Part 2 Strategy Formulation 2 The Business Vision and Mission Source: Maksym Yemelyanov/Fotolia Learning Objectives After studying this chapter, you should be able to do the following: 2-1 Describe the nature and role of vision statements in strategic management. 2-2 Describe the nature and role of mission statements in strategic management. 2-3 Discuss the process of developing a vision and mission statement. 2-4 Discuss how clear vision and mission statements can benefit other strategic-management activities. 2-5 Describe the characteristics of a good mission statement. 2-6 Identify the components of mission statements. 2-7 Evaluate mission statements of different organizations and write effective vision and mission statements. Assurance of Learning Exercises The following exercises are found at the end of this chapter: Exercise 2A Develop an Improved BB&T Mission Statement Exercise 2B Evaluate Three Mission Statements Exercise 2C Write a Vision and Mission Statement for Hershey Company Exercise 2D Compare Your College or University’s Vision and Mission Statements to That of a Leading Rival Institution Exercise 2E Conduct Mission Statement Research This chapter focuses on the concepts and tools needed to evaluate and write business vision and mission statements. It also provides a practical framework for developing and creating effective vision and mission statements. Actual mission statements from large and small organizations and for-profit and nonprofit enterprises are presented and critiqued. The exemplary company examined in the beginning of this chapter, H&R Block, recently broadened its mission to encompass providing health-insurance advice to customers, as well as providing income-tax advice. We can perhaps best understand vision and mission by focusing on a business when it is first started. In the beginning, a new business is simply a collection of ideas. Starting a new business rests on a set of beliefs that the new organization can offer some product or service to some customers in some geographic area using some type of technology at a profitable price. A new business owner typically believes his or her philosophy of the new enterprise will result in a favorable public image, and the business concept can be effectively communicated to and adopted by important constituencies. When the set of beliefs about a business at its inception is put into writing, the resulting document mirrors the same basic ideas that underlie vision and mission statements. As a business grows, owners or managers find it necessary to revise the founding set of beliefs, but those original ideas usually are reflected in the revised statements of vision and mission. Vision and mission statements often can be found in the front of annual reports. They often are displayed throughout a firm’s premises and are distributed with company information sent to constituencies. The statements are part of numerous internal reports, such as loan requests, supplier agreements, labor relations contracts, business plans, and customer service agreements. Exemplary Company Showcased H&R Block (HRB) Headquartered in Kansas City, Missouri, H&R Block has more than 10,000 branches across all 50 states—more retail locations than either Dunkin’ Donuts or Walgreens. Historically, the company has been a tax-preparation firm, but CEO Bill Cobb recently changed his company’s mission to being “in the business of helping citizens comply with government rules.” This broadened mission still includes being a tax-preparation firm, but now the company also helps Americans navigate the Affordable Care Act (ACA) provisions. The ACA is closely tied to tax-filing obligations because individuals without employer-provided health insurance must buy coverage, either directly or through an online exchange. Those with incomes below a certain level are eligible for a subsidy, the amount of which will be set and verified through the tax-filing process. In this sense, ACA is technically an “advance tax credit.” H&R Block says nearly two-thirds of its clients “seem to be eligible for an ACA subsidy.” Also, as part of ACA coverage, individuals who receive a subsidy are required to file a tax return, whether they have worked the prior year or not, expanding H&R Block’s pool of potential tax-preparation customers. Those who fail to enroll in a qualified insurance plan will have to pay a penalty, also administered through the tax-reporting process and, in many cases, paid via a reduced refund. For both ACA and H&R Block, 2014 was a transition year, because the early-2015 tax season entailed subsidies and penalties being sorted out in earnest for the first time. H&R Block’s broadened mission enables the firm to obtain new customers and revenues, instead of basically being a 14-week-per-year tax-preparation business. Source: Based on information at http://www.hrblock.com/healthcare/