Vision/Mission/Values/Strategy:

An Introduction to Marketing Planning
by Andy Havens

Introduction

For the most part, we do not confuse the most visible tasks of a discipline with the principle function of that field. The tasks of a surgeon may be cutting, sewing, drilling, etc. But his goal – his function – is to mend injuries and save lives. A conductor moves his hands and may wave a baton – but his purpose is to coordinate individual musicians and singers into a coherent, harmonic whole. The old adage has it that an alien observing our culture might conclude that Americans chiefly exist to create and service our automobiles.

For some reason, though, "marketing" is often viewed as simply a collection of activities associated with the promotion of a product or service; advertising, PR, merchandising, sales support, sponsorships, customer retention, etc. In fact, marketing is – or can be – a set of systems that help evaluate, guide and improve an organization. If the tasks of marketing can be seen as "what" gets done, a mature marketing system provides the "how" and "why" of ongoing success. The goals of marketing, simply stated, are the survival and success of the organization as a whole.

Vision: Where are we going?

> *"Would you tell me, please, which way I ought to go from here?" [said Alice]*
> *"That depends a good deal on where you want to get to," said the Cat.*
> *"I don't much care where," said Alice.*
> *"Then it doesn't matter which way you go," said the Cat.*
>
> – From "Alice in Wonderland" by Lewis Carroll

Like Alice, we all want to get "somewhere." It may be, honestly, a desire to simply be somewhere else. Or to be somewhere very similar to where we are now, but with better furniture. The problem for a company or large organization, though, is that its guiding purpose is being constantly assessed and evaluated by clients, employees, and owners. Each group – and each individual within a group – may view the ultimate purpose of a company very differently. To some employees it may be simply a job, to some a career and to others a calling. An investor may be deeply interested in the products and technology of a company, or may simply see it as a good investment when compared to other companies. This multiplicity of views isn't bad… but it does make it difficult to manage the business as a whole. Competing priorities and definitions can constantly cause shifts in perception. Changes in the marketplace can make yesterday's A+ results seem more like a C- today.

That's where the concept of vision comes into play. A company's vision should be a simple statement of the ultimate – often unreachable – goal of the organization. "Unreachable" because, in most cases, businesses intend to be around indefinitely. If a company or group has the intention of going away after the ultimate goal has been met, that would be reflected in the vision statement. But most vision statements are, to a degree, aspirational.

[Note: Throughout this document there will be examples of possible marketing programs; this does not suggest that these are the only appropriate answers. They are meant to be illustrative.]

For example, the vision statement of a mid-sized lawn-care company might be:

VISION: To be the best commercial lawn care company in Ohio

Notice that there are some constraining or clarifying terms within the vision statement; “commercial,” and “Ohio.” A company’s vision should be broad, but not unclear. Many vision statements falter on one of two conflicting fronts; they’re either too detailed, or too vague. For example, if the statement reads, “To be the best lawn care company,” one might naturally ask, “In the world?” No. Probably not. Most landscapers are, to some degree, constrained by geography. Also, since there are both commercial and residential lawn care services, it is important to differentiate which niche this company has chosen.

But what about “best?” What makes a company the “best” in whatever categories it has selected? To define the characteristics of vision, we move into two complimentary areas – mission and values.

Mission: How do we get there?

Almost all business has to appeal to three competing factions; customers, owners and employees. Most modern businesses in mature industries have come to the conclusion that you cannot, over the long term, slight any one of these groups and be successful; this is often called the “Balanced Scorecard” approach. When you concentrate on one or two of the legs, there is an imbalance which will eventually impact the area on which you originally focused your attention. The classic example of this is the business that cuts prices in order to retain customers. While this may be necessary for a short-term promotion, long term price lowering has the effect of reducing shareholder profit. This will reduce investment in the company. Reduced investment means less operating cash flow, which leads to either a reduction in quality of product/service, or the need to raise prices. One step more dreadful than the "law of unintended consequences," myopic business practices often produce the exact opposite consequence of what was originally intended.

A mission statement will often address the need for this balance by having three parts, one for each of the groups concerned with a company’s success. An example:

MISSION:

? **90%+ “Very” or “Extremely” satisfied clients (8+ on scale 1-10)**
? **5%+ yearly improvement in employee satisfaction**
? **10%+ year-over-year increase in net revenue**

A well defined balance between customer satisfaction, profit and employee satisfaction is important. It is even more so if, as is the case in many small companies, the owners are also workers. If there is an unbalanced focus on profit, for example, the owners may be pleased at one level, but conflicted over a loss of personal time, friendliness of employees, etc. In this case, a lack of balance will not only skew company-wide results, but may deeply affect the outlook of individual owners.

