

CHAPTER 2

The Business Vision and Mission

True/False

Introduction

1. Vision and mission statements can often be found in the front of annual reports.
(t; medium; p. 50; AACSB: Reflective thinking skills)
2. Although it is important for companies to have a clearly defined mission statement, research has shown that less than 50% of all companies have used a mission statement in the previous five years.
(f; medium; p. 50)

What Do We Want To Become?

3. The foundation for development of a comprehensive mission statement is provided by a clear vision.
(t; easy; p. 50)
4. The mission statement should be short—preferably one sentence.
(f; easy; p. 50)
5. When developing a vision statement, input should be received from as many managers as possible.
(t; easy; p. 50)
6. If an organization chooses to have both a mission and a vision, the mission statement should be established first.
(f; medium; p. 51; AACSB: Reflective thinking skills)

What Is Our Business?

7. According to Peter Drucker, asking the question “What is our business?” is synonymous with asking the question “What is our vision?”

(f; difficult; p. 51; AACSB: Reflective thinking skills)

8. A mission statement is a declaration of an organization's "reason for being."
(t; easy; p. 51)
9. A mission statement, sometimes called a creed statement, can be defined as an "enduring statement of purpose that distinguishes one organization from other similar enterprises."
(t; medium; p. 51)
10. There is no need for a mission statement in small, nonprofit organizations.
(f; medium; p. 51)
11. A mission statement is a declaration of an organization's financial status.
(f; easy; p. 51)
12. A mission statement can sometimes be called a statement of philosophy.
(t; easy; p. 51)
13. Carefully prepared statements of vision and mission are widely recognized as the first step in strategic management.
(t; medium; p. 51)
14. An important question a mission statement should answer is, "What do we want to become?"
(f; medium; p. 53; AACSB: Reflective thinking skills)
15. Whereas the mission statement answers the question "What do we want to become?," the vision statement answers the question "What is our business?"
(f; difficult; p. 53)
16. In order to motivate a workforce effectively, both profit and vision are needed.
(t; medium; p. 53)
17. When developing a mission statement, it is usually advisable to involve as few managers as possible.

(f; easy; p. 53)

18. The first step in the process of developing a mission statement is to ask all participants to prepare what they believe the organization's mission should be.

(f; medium; p. 53)

19. According to Campbell and Yeung, the process of developing a mission statement should create an "emotional bond" and "sense of mission" between the organization and its employees.

(t; medium; p. 53; AACSB: Reflective thinking skills)

20. According to Campbell and Yeung, an organization's vision is associated with behavior and with the present.

(f; medium; p. 53)

The Importance of Vision and Mission Statements

21. According to King and Cleland, carefully developed and written mission statements ensure unanimity of purpose within the organization.

(t; easy; p. 54)

22. Research has failed to find a positive relationship between mission statements and organizational performance.

(f; medium; p. 54)

23. Mission statements are sometimes difficult to derive because top management may disagree over company objectives.

(t; medium; p. 54)

24. The most important time for a company to develop a mission and vision statement is when the company is experiencing financial difficulty.

(f; medium; p. 55; AACSB: Reflective thinking skills)

25. In multidivisional organizations, each division should develop a mission statement independent of the parent company.

(f; medium; p. 55)

26. Mission statements provide managers with a unit of direction that transcends individual, parochial and transitory needs by promoting a sense of shared expectations among all levels and generations of employees.
- (t; medium; p. 55)
27. A mission statement promotes a sense of shared expectations among all levels and generations of employees.
- (t; medium; p. 55)
28. When a company has been successful and/or unsuccessful, the question “What is our business?” should be asked.
- (t; easy; p. 55)

Characteristics of a Mission Statement

29. A mission statement is usually a simple statement of specific beliefs.
- (f; easy; p. 56)
30. A mission statement should be broad enough to reconcile differences among an organizations various stakeholders.
- (f; difficult; p. 56)
31. Stakeholders of an organization include stockholders, customers and creditors, but not competitors.
- (f; medium; p. 56)
32. Individuals who own stock in a corporation are considered stakeholders.
- (t; easy; p. 56)
33. Stakeholders both affect and are affected by an organization’s strategic decisions.
- (t; easy; p. 56)
34. Mission statements should be stated with high level of precision.
- (f; medium; p. 56; AACSB: Reflective thinking skills)

35. The relative attention an organization will devote to meeting the claims of various stakeholders is indicated in a good mission statement.

