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Beyond Flexibility: Building and Managing the Dynamically Stable Organization

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A change of historic proportion is occurring in today's competitive environment, one that calls for an equally historic response in organizational structure and competitive strategies. While product demands placed upon firms are changing in dramatic ways—product life cycles are shorter, demand for product choice and customization is swelling, pressures for globalization and technological innovation are overwhelming—the firm's need to respond to change with stable and long-term, yet flexible and responsive, process capabilities is greater than ever before.¹ Today managers must be able to meet what have traditionally been contradictory requirements: continuously deliver customized, high-quality goods and services; and at the same time keep costs down and get products to market quickly.² But how are they to do this?

At Westpac, the largest financial group in the South Pacific, executives are responding to rapid and unpredictable market change by investing in one of the world's largest and most complex information systems. Once in place, the centrally managed system will serve as a flexible software "factory" through which customized financial products and services can be quickly produced and delivered to market. At Ingersoll Milling Co. and Gleason's Components, two relatively small machine tool and design companies, managers have recently made multimillion-dollar investments in

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Table 4. Example of Organizational Vision: Merck, 1979

Guiding Philosophy

- **Values and Beliefs**
 - We value above all our ability to serve the patient.
 - We are committed to the highest standards of ethics and integrity
 - We are responsible to our customers, to our employees, and to the societies we serve . . . Our interactions with all segments of society—customers, suppliers, governments and the general public—must reflect the high standards we profess.
 - We expect profit, but profit from work that benefits humanity
 - We are committed to research that matches science to the needs of humanity
 - Since our future as a company rests squarely on the knowledge, imagination, skills, teamwork and integrity of our employees, we value these qualities most highly.^a
- **Purpose**
 - We are in the business of preserving and improving human life. All of our actions must be measured by our success in achieving this.^b

Tangible Image

- **Mission**
 - To establish Merck as the preeminent drug-maker worldwide in the 1980s.^c
- **Vivid Description**
 - We will be the first drug maker with advanced research in every disease category.^d Our research will be as good as the science being done anywhere in the world.^e Our drugs won't be used by a single person who doesn't need them.^f Merck will continue to grow on a steady basis, bringing forth worthwhile products. We will be at the leading edge of concern, making contributions to the problems society is struggling with—giving Blacks a more effective role in our economy, righting the sexual imbalances that have existed in the past, and making a contribution to the environment in which we live.^g

^aGeorge W. Merck, "An Essential Partnership—The Chemical Industry and Medicine," speech presented to the Division of Medicinal Chemistry, American Chemical Society, April 22, 1935

^bIbid.

^cP. Gibson, "Being Good Isn't Enough Anymore," *Forbes*, November 26, 1979, p. 40.

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^e*Wall Street Journal*, "Merck & Co.," June 23, 1989, p. A33.

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^gT. Jaffe, "A Stitch in Time," *Forbes*, November 22, 1982, p. 114.

In conclusion, we'd like to dispel one of the great myths of modern management: the myth that building a visionary organization requires the presence of a charismatic leader who is somehow blessed with almost mystical or super-human visionary qualities. Indeed, many managers respond to the notion of vision by thinking it is not for them because they do not fit the stereotypical mold of a "visionary." Charisma's role in setting vision is vastly overrated. In fact, attempting to substitute charisma for substance is destructive. The function of a leader—the one universal requirement of effective leadership—is to catalyze a clear and shared vision of the organization and to secure commitment to and vigorous pursuit of that vision. This can be accomplished with a variety of styles and does not require charisma. The key is to build an organization with vision, not simply to have a single charismatic individual with vision as the CEO. And without vision, organizations have no chance of creating their future; they can only react to it.