It should also be clear that the mission statement has very quantitative, measurable goals. While the vision statement may be somewhat aspirational in an undeterred way, the mission statement <u>must</u> be quantifiable. Unlike the company vision (the Japanese use the term, “hoshin” – a distant, guiding light – to describe the characteristic of vision), the mission is what defines expectations for all concerned. This clarity allows management a means by which to prioritize and justify projects and plans.

Progress towards mission goals should be tracked and communicated frequently; at the very least quarterly. Monthly is better. When progress is communicated only yearly it removes any hope of making people feel personally responsible for an impact on the goals.

The implication, then, is that some measurement must be done on a quarterly or monthly basis in order to track progress. Measurement is implicit in any system that hopes to impact real-life goals, and is of paramount importance when introducing company strategy. No system can be deemed fair if the participants feel that it is biased or arbitrary.

Once the measurements for mission goals are set, communicated and agreed upon, though, the very existence of a quantitative, impartial system of assessing company progress can do much to alleviate feelings of unfairness. People may not like losing at sports, but the scoreboard doesn't lie. If the other team got more points, they win. Fans may feel bad… but they are unlikely to feel betrayed by the system. Similarly, employees at a company that rigorously tracks and reports on progress may not like it when results are less than stellar, but can't argue that the consequences are unfair.

Values: What do we sanction?

Very different behavior can achieve very similar results. For example, both hard-sell and soft-sell advertising tactics can work in the same industry, depending on the manner executed. Teamwork is important in some careers, while self-direction is essential in others. A company's stated values are a way to express which standards are encouraged and acceptable during the pursuit of mission goals. Continuing with our lawn care company example:

VALUES:

- **Customer Service** – Our highest duty is to our customers, who trust us to make their landscaped areas look great for their customers.
- **Family –** We believe that a healthy family life is vital to the all-around well-being of our employees.
- **Community Service** – We believe that we have a duty to serve the communities where we work.
- **Friendliness** – We believe that everything worth doing can be done better while being friendly and helpful. This holds true for interactions with customers, vendors and each other.

A good values statement should avoid those values which are, essentially, a requirement for success in modern business; honesty, hard work, etc. When possible, values statements should be as specific as possible. In the above illustration, for example, the "Community Service" value could be strengthened with a statement to the effect that, "We will give 10% of our net profits and 24 hours per year per employee to help build playgrounds for kids that need them." That would be a very clear, strong indication of the expectations of a company. Values statements help set concrete business goals in a setting of personality and culture.

The most difficult part of crafting a values statement is often deciding when to stop – it's easy to let this part of the plan be the "catch all" for everyone who wants to add something to the pot. And it's hard to argue against adding values like "timeliness," "courtesy," etc. But this list should be kept to 4-6 items. More than that tends to dilute the whole point, and, frankly, will not be a good indicator of culture. This list can be aspirational – maybe strides need to be made in these areas. But there should be general agreement among management – and, where possible, the general employee population – that these values describe "the place where, yes, we want to work."

Strategies: What do we have to do?

Strategy is hard. It needs to be re-thought every year. So far, the areas touched upon should be relatively static once determined. A company should rarely change its vision; to do so would, essentially, change the company into something else. Mission, also, should not be changed more frequently than every five years – it takes that long to put programs in place to yield results. If you change your mission every year, you'll never know how well you're achieving it. Values, too, are core to a company – only change them if there is general agreement that you didn't get them right the first time around.

“Strategies” are the projects, processes and plans that either deliver results to a particular mission, or will aid in measuring results. Every strategy should be linked to at least one mission statement. It is often helpful to break down a mission statement into two or more areas for strategic purposes. Example:

MISSION: 10%+ year-over-year increase in net revenue. Strategies:

? Pricing refinements
? New revenue sources
? Billing procedures
? Accounts receivable improvements
? Collections improvements
? Cost containment/reduction

BIG, FAT, NOTE: These are **NOT** strategies in and of themselves. Some companies make the mistake of calling "cost containment" a strategy. That's like saying that the way to survive in water is to not inhale water. These are simply areas in which strategies can apply to missions.

Depending on available resources and results, a company should pick one or two strategic projects in each of the areas listed. In all areas that have a major impact on mission goals, measurements should be taken regularly. If there is no system in place to measure the results of a strategic project against the previous state, you will never know if a project has succeeded.

Measurement is so important that I will repeat myself: if you don't know how to measure progress toward a strategic goal, find out before you start planning activities. Without measurement, you're doomed to anecdotal evidence, which is a polite business term for fiction.

Let’s take one of the above strategy areas and go a bit deeper:

MISSION: 10%+ year-over-year increase in net revenue.

Strategic parameter: Billing procedures

At issue: The length of time between when our work is done and when the bill is sent to customers can be as long as 60 days.

Goal: Improve billing procedures in order to decrease the time-to-bill by 50%

That's a tall order, but what a great benefit if achieved!

Please note that the strategy document (at this stage) should <u>not</u> recommend specific solutions or address specific problems or issues. The strategic goal above is simply one stated method by which the company has decided to positively impact that particular mission goal. It will be up to a particular project leader and team to determine specific actions.