(t; medium; p. 56)

36. Precision might stifle creativity in the formulation of an acceptable mission or purpose.

(t; medium; p. 56)

37. Due to new emission standards, the production of big-rig trucks has decreased significantly.

(t; medium; p. 50; AACSB: Ethical understanding and reasoning abilities)

38. In most cases, several paragraphs are required to effectively state a mission statement.

(f; easy; p. 56)

39. An effective mission statement generates the impression a firm is successful, has direction, and is worthy of time, support and investment.

(t; medium; p. 56)

40. According to Vern McGinnis, to be effective, all a mission statement need to do is define what the organization is and what the organization aspired to be.

(t; medium; p. 58)

41. It is generally a good idea to use the mission statement as a guide when completing an external and internal analysis.

(f; medium; p. 58)

42. Good mission statements identify the utility of a firm's products to its customers.

(t; medium; p. 58)

43. Attracting customers is a major reason for developing a mission statement.

(t; easy; p. 58)

44. Social policy should be designed and articulated during the strategy-implementation stage.
(t; medium; p. 50; AACSB: Ethical understanding and reasoning abilities)
45. During the strategy-implementation process, social policy should be set and administered.
(t; medium; p. 58; AACSB: Ethical understanding and reasoning abilities)
46. Social policy should be reaffirmed or changed during strategy implementation.
(f; difficult; p. 58; AACSB: Ethical understanding and reasoning abilities)
47. Corporate policies related to mandatory retirement are a growing concern in many counties.
(t; medium; p. 60; AACSB: Ethical understanding and reasoning abilities)
48. According to a survey completed in 2007, United Parcel Service (UPS) scored very low in corporate responsibility.
(f; difficult; p. 59; AACSB: Ethical understanding and reasoning abilities)
49. From a social responsibility perspective, Toys “R” Us is one of the least admired companies.
(t; medium; p. 59; AACSB: Ethical understanding and reasoning abilities)
50. According to the Nobel Laureate Milton Friedman, organizations have tremendous social obligations.
(f; difficult; p. 59; AACSB: Ethical understanding and reasoning abilities)
51. Japan’s national debt is difficult to reduce largely because the country does not view immigration as a good means to offset declines in the number of workers.
(t; medium; p. 60; AACSB: Multicultural and diversity understanding)
52. The percentage of foreign workers to the total population is greater in the United Kingdom than in the United States
(f; medium; p. 60; AACSB: Multicultural and diversity understanding)

Components of a Mission Statement

53. A firm's philosophy in a mission addresses the question, "What is the firm's distinctive competence?"

(f; medium; p. 61)

54. A firm's concern for employees in a mission addresses the question, "Is the firm responsive to social, community, and environmental concerns?"

(t; medium; p. 61; AACSB: Ethical understanding and reasoning abilities)

Conclusion

55. According to Peter Drucker, developing a clear business vision and mission is the first responsibility of strategists.

(t; easy; p. 63)

56. Environmental changes should not change a mission statement.

(f; medium; p. 50; AACSB: Ethical understanding and reasoning abilities)

57. A well-conceived mission statement is the cornerstone of effective strategic management.

(t; easy; p. 63)

Multiple Choice

Introduction

58. The vision and mission statement can often be found
- in the SEC report.
 - in annual reports.
 - on customer receipts.
 - on supplier invoices.
 - on community news bulletins.

(b; medium; p. 50; AACSB: Reflective thinking skills)

59. According to recent studies, what percent of companies have used a mission statement sometime in the past five years?
- a. 15%
 - b. 30%
 - c. 60%
 - d. 75%
 - e. 90%

(e; easy; p. 50)

What Do We Want To Become?