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4. Companies from each of the four sources of names responded at approximately the same rate (*Fortune 500* Service, 22%; *Fortune 500* Industrial, 23%; *Inc. 500* Private, 27%; *Inc. 100* Public, 25%). An analysis to determine if the responses received were representative of the sample drawn for each group yielded no significant biases in response patterns.
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9. Max DePree, *Leadership is an Art* (New York, NY: Doubleday Dell Publishing Group, Inc., 1989), pp. 4-80.

an internal transformation. In 1990, it set the mission to create a new, unique blend of teaching and research by the year 2010. As Stanford president Donald Kennedy put it:

To contrive a convergence of the strength of our research venture with the teaching of our undergraduates.²⁴

General Electric has sought to cope with the inefficiencies of its size by creating an internally focused mission. In 1986, GE's CEO Jack Welch articulated it:

In addition to the strength, resources and reach of a big company, which we have already built, we are committed to developing the sensitivity, the leanness, the simplicity and the agility of a small company. We want the best of a both . . . [a] big-company/small-company hybrid.²⁵

In its early years, Procter and Gamble established an internal mission: to reach a point where it could provide steady employment for its workers, rather than the hire-and-fire swings forced by seasonal demands. (These swings were caused by the demands of wholesalers, who ordered in large quantities and then, like a snake digesting a large meal, would lie dormant.) To achieve the mission, P&G took the audacious step of setting up a sales force to sell directly to retailers. This smoothed demand and allowed the company to announce, in 1923, that it had achieved its long standing goal of steady employment.²⁶

Environment—As shown in Figure 1, the guiding philosophy of the organization becomes operationalized in the tangible image, but it becomes so taking the organization's expected future environment into account. In this sense, environment serves a moderating role in the translation of purpose into mission. By its very nature, guiding philosophy is generated relatively free of current environmental conditions—it comes from within people. Missions, on the other hand, will be affected by the environment—they are affected by timing, trends, technology, and other external factors. Ford's democratization mission and NASA's space mission could not have been done in the 19th century. Nonetheless, setting a mission is a creative process, and should not be unduly dampened or limited by the pervasive human tendency to say "we can't." A mission should walk the boundary between possible and impossible; setting a mission requires an intuitive sense for that boundary.

Finally, missions should not be limited by the constraints of strategic analysis. Mission setting should be proactive, not reactive. Strategy is subservient to mission and strategic analysis should be done *after*—not during—the mission-setting process.

Vivid Description

Vivid description, the second element of tangible image, represents a vibrant, engaging, and specific description of what it will be like when the

mission is achieved. It provokes emotion and generates excitement. It transforms the mission from words into pictures—it's a way of conveying the mission so that people carry around a clear, compelling image in their heads. The vivid description brings the mission to life. We call this "painting a picture with your words."

For non-quantitative missions, "picture painting" is essential for making the mission tangible in people's minds. With a target such as "to become a great company," it's essential to vividly describe the goal. For example, Celtrix's definition of "great" involves such things as having multiple profitable products, state-of-the-art facilities, proud employees, and being on the cover of *Time* magazine. The people at Celtrix painted a picture with their words of what "great" would look like and said, in essence, "Our mission is to make that happen."

As noted, Ford's mission in its early days was to "democratize" the automobile. Henry Ford brought this mission to life with statements such as:

I will build a motor car for the great multitude. . . . it will be so low in price that no man making a good salary will be unable to own one—and enjoy with his family the blessing of hours of pleasure in God's great open spaces. . . . When I'm through everybody will be able to afford one, and everyone will have one. The horse will have disappeared from our highways, the automobile will be taken for granted . . . [and we will] give a large number of men employment at good wages.²⁷

You could say that it was easy for Ford to create such a vivid description because he was an entrepreneur at the center of one of the most exciting moments in industrial history. But what about large, established companies? Can they generate as much excitement?

