed Ford US, and Hal Sperlich served as Iacocca's deputy of product design.

In 1976, realizing the needs of the American car buyer to respond to gas shortages and certain the American market would demand smaller cars, Hal Sperlich recommended Ford downsize its cars, advocating smaller, more fuel-efficient cars to compete with foreign imports. Henry Ford disagreed. He pontificated from the outset that he did not want a small, new, front-wheel-drive car because he didn't think the market would change that much. He advocated taking an existing middle-level Ford car, stripping it down, and making it lighter. That car became known in the debate as the "Panther," Henry's favorite.

Even before this debate, in late 1975, after hearing the arguments about how costly a new small line would be, Iacocca offered what he considered an inspirational idea. Honda had impressed him with its engineering and front-wheel-drive technology. After a surreptitious trip to Japan to discuss a joint venture, Iacocca presented his idea to Henry: build the Fiesta within eighteen months with a Honda engine and transmission in it. Henry was indignant, "No Jap engine is going under the hood of a car with my name on it" he announced. "Small cars mean small profits" became his mantra.

For years key leaders at Ford disagreed about the fundamentals of strategy: a shared purpose that responds to change. Iacocca and Sperlich agreed with each other about what they wanted the mission to be—to respond to customer demands—but Henry disagreed. The stalemate led to dire consequences. Ford fired Sperlich, and the American car buyer punished Ford Motor Company. Failure to make decisions based on the mission of the organization cost Ford dearly, yet more than 30 years later, organizations still miss the boat when it comes to putting purpose into practice<sup>4</sup> How can your mission serve as the foundation of your strategy and help you know where you're going if your people don't know what it is and how it can help you define your vision?

## Vision

Once you have considered your mission, the next step in strategy formation is a clear vision statement. A vision statement paints a clear picture of what you intend to do and what you will commit to do. It is a concise statement that defines what success will look like in one, three, and five years, sometimes beyond that. A well-crafted vision statement should include a "big, hairy, audacious goal (BHAG)"<sup>5</sup> that challenges even

well-performing organizations to become better. The classic example of a BHAG is Jack Welch's challenge for every GE business unit to become one or two in its industry. Other components of a vision statement should be a definition of focus and a timeline for execution.

For example, in 1961, everyone understood the vision of NASA to "land a man on the moon and return him safely to earth" within the decade. In the summer of 1969 Americans glued themselves to televisions as Neil Armstrong took his famous one small step for man and giant leap for mankind. Because of the clarity of this vision, legend suggests that during NASA's Apollo initiative a reporter couldn't find anyone to interview about the upcoming launch so decided to talk to the man vacuuming the floor. The reporter asked the janitor what his job was. The janitor answered: "My job is to put a man on the moon," clearly communicating his understanding that he played a vital role in accomplishing NASA's vision.

The mission of an organization tends to remain constant, even when the vision changes. Nike's vision in the 1980s was to annihilate Adidas and then in the 1990s to annihilate Reebok. The mission of annihilation of the competition remained a constant; only the object of the obliteration changed.

During World War II Churchill had a bold, unwavering vision that England would not just survive the war but that it would prevail as a great nation. In spite of the grim reality that the Nazis controlled much of Europe and North Africa and the United States had not entered the fray, Churchill held to his vision, which he shared with his countrymen:

We are resolved to destroy Hitler and every vestige of the Nazi regime. From this, nothing will turn us. Nothing! We will never parley. We will never negotiate with Hitler or any of his gang. We shall fight him by land. We shall fight him by sea. We shall fight him in the air. Until, with God's help, we have rid the earth of his shadow. <sup>6</sup>

Prior to the war, Britain had never had a mission to destroy Hitler, but with the stark realities facing him, Churchill knew he needed to unite the country to support this difficult vision. To this end, he created a department outside the normal chain of command, the Statistical Office, which had the primary function of providing him continuous, updated, unfiltered information.

As Churchill illustrated, and Ford failed to illustrate, a simple but clear vision statement helps you decide where you're going, a critical first step in formulating strategy. It defines something significant you want to do in the future; it inspires, motivates, and challenges. When used in conjunction with your values, it also helps you take a stand on ethical issues.