60. Which of these basic questions should a vision statement answer?
- a. What is our business?
 - b. Who are our employees?
 - c. Why do we exist?
 - d. What do we want to become?
 - e. Who are our competitors?

(d; medium; p. 50)

61. Which statement should be created first and foremost?
- a. Strategic
 - b. Vision
 - c. Objectives
 - d. Mission
 - e. Competitive advantage

(b; easy; p. 50)

62. The ideal length of a vision statement is:
- a. one page.
 - b. several paragraphs.
 - c. one sentence.
 - d. as long as necessary to convey the message.
 - e. several sentences.

(c; easy; p. 50)

What Is Our Business?

63. Who is referred to as “the father of modern management?”
- a. Deming
 - b. Peters
 - c. Drucker
 - d. McGinnis
 - e. Smith

(c; medium; p. 51)

64. What is the first step in the comprehensive strategic-management model?
- a. Developing vision and mission statements
 - b. Performing external audits
 - c. Performing internal audits
 - d. Measuring and evaluating performance
 - e. Establishing long-term objectives

(a; medium; p. 52)

65. According to the comprehensive strategic-management model, which step needs to be completed immediately following the establishment of long-term objectives?
- a. Developing vision and mission statements
 - b. Performing external audits
 - c. Performing internal audits
 - d. Generating, evaluating, and selecting strategies
 - e. Measuring and evaluating performance

(d; medium; p. 52; AACSB: Reflective thinking skills)

66. The purpose of a mission statement is to declare all of these *except*:
- a. a reason for being.
 - b. an annual financial plan.
 - c. a statement of purpose.
 - d. a statement of beliefs.
 - e. whom it wants to serve.

(b; medium; p. 52)

67. As indicated in the strategic-management model, a clear _____ is needed before alternate strategies can be formulated and implemented.
- a. long-term objective
 - b. short-term objective
 - c. policy
 - d. mission statement
 - e. evaluation strategy

(d; easy; p. 53)

68. A businesses mission is the foundation for all of the following *except*:
- a. priorities.
 - b. strategies.
 - c. plans.
 - d. employee wage rates.
 - e. work assignments.

(d; easy; p. 53)

69. The mission statement answers which question?
- a. What is our business?
 - b. How can we improve ourselves?
 - c. What do we want to become?
 - d. Who are our stakeholders?
 - e. How can we increase profitability?

(a; medium; p. 53)

70. The vision statement answers which question?
- a. What is our business?
 - b. How can we improve ourselves?
 - c. What do we want to become?
 - d. Who are our stakeholders?
 - e. How can we increase profitability?

(c; easy; p. 53)

71. In the process of developing a mission statement, it is important to involve
- a. as few managers as possible.
 - b. as many managers as possible.
 - c. upper-level management only.
 - d. lower-level management only.
 - e. the board of directors only.

(b; easy; p. 53)

72. The process of developing a vision and mission statement includes which of these as the first activity?
- a. A request to modify the current document
 - b. Ask managers to read selected articles about mission statements.
 - c. Ask managers to prepare a mission statement for the organization.
 - d. Have a brainstorming session on whether the organization should have a mission statement.
 - e. A merging of several mission statements into one document

(b; medium; p. 53)

73. After a draft mission statement has been developed, it is important to:
- a. ask managers to read several articles about mission statements as background information.
 - b. vote on the mission statement.
 - c. ask managers to prepare a mission statement for the organization.
 - d. ask managers to seek support for the mission statement from their subordinates.
 - e. provide a request for modifications, additions and deletions to the mission statement.