Jack Welch at GE provides the best example we have found of bringing a mission to life through vivid description. In describing their "big company/small company hybrid" mission, he stated in 1986:

As we succeed in ridding our company of the tentacles of ritual and bureaucracy, we are now better able to attack the final, and perhaps most difficult challenge of all. And that is the empowering of our 300,000 people, the releasing of their creativity and ambition, the direct coupling of their jobs with some positive effect on the quality of a product or service. We want each man and woman in this company to see a connection between what he or she does all day and winning in the market place. Their roles, responsibilities, and rewards must become clear to them and to everyone. Small companies thrive and grow on that sense of contribution and reward. We want it as well, and everything we do to evolve our management system will be consistent with getting it.²⁸

The phrase "tentacles of ritual and bureaucracy" is a perfect example of vivid description—you can just see those slimy, long tentacles wrapping powerfully around the company and slowly squeezing the life out of it.

Vivid descriptions can be articulated by managers other than the CEO. For example, one middle level manager conveyed the following description of what achieving his group's mission would be like:

We will be respected and admired by our peers . . . Our solutions will be actively sought by [the] product divisions . . . There will be significant end product "hits" that succeed largely due to our contribution . . . We will have pride in ourselves . . .

People will give unsolicited feedback that they love what they are doing . . . People will always think "we" rather than "I" . . . No one will be deceitful or protective of information . . . People will walk on the halls of their feet . . . People willingly work hard because they want to . . . People feel that [our group] has contributed to their life in a positive way.²⁴

As demonstrated by these examples, passion, emotion, and conviction are essential parts of the vivid description. Some managers are uncomfortable with expressing emotion about their dreams, but it's the passion and emotion that will grab others. We must dispose of the widely accepted norm that rationality should rein supreme, and that emotion should be kept in check. Creating the right mission and describing it with vivid detail should release people's passion and generate the commitment organizations need to achieve high performance.

The Need for Both Purpose and Mission—Because a specific mission can be so compelling, some organizations make the mistake of thinking that their mission is their purpose. For these organizations, the problem eventually becomes: what does the organization do once it has completed the mission? Without a broader, more enduring purpose from which to derive the next mission, there will be a crisis of direction once the mission is accomplished.

Ford suffered from this in its early days. After it had achieved the mission of democratizing the automobile, Ford had no broadly understood organizational purpose to fall back on as the basis of a new mission and was left with no clear idea of what to do next. This contributed to Ford's sticking doggedly to the Model T strategy too long, giving General Motors the foothold it needed to become the dominant car maker. Had Ford set a new compelling mission after it had achieved democratization, we suspect that GM would have had a much tougher time beating out Ford for the number one spot, if it ever would have. It appears, however, that Ford's purpose had not been clearly articulated at that time and, as a consequence, the organization was not able to look to its purpose for guidance in establishing a new mission.

NASA also appears to have suffered from being so mission driven that, for years after the moon landing, it floundered aimlessly while it searched for a new mission. The lack of a clear overall purpose has kept NASA from developing a new mission as compelling as its earlier one.

Putting It All Together

Two examples illustrate the entire vision framework in action: Giro Sport Design, a small manufacturer of bicycle products; and Merck, the giant drug manufacturer that has now been Fortune Magazine's "Most Admired" Corporation for five years in a row. Tables 3 and 4 present, for each of these

Table 3. Example of Organizational Vision: Giro Sport Design (from Corporate Vision Statement, 1991)

Guiding Philosophy

- Values and Beliefs
 - Customer satisfaction is first and foremost.
 - It takes great products to be a great company.
 - Integrity is not to be compromised; be honest, consistent, and fair.
 - Commitments made are to be fulfilled.
 - Never cut corners; get the details right.
 - The Golden Rule applies to peers, customers, and employees.
 - Teamwork should prevail; think "we," not "I."
 - There is no reason to do any product that is not innovative and high quality.
 - Style is important; all of our products should look great.
- Purpose
 - Giro exists to make a positive impact on society—to make people's lives better—through innovative, high quality products.

