Strategic Management A Competitive Advantage Approach Concepts and Cases 17th edition David Solutions Manual

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Chapter 2 – Business Vision and Mission

Overview

Chapter 2 describes the nature and role of vision and mission statements in strategic planning, and provides specific guidelines on how to develop these statements. Both characteristics and components that should be included in these statements are provided, as are numerous examples. In this course, students should become proficient devising and improving vision and mission statement documents, and this chapter provides the foundation for that knowledge. Everything a company or organization does should be vision and mission driven, so the language in these statements is vitally important – the statements are not just "feel good" platitudes.

Learning Objectives

2-1. Explain the need for core value statements in strategic management.
2-2. Describe the nature and role of vision statements in strategic management.
2-3. Identify the characteristics of a vision statement.
2-4. Describe the nature and role of mission statements in strategic management.
2-5. Identify and discuss the characteristics of an effective mission statement.
2-6. Identify and discuss the components of mission statement.
2-7. Discuss the benefits for a firm having clear vision and mission statements.
2-8. Evaluate and write mission statements for different organizations.

Teaching Tips

This chapter has been reorganized in the 17th edition and now introduces the concept of core values as well as characteristics of an effective vision statement.

1. Go to the **www.strategyclub.com** website and show in class the author videos related to Chapter 2.

2. Go to the **www.strategyclub.com** website and click on Student Resources and then click on Mission Statement Article and ask the class to prepare their proposed mission statements in this course according to that article, which simply expands on the material presented in Chapter 2 about the statements being customer-focused.

3. Use the following two quotes in this chapter to discuss the importance of vision/mission statements in strategic management:

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a) "You are never going to get anyone to charge the machine guns only for financial objectives. It has got to be something that makes people feel better, feel a part of something."

b) "Three people were at work on a construction site. . . . Few of us can build cathedrals, but to the extent we can see the cathedral in whatever cause we are following, the job seems more worthwhile."

4. Emphasize that the vision and mission of a firm should be so compelling that readers should want to invest in the firm, work for the firm, be proud of the firm, respect the firm, and realize what the firm is all about. The list of vision statement characteristics in Table 2-2 and mission statement characteristics in Table 2-3 are especially important.

5. Among the nine components of a mission statement, the most important is perhaps self-concept (distinctive competence). Make sure students realize the "self-concept" component is critical for revealing competitive advantage to customers, potential customers, and all stakeholders. For example, for Hershey, why should we purchase chocolate from Hershey rather than from M&M Mars or Nestle? Where in the mission statement of Hershey is their self-concept component? The "self-concept" component is much more than "what the firm thinks of itself."

6. Highlight and discuss the proposed mission statement for Hershey as presented in Table 2-6. Note that all nine components are included and are written from a customer perspective and comprise only 72 words.

7. Go through the end-of-chapter review questions since they apply chapter concepts. Most professors also go through all the end-of-chapter exercises for this chapter. In this way, class time is spent in a more interactive way with students, rather than straight lecture. To help ensure students' attention, consider having Test 1 (on Chapters 1-6) and Test 2 (on Chapters 7-11) be composed of at least one half verbatim end-of-chapter review questions – if you use traditional tests in this course rather than grading student projects twice per semester for Test 1 and Test 2 grades.

8. The end-of-chapter exercises provide several more exemplary improved vision and mission statements. Remind students that ideally any organization needs their employees and managers on a mission to work hard for the firm, to know that their hard work will be rewarding to them personally and professionally; achieving this desired end begins with having a clear vision and mission statement.

Answers to End-of-Chapter 2 Review Questions

2-1. This chapter's exemplary strategist is CEO and founder of FedEx, Frederick Smith. How closely aligned do you think CEO Smith's personal vision statement

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would/should be with his corporate vision statement?

Answer: Trees blossom or die from the top. The CEO's personal vision should match the corporate vision.

2-2. This chapter's ethics capsule is about Facebook changing its mission to become more ethical. How closely aligned do you think Facebook Chairman Mark Zuckerberg's personal mission statement would/should be with his corporate mission statement?

Answer: Trees blossom or die from the top. The CEO's personal mission should match the corporate mission.

2-3. Regarding the "survival, growth, and profitability component, for publically held firms, shareholders oftentimes expect at least a 4 percent annual growth in revenues." Explain why this statement is true.

Answer: This is a true statement because the average corporate return on investment ranges from 4 to 5 percent; once firms fall below that level of top line (revenue) and/or bottom line (net income) growth, then shareholders can easily get higher returns on their money.

2-4. Explain the 5 by 5 Test associated with vision statements.

Answer: Effective vision statements exhibit the following five characteristics; these five attributes can be used as guidelines for writing or evaluating vision statements. Any vision statement that scores a 5 out of 5 on these characteristics is exemplary. Let's call this vision assessment technique "The 5 out of 5 Test."

1. Clear – reveals type of industry and what firm strives to become
2. Futuristic – reveals what the firm strives to become or accomplish within five years
3. Concise – one sentence in length
4. Unique – reveals the firm's competitive advantage
5. Inspiring – motivates readers to support the firm

2-5. At the website http://www.themarketingblender.com/vision-mission-statements/ it defines vision as "the dreaming piece" and defines mission as "the doing piece." How effective is this distinction?

Answer: This is a fair characterization of the two terms because vision reveals what we foresee the firm to be in five years whereas the mission reveals the essence of the firm right now.

2-6. Discuss the relative importance of vision and mission documents for managers versus employees, customers, and shareholders.

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Answer: Employees are much more productive when they believe in and support the firm's vision and mission, so an argument could be made that it is most important for employees to support the vision/mission. But little to no empirical research has examined this issue. It is vitally important for all stakeholders to know and support the firm's vision and mission.

2-7. Define "reconciliatory" and give an example of how this "characteristic" can be met in a mission statement.

Answer: Reconciliatory refers to the need for a mission statement to be supported by all stakeholders, even though the claims of various stakeholders on the firm conflict. For example, shareholders want large profits, which conflicts with employees wanting high wages, yet support is needed from both constituencies. Thus, ideally a statement reconciles differences among key stakeholders, and does so best by including the nine components written from a customer perspective. To leave out any component, especially employees or customers or even profitability (or growth), would undermine the desired reconciliatory characteristic.

2-8. Which mission statement component most closely reveals the firm's distinctive competence? Give an example.

Answer: The answer is "self-concept." Offering the lowest prices among all rival firms could be a company's self concept, or providing the widest selection of products, or providing the best customer service, or providing the best warranty.

2-9. Critique the following vision statement by Stokes Eye Clinic: "Our vision is to take care of your vision."

Answer: It is a cool sounding statement, but is ineffective as a vision statement, because it does not reveal the type of business nor what the firm is striving to become or be five years into the future.

2-10. For a university, students are the customer. Write a single sentence that could be included in your university's mission statement to reveal the institution's market and product/service components written from a customer perspective.

Answer: We seek students locally and globally of all ages and ethnic backgrounds, providing learning and knowledge in a friendly, considerate manner.

2-11. Some excellent nine-component mission statements consist of just two sentences. Write a two-sentence mission statement for a company of your choice.

Answer: "J. Crew is a global clothing retailer known for its cashmere cardigans, Capri pants, jeans, khakis, and Madewell women's clothing. We use the latest technology, believe good

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ethics is good business, honor our employees, care for our customers, and strive to be leading corporate citizens in all communities where we operate."

2-12. How do you think an organization can best align company mission with employee mission?

Answer: Through involvement, people become committed to an organization. An organization can align company mission with employee mission by including as many individuals as possible in the process of developing mission statements. The process of developing a mission statement should create an "emotional bond" and "sense of shared mission" between the organization and its employees. This is especially true in the USA, but employee involvement and participation are not utilized in countries such as Mexico because there that management practice would be viewed as showing weakness.

2-13. What are some different names for "mission statement," and where will you likely find a firm's mission statement?

Answer: A mission statement is sometimes called a creed statement, a statement of purpose, a statement of philosophy, a statement of beliefs, a statement of business principles, or a statement "defining our business." A good place to look for a company's mission statement is on the firm's website or its annual report, but many organizations also have the statement engraved and publically visible at its stores or facilities.

2-14. If your company does not have a vision or mission statement, describe a good process for developing these documents.

Answer: Select several articles and/or web sites about these statements and ask all managers to read these as background information. Then, managers should prepare a vision or mission statement for the organization. A facilitator or committee should then merge these statements into a single document and distribute the draft statements to all managers. A request for modifications, additions, and deletions is needed next, along with a meeting to revise the document.

2-15. Explain how developing a mission statement can help resolve divergent views among managers in a firm.

Answer: The question "What is our business?" can create controversy. Raising the question often reveals different opinions/views/beliefs among strategists in the organization. Individuals who have worked together for a long time may realize that they are in fundamental disagreement. Negotiation, compromise, and eventual agreement on important issues is needed in forming or revising a mission statement. Then, managers can "be on the same page" and focus on more specific strategy formulation activities.

2-16. Drucker says that the most important time to seriously reexamine the firm's vision or mission is when the firm is successful. Why is this?

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Answer: The most important time to ask seriously "What do we want to become?" and "What is our business?" is when a company has been successful. Success obsoletes the very behavior that achieved it, and creates new realities and different problems. A very successful firm is the target of rival firms who try to imitate, duplicate, reverse engineer their products, and take market share from the leading firms.

2-17. Explain why a mission statement should not include monetary amounts, numbers, percentages, ratios, goals, or objectives.

Answer: A mission statement is broad in scope for three reasons. First, it allows for the generation and consideration of a range of feasible alternative objectives and strategies without unduly stifling management creativity. Excess specificity would limit the potential of creative growth for the organization. Second, a mission statement needs to be broad to reconcile differences among, and appeal to, an organization's diverse stakeholders. Thus, a mission statement should be reconciliatory. Third, it is simply premature in the mission statement to reveal goals and objectives, which should be determined after the internal and external assessment, as illustrated in the comprehensive strategic planning model.

2-18. Discuss the meaning of the following statement: "Good mission statements identify the utility of a firm's products to its customers."

Answer: A good mission statement reflects the anticipations of customers. Organizations should identify customers' needs and then provide a product or service to fulfill those needs. For example, AT&T's mission statement focuses on communication rather than on telephones; Exxon-Mobil's mission statement focuses on energy rather than on oil or gas; Union Pacific's mission statement focuses on transportation rather than on railroads; and Universal Studio's mission statement focuses on entertainment rather than on movies.

2-19. Distinguish between the "distinctive competence" and the "philosophy" components in a mission statement. Give an example of each for your university.

Answer: The distinctive competence component of a mission statement describes a firm's major competitive advantage. The philosophy component of a mission statement refers to the basic beliefs, values, aspirations, and ethical priorities of the firm.
Distinctive Competence: Overlooking the Atlantic Ocean, our college is AACSB accredited at both the BBA and MBA levels.
Philosophy: We treat all students with respect and admiration.

2-20. When someone or some company is "on a mission" to achieve something, many times they cannot be stopped. List three things in prioritized order that you are "on a mission" to achieve in life.

Answer: 1) To daily eat healthy. 2) To daily be a good steward of the natural environment. 3) To daily build up rather than break down people.

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2-21. Compare and contrast vision statements with mission statements in terms of composition and importance.

Answer: 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?" Both statements are essential for firm success. The vision is one sentence, whereas the mission is several sentences, and includes nine components.

2-22. Do local service stations need to have written vision and mission statements? Why or why not?

Answer: Less formality and detail characterize strategic management in small businesses such as a local service station. However, local service stations are not immune to competitive pressures, changes in technology, changes in demographic factors, and resistance to change. Therefore, it is recommended that even the smallest organization develop written vision and mission statements to enhance efforts to secure bank financing and to develop good supplier, customer, and employee relationships.