(e; difficult; p. 53; AACSB: Reflective thinking skills)

74. What can be used to promote unbiased views and to manage the development of the mission statement more effectively?
- a. an internal group
 - b. a committee of managers
 - c. command-and-control
 - d. surveys
 - e. a facilitator

(e; medium; p. 53)

75. According to Campbell and Yeung, what is/are most likely associated with behavior and the present.
- a. Mission
 - b. Values
 - c. Long-term objectives
 - d. Vision
 - e. Short-term objectives

(a; difficult; p. 53)

Importance of Vision and Mission Statements

76. A study by Rarick and Vitton found that firms with a formalized mission statement have _____ the average return on shareholders' equity compared to those firms without a formalized mission statement.
- a. one quarter
 - b. half
 - c. twice
 - d. three times
 - e. five times

(c; medium; p. 54; AACSB: Analytic skills)

77. *Business Week* reports that firms using mission statements have _____ percent higher return on certain financial measures than those without such statements.
- a. 10
 - b. 15
 - c. 30
 - d. 57
 - e. 54

(c; medium; p. 54; AACSB: Analytic skills, Reflective thinking skills)

Ans: c

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78. King and Cleland recommend organizations carefully develop a written mission statement for all of the following reasons *except*:
- a. to provide a basis for allocating organizational resources.
 - b. to establish a general tone or organizational climate.
 - c. to ensure unanimity of purpose within the organization.
 - d. to ensure a command-and-control structure.
 - e. to facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization.

(d; medium; p. 54)

79. What is needed before people can focus on specific strategy formulation activities when developing a mission statement?
- a. Negotiation
 - b. Compromise
 - c. Eventual agreement
 - d. A and B
 - e. all of the above

(e; easy; p. 54)

80. What is the best time to develop a mission statement?
- a. before a business is opened
 - b. when the firm is successful
 - c. when the firm is in financial trouble
 - d. when the firm is in legal trouble
 - e. when the firm encounters competition

(b; medium; p. 55)

81. What is likely to happen if a mission or vision statement is implemented during troubled times for a firm?
- a. Employees will ignore the new mission or vision statement.
 - b. Profitability will decline.
 - c. The firm will experience a reverse in the decline of profitability.
 - d. No change
 - e. Managers will be unable to resolve divergent views.

(c; medium; p. 55; AACSB: Reflective thinking skills)

Characteristics of a Mission Statement

82. Which group would be classified as a stakeholder?
- a. Communities
 - b. Banks
 - c. Suppliers
 - d. Employees
 - e. all of these

(e; easy; p. 56)

83. All stakeholders:
- a. have claims and concerns about an organization, but these claims and concerns vary.
 - b. have the same claims and concerns about an organization.
 - c. have ownership rights in an organization.
 - d. have the same voting rights in an organization.
 - e. have environmental concerns as their top priority.
- (a; medium; p. 56)
84. The three characteristics of a mission statement are a declaration of attitude, a declaration of social policy and:
- a. an employee orientation.
 - b. a customer orientation.
 - c. a shareholder orientation.
 - d. an environmental orientation.
 - e. a profit orientation.
- (b; difficult; p. 58)
85. The potential for creative growth for the organization can be limited by
- a. an overemphasis on stakeholders.
 - b. not enough emphasis on stakeholders.
 - c. a mission statement that is too general.
 - d. a mission statement that is too specific.
 - e. a mission statement that is too dynamic.
- (d; easy; p. 58)
86. A proactive environmental policy is likely to lead to:
- a. higher cleanup costs
 - b. conservation of energy
 - c. reduced customer loyalty
 - d. numerous liability suits
 - e. higher medical costs
- (b; medium; p. 57; AACSB: Ethical understanding and reasoning abilities)

87. The general public is especially interested in _____, whereas stockholders are more interested in _____.
- a. environmental concerns; social responsibility
 - b. social responsibility; the treatment of employees
 - c. the treatment of employees; environmental concerns
 - d. profitability; social responsibility
 - e. social responsibility; profitability
- (e; medium; p. 59; AACSB: Ethical understanding and reasoning abilities)
88. What happened to sales of big-rig trucks as a result of new federal regulations on emissions?
- a. sales increased by 50 percent
 - b. sales increased by 30 percent
 - c. sales decreased by 50 percent
 - d. sales decreased by 30 percent
 - e. the change had no impact on sales
- (d; medium; p. 57; AACSB: Ethical understanding and reasoning abilities)
89. In developing a mission statement, arousing emotion
- a. is not a benefit.
 - b. is the most important goal.
 - c. is important.
 - d. should be avoided if possible.
 - e. is counterproductive.
- (c; easy; p. 57)
90. According to McGinnis, a mission statement should be all of the following *except*:
- a. it should be specific enough to control creative growth.
 - b. it should be stated in clear terms.
 - c. it should distinguish an organization from all others.
 - d. it should define what an organization is.
 - e. it should serve as a framework for evaluating both current and prospective activities.
- (a; medium; p. 58)