Also note that the above strategic goal implies a measurement – the average time between when a job is done (in days), and when the bill for that work is sent out. If no system exists to collect this data, creating one is the necessary first step to strategic planning.

Operationalizing the plan

“Operationalizing” is a fancy way of saying “doing what you said you’d do.” Putting a plan into place and not following through on it is arguably worse than having no plan at all – you set everybody up with expectations and then fail to deliver. Many companies with terrific business plans fall down on the operational end. Connecting the daily jobs of individuals to the strategic plan is absolutely necessary for success.

Who does what?

As part of the strategy process, management will need to identify an “owner” for each strategic goal. This may be an individual, committee or department. The determination of success criteria and measurements is often done with the owner before the plan is finalized. For example, if management wishes to decrease long-distance telephone costs, the owner of that process would need to communicate what variables go into that cost, and what a reasonable improvement might be. This does not imply that goals should not require a “stretch.” Amazing results can sometimes be achieved by challenging people and groups to go well beyond what they can initially imagine.

These discussions need to take place for each strategic goal during the planning process; none of the goals should come as a surprise to the owners. The owner of the goal will then devise and present a project plan first to management, and then to his/her team. The project plan should outline specific deliverables, what metrics will be used, what timetables maintained, the need for resources, and who the internal/external customers and suppliers for this project will be [Note: The subject of project planning is an entirely separate discussion].

Who sees what?

Many managers worry that exposure to details of the business will engender confusion and, possibly, resentment in employees who don’t know “the whole story.” First of all, this is a bad mind set for the executive office. It implies that management is more intelligent than workers. It's not – it's just different. And most employees are ready and willing to assume a responsible, informed role in the strategy of the business to which they dedicate a great portion of their lives. When people understand how what they do contributes – or detracts – from the bottom line, it often provides a greater impetus to hard work.

It is sometimes the case, however, that there are particulars of business measurement which are not appropriate to share with all levels of the organization. In that case, some kind of tracking mechanism needs to be put in place. For example, it may be inappropriate to detail the exact amount of spending on a particular item, but reduction of that expense may be a key goal. In this case, simply reporting the reduction – or (hopefully not) increase – in that area is sufficient. The report to the workforce may read something like, “We have reduced the cost of office supplies by 5% so far this year. Keep working towards that goal of 7.5% by the end of the year.” As long as people know the results, and how they have contributed, the “raw” numbers aren’t necessarily needed.

Who gets what?

Many companies now link a portion of employee compensation to goals set out in the strategic plan. Some companies split this performance compensation into categories for company, department and individual goals. The payout of goals can be based on sliding scales that are communicated to everyone at the beginning of the year. If a company normally turns a net profit of 20%, and would like to increase that to 22%, then the portion of compensation linked to that measure would range from 0% (if net profit ends at 18% or lower), to 200% (if net profit hits 24%). At 100% of goal – in this case, a net profit of 22% -- employees make 100% of that performance payment.

Company goal coefficients must be measured quantitatively and should be shared by all employees. For example, if the company has a goal to grow its net profit by 10%, then a portion of every employee’s bonus will be tied to that measure. Sometimes the portion of company-linked performance compensation grows with the level of employee; a department director may have more of his pay “at risk” in the company category than a line level employee. Higher level employees often have more “at risk” pay overall than line-level employees. A CEO might expect 40-50% of his/her total compensation to be tied to goals, with the obvious downside of earning a half salary if everything goes south, or an upside of earning 150% of base compensation when business is booming. An entry-level employee may only have 5-10% of salary tied to goals; this is a reflection on the decreased ability of line employees to affect company-wide results. It's also a good way to keep upper management highly motivated.

Group/location/department goals can often be measured quantitatively, or at least through surveys which attempt to quantify performance. Individual goals, however, are often part of the end-of-year review process, and are based solely on mangers’ qualitative analysis. In this case, it is very important to communicate ongoing progress to personal goals throughout the year, at least quarterly. It is also important to document what must be done to improve these factors, or employees will feel disconnected to that portion of their performance pay that is, in fact, most personal.

It is critical that all employees feel tied to the strategic plan both in their daily jobs and in how they are compensated. This link provides a tangible focus for activities and a drive to help the organization as a whole succeed.

Finally: Understanding = Attitude

Think of an organization as a football team – every player needs to know plays and positions. It helps to know which is your end of the field, too. And whether you’re playing defense or offense at any given time. What down is it? How far to first down? Are we in field goal range? Football players expect to know these details in order to win.

How many employees know the “plays” of their company? Or even know how long the field is? Or who is playing what position? Employees provide more value to their companies when they understand the rules by which they play, how success is measured, and where their efforts fit into the whole.

Surprising gains in productivity and profitability can be made when everyone is working as part of a team, instead of off their own play book.