2-23. Why do you think organizations that have a comprehensive mission statement tend to be high performers? Does having a comprehensive mission cause high performance?

Answer: Having a comprehensive mission statement does not guarantee or cause high performance. However, a comprehensive mission statement can contribute significantly to high performance, because ideally it conveys the intent and aspirations of all employees and managers who by working together achieve synergy. Having an excellent mission statement also provides a firm foundation for effective strategic planning, rather than ad hoc guessing about what actions would be best to take in the future.

2-24. What is your college or university's self-concept? How would you state that in a mission statement?

Answer: Ranked #1 nationally in International Business, the Darla Moore College of Business at the University of South Carolina trains students to be knowledgeable, comfortable, and effective in business across varied country settings.

2-25. Explain the principal value of a vision and mission statement.

Answer: Whereas the mission statement answers the question, "What is our business?" the vision statement answers the question, "What do we want to become?" Both the vision statement and the mission statement ensure unanimity of purpose within the organization and make important statements about "who the firm is" and "what it wants to become" to outside stakeholders. The two statements provide a firm foundation for effective strategic planning. The statements provide direction and help motivate employees/managers. Table 2-2 lists 10 benefits of having a clear mission statement: 1) achieve clarity of purpose among all managers and employees; 2) provide a basis for all other strategic planning activities; 3) provide direction;

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4) provide a focal point for all stakeholders of the firm; 5) resolve divergent views among managers; 6) promote a sense of shared expectations among all managers and employees; 7) project a sense of worth and intent to all stakeholders; 8) project an organized, motivated organization worthy of support; 9) achieve higher organizational performance; and 10) achieve synergy among all managers and employees.

2-26. Why is it important for a mission statement to be reconciliatory?

Answer: A mission statement needs to be reconciliatory because the claims of a firm's various stakeholders often conflict. For example, employees desire high wages; yet customers desire low prices. An effective mission statement reconciles (reduces/mitigates) major differences among key stakeholders.

2-27. In your opinion, what are the three most important components that should be included when writing a mission statement? Why?

Answer: All nine components described in Chapter 2 are important, but three are particularly important: 1) distinctive competence (reveals the firm's primary competitive advantage), 2) philosophy (reveals that the firm is ethical in all aspects), and 3) technology (reveals that the firm is up-to-date technologically rather than being out-of-date).

2-28. How would the mission statements of a for-profit and a nonprofit organization differ?

Answer: The mission statements of for-profit versus nonprofit organizations would not differ in the characteristics or the components specified for inclusion in effective statements.

2-29. Write a vision and mission statement for an organization of your choice.

Answer: This is a worthwhile class exercise. Ask students to do this individually, and then exchange papers for grading. Have grading done based on inclusion of nine components and eight characteristics.

2-30. Who are the major stakeholders of the bank that you do business with locally? What are the major claims of those stakeholders?

Answer: The major stakeholders of a bank include commercial customers, consumer customers, shareholders, communities, managers, and employees. Each stakeholder group relies upon the organization. Customers expect the bank to perform in a manner that protects them financially. Shareholders expect the firm to be profitable. Local communities rely upon the bank to provide jobs, credit, and to pay taxes. Employees rely upon the bank for wages and salaries.

2-31. List eight benefits of having a clear mission statement.

Answer: Table 2-2 lists 10 benefits that may be included in students' lists: 1) achieve clarity of purpose among all managers and employees; 2) provide a basis for all other strategic planning

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activities; 3) provide direction; 4) provide a focal point for all stakeholders of the firm; 5) resolve divergent views among managers; 6) promote a sense of shared expectations among all managers and employees; 7) project a sense of worth and intent to all stakeholders; 8) project an organized, motivated organization worthy of support; 9) achieve higher organizational performance; and 10) achieve synergy among all managers and employees.

2-32. How often do you think a firm's vision and mission statement should be changed?

Answer: Vision and mission statements should be evaluated on a regular basis, at least annually, to determine if they are still appropriate. Firms may wish to change the statements both in times of crisis and in times of success. The vision and mission should be modified as needed to "stay in tune" with the company and its environment. Well written statements oftentimes are not changed for 3 to 5 years, or longer.

2-33. What four characteristics can be used to evaluate the quality of a vision statement?

Answer: Key: Vision Statement Characteristics

1. Clear – reveals type of industry and what firm strives to become
2. Futuristic – reveals what the firm strives to become or accomplish in five years
3. Concise – one sentence in length
4. Unique – reveals the firm's competitive advantage
5. Inspiring – motivates the reader to support the firm

2-34. Explain the importance of core values in establishing a vision and mission statement.

Answer: Core values provide the needed ethical foundation for creating an excellent vision and mission. A core values statement specifies a firm's commitment to integrity, fairness, discipline, equal employment opportunity, teamwork, accountability, continuous improvement, and/or other such exemplary attributes. For example, LinkedIn's core values are: 1) customers first, 2) relationships matter, 3) be open and honest, 4) require excellence, 5) take intelligent risks, and 6) act like an owner (paraphrased). Great firms possess core values that remain fixed and almost never change. The core values of any firm should transcend technological changes, fads, product life cycles, and globalization.

Since vision and mission statements do change over time, it is vital to know who you are before you can discuss what do we want to become, what business are we in, or how will we get there. Generally, if core values are open for change in the future, they are not core values. Disney, for example, has a core value "to make people happy"; a technology firm may have a core value "to connect the world."

2-35. According to the authors, what are the three most important mission statement components in rank order?

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Answer: The authors feel that component #7 (distinctive competence) is the most important among the 9, followed by "customers" and then "philosophy," but all nine components are important and need including.

ANSWERS TO THE END-OF-CHAPTER 2 ASSURANCE OF LEARNING EXERCISES

Set 1: Strategic Planning for Coca-Cola

EXERCISE 2A
Develop an Improved Coca-Cola Vision Statement

Answer:

Coca-Cola's Current Vision Statement (paraphrased)
We need to accomplish the following in order to continue achieving sustainable, quality growth.

- Be a great place to work where people are inspired to be the best they can be.
- Offer the world quality beverages that anticipate and satisfy people's desires and needs.
- Nurture a winning network of customers and suppliers to create enduring value.
- Be a responsible citizen that builds and supports sustainable communities.
- Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- Be a highly effective, lean, and fast-moving organization.

Revised Vision Statement:

We strive to make Coca-Cola products the most recognizable and beloved drinks in every country by delivering a satisfying experience with every sip.

EXERCISE 2B
Develop an Improved Coca-Cola Mission Statement

Answer:

Coca-Cola's Current Mission Statement (paraphrased): Our mission is to refresh the world in mind, body, and spirit; to inspire everyone with optimism and happiness through our brands and actions, and to make a positive difference in people's lives.

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Coca-Cola's Revised Mission Statement: Our mission at Coca-Cola Company is to produce and bottle the world's best beverages (2), distributing them globally (3). By utilizing the industry's premier bottling and distribution network (4), we are able to provide options to satisfy the needs of all men, women, and children (1). We empower our employees (9) to deliver customers affordable, quality refreshment (7) while maintaining the company's seven core values (6). Coca-Cola has remained committed to being the most socially responsible company in the industry by continually investing in the communities we serve (8). As the world changes, Coca-Cola will continue to adapt in order to grow and thrive financially (5).

Words: 99

EXERCISE 2C
Compare Coca-Cola's Mission Statement to a Rival Firm's

Answer:

Coca-Cola's mission statement (paraphrased): Our mission is to refresh the world in mind, body, and spirit; to inspire everyone with optimism and happiness through our brands and actions, and to make a positive difference in people's lives.

PepsiCo's mission statement (paraphrased): Our mission as one of the largest food and beverage companies in the world is to provide consumers globally with delicious, affordable, and convenient foods and beverages from wholesome breakfasts to healthy snacks and beverages and treats. We are committed to investing in our employees and the communities where we operate to help position PepsiCo for long-term, sustainable growth.

Components	Coca-Cola	PepsiCo
1. Customers	Not Included	Included
2. Products	Not Included	Included
3. Markets	Not Included	Not Included
4. Technology	Not Included	Not Included
5. Survival/Growth	Not Included	Included
6. Philosophy	Not Included	Not Included
7. Distinctive Competence	Not Included	Not Included
8. Public Image	Not Included	Included
9. Employees	Not Included	Included

Set 2: Strategic Planning for My University

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EXERCISE 2D
Compare Your University's Vision and Mission Statements to Those of a Rival Institution

Answer:

Answers will vary by student and university.

Set 3: Strategic Planning for Myself

EXERCISE 2E
Develop a Vision and Mission Statement for Yourself

Answer:

Answers will vary for each student but a hypothetical vision and mission are given below.

Vision To become a successful husband, father, banker, and community leader.

Mission To obtain an entry-level management position in banking that can provide a basis for my financial security, family growth, community giving, and career development while continuing to advance technologically, ethically, personally, and professionally.

Set 4: Individual vs. Group Strategic Planning

EXERCISE 2F
What is the Relative Importance of Each of the Nine Mission Statement Components?

Answer: The Expert Ranking

Components	Authors' Ranking (1 = most important, to 9 = least important)
1. Customers	2
2. Products	5
3. Markets	7
4. Technology	8

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5. Concern for Survival, Growth, Profitability 6
6. Philosophy 3
7. Distinctive Competence 1
8. Concern for Public Image 9
9. Concern for Employees 4

Rationale**:** The authors have developed hundreds of mission statements for organizations over many years, and have written and published about a dozen academic articles on mission statements. The rankings given above are based on the authors' experience. First, self-concept is all about distinctive competence or competitive advantage, which is the essence of strategic planning, so that is the #1 most important component. No organization or company can do business or make profits or help communities or employees or do anything without customers, so customers is #2. Philosophy is all about ethics/integrity/values, and no one is interested in supporting or working for or patronizing any firm that operates unethically and/or illegally, so the philosophy component is #3. #4 is employees because their work ethic and commitment make or break a firm. The #5 most important component is products/services because for any organization or company to survive, it must offer some products/services at some price to garner customers and likely there are numerous rival firms so product/service differentiation is a key to gaining and sustaining competitive advantage. The #6 component is concern for survival/growth/profits because if a firm fails, then no one wins and likely many people lose. The #7 component is markets because there are about 190 countries on the planet and where a firm chooses to compete against rival firms is important. No institution can or should be everywhere. Components #8 and #9 are technology and concern for public image, not that they are not important – they are – but the authors have found the other seven components to be more important for most organizations. In certain industries under certain situations the rankings certainly can vary, but the expert ranking given here is likely for most companies.

Answers to the End-of-Chapter 2 Mini-Case Questions

MINI-CASE ON FORD MOTOR COMPANY (STOCK SYMBOL: F)
EVALUATE FORD'S VISION FOR THE FUTURE AND MISSION FOR THE PRESENT

Questions

1. In what three ways is Ford's proposed vision statement better than the firm's actual vision statement? THE PROPOSED VISION STATEMENT ADDS "INNOVATION" AS PART OF WHAT THE COMPANY STRIVES TO ACHIEVE LONG-TERM

   Does the current or proposed statement meet the 5 by 5 test? If not, prepare a new statement.