Tangible Image

- Mission
 - Our mission is to become a great company by the year 2000—to be to the bicycling industry what Nike is to athletic shoes and Apple is to computers.
- Vivid Description
 - The best riders in the world will be using our products in world-class competition. Winners of the Tour de France, the World Championships, and the Olympic Gold Medal will win while wearing Giro helmets. We will receive unsolicited phone calls and letters from customers who say, "Thank you for being in business; one of your helmets saved my life." Our employees will feel that this is the best place they've ever worked. When you ask people to name the top company in the cycling business, the vast majority will say, "Giro."

companies, a description of their organizational vision using the four basic elements in our framework.

Giro, a young company consciously focusing on creating an integrated vision, has systematically developed all of its components and collected them in one document. Merck, on the other hand, represents an evolutionary process in which the organization has "unconsciously" created its vision. By studying a variety of Merck documents, we were able to ferret out the various pieces and have organized them into the comprehensive set of statements shown in Table 4. Organizations such as Merck would get greater leverage from what they already do if they were more conscious about integrating their vision into one document—a document that could be used as the basis for communicating the ideas guiding the organization.

A company might progress for decades without an explicitly stated purpose, yet nonetheless have a very strong one. During our interview with Bill Hewlett, we asked whether he and co-founder Dave Packard had a purpose in mind during the early days of HP. He responded:

I don't think those are questions we asked ourselves. . . . We had a good education and we felt we ought to be able to do something with it, and there were not many jobs around. So why not try our wings? . . . Hell, we wanted to know where we were going to get our bread the next day. So the question you ask comes about much later. And I think we felt that we were a major factor in helping the electronics industry . . . that we had a responsibility to provide good instrumentation for the country. That's a very idealized statement. I don't know if we've made it or not.

However, even though purpose is always present—in the woodwork—and many successful companies have not explicitly articulated it, we firmly believe that any company will benefit tremendously by the exercise of identifying and writing down a concise, complete statement of purpose.

Tangible Image

Tangible image, the second major component of our framework, consists of a *mission* which clearly focuses the efforts of the organization and a *vivid description* through which the mission is made more alive and engaging. We've chosen the phrase "tangible image" to convey both a sense of concreteness—something vivid and real—and a picture of the future—dreams, hopes, and aspirations. Whereas guiding philosophy resides in the background, ever-present and "in the woodwork," tangible image is in the foreground, focusing people's attention on a specific goal. Guiding philosophy is deep and serene; tangible image is bold, exciting, and emotionally charged.

Mission—A mission is a clear and compelling goal that serves to unify an organization's efforts. An effective mission must stretch and challenge the organization, yet be achievable. It translates the abstractness of philosophy into a tangible, energizing, highly focused goal that draws the organization forward. It is crisp, clear, engaging—it reaches out and grabs people in the gut. People "get it" right away; it requires little or no explanation. A mission has a finish line and a specific time frame for its achievement. A good mission is risky, falling in the grey area where reason says, "This is unreasonable," and intuition says, "but we believe that we can do it nonetheless." We like to use the phrase "big, hairy, audacious goal" when describing mission. The NASA moon mission, as articulated by President Kennedy in 1961, provides a good example of the concept:

Achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth.¹⁵

There are four approaches to setting a mission: *Targeting*, *Common Enemy*, *Role Model*, and *Internal Transformation*.

Targeting—Targeting means setting a clear, definable target and aiming for it (e.g., the NASA moon mission). Target missions can be quantitative or non-quantitative. For example, in 1977, Wal-Mart's founder Sam Walton set the precise target of being a \$1 billion company in four years (a more than doubling of the company's size). Wal-Mart achieved the mission on schedule with sales of \$1.2 billion in 1980. Wal-Mart didn't stop there, however. The company continued to set new target missions for itself, and it achieved them. In 1990, after Wal-Mart had grown to over 1,500 stores and \$25.8 Billion in sales, the company refused to become complacent. At the 1990 annual shareholder's meeting, attended by over 8,000 employees, Walton articulated the next target: to double the number of stores and increase the dollar volume per square foot 60% by the year 2000.¹⁶

Quantitative missions, such as Wal-Mart's, have the advantage of being precise and specific. However, they are often not as compelling as qualitative missions—missions that create vivid images of what success would look like. If the company has a charismatic leader that generates excitement around the numbers (like Sam Walton), then a quantitative target mission can be effective. If, on the other hand, the company does not have such a leader—and most companies do not—then non-quantitative targets can be more compelling. For example, the mission set at Ford Motor Company in 1909, as expressed by Henry Ford, was qualitative but nonetheless very compelling: "To democratize the automobile."¹⁷ In Ford's case, the mission is picturesque and exhilarating.