91. An effective mission statement is all of the following *except*:
- a. It reflects judgments about future growth directions that are based upon forward-looking external and internal analyses.
 - b. It provides useful criteria for selecting among alternative strategies.
 - c. It provides a basis for generating and screening strategic options.
 - d. It is static in orientation.
 - e. It should include options that are considered less promising.

(d; medium; p. 58)

92. Good mission statements identify the _____ of a firm's products to its customers.
- a. utility
 - b. price
 - c. profit margin
 - d. demand
 - e. popularity

(a; easy; p. 58)

93. Which of these examples of a mission statement's focus area *is not* effective?
- a. AT&T focuses on communication rather than telephones.
 - b. Exxon/Mobil focuses on oil and gas rather than energy.
 - c. Union Pacific focuses on transportation rather than railroads.
 - d. Universal Studios focuses on entertainment rather than movies.
 - e. Starbucks focuses on the café experience rather than coffee.

(b; medium; p. 58)

94. Corporate social policy should be designed and articulated during which phase of strategy development?
- a. implementation
 - b. formulation
 - c. evaluation
 - d. control
 - e. management

(b; difficult; p. 59; AACSB: Ethical understanding and reasoning abilities)

95. The corporate social policy should be reaffirmed or changed during which phase of strategy development?
- a. strategy implementation
 - b. strategic mission
 - c. strategy formulation
 - d. strategy evaluation
 - e. strategy control

(d; difficult; p. 59; AACSB: Ethical understanding and reasoning abilities)

96. In 2007, which of the following companies was ranked as the most admired company for social responsibility?
- a. IBM.
 - b. Walt Disney.
 - c. CHS.
 - d. Starbucks.
 - e. Toys “R” Us.

(c; medium; p. 59; AACSB: Ethical understanding and reasoning abilities)

97. In 2007, which of the following companies was ranked as the least admired company for social responsibility?
- a. Visteon.
 - b. Toys “R” Us.
 - c. McDonalds.
 - d. UPS.
 - e. Navistar International.

(a; medium; p. 59; AACSB: Ethical understanding and reasoning abilities)

Components of a Mission Statement

98. In regard to its elderly workforce, Japan varies from the United States in that:
- a. A smaller percentage of Japan’s senior citizens work
 - b. Japan does not have laws banning discrimination based on age
 - c. Most Japanese workers retire before 60
 - d. Japanese citizens are required to retire at 60
 - e. Japan is phasing in a shift from ages 65 to 60 as the date when a pension can be received

(b; medium; p. 61; AACSB: Multicultural and diversity understanding)

99. Which country has the lowest percentage of foreign workers to the total population?
- a. United States.
 - b. Japan.
 - c. Canada.
 - d. Germany.
 - e. United Kingdom.

(b; difficult; p. 60; AACSB: Multicultural and diversity understanding)

100. Effective mission statements can vary in
- a. length.
 - b. content.
 - c. format.
 - d. specificity
 - e. all of the above

(e; easy; p. 61)

101. Which component of a mission statement addresses the firm's distinctive competence or major competitive advantage?
- a. Technology
 - b. Philosophy
 - c. Concern for public image
 - d. Customers
 - e. Self-concept

(b; medium; p. 61)

102. Which component of a mission statement addresses the basic beliefs, values, aspirations, and ethical priorities of the firm?
- a. Technology
 - b. Philosophy
 - c. Concern for public image
 - d. Customers
 - e. Self-concept