## Values

Organizational values describe the principles and standards that will guide your ethical decisions. Organizations typically list as their values things like leadership, integrity, quality, customer satisfaction, people working together, and a diverse and involved team. While all of these are laudable, which would a successful organization *not* value? In other words, a list of ideals that *any* organization would promote doesn't really distinguish you, and you're not likely to have any arguments about the importance of embracing these ideals. But how? How do you translate value on paper into value in practice?

Values discussions should address the thorny issues and provide a compass for navigating uncharted seas, even when the price of doing so is significant. For example, in 1987 CEO Robert Haas, the great-great-nephew of founder Levi Strauss implemented corporate values that have helped the clothing organization produce loyal employees and customers, but not without a cost. Because the organization values included a stated desire to be an "organization that our people are proud of and committed to," the leadership at Levi Strauss decided not to do business in countries that have unsatisfactory labor conditions. Therefore, they decided not to use suppliers in mainland China, an expensive decision for a organization that needed to reduce manufacturing costs but one that supported their values.<sup>7</sup> For the Levi Strauss Organization, their values on paper became their values in practice.

In 1992 the United States Navy faced a similar test of its values when the Kuwaiti government purchased F/A 18s and needed to have them ferried to Egypt. The Navy named then Lieutenant Commander Trish Beckman, who was doing acceptance and operational testing at McDonnell Douglas, to fly in the back seat to deliver one of the planes. In spite of fears that the Kuwaiti government would object to accepting a plane a woman had operated, Beckman, who had over 3,000 flying hours in 66 different types of aircraft, flew the mission. Even though decision makers knew the customer was likely to protest Beckman's involvement, based solely on the fact that she is a woman, the Navy leadership decided to put Beckman in the rotation.

The decision makers insisted she fly the mission but indicated willingness to compromise with the customer to address their concerns that a woman would have sat on the ejection seat that Kuwaiti male pilots would eventually have to use. As each crew before them had done, the pilot and Beckman flew the F/A18 into Egypt, but on this delivery mission, an additional procedure seems to have been added to the acceptance checklist: changing the cushions on the ejection seat. (This change to the checklist was never verified).<sup>8</sup>

Like Strauss and the US Navy, your organization needs to live its principles, not just write them. Your values should mean something and serve as criteria for making decisions. Will you fire your most valued, high potential person for a violation of these values? Will you put your own career in jeopardy to uphold them? When you grapple with these kinds of questions, you will be able to develop a list of standards that will

become more than a nice poster in your foyer; these values will serve as the bedrock of your strategy.

### Conclusion

“Strategic” is probably one of the most overused and misrepresented words in today’s organizations. Leaders use it to denote anything they consider important, yet true strategy is limited to those situations that are likely to affect critical outcomes. When senior leaders and those throughout the organization understand the mission, vision, and values of the organization, they can tie short-term actions to long-term goals, which will better ensure the organization will balance the pressures of today with the needs of tomorrow.

### References

<sup>1</sup> Freedman, M. and Tregoe, B. (2003). *The Art and Discipline of Strategic Leadership*. McGraw-Hill. New York, p. 15.

<sup>2</sup> Buzzell, R. and Bradley, G. (1987). *The PIMS Principles: Linking Strategy to Performance*. Free Press, New York.

<sup>3</sup> Robert, M. (1988). *The Strategist CEO: How Visionary Executives Build Organizations*. Quorum, Westport, CN, p.20.

<sup>4</sup> Halberstam, D. (1986). *The Reckoning*. William Morrow and Company: New York.

<sup>5</sup> Collins, J. and Porras, J. (1997). *Built to Last*. HarperCollins Publishers, NY.

<sup>6</sup> Churchill, W. (1950). *The Grand Alliance*. Houghton Mifflin, NY. P. 371.

<sup>7</sup> Lawler, E. (2006). “Business Strategy: Creating the Winning Formula.” *Organizational Development*: Josey-Bass, San Francisco, CA.

<sup>8</sup> Interview with Navy Commander (Ret.) Trish Beckman, February, 2008.