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1. Clear – reveals type of industry and what firm strives to become
2. Futuristic – reveals what the firm strives to become or accomplish in five years
3. Concise – one sentence in length
4. Unique – reveals the firm's competitive advantage
5. Inspiring – motivates the reader to support the firm

BOTH THE CURRENT AND PROPOSED VISION STATEMENTS COULD BE IMPROVED AS REGARDS TO CHARACTERISTICS 4 AND 5, SO AN IMPROVED STATEMENT COULD READ AS FOLLOWS:

TO BECOME THE GLOBAL LEADER IN AUTOMOTIVE TRANSPORTATION USING TECHNOLOGICAL INNOVATION TO ACHIEVE EXEMPLARY CUSTOMER SATISFACTION, EMPLOYEE MORALE, AND SHAREHOLDER RETURNS

2. Evaluate the extent that the proposed mission statement for Ford meets the 10 characteristics and includes the nine components presented in the chapter.

Proposed Mission Statement: Ford Motor Company strives to become the global automotive industry (3) leader delivering quality innovations to transportation (2) that meet the needs of our customers (1). We are dedicated to adapting the latest technology (4, 7), including electric batteries, to facilitate change and social connectivity through transportation (6). Our highly-trained professionals (9) support our efforts for continued growth and profitability (5) while keeping our promise of environmental responsibility and sustainability in our communities (6, 8). (# words: 65)

Components	Characteristics
1. Customers	1. Broad
2. Products	2. Concise
3. Markets	3. Inspiring
4. Technology	4. Identifies utility
5. Survival/Growth	5. Socially responsible
6. Philosophy	6. Environmentally responsible
7. Distinctive Competence	7. Includes the nine components
8. Public Image	8. Reconciliatory
9. Employees	9. Enduring
	10. Attracts customers

THE PROPOSED FORD MOTOR MISSION STATEMENT REASONABLY MEETS THE 9 COMPONENTS AND 10 CHARACTERISTICS

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ADDITIONAL NOT-IN-THE-BOOK ASSURANCE OF LEARNING EXERCISES WITH ANSWERS CHAPTER 2

ASSURANCE OF LEARNING EXERCISE 2AA: DEVELOP AN IMPROVED BB&T MISSION (AND VISION) STATEMENT

Purpose

Headquartered in Winston-Salem, North Carolina, Branch Banking and Trust competes every day with hundreds of other banks. The company is a large bank located primarily in the southeastern United States but is expanding nationally. At the bbt.mediaroom.com website, the company states, "At BB&T, we know our business will, and should, experience constant change. Change is necessary for progress. However, our vision, mission, and values are unchanging because these principles are based on basic truths." At the bbt.mediaroom.com website and the *BB&T Philosophy Handbook*, BB&T gives its actual vision and mission statements.

Instructions

Step 1 Develop an improved mission statement for BB&T that complies with (1) the nine components and (2) the nine characteristics presented in this chapter.

Step 2 Based on what you have learned in this chapter, is the BB&T statement about "change" appropriate? Why? Discuss.

ANSWER:

The mission statement components are:
1. Customers
2. Products or services
3. Markets
4. Technology
5. Concern for survival, growth, and profitability
6. Philosophy
7. Distinctive competence
8. Concern for public image
9. Concern for employees

The actual BB&T vision statement given on the corporate website is:

"To create the best financial institution possible."

The actual BB&T mission statement given on the corporate website is:

"To make the world a better place to live, by:

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*Helping our clients achieve economic success and financial security,
*Creating a place where our associates can learn, grow, and be fulfilled in their work:
*Making the communities in which we work better places to be; and thereby:
*Optimizing the long-term return to our shareholders, while providing a safe and sound investment."

Improved Vision Statement

The authors like the existing vision statement.

Improved Mission Statement

The existing mission statement as written could apply to almost any type of organization. The existing statement also lacks four components: customers, markets, technology, and distinctive competence. An improved BB&T mission statement is proposed as follows:

We strive to be the best financial institution possible, providing financial security and counseling to individuals and businesses across the United States. Our outstanding associates graciously give back to the communities where they work and help assure long-term excellent returns for our shareholders. We believe good ethics is good business, and strive to provide the best financial products and services using the best technology available.

ASSURANCE OF LEARNING EXERCISE 2BB: EVALUATE THREE MISSION STATEMENTS

Purpose

A business mission statement is an integral part of strategic management. It provides direction for formulating, implementing, and evaluating strategic activities. This exercise will give you practice in evaluating mission statements—a skill that is a prerequisite to writing a good mission statement.

Instructions

Step 1 On a clean sheet of paper, prepare a 9 × 3 matrix. Place the nine mission statement components down the left column and the following three companies across the top of your paper.

Step 2 Write *Yes* or *No* in each cell of your matrix to indicate whether you feel the particular mission statement includes the respective component written from a customer perspective.

Step 3 Turn your paper in to your instructor for a classwork grade.

Mission Statements

1. Advance Auto Parts, Inc., Headquartered in Richmond, Virginia

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"It is the Mission of Advance Auto Parts to provide personal vehicle owners and enthusiasts with the vehicle-related products and knowledge that fulfill their wants and needs at the right price. Our friendly, knowledgeable and professional staff will help inspire, educate and problem-solve for our customers."

2. Aflac, Inc. Headquartered in Columbus, Georgia

"To combine aggressive strategic marketing with quality products and services at competitive prices to provide the best insurance value for consumers."

3. Bristol-Myers Squibb Company, Headquartered in New York, NY

"To discover, develop and deliver innovative medicines that help patients prevail over serious diseases."

Evaluation Matrix of Mission Statements–Solutions

Components		**AAUTO**	**AFLAC**	**BMYERS**		
Customers		Yes	Yes	Yes		
Products		Yes	Yes	Yes		
Markets		No	No	No		
Technology		No	No	No		
Concern for Survival, Growth, Profitability		No	No	No		
Philosophy		No	No	No		
Distinctive Competence		Yes	Yes	No		
Concern for public image		No	No	No		
Concern for employees		Yes	No	No		

ASSURANCE OF LEARNING EXERCISE 2CC:
WRITE A VISION AND MISSION STATEMENT FOR THE HERSHEY COMPANY

Purpose

Much like a person's curriculum vita (résumé), there is always room for improvement with regard to an existing vision and mission statement. Hershey does not have a printed vision statement, but the company's mission statement simply reads as follows:

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"Bringing sweet moments of Hershey happiness to the world every day."

Instructions

Step 1 See the existing Hershey statements given below.
Step 2 On a clean sheet of paper, write a one-sentence improved vision statement for Hershey.
Step 3 On that same sheet of paper, write a new and improved mission statement for Hershey that complies with (1) the nine components and (2) the nine characteristics presented in this chapter.

ANSWER:

The statements will vary from student to student but should include the nine essential components of mission statements. The statement should be concise, inspiring, and written from a customer perspective.

Hershey Vision Statements

Existing: Continuing Milton Hershey's legacy of commitment to consumers, community and children, we provide high-quality HERSHEY'S products while conducting our business in a socially responsible and environmentally sustainable manner.

Proposed: Our vision is to develop, produce, and sell the best confectionary, chocolate, and food products in the world.

Hershey Mission Statements

Existing: Bringing Sweet Moments of Hershey Happiness to the World Everyday

Proposed: Our mission is to provide men and women of all ages around the world with the best quality chocolate, confectionary, and food products, while continuing our long tradition of supporting the Milton Hershey School and assuring exemplary environmental sustainability (1, 2, 3, 8). Our dedicated employees adhere to the highest ethical standards and use the newest technology available to profitably develop and market world famous chocolate brands such as Reese's (4, 5, 6, 7, 9). 66 words

Nine Essential Components of Mission Statements
1. Customers
2. Products
3. Markets
4. Technology

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5. Concern for Survival, Growth, Profitability
6. Philosophy
7. Distinctive Competence
8. Concern for Public Image
9. Concern for Employees

Existing Mission – Lacks all components
Improved Mission – Includes all components

ASSURANCE OF LEARNING EXERCISE 2DD:
COMPARE YOUR COLLEGE/UNIVERSITY'S VISION AND MISSION STATEMENTS TO A LEADING RIVAL INSTITUTION

Purpose

Most universities have a vision and a mission statement. The purpose of this exercise is to give you practice in comparing the effectiveness of a vision and a mission statement for a university with the statements from a competing university.

Instructions

Step 1 Determine whether your institution has a vision or a mission statement. Look in the front of the college handbook. If your institution has a written statement, contact an appropriate administrator of the institution to inquire as to how and when the statement was prepared. Share this information with the class. Analyze your college's vision and mission statements in light of the concepts presented in this chapter.

Step 2 Compare the vision statement and the mission statement of your college or university to those of a leading institution.

Step 3 Write a one-page analysis comparing the statements.

ANSWER:

Components of Mission Statements
1. Customers
2. Products
3. Markets
4. Technology
5. Concern for Survival, Growth, Profitability
6. Philosophy
7. Distinctive Competence
8. Concern for Public Image
9. Concern for Employees

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The vision statement and mission statement for the author's School of Business is given below:

Existing Vision Statement

The School of Business at Francis Marion University strives to provide the highest quality baccalaureate and master's degree business programs offered at a small comprehensive university in the southeastern United States.

Existing Mission Statement

Accredited at both the graduate and undergraduate levels, the School of Business at Francis Marion University has a mission to teaching, research, and service. Nearly our entire faculty holds a doctorate in the area in which they teach. Our small classroom environment promotes interaction among students and faculty. We teach students to think logically, communicate effectively, develop an understanding and appreciation of the global business environment, and be guided by high ethical standards. Our students develop conceptual and analytical skills needed to be successful leaders in both private and public institutions. Our internship program and placement efforts actively assist students in finding meaningful jobs. Our faculty conducts research and service activities that enhance the region's economic and industrial development. Most of our undergraduate students major in management, marketing, accounting, finance, business economics, management information systems, or general business and earn a Bachelor of Business Administration degree. Other School of Business students major in economics or computer science and receive a Bachelor of Arts or Bachelor of Science degree. Our graduate students receive a Master of Business Administration degree and may become certified in Health Management. The School of Business seeks students locally and globally of all ages and ethnic backgrounds and serves them in a friendly, considerate manner.

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Case 2 - The Gap, Inc. (GPS) – 2018 - Teachers' Note by Forest R. David

Case Abstract

The Gap, Inc. is a popular retailer providing clothing, accessories, and personal care products for men, women, children, and babies under the Gap, Old Navy, Banana Republic, Intermix, Weddington Way, and Athleta brands. Stores are located in the U.S., Canada, China, the U.K., France, Ireland, Italy, Taiwan, Mexico, and Japan. Franchise agreements expand operations into Asia, Australia, Europe, Latin America, Africa, and the Middle East. The Gap, Inc. employs about 135,000 full- and part-time people with 3,200 company-owned store locations that are almost all under a lease agreement. Customers can shop online at gap.com, oldnavy.com, bananarepublic.com, and athleta.com. Other The Gap, Inc. owned retail outlets include GapBody, GapKids, and BabyGap. Weddington Way does not have a material impact on Gap's financial statements.

The Gap, Inc. provides a wide range of family clothing products, including denim, khakis, and T-shirts, fashion apparel, shoes, accessories, intimate apparel, and personal care products. All The Gap, Inc. clothing is private-label merchandise made specifically for the company. From the design board to store displays, The Gap, Inc. controls all aspects of its trademark casual look. To avoid confusion, throughout the case when specifically discussing the overall corporation, the terminology The Gap Inc. will be used, and when specifically discussing the Gap brand of stores, simply Gap will be used.

Vision Statement Analysis

Effective vision statements exhibit five characteristics that can be used as guidelines for writing or evaluating vision statements. Any vision statement that scores a 5 out of 5 on these characteristics is exemplary. In Chapter 2, this vision statement assessment technique is referred to as "The 5 out of 5 Test."

1. Clear: reveals type of industry and what firm strives to become
2. Futuristic: reveals what the firm strives to become or accomplish within 5 years
3. Concise: one sentence in length
4. Unique: reveals the firm's competitive advantage
5. Inspiring: motivates readers to support the firm

Gap provides extensive literature and discussion on their corporate website regarding its efforts to enhance sustainability and take care of employees. Gap does not, however, report a written vision statement. However, a proposed vision statement for Gap Inc. that would pass the 5 out of 5 test could read as follows:

"Gap Inc. strives to lead the specialty family clothing industry by providing men, women, and children with distinctive products at a fair price, always."

Mission Statement Analysis

The 10 desired **characteristics** of an effective mission statement are as follows:

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1. Broad in scope; does not include monetary amounts, numbers, percentages, ratios, or objectives
2. Concise; fewer than one hundred words in length
3. Inspiring
4. Identifies the utility of a firm's products
5. Reveals that the firm is socially responsible
6. Reveals that the firm is environmentally responsible
7. Includes nine components: customers, products or services, markets, technology, concern for survival/growth/profits, philosophy, distinctive competence, concern for public image, concern for employees
8. Reconciliatory; resolves divergent views among stakeholders
9. Enduring but never cast in stone
10. Attracts customers; is written from a customer perspective

The 9 desired **components** of an effective mission statement are as follows:

1. *Customers*—Who are the firm's present and potential customers?
2. *Products or services*—What are the firm's major products or services?
3. *Markets*—Geographically, where does the firm compete?
4. *Technology*—Is the firm technologically current?
5. *Concern for survival, growth, and profitability*—Is the firm committed to growth and financial soundness?
6. *Philosophy*—What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
7. *Distinctive competence*—What is the firm's major competitive advantage?
8. *Concern for public image*—Is the firm responsive to social, community, and environmental concerns?
9. C*oncern for employees*—Are employees a valuable asset of the firm?

As indicated in the case, Gap Inc. provides extensive literature and discussion on their corporate website regarding its efforts to enhance sustainability and take care of employees. However, Gap does not report a written mission statement. The case does provide a possible mission statement that is critiqued as follows:

> Gap strives to be a leader in the specialty family clothing industry (2) offering excellent value to consumers (1, 7) by providing quality products at a fair price throughout North America, Asia, and Europe (3). Gap strives to minimize its environmental impact on raw materials (6) with special consideration for both Gap employees and persons employed all along its supply chain (9). Gap is committed to producing lasting and positive relationships in all communities it impacts (8).

Thus, the mission statement provided in the case lacks two components (#4 and #5). Regarding the ten desired characteristics, the mission statement provided in the case lacks on characteristics #5, #7, and #10.

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A proposed mission statement for Gap Inc. that is less than 100 words and includes the nine components and meets the ten characteristics is given below:

Gap Inc. is a leader in the specialty family clothing industry (2) offering exceptional value to shoppers (1) by providing high quality merchandise at a fair price (7) throughout North America, Asia, and Europe (3). We honor and respect (6) Gap employees and persons employed all along our supply chain (9), as well as the communities where we operate (8). We pledge growth and financial soundness (5) as we use the latest technology (4) to produce and market premier apparel and footwear for all ages. (75 words)

External Factor Evaluation (EFE) Matrix

The purpose of the EFE Matrix is to evaluate how the firm's current strategies are taking advantage of external opportunities or mitigating external threats. With an EFE score of 2.77, The Gap, Inc.'s strategies are responding in an above average fashion to external trends.

	Opportunities	Weight	Rating	Weighted Score
1	About 70% of retail clothing customers prefer brick and mortar stores to hold, feel and try on items before purchasing, as well as talk to knowledgeable salespeople.	0.08	4	0.32
2	Women's clothing accounts for 52% of industry revenues whereas men and children only account for 28% and 20% respectively.	0.08	4	0.32
3	Ecommerce sales are expected to account for 17% of retail sales by 2022.	0.07	2	0.14
4	Disposable income is expected to increase 7% annually through 2023 and customers are expected to respond increasingly favorable to branding and advertising, being less price sensitive.	0.06	3	0.18
5	Approximately 20% of US retail industry sales are derived around the Christmas season.	0.06	2	0.12
6	Higher morale and better judgement is typically associated with divisions that have higher autonomy.	0.05	3	0.15
7	In 2017, over 80 percent of clothes sold in family clothing stores in the USA were imported from overseas.	0.04	3	0.12
8	World price of cotton is expected to decrease slightly into 2019.	0.02	3	0.06
9	Men's casual wear has grown and now accounts for nearly 70% of the men's family clothing store market.	0.02	3	0.06
10	Gap Inc.'s international president said in a statement that Ukraine is the fastest-growing retail market in Eastern Europe, while Serbia has many young customers who enjoy shopping.	0.02	2	0.04

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	Threats	Weight	Rating	Weighted Score
1	States are increasing minimum wages on average to be 10% higher than the national average mandated in the US.	0.07	2	0.14
2	New minimum wage laws have increases wages to $12 or higher in 13 US cities and by 2022 17% of Americans will reside in a city with $15 minimum wage laws.	0.07	2	0.14
3	The retail clothing industry is generally fraught with low profit margins of about 3% and a growth rate of 2.5%.	0.05	2	0.10
4	Online shopping for clothing through auctions and online stores is increasing 8% annually.	0.05	2	0.10
5	Many customers have been trained to wait for sales resulting in lower inventory turnover times and reduced profit margins for retailers.	0.05	3	0.15
6	The family clothing store industry's profit margin is less than 5% with purchases accounting for 60% of all expenses putting further pressure to find cheap sources of clothing manufacturing.	0.05	4	0.20
7	Ecommerce merchants are growing 10 percent annually and several even allow customers in large cities to try on products via appointment.	0.05	2	0.10
8	The retail clothing business is highly seasonal in nature as styles, colors, and temperatures drastically effect stocking, allocating, and marketing various merchandise efficiently.	0.04	3	0.12
9	Cyber attacks were up 30% by some accounts in 2018.	0.04	3	0.12
10	Customer tastes can change quickly as well, with one year's hot color or style of cut being less desired the next year.	0.03	3	0.09
	Total EFE Score	**1.00**		**2.77**

Competitive Profile Matrix

		The Gap, Inc.		TJX		ROSS	
Critical Success Factors	**Weight**	**Rating**	**Score**	**Rating**	**Score**	**Rating**	**Score**
Customer Loyalty	0.20	2	0.40	4	0.80	3	0.60
Price Competitiveness	0.14	2	0.28	3	0.42	4	0.56
Revenues	0.09	2	0.18	4	0.36	1	0.09
Net Income	0.09	1	0.09	4	0.36	2	0.18
Product Variety	0.08	1	0.08	4	0.32	2	0.16
Advertising	0.07	4	0.28	2	0.14	1	0.07
Store Locations	0.07	3	0.21	4	0.28	1	0.07
Market Share	0.06	1	0.06	3	0.18	2	0.12
Product Quality	0.06	3	0.18	2	0.12	1	0.06
Market Penetration	0.05	3	0.15	4	0.20	2	0.10
International Exposure	0.05	3	0.15	2	0.10	1	0.05
Customer Service	0.04	2	0.08	4	0.16	3	0.12
Totals	**1.00**		**2.14**		**3.44**		**2.18**

Financial Ratio Analysis

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	Historical Ratios	
	1/28/17	2/3/18
Current Ratio	1.76	1.86
Quick Ratio	1.01	1.04
Total Debt-to-Total-Assets Ratio	0.62	0.61
Total Debt-to-Equity Ratio	1.62	1.54
Times-Interest-Earned Ratio	16	20
Inventory Turnover	5.40	4.90
Fixed Assets Turnover	5.93	5.65
Total Assets Turnover	2.04	1.98
Accounts Receivable Turnover	NA	NA
Average Collection Period	0.00	0.00
Gross Profit Margin %	36%	38%
Operating Profit Margin %	8%	9%
ROA %	9%	11%
ROE %	23%	27%

Internal Factor Evaluation (IFE) Matrix

	Strengths	Weight	Rating	Weighted Score
1	The Gap Inc. purchases its products from approximately 800 vendors in over 40 countries, with the largest two vendors both providing around 5 percent of purchases annually.	0.08	3	0.24
2	The majority of Gap Inc. purchases are from factories outside the USA with about 50% of purchases coming equally from Vietnam and China.	0.06	3	0.18
3	Over 60% of International sales are derived from Asia.	0.06	3	0.18
4	For fiscal year 2017 Old Navy Global sales were up 6% versus down 1% the prior year.	0.05	4	0.20
5	About 12.5% of all company stores are franchised-owned, primarily all outside of North America.	0.05	3	0.15
6	Gap stores account for 41 percent of all Gap Inc. physical stores.	0.05	2	0.10
7	Gender diversity with 6 women within the top 15 executive positions at Gap Inc.	0.04	4	0.16
8	For fiscal year 2017, Gap Inc.'s sales were up 3% compared with a decline of 2% the prior year.	0.04	2	0.08
9	There are nearly 25% more Old Navy stores in North America than Gap stores, but only 2% of international stores are Old Navy with 88 percent of international stores being Gap.	0.04	3	0.12
10	Athleta focuses on yoga, sports, and everyday activities for women and girls but represents only 4% of sales.	0.02	2	0.04

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	Weaknesses	Weight	Rating	Weighted Score
1	Worldwide revenues were down approximately 2% in both 2016 and 2017.	0.08	1	0.08
2	Gap Inc. operates under a divisional-by-product structure, but there are duplicate titles of President and CEO for numerous positions, and there is no COO. Apparently every top executive reports to Art Peck.	0.08	2	0.16
3	Gap Inc. does not report a written mission or vision statement.	0.07	2	0.14
4	Gap Inc. tends to target a market in between TJ Maxx style stores and higher end stores such as Ralph Lauren.	0.07	2	0.14
5	Gap has over $1.2 billion in long term debt at a fixed rate of 6%.	0.05	1	0.05
6	For fiscal year 2017, Gap Global sales were down 1% versus down 3% the prior year.	0.05	1	0.05
7	Gap Inc. closed all 53 Old Navy Stores in Japan in 2016.	0.04	2	0.08
8	For fiscal year 2017, Banana Republic Global sales were down 2% versus down 7% the prior year.	0.04	2	0.08
9	Only 2% of international sales are derived from Old Navy.	0.02	3	0.06
10	Only 1 Banana Republic store in Europe.	0.01	3	0.03
	Total IFE Score	**1.00**		**2.32**

Strength-Weakness-Opportunity-Threat (SWOT) Matrix

SO Strategies

1. Open 2 new Gap stores in each of the following cities: Shanghai, Tokyo, Kuala Lumpur, Taipei, Beijing (S1, S2, S8, S9, O1, O8).
2. Open 5 new Gap stores in the Ukraine with 3 being located in Kiev, and 2 new Gap stores in Belgrade (S1, S2, S8, S9, O1, O8, O10).
3. Invest $200 million into furthering marketing the Athleta Brand to women and girls (S10, O2, O4, O5, O8).
4. Invest $100 million to further develop Ecommerce sales by hiring employees who specialize in both data analytics and application construction for smart phones (S3, O3).

WO Strategies

1. Restructure to ensure high-ranking officials report to their respective presidents with the division presidents all reporting to either CEO Peck or hire a new COO (W2, O6).
2. Increase advertising around the Christmas season by $100 million annually (W1, W6, O5).
3. Open 10 new Old Navy stores in major Eastern European cities (W8, W9, W10, O1, O9, O10).
4. Open 20 new Banana Republic Stores in Western European cities, mainly in Germany, France, and the United Kingdom (W10, O1, O2, O4, O9).