(b; medium; p. 61; AACSB: Ethical understanding and reasoning abilities)

103. Which question(s) are answered in an effective mission statement?
- a. What is the purpose of our organization?
 - b. What is our company philosophy or self-concept?
 - c. What technology will we employ to achieve our objectives?
 - d. Who are the firm's customers?
 - e. All of the above

(e; easy; p. 61)

104. Which of the following dimensions are not recommended aspects of a mission statement?
- a. Strategies
 - b. Self-concept
 - c. Concern for employees
 - d. Markets
 - e. Customers

(a; easy; p. 61)

Conclusion

105. Effective mission statements
- a. are usually changed every few months.
 - b. are usually changed every few years.
 - c. never require revision.
 - d. become ineffective in the first year.
 - e. stand the test of time and require little revision.

(e; easy; p. 63)

Essay Questions

107. Describe why a mission statement is so important in the strategic-management process.

A clear mission statement is essential for effectively establishing objectives and formulating strategies. It reveals what an organization wants to be and whom it wants to serve. A business mission is the foundation for priorities, strategies, plans and work assignments. It is the starting point for the design of managerial jobs and for the design of managerial structures.

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108. Compare and contrast vision statement with mission statement.

Many organizations develop both a mission statement and a vision statement. Whereas the mission statement answers the question, “What is our business,” the vision statement answers the question, “What do we want to become?” When employees and managers together shape or fashion the vision and mission statements for a firm, the resultant documents can reflect the personal visions managers and employees have in their hearts and minds about their own futures. Shared vision creates a commonality of interests that can lift workers out of the monotony of daily work and put them into a new world of opportunity and challenge.

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109. Explain the process of developing a mission statement.

A widely used approach to developing a mission statement is first to select several articles about mission statements and ask all managers to read these as background information. Then ask managers themselves to prepare a mission statement for the organization. A facilitator or committee of top managers should then merge these statements into a single document and distribute this draft mission statement to all managers. A request for modifications, additions and deletions is needed next, along with a meeting to revise the document. To the extent all managers have input into and support the final mission statement document, organizations can more easily obtain managers’ support for other strategy formulation, implementation and evaluation activities.

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110. King and Cleland recommend organizations carefully develop a written mission statement for six reasons. List and describe five of these reasons.

There are six reasons King and Cleland give to develop a mission statement. Students may list and describe any five of the following: (1) to ensure unanimity of purpose within the organization, (2) to provide a basis, or standard, for allocating organizational resources, (3) to establish a general tone or organizational climate, (4) to serve as a focal point for individuals to identify with the organization’s purpose and direction, and to deter those who cannot from participating further in the organization’s activities, (5) to facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization, and (6) to specify organizational purposes and then to translate these purposes into objectives in such a way that cost, time and performance parameters can be assessed and controlled.

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111. Describe the characteristics of an effective mission statement.

The major characteristics of an effective mission statement are a declaration of attitude, a customer orientation and a declaration of social policy.

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112. A good mission statement effectively reflects the anticipations of customers and reveals the utility that various products or services offer customers. Give three examples of this.

Student answers may vary, but could include that: (1) AT&T's mission statement focuses on communication rather than on telephones; (2) Exxon's mission statement focuses on energy rather than on oil and gas; (3) Union Pacific's mission statement focuses on transportation rather than on railroads; and/or (4) Universal Studios' mission statement focuses on entertainment rather than on movies.

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113. List and define the major components of an effective mission statement.

Students should list and define the following components of an effective mission statement: (1) customers, (2) products or services, (3) markets, (4) technology, (5) concern for survival, growth and profitability, (6) philosophy, (7) self-concept, (8) concern for public image and (9) concern for employees.

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114. Define and give an example of the self-concept component in a mission statement.

The self-concept component of a mission statement asks the question, "What is the firm's distinctive competence or major competitive advantage?" An example of the self-concept component is, "Crown Zellerbach is committed to leapfrogging ongoing competition within 1,000 days by unleashing the constructive and creative abilities and energies of each of its employees."

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