Another non-quantitative target example comes from MIPS Computer Company, a high-end computer work-station manufacturer. Instead of setting its mission in terms of sales dollars or number of units sold, it set the following mission in 1987:

To make the MIPS microprocessor architecture the most pervasive in the world by the mid-1990s. Every decision is subservient to that aim.

—Bob Miller, CEO

This is an excellent target mission. It's bold and audacious (MIPS must surpass companies such as Sun, IBM, and HP) and it's exciting to the people at MIPS. It has a time frame, yet it's not defined by numbers. (MIPS will undoubtedly use numbers to measure where it is relative to achievement of the mission, but the goal is the pervasiveness, not the specific number.)

Some target missions are highly general, but nonetheless very powerful. Typically, these non-quantitative missions are defined in terms of taking the company to an entirely new level of overall prestige, success, dominance,

or industry position. Here are three illustrative examples:

To establish Merck as the preeminent drug-maker worldwide in the 1980s.

—set by Merck in 1979¹⁶

To become the dominant lock supplier in the United States by the year 2000.

—set by Schlage Lock in 1990

To become the first truly great biopharmaceutical company.

—set by Celtrix Laboratories in 1990

Finally, there is a special case of imprecise target missions commonly found in start-up companies: "To reach a point where survival is no longer in question." For many start-up companies, this is indeed "big, hairy, audacious." However, many early-stage companies flounder because they never bother to reset a new big, challenging mission once survival is no longer a question, and they lose the sense of excitement present in the early days. We call this the "we've arrived syndrome," and it is dangerous. A new mission must be set to refocus the organization.

Common Enemy—A second powerful form of mission is to create a goal focused on defeating a common enemy. Pepsi's mission at one point was to "Beat Coke!" John Sculley, who was president of Pepsi prior to joining Apple, described the impact of having this mission:

We always believed, since the early seventies, when Pepsi was widely viewed as the perennial also-ran, that we could do it. All of us started out with that objective, and we never took our eyes off it. . . . It put us on a search-and-destroy mission against a Goliath.¹⁷

Honda, when faced with Yamaha's having overtaken them as the number one motorcycle manufacturer in the world, responded with:

Yamaha wa tsubushi! (We will crush, squash, slaughter Yamaha!)¹⁸

The year after Honda established this mission, it introduced 115 new models of motorcycles and so thoroughly defeated Yamaha that Yamaha later publicly apologized to Honda for having claimed that it would dominate Honda.

Nike has thrived for years on common enemy missions. First, it set out to beat Adidas in the United States. It did so. Then, after the unexpected rise of Reebok, Nike established the mission of crushing Reebok, which resulted in the highly competitive "sneaker wars."¹⁹

Common enemy missions are typically set by companies that are striving to become number one, but have not yet achieved it; they play nicely into a David versus Goliath motivation. One extremely powerful effect of common enemy missions is that they can transform an organization whose back is against the wall and that is concerned about its very survival. However, people don't like to "just survive," they like to win. A common enemy mission taps into this basic human motivation. Micron Technology, a small

semi-conductor company, provides an excellent illustration. In 1985, Japanese companies' illegal dumping of products below cost nearly put Micron out of business. CEO Joseph Parkinson used the existence of an outside foe as a unifying force to pull the company through what he calls "the dark days." Parkinson recalled:

When things were going bad, I was trying to keep everyone motivated to keep us alive. At first, I wasn't scoring a lot of points, but then it occurred to me to key off the fact that people like to win. I mean, who likes to just survive? So with our backs to the wall, we went on the offensive. Yes, it was a tremendous advantage to have a bitter enemy. But it was more than that. We were sworn to prevail over that enemy. And this shift from a survival mode to a "we shall prevail" mode—beating the odds as the underdog—is something every-one can get behind from assembly-line workers to VPs.²⁰

However, in spite of its obvious advantages, there are negative aspects to common enemy missions. Most obvious is that it is difficult to spend your entire life "at war." And what do you do when you've defeated the enemy and become number one? What happens when you are no longer David, and have become Goliath? Nike, for example, went into a slump after it defeated Adidas. It didn't rebound from that slump until Reebok had slipped by them and became a worthy target of Nike's competitive orientation.

Role Model—Less common than targeting and common enemy missions are role model missions. These are usually set by promising small to mid-sized companies with bright prospects in their industries. During its early years, the real estate company Trammell Crow had the mission: "To be the IBM of the real estate industry."²¹ By this, Trammell Crow meant to dominate its markets the way IBM does, to have the level of employee pride of IBM, and to possess a similar reputation for business excellence. Giro Sport Design, a five-year old California-based bicycling products company, used a combination of both targeting and role models in settings its mission:

To be a great company by the year 2000—to be to the cycling industry what Nike is to athletic shoes and Apple is to computers.

—Jim Curtis, CEO

Role model missions are effective to the degree the organizations selected as role models generate powerful images for company members. Sometimes, the images generated may be so complex that they do not mean the same thing to all members and, as such, don't provide the integrative force required of an effective mission.

Internal Transformation—Internal transformation missions tend to be effective in old organizations that need to dramatically change themselves in order to remain competitive and healthy (or, sometimes, to regain their health). Stanford University is an example of an organization focusing on

stumble if you're moving." (Paul Carleton, President, 1931. Minnesota, Mining, and Manufacturing Company, *Our Story So Far* [St. Paul, MN: Minnesota, Mining, and Manufacturing Company, 1977], p. 65.)

Daimery: "There is no cynicism in me and none is allowed in our work." [Walt Disney, Founder. Christopher Finch, *Walt Disney's America* (New York, NY: Abbeville Press, Inc., 1978), p. 292.]

Sony: "We should always be the pioneers with our products—out front leading the market. We believe in leading the public with new products rather than asking them what kind of products they want." [Akio Morita, Founder]

About Management and Business

Hewlett-Packard: "All levels should work in unison toward common objectives, recognizing that it is only through effective, cooperative effort that the ultimate in efficiency and achievement can be obtained." [HP Corporate Objectives. Hewlett-Packard Company, *Corporate Objectives*, 1987.]

McKinsey & Company: "Every member of the Firm has a responsibility to question Firm decisions that he or she disagrees with." [McKinsey Principles. Marvin Bower. Marvin Bower, *Perspective on McKinsey* (New York, NY: McKinsey & Company, Inc., 1979), p. 234.]

Motorola: "Everything will turn out alright if we just keep in motion, forever moving forward."

[Paul Galvin, CEO, 1945. Harry Mark Petrakis, *The Founder's Touch: The Life of Paul Galvin of Motorola* (New York, NY: McGraw-Hill Book Company, 1965), p. 111.]

Patagonia: "I believe in blurring the distinction between work and play. If you can't get up in the morning and look forward to going to work, then you're doing something wrong." [Yvon Chouinard, founder, Patagonia, 1987.]

Purpose—Purpose, the second part of guiding philosophy, is an outgrowth of the organization's core values and beliefs. Every organization should be able to articulate its purpose succinctly—in one or two sentences. A statement of purpose should quickly and clearly convey how the organization fills basic human needs. A good purpose statement is broad, fundamental, inspirational, and enduring; it should serve to guide a organization for at least 100 years. A good purpose statement must be able to grab the "soul" of each organizational member. For example, Merck's purpose, contained in its 1989 "Statement of Corporate Purpose," is:

We are in the business of preserving and improving human life. All of our actions must be measured by our success in achieving this.