ST Strategies

1. Invest $200 million in Vietnam to ensure cheap sources of labor (S1, S2, T1, T2, T3, T6).
2. Build 20 new Old Navy Stores, one each in the 20 largest European cities (S9, T10).
3. Increase number of stores that are franchise owned from 12% to 20% by 2022 (S5, T1, T2, T3).

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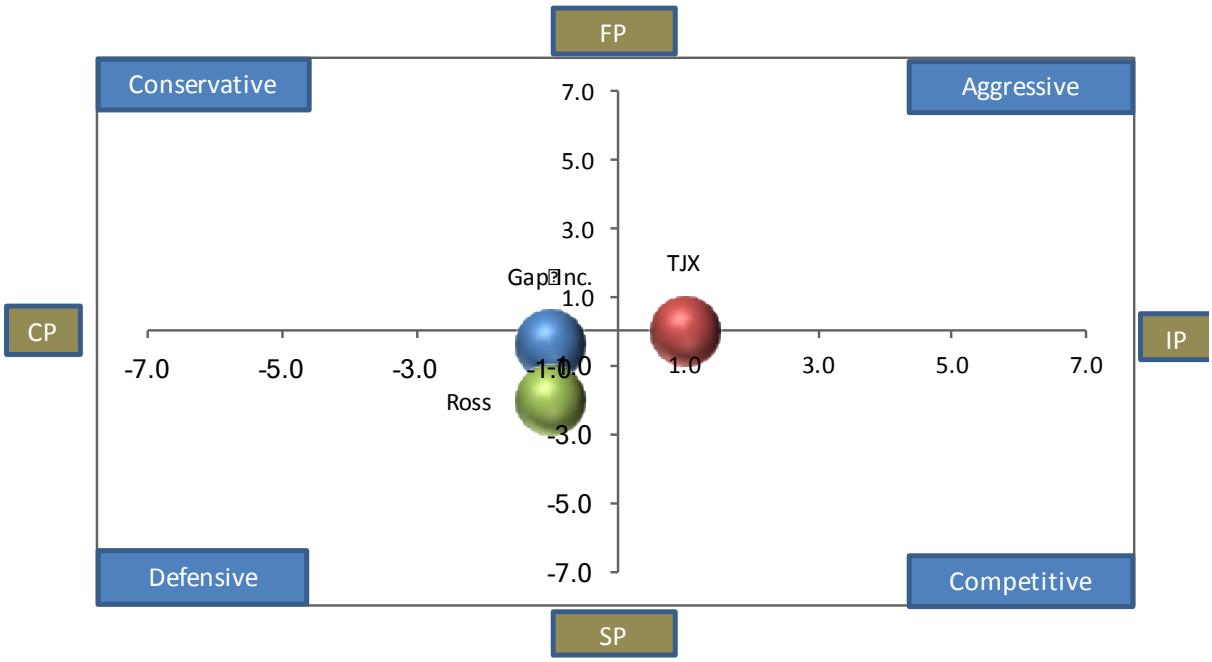
4. Invest in cyber attack prevention by hiring 10 experts in the area (S8, T9).

WT Strategies

1. Develop a new store brand to complement the existing brands that focus on higher end clothing (W1, W4, T3).
2. Devote $100 million into redesigning the firm's mobile apps (W1, T4).
3. Build 20 new Old Navy Stores, one each in the 20 largest European cities (W9, T10).
4. Invest $100 million in data analytics to better determine customer trends, especially in foreign markets (W7, W8, W9, W10, T10).

Strategic Position and Action Evaluation (SPACE) Analysis



Internal Analysis:		*External Analysis:*	
Financial Position (FP)		**Stability Position (SP)**	
Return on Equity (ROE)	5	Rate of Inflation	-2
EPS	4	Fashion Changes	-7
Liquidity	5	Consumer Disposable Income	-5
Inventory Turnover	4	Competitive Pressure	-7
Goodwill Burden	7	Barriers to Entry into Market	-6
Financial Position (FP) Average	**5**	**Stability Position (SP) Average**	**-5.4**

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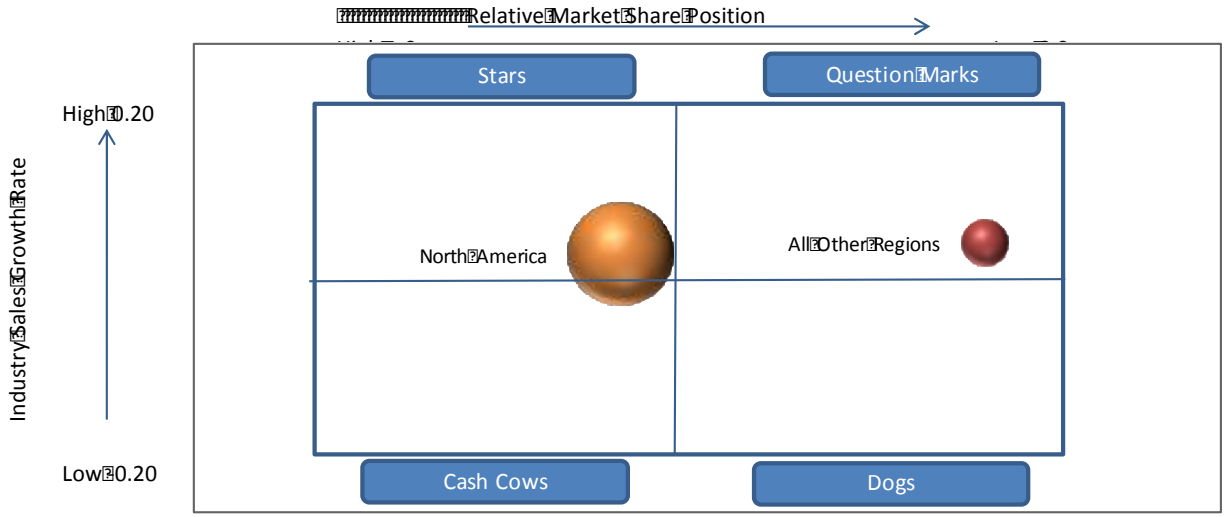
Internal Analysis:		*External Analysis:*	
Competitive Position (CP)		**Industry Position (IP)**	
Market Share	-5	Growth Potential	3
Product Quality	-4	Financial Stability	3
Customer Loyalty	-4	Ease of Entry into Market	2
Up To Date on Fashion Trends	-3	Resource Utilization	3
Control over Suppliers and Distributors	-3	Profit Potential	3
Competitive Position (CP) Average	**-3.8**	**Industry Position (IP) Average**	**2.8**

	Gap Inc.	TJX	Ross
X Axis	-1.0	1.0	-1.0
Y Axis	-0.4	0.0	-2.0

Boston Consulting Group (BCG) Matrix Analysis

TJX was used for the largest competitor in the North America region. Non-North American data was estimated.



Division	The Gap, Inc.'s Division Market Share Percent	Top Firm in Industry Division Market Share Percent	Division Market Growth Rate	Relative Market Share Position
North America	0.10	0.16	0.04	0.63
All Other Regions	0.02	0.20	0.06	0.10

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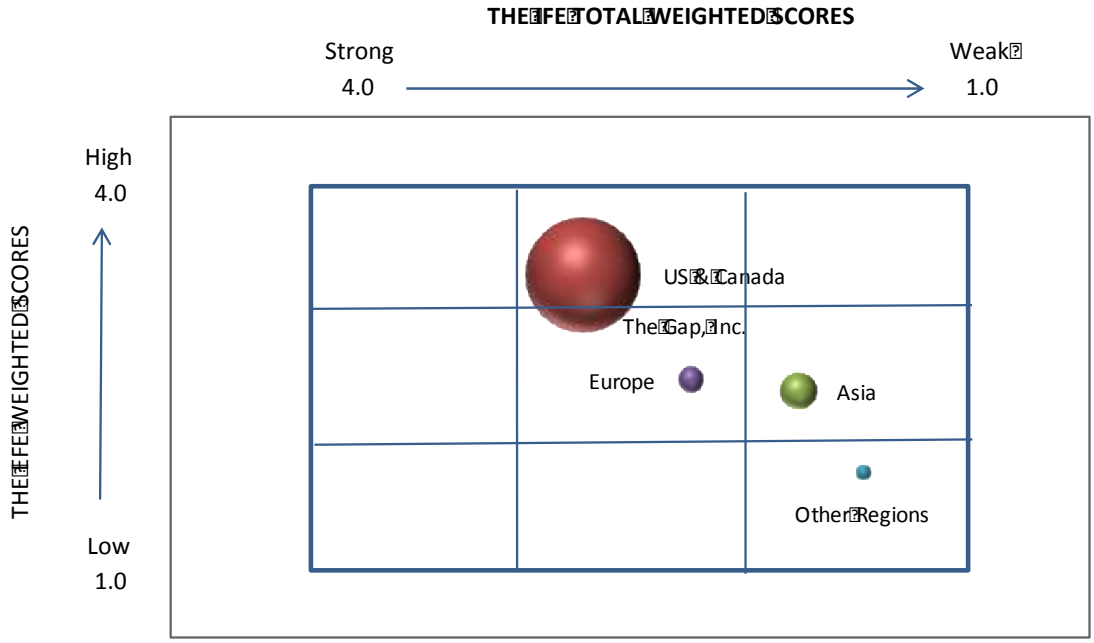
Internal-External (IE) Matrix Analysis



The Gap, Inc.'s IFE total attractiveness score = 2.77 and its EFE score = 2.32

Division	Your Firm's Division Revenues (in millions)	Estimated IFE Score	Estimated EFE Score
US & Canada	$13,741	2.8	3.2
Asia	$1,263	1.8	2.2
Europe	$641	2.3	2.3
Other Regions	$210	1.5	1.5

Grand Strategy Matrix Analysis

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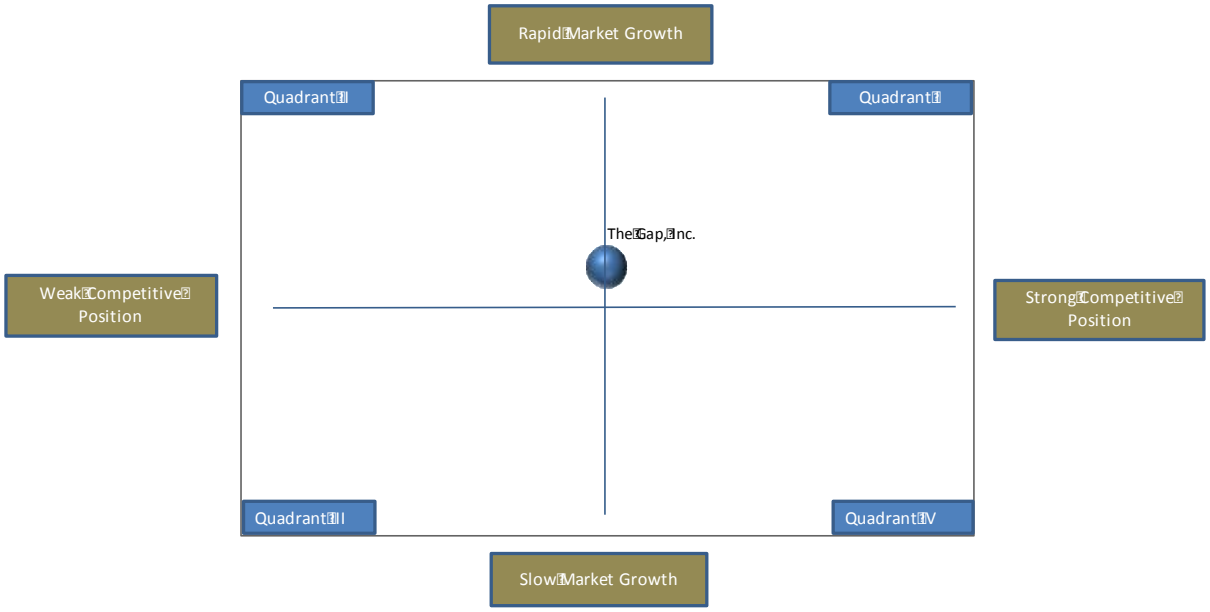

Quantitative Strategic Planning Matrix (QSPM) Analysis

			1		2	
	Strengths	Weight	AS	TAS	AS	TAS
1	The Gap Inc. purchases its products from approximately 800 vendors in over 40 countries, with the largest two vendors both providing around 5 percent of purchases annually.	0.08	2	0.16	3	0.24
2	The majority of Gap Inc. purchases are from factories outside the USA with about 50% of purchases coming equally from Vietnam and China.	0.06	3	0.18	1	0.06
3	Over 60% of International sales are derived from Asia.	0.06	4	0.24	1	0.06
4	For fiscal year 2017 Old Navy Global sales were up 6% versus down 1% the prior year.	0.05	0	0.00	0	0.00
5	About 12.5% of all company stores are franchised-owned, primarily all outside of North America.	0.05	0	0.00	0	0.00
6	Gap stores account for 41 percent of all Gap Inc. physical stores.	0.05	3	0.15	2	0.10
7	Gender diversity with 6 women within the top 15 executive positions at Gap Inc.	0.04	0	0.00	0	0.00
8	For fiscal year 2017, Gap Inc.'s sales were up 3% compared with a decline of 2% the prior year.	0.04	3	0.12	2	0.08
9	There are nearly 25% more Old Navy stores in North America than Gap stores, but only 2% of international stores are Old Navy with 88 percent of international stores being Gap.	0.04	0	0.00	0	0.00
10	Athleta focuses on yoga, sports, and everyday activities for women and girls but represents only 4% of sales.	0.02	0	0.00	0	0.00

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			1		2	
	Weaknesses	**Weight**	**AS**	**TAS**	**AS**	**TAS**
1	Worldwide revenues were down approximately 2% in both 2016 and 2017.	0.08	3	0.24	2	0.16
2	Gap Inc. operates under a divisional-by-product structure, but there are duplicate titles of President and CEO for numerous positions, and there is no COO. Apparently every top executive reports to Art Peck.	0.08	0	0.00	0	0.00
3	Gap Inc. does not report a written mission or vision statement.	0.07	0	0.00	0	0.00
4	Gap Inc. tends to target a market in between TJ Maxx style stores and higher end stores such as Ralph Lauren.	0.07	0	0.00	0	0.00
5	Gap has over $1.2 billion in long term debt at a fixed rate of 6%.	0.05	0	0.00	0	0.00
6	For fiscal year 2017, Gap Global sales were down 1% versus down 3% the prior year.	0.05	3	0.15	2	0.10
7	Gap Inc. closed all 53 Old Navy Stores in Japan in 2016.	0.04	3	0.12	1	0.04
8	For fiscal year 2017, Banana Republic Global sales were down 2% versus down 7% the prior year.	0.04	2	0.08	1	0.04
9	Only 2% of international sales are derived from Old Navy.	0.02	2	0.04	1	0.02
10	Only 1 Banana Republic store in Europe.	0.01	1	0.01	2	0.02

			1		2	
	Opportunities	**Weight**	**AS**	**TAS**	**AS**	**TAS**
1	About 70% of retail clothing customers prefer brick and mortar stores to hold, feel and try on items before purchasing, as well as talk to knowledgeable salespeople.	0.08	3	0.24	2	0.16
2	Women's clothing accounts for 52% of industry revenues whereas men and children only account for 28% and 20% respectively.	0.08	0	0.00	0	0.00
3	Ecommerce sales are expected to account for 17% of retail sales by 2022.	0.07	0	0.00	0	0.00
4	Disposable income is expected to increase 7% annually through 2023 and customers are expected to respond increasingly favorable to branding and advertising, being less price sensitive.	0.06	3	0.18	2	0.12
5	Approximately 20% of US retail industry sales are derived around the Christmas season.	0.06	0	0.00	0	0.00
6	Higher morale and better judgement is typically associated with divisions that have higher autonomy.	0.05	0	0.00	0	0.00
7	In 2017, over 80 percent of clothes sold in family clothing stores in the USA were imported from overseas.	0.04	0	0.00	0	0.00
8	World price of cotton is expected to decrease slightly into 2019.	0.02	0	0.00	0	0.00
9	Men's casual wear has grown and now accounts for nearly 70% of the men's family clothing store market.	0.02	0	0.00	0	0.00
10	Gap Inc.'s international president said in a statement that Ukraine is the fastest-growing retail market in Eastern Europe, while Serbia has many young customers who enjoy shopping.	0.02	1	0.02	4	0.08

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			1		2	
	Threats	Weight	AS	TAS	AS	TAS
1	States are increasing minimum wages on average to be 10% higher than the national average mandated in the US.	0.07	3	0.21	2	0.14
2	New minimum wage laws have increases wages to $12 or higher in 13 US cities and by 2022 17% of Americans will reside in a city with $15 minimum wage laws.	0.07	3	0.21	2	0.14
3	The retail clothing industry is generally fraught with low profit margins of about 3% and a growth rate of 2.5%.	0.05	0	0.00	0	0.00
4	Online shopping for clothing through auctions and online stores is increasing 8% annually.	0.05	0	0.00	0	0.00
5	Many customers have been trained to wait for sales resulting in lower inventory turnover times and reduced profit margins for retailers.	0.05	0	0.00	0	0.00
6	The family clothing store industry's profit margin is less than 5% with purchases accounting for 60% of all expenses putting further pressure to find cheap sources of clothing manufacturing.	0.05	0	0.00	0	0.00
7	Ecommerce merchants are growing 10 percent annually and several even allow customers in large cities to try on products via appointment.	0.05	0	0.00	0	0.00
8	The retail clothing business is highly seasonal in nature as styles, colors, and temperatures drastically effect stocking, allocating, and marketing various merchandise efficiently.	0.04	0	0.00	0	0.00
9	Cyber attacks were up 30% by some accounts in 2018.	0.04	0	0.00	0	0.00
10	Customer tastes can change quickly as well, with one year's hot color or style of cut being less desired the next year.	0.03	0	0.00	0	0.00
	TOTALS			**2.35**		**1.44**

Recommendations with Associated Costs

1. Open 2 new Gap stores in each of the following cities: Shanghai, Tokyo, Kuala Lumpur, Taipei, Beijing for a total cost of $12 million.
2. Open 5 new Gap stores in the Ukraine with 3 being located in Kiev, and 2 new Gap stores in Belgrade with a total cost of $5 million.
3. Invest $200 million into further marketing the Athleta Brand to women and girls.
4. Invest $100 million to further develop Ecommerce sales by hiring employees who specialize in both data analytics and application construction for smart phones.
5. Increase advertising around the Christmas season by $100 million annually.
6. Open 10 new Old Navy stores in major Eastern European cities for a cost of $10 million.
7. Invest $200 million in Vietnam to ensure cheap sources of labor.
8. Increase number of stores that are franchise owned from 12% to 20% by 2022. Cost expected to be minimal and will be financed through cash.
9. Invest in cyber attack prevention by hiring 10 experts in the area; cost is $2 million annually for 3 years = $6 million.
10. Invest $100 million in data analytics to better determine customer trends, especially in foreign markets.

Total Cost = $731 million

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Organizational Chart Analysis

Chapter 7 presents 15 guidelines for developing an effective organizational chart, as follows:

1. Instead of *chairman* of the board, make it *chairperson* of the board.
2. Make sure the board of directors reveals diversity in race, ethnicity, gender, and age.
3. Make sure the chair of the board is not also the CEO or president of the company.
4. Make sure the CEO of the firm does not also carry the title *president*.
5. Reserve the title *president* for the division heads of the firm.
6. Include a COO if divisions are large or geographically dispersed.
7. Make sure only presidents of divisions report to the COO.
8. Make sure functional executives such as CFO, CIO, CMO, CSO, R&D, CLO, CTO, and HRM report to the CEO, not the COO.
9. Make sure every executive has one boss, so lines in the chart should be drawn accordingly, assuring unity of command.
10. Make sure span of control is reasonable, probably no more than 10 persons reporting to any other person.
11. Make sure diversity in race, ethnicity, gender, and age is well represented among corporate executives.
12. Avoid a functional type structure for all but the smallest firms.
13. Decentralize, using some form of divisional structure, whenever possible.
14. Use an SBU type structure for large firms with more than 10 divisions.
15. Make sure executive titles match product names as best possible in division-by-product and SBU-designated firms.

Exhibit 1 - Gap Inc.'s Top Executives and Organizational Structure

1. Art Peck, President and CEO
2. Brent Hyder, EVP, Global Talent and Sustainability
3. Julie Gruber, EVP, Global General Counsel, Corporate Secretary & Chief Compliance Officer
4. Paul Chapman, EVP and Chief Information Officer
5. Sebastian Digrande, EVP Strategy & Chief Customer Officer
6. Michael Yee, EVP Global Supply Chain: Sourcing and Production
7. Shawn Curran, EVP Global Supply Chain and Operations
8. Christophe Roussel, EVP Global Sourcing and Product Operations
9. Teri List-Stoll, EVP and Chief Financial Officer
10. Jeff Kirwan, President and CEO Gap
11. Sonia Syngal, President and CEO Old Navy
12. Nancy Green, President and CEO Athleta
13. Mark Breitbrad, President and CEO Banana Republic
14. Abinta Malik, EVP and General Manager, Greater China
15. Jyothi Rao, President and General Manager, Intermix

1

2 3 4 5 6 7 8 9 10 11 12 13 14 15

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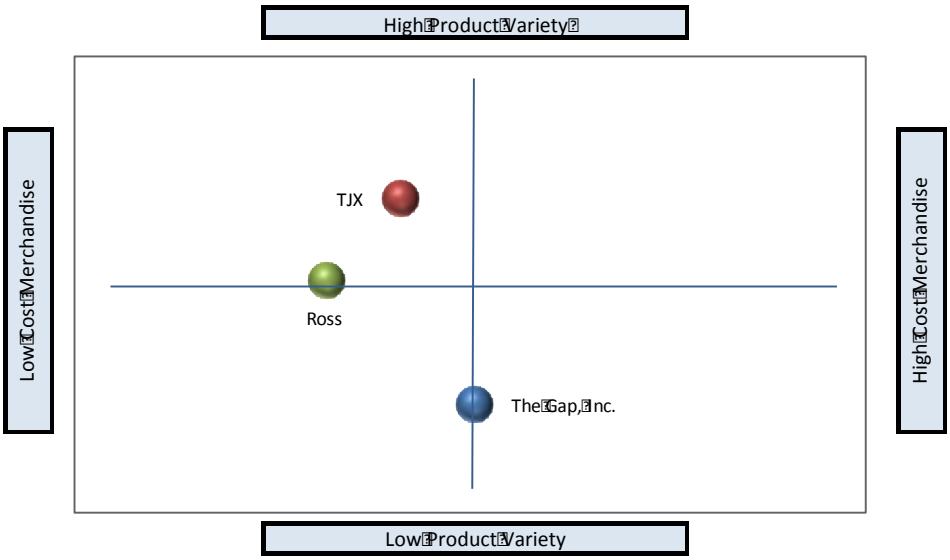
Author Suggestions to Improve the Organizational Chart Presented in the Case

1. Delete the title President from Art Peck's title
2. Add a Chief Operations Officer (COO) who should report to Art Peck (#1)
3. Delete the title CEO from #10, #11, #12, and #13
4. Let #10, #11, #12, #13, #14, #15 report to the new COO
5. Add a Chief Human Resources Management (HRM) Officer who should report to Art Peck (#1)
6. Underneath #10, #11, #12, #13, #14, #15, add an appropriate number of EVP's by geographic region
7. Gap Inc. should operate from a divisional-by-product type structure

Perceptual Map Analysis



Corporate Valuation Analysis

The Gap, Inc.	
Stockholders' Equity - (Goodwill + Intangibles)	$3,144
Net Income x 5	$4,240
(Share Price/EPS) x Net Income	$11,749
Number of Shares Outstanding x Share Price	$11,749
Method Average	**$7,721**

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TJX	
Stockholders' Equity - (Goodwill + Intangibles)	$4,939
Net Income x 5	$13,040
(Share Price/EPS) x Net Income	$58,509
Number of Shares Outstanding x Share Price	$61,013
Method Average	**$34,375**

EPS/EBIT Analysis (in millions of USD)

Amount Needed	$731
Interest Rate	5%
Tax Rate	21%
# Shares Outstanding	388
Additional Shares Outstanding Needed	24
Stock Price	$30.32

	Common Stock Financing			Debt Financing		
	Pessimistic	***Realistic***	***Optimistic***	***Pessimistic***	***Realistic***	***Optimistic***
EBIT	$1,300	$1,600	$2,000	$1,300	$1,600	$2,000
Interest	0	0	0	37	37	37
EBT	1,300	1,600	2,000	1,263	1,563	1,963
Taxes	273	336	420	265	328	412
EAT	1,027	1,264	1,580	998	1,235	1,551
# Shares	412	412	412	388	388	388
EPS	**$2.50**	**$3.07**	**$3.84**	**$2.58**	**$3.19**	**$4.00**

Stock	**70%**	**Debt**	**30%**
	Pessimistic	***Realistic***	***Optimistic***
EBIT	$1,300	$1,600	$2,000
Interest	11	11	11
EBT	1,289	1,589	1,989
Taxes	271	334	418
EAT	1,018	1,255	1,571
# Shares	404	404	404
EPS	**$2.52**	**$3.10**	**$3.89**

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Projected Financial Statements (in millions of USD)

Projected Income Statement	1/31/19	1/31/20	1/31/21
Revenues	$16,172	$16,496	$16,825
Cost of Goods Sold	10,350	10,557	10,768
Gross Profit	5,822	5,938	6,057
Operating Expenses	4,690	4,784	4,879
EBIT	1,132	1,155	1,178
Interest Expense	149	221	291
EBT	983	934	887
Tax	206	196	186
Non-Recurring Events	0	0	0
Net Income	777	738	701

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Projected Balance Sheet	1/31/19	1/31/20	1/31/21
Assets			
Cash and Equivalents	$3,180	$2,072	$1,878
Accounts Receivable	0	495	841
Inventory	2,264	2,309	2,356
Other Current Assets	970	1,320	841
Total Current Assets	6,414	6,196	5,917
Property Plant & Equipment	2,836	2,836	2,836
Goodwill	0	0	0
Intangibles	0	0	0
Other Long-Term Assets	809	660	1,010
Total Assets	10,059	9,692	9,762
Liabilities			
Accounts Payable	2,911	2,639	2,356
Other Current Liabilities	485	0	0
Total Current Liabilities	3,396	2,639	2,356
Long-Term Debt	1,980	1,980	1,980
Other Long-Term Liabilities	1,132	1,155	1,178
Total Liabilities	6,508	5,774	5,513
Equity			
Common Stock	19	19	19
Retained Earnings	3,488	3,855	4,186
Treasury Stock	0	0	0
Paid in Capital & Other	44	44	44
Total Equity	3,551	3,918	4,249
Total Liabilities and Equity	**10,059**	**9,692**	**9,762**

Retained Earnings Table

As indicated in Chapter 8, the key link between a projected income statement and balance sheet is the annual transfer of a firm's net income less dividends = retained earnings (RE) to the firm's balance sheet. In light of the importance of this transaction, a retained earnings table is often included in strategic plan documents. A retained earnings table for Gap Inc. is given below:

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	Dividend Information			Balance Sheet Information	
Steps	1	2	3	4	5
Year	Current Year's Net Income	Less Current Year's Dividends Paid	New RE	Plus Prior Year's RE	Current Year's Balance Sheet RE
1/31/19	$777	$370	$407	$3,081	$3,488
1/31/20	$738	$370	$368	$3,488	$3,856
1/31/21	$701	$370	$331	$3,855	$4,186

Projected Financial Ratio Analysis

	Projected Ratios		
	1/31/19	1/31/20	1/31/21
Current Ratio	1.89	2.35	2.51
Quick Ratio	1.22	1.47	1.51
Debt-to-Total-Assets Ratio	0.65	0.60	0.56
Debt-to-Equity Ratio	1.83	1.47	1.30
Times-Interest-Earned Ratio	8	5	4
Inventory Turnover	4.57	4.57	4.57
Fixed Assets Turnover	5.70	5.82	5.93
Total Assets Turnover	1.61	1.70	1.72
Accounts Receivable Turnover	NA	33	20
Average Collection Period	0.00	10.95	18.25
Gross Profit Margin %	36%	36%	36%
Operating Profit Margin %	7%	7%	7%
ROA %	8%	8%	7%
ROE %	22%	19%	16%

Epilogue

In August 2018, Gap Inc. reported its Q2 2018 financial results saying sales were $4.1 billion, an 8 percent increase over the prior year period. Gross profit was $1.63 billion, an increase of 10 percent compared with last year. The company ended Q2 2018 with 3,626 store locations in 43 countries, of which 3,187 were company-operated. In their August report, the company says it expects to open about 25 company-operated stores, net of closures and repositions in fiscal year 2018. The company said it expects store openings to be focused on Athleta and Old Navy locations, with closures weighted toward Gap brand and Banana Republic. Comparable sales by global brand for Q2 2018 were as follows:

- Old Navy Global: positive 5% versus positive 5 percent the prior year

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- Gap Global: negative 5% versus negative 1 percent the prior year
- Banana Republic Global: positive 2 percent versus negative 5 percent the prior year

For Q2 of 2018, across regions, Gap Inc. reported the following sales in millions:

USA	$3,322	82%
Canada	303	07%
Europe	148	04%
Asia	262	06%
Other	50	01%
Total	$4,085	100%

Gap. Inc. sales for Q2 2018 were up in all regions except Asia where sales the prior year Q2 were $288 million.

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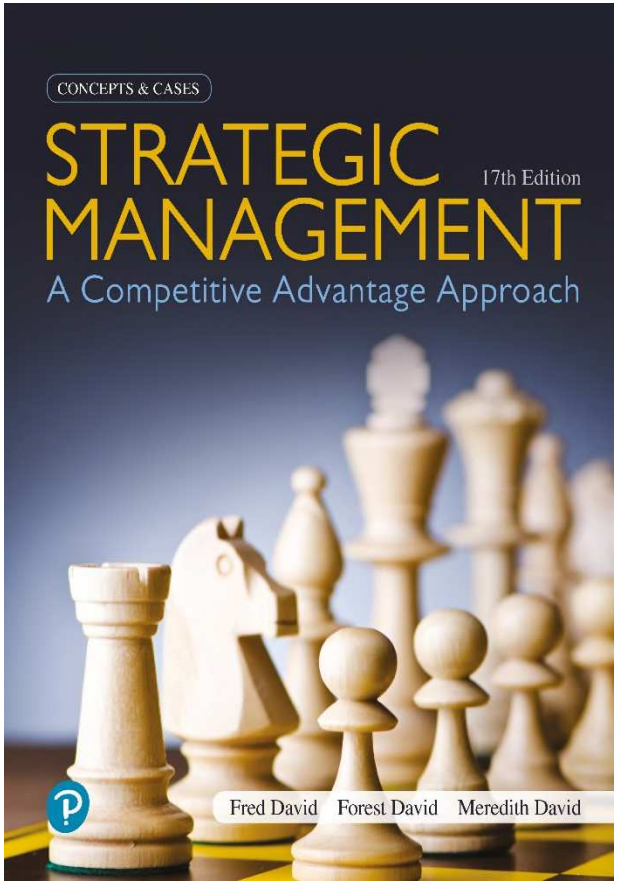
Strategic Management Concepts: A Competitive Advantage Approach, Concepts and Cases

Seventeenth Edition



Chapter 2

Business Vision and Mission

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Learning Objectives (1 of 2)

2.1 Explain the need for core values statements in strategic management.

2.2 Describe the nature and role of vision statements in strategic management.

2.3 Identify the characteristics of a vision statement.

2.4 Describe the nature and role of mission statements in strategic management.

2.5 Identify and discuss the characteristics of an effective mission statement.

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Learning Objectives (2 of 2)

2.6 Identify the components of mission statements.

2.7 Discuss the benefits for a firm of having clear vision and mission statements.

2.8 Evaluate and write mission statements for different organizations.

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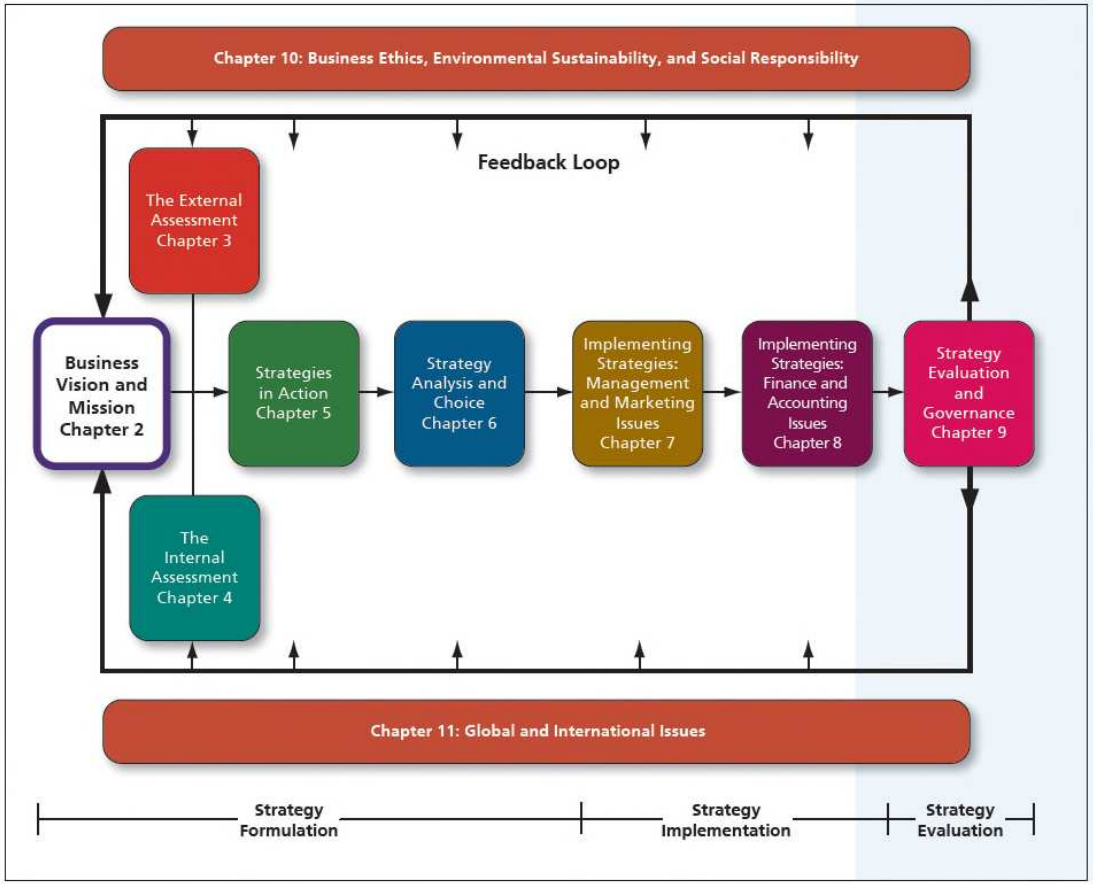
Figure 2.1 A Comprehensive Strategic-Management Model



Source: Fred R. David, "How Companies Define Their Mission," *Long Range Planning* 22, no. 1 (February 1989): 91. See also Anik Ratnaningsih, Nadjadji Anwar, Patdono Suwignjo, and Putu Artama Wiguna, "Balance Scorecard of David's Strategic Modeling at Industrial Business for National Construction Contractor of Indonesia," *Journal of Mathematics and Technology*, no. 4 (October 2010): 20.

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Core Values Statement

A **core values statement** specifies a firm's commitment to integrity, fairness, discipline, equal employment opportunity, teamwork, accountability, continuous improvement, or other such exemplary attributes.

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Vision Statement

A **vision statement** should answer the basic question:

"What do we want to become?"

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What Do We Want to Become?

- The **vision statement** should be short, preferably one sentence, and as many managers as possible should have input into developing the statement.
- The **vision statement** should reveal the type of business the firm engages.

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Vision Statement Examples

- **Dr Pepper Snapple:** to be the best beverage business globally; our brands are synonymous with refreshment, fun, and flavor today and tomorrow.
- **Starbucks:** to be the premier purveyor of the finest coffee in the world while maintaining uncompromising principles as we steadily grow.

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Mission Statement (1 of 2)

- A declaration of an organization's "reason for being."
- It answers the pivotal question "What is our business?"
- It is essential for effectively establishing objectives and formulating strategies.

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Mission Statement (2 of 2)

- It reveals what an organization wants to be and whom it wants to serve
- It is also called a creed statement, a statement of purpose, a statement of philosophy, a statement of beliefs, and a statement of business principles

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Characteristics of a Mission Statement (1 of 4)

- A good mission statement allows for the generation and consideration of a range of feasible alternative objectives and strategies without unduly stifling management creativity.
- A mission statement needs to be broad to reconcile differences effectively among, and appeal to, an organization's diverse stakeholders

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Characteristics of a Mission Statement (2 of 4)

- **Stakeholders**
  - include employees, managers, stockholders, boards of directors, customers, suppliers, distributors, creditors, governments (local, state, federal, and foreign), unions, competitors, environmental groups, and the general public.

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Characteristics of a Mission Statement (3 of 4)

1. Broad in scope; does not include monetary amounts, numbers, percentages, ratios, or objectives
2. Fewer than 150 words in length
3. Inspiring
4. Identifies the utility of a firm's products
5. Reveals that the firm is socially responsible
6. Reveals that the firm is environmentally responsible

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Characteristics of a Mission Statement (4 of 4)

7. Includes nine components: customers, products or services, markets, technology, concern for survival/growth/profits, philosophy, self-concept, concern for public image, concern for employees
8. Reconciliatory
9. Enduring

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Insight on Scope of Mission Statement

Mission statements are not designed to express concrete ends, but rather to provide motivation, general direction, an image, a tone, and a philosophy to guide the enterprise. An excess of detail could prove counterproductive since concrete specification could be the base for rallying opposition; all in the firm need to be onboard with the firm's mission.

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Considerations (1 of 2)

- Do not offer me things.
- Do not offer me clothes. Offer me attractive looks.
- Do not offer me shoes. Offer me comfort for my feet and the pleasure of walking.
- Do not offer me a house. Offer me security, comfort, and a place that is clean and happy.
- Do not offer me books. Offer me hours of pleasure and the benefit of knowledge.
- Do not offer me CDs. Offer me leisure and the sound of music.

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Considerations (2 of 2)

- Do not offer me tools. Offer me the benefits and the pleasure that come from making beautiful things.
- Do not offer me furniture. Offer me comfort and the quietness of a cozy place.
- Do not offer me things. Offer me ideas, emotions, ambience, feelings, and benefits.
- Please, do not offer me **things**.

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Mission Statement Components
(1 of 2)

1. **Customers**-Who are the firm's customers?
2. **Products or services**-What are the firm's major products or services?
3. **Markets**-Geographically, where does the firm compete?
4. **Technology**-Is the firm technologically current?
5. **Survival, growth, and profitability**-Is the firm committed to growth and financial soundness?

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Mission Statement Components
(2 of 2)

6. **Philosophy**-What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
7. **Distinctive competence**-What is the firm's major competitive advantage?
8. **Public image**-Is the firm responsive to social, community, and environmental concerns?
9. **Employees**-Are employees a valuable asset of the firm?

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Importance of Vision and Mission Statements

- To make sure all employees/managers understand the firm's purpose or reason for being.
- To provide a basis for prioritization of key internal and external factors utilized to formulate feasible strategies.
- To provide a basis for the allocation of resources.
- To provide a basis for organizing work, departments, activities, and segments around a common purpose.

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Table 2.5 Ten Benefits of Having a Clear Mission and Vision

1.	Achieve clarity of purpose among all managers and employees.
2.	Provide a basis for all other strategic planning activities, including internal and external assessment, establishing objectives, developing strategies, choosing among alternative strategies, devising policies, establishing organizational structure, allocating resources, and evaluating performance.
3.	Provide direction.
4.	Provide a focal point for all stakeholders of the firm.
5.	Resolve divergent views among managers.
6.	Promote a sense of shared expectations among all managers and employees.
7.	Project a sense of worth and intent to all stakeholders.
8.	Project an organized, motivated organization worthy of support.
9.	Achieve higher organizational performance.
10.	Achieve synergy among all managers and employees.

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Developing Vision and Mission Statements

A widely used approach includes:

- Select several articles about these statements and ask all managers to read these as background information.
- Ask managers themselves to prepare a vision and mission statement for the organization.
- A facilitator or committee of top managers should then merge these statements into a single document and distribute the draft statements to all managers.
- A request for modifications, additions, and deletions is needed next, along with a meeting to revise the document.

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Example Mission Statements (1 of 2)

Hershey

- We bring sweet moments (2) of Hershey happiness (6) to the world (3) every day.
- **Author comment: Statement lacks six components: Customers (1), Technology (4), Survival/Growth/Profits (5), Distinctive Competence (7), Public Image (8), and Employees (9); 12 words**

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Example Mission Statements (2 of 2)

A Proposed Mission Statement for Hershey

- We aim to serve consumers of all ages and lifestyles (1) by providing high-quality chocolate, candy, and snack products (2) globally (3). We intend to grow and expand our product offerings (5) using robotics and business analytics (4). We are dedicated to supporting all communities where we operate (8), especially to the boys and girls in the Milton Hershey School (6). Through our friendly and well-trained employees (9), we provide consumers the best chocolate anywhere and wrapped in Hershey Happiness (7).
- **73 words**

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Exemplary Proposed Mission Statement (1 of 2)

Rite Aid

- We are on a mission to offer the best possible drugstore experience for people of all ages (1) around the United States (3). We have a state-of-the-art information system (4) that provides our pharmacists (9) with warnings of any possible drug interactions to help ensure better customer safety (8). We are determined to improve our customers' overall health through our wellness programs (5). We offer an extensive line of other beauty, food, drink, cosmetic, and vitamin products through our alliance with GNC (2). We believe in treating our customers like family (6) and strive to maintain our reputation as the most personable drugstore (7). **(88 words)**

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Exemplary Proposed Mission Statement (2 of 2)

United Parcel Service (UPS)

- We strive to be the most timely and dependable parcel and freight forwarding delivery service (2) in the world (3). By implementing the latest tracking technology (4), we are able to profitably grow (5) by offering individuals and businesses (1) dependable and accurate delivery times (7). We promote from within to improve morale among all employees (9). Our philosophy (6) is to responsibly balance the needs of our customers, employees, shareholders, and communities (8) in an exemplary manner. **(68 words)**

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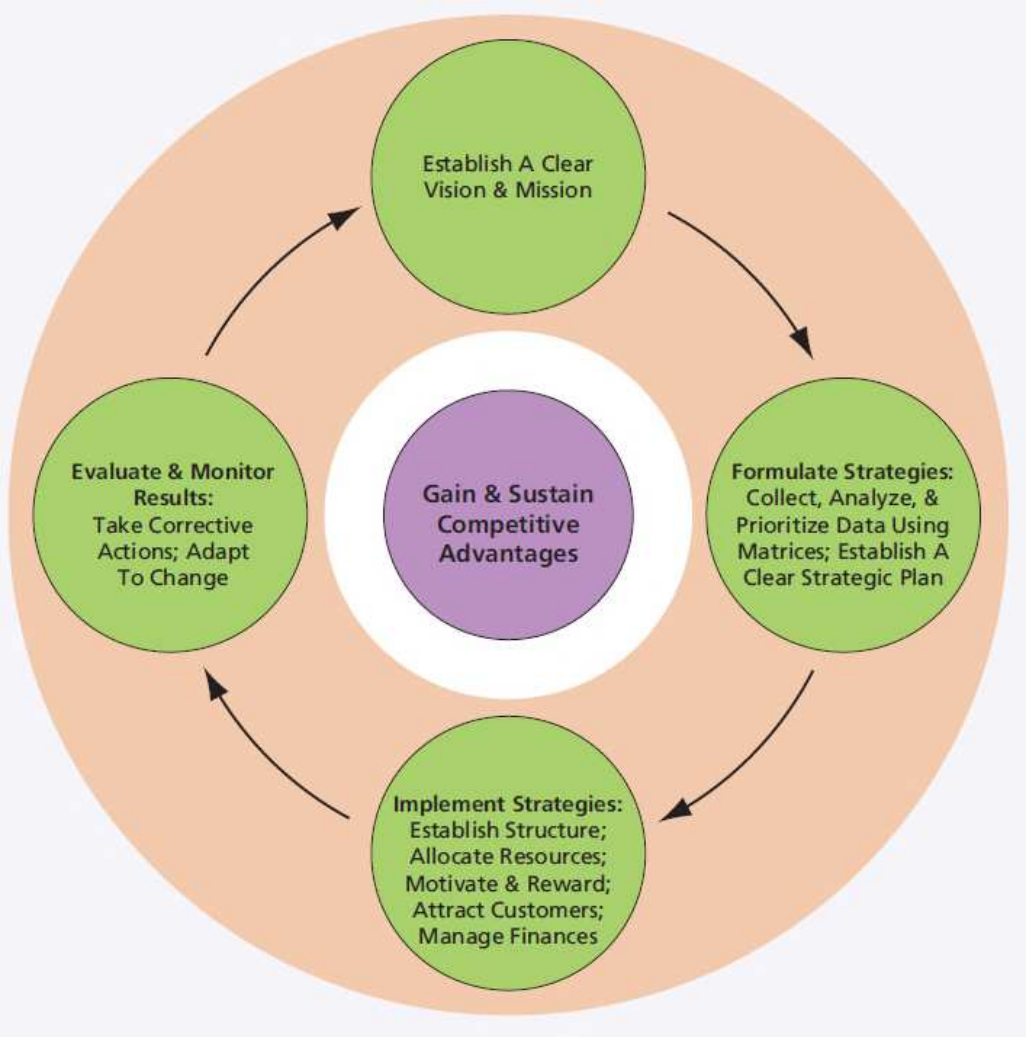
Figure 2.2 How to Gain and Sustain Competitive Advantages



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