To examine the historical consistency of Merck's purpose, we delved into Merck's early archives and found numerous comments by George Merck II that demonstrate a fundamental, enduring purpose. For example, in 1935 he said:

[We] are workers in industry who are genuinely inspired by the ideals of advancement of medical science, and of service to humanity."

Sure, one could say, it's easy for Merck to articulate an inspirational purpose—it makes medicine. What about companies in other, "less noble" industries? The fact is that there is an extremely wide range of industries that can and do have inspirational purposes. Disney's purpose is "to make people happy." Lost Arrow Corporation, parent of outdoor clothing company Patagonia, defines its purpose as: "to serve as both a role model and a tool for *social change*." Schlage Lock Company's purpose is "to make the world more secure."

A common error made by companies trying to articulate purpose is to simply write a specific description of the company's current product lines or customer segments. "We exist to make computers for knowledge workers" is not a good purpose statement. It is neither compelling nor flexible enough to last for 100 years. It is merely descriptive of what a certain company currently does. A far better purpose would be Apple's, as expressed by Steve Jobs in 1980:

To make a contribution to the world by making tools for the mind that advance humankind.

Does this mean that an organization should always avoid mentioning its products or customers in its purpose statement? Yes and no. Yes, it should avoid sterile descriptions like "We exist to make X products and sell them to Y customers." On the other hand, if an organization can tie its products to a more fundamental need, the statement of purpose can be quite effective. In fact, some companies are very clear that they are only going to participate in certain lines of business, and they find it helpful to delineate this in their purpose. But they always ask, "What fundamental need are we filling?"

Celtrix Laboratories, a small biotechnology firm, intends to only produce human therapeutics products. The company could have thus been tempted to state their purpose as "to develop, manufacture, and sell human therapeutics products." Wisely, however, Celtrix leadership realized that this is not their purpose and asked a basic question: "Why do we want to dedicate ourselves to producing these products?" The following purpose statement resulted:

Our purpose is to improve the quality of life through innovative human therapeutics. —Bruce Pharriss, CEO

Other companies, such as Telecare Corporation (a California-based mental health care provider) and McKinsey & Company (the management consulting firm), specify customer segments, yet manage to keep the purpose fundamental and inspirational:

Telecare exists to help people with mental impairments realize their full potential.

—Ann Bakar, CEO

The purpose of McKinsey & Company is to help leading corporations and governments be more successful."

Rather than just describing the organization's output or target customers, an effective purpose statement not only reflects the importance people attach to the company's work, but taps their idealistic efforts. Good purpose statements capture the soul of the organization. Good purpose statements are developed by asking questions such as: What would the world lose if our company ceased to exist? Why don't we just shut the doors down and sell off all the assets? Why do we want to dedicate our precious creative energies to this company's efforts? What are the personal purposes we feel for our own lives, and how can our united effort fit with these?

These questions were used to deepen and enrich a purpose statement in some work we did with one senior manager of a support services group.⁴ The manager and members of his team met for several hours and generated the following statement of purpose for their organization:

To be the undisputed leader in providing the best estimating, project control, and management support services.

We then met with the manager and, when presented with the statement above, asked the following question, "Why is it important to provide the best estimating, project control, and management support services to your organization?" After some discussion, his answer reflected a deeper sense of his organization's purpose:

To provide the best estimating, project control, and management services so that we can help our company deliver high quality completed works to our customers.

A further series of questions yielded an even greater depth, one that the manager found most compelling:

To be the lifeblood and conscience of all those we serve.

With the development of this statement, the manager's eyes lit up and he became quite excited about the thought of leading a group that existed for this reason. Later, after extended discussion, his staff shared the same excitement.

We have not presented this example to demonstrate how one goes about generating a statement of purpose. That is beyond the scope of this article. Rather, the important point here is to recognize that purpose statements are not easy to develop and must be worked on carefully. One should not expect

to be able to generate a broadly supported and deeply meaningful statement with a group of people in one or two hours. Accurately capturing the organization's purpose requires answering a wide variety of questions and having lengthy discussions.

Purpose plays an essential role in determining who's inside and who's outside the organization. A clear purpose attracts (to the company) people whose personal purposes fit with the company's purpose and, conversely, repels those whose personal purposes are contradictory. Indeed, even through the process of articulating purpose, some employees and key executives may choose to leave when it becomes clear that they are not personally aligned with the organization's purpose. This is a good outcome, and not one to be avoided.

Purpose need only be meaningful and inspirational to people inside the organization; it need not be exciting to all outsiders. It's the people inside the organization that need to be compelled by the purpose to generate long-term commitment to the organization's success.

Each company's purpose need not be unique; it is entirely possible that two can have the same purpose. Purpose is a motivating factor, not a differentiating factor.

Every organization has a purpose, it's just that most companies have never successfully articulated it. Purpose is in the woodwork of the organization and is not set or created as much as it is recognized or discovered. Most entrepreneurs "grope" their way into the start of their business, normally feeling a strong need to execute a specific idea rather than to fulfill a broad, enduring purpose. It is usually only later—if ever—that they are able to articulate the deeper motivations behind their work. Steve Jobs described the original impulse to launch Apple:

We designed our first computer because we couldn't afford to buy one. We didn't have the whole idea about making a computer company until we'd built our first computer, and we saw how neat it was for our friends. As the people it was neat for expanded, we got more excited. We didn't sit in a chair one day and think, "My God, ten years from now everyone is going to be using personal computers!" It didn't happen that way. It was more of a gradual process.

It wasn't until several years later, upon reflection, that Jobs was able to describe a more fundamental drive:

What Apple has really been . . . is an opportunity to express some deep feeling about wanting to contribute something. I really believe that people have a desire to put something back.

It was out of this perspective that the purpose statement described earlier ("To make a contribution to the world by making tools for the mind that advance humankind.") was then able to flow. The point here is not that Apple had no purpose when it was founded, but rather that the purpose was implicit and hidden behind Jobs and Wozniak's original impulse to make a computer for themselves and their friends.

Figure 1. Organizational Vision



the organization's evolution. The guiding philosophy is a system of fundamental motivating assumptions, principles, values, and tenets. It can be thought of as analogous to the "philosophy of life" that an individual might have.

The guiding philosophy comes from the early leaders who originally shape the organization and who imprint the organization with their own personal philosophies of life and business. They instill the philosophy not via rhetoric, but rather through their daily actions. The guiding philosophy serves as the organization's "genetic code"—in the background, but always present as a shaping force.

The guiding philosophy tends to be relatively clear as long as the early leaders are active in the enterprise. However, as the organization matures and the original leaders are no longer present to function as role models of the philosophy, subsequent leaders must take it upon themselves to reinforce fundamental parts of the original philosophy in order to maintain it.

To become a visionary organization (rather than an organization with just a single visionary leader on whom everything depends), the guiding philosophy must transcend the founders. In 1971, Procter & Gamble president Ed Harness, talked about how this process was essential to his company's greatness:

We are built on sound principles and practices and are not dominated by a group of individuals. . . . Though our greatest asset is our people, it is the consistency of principle and policy which gives us direction. . . . the company itself has developed a strong tradition of character. Honesty, integrity, fairness, and a respect and concern for others have been characteristics of P&G people and company activities ever since our founding in 1837.¹

All companies progress through stages of evolution. One of the most challenging for a company is to progress past excessive dependence on one or a few key individuals. Only when an organization institutionalizes its core philosophy so that the philosophy becomes identified primarily with the organization, rather than with certain individuals running the organization, can it evolve into an enduring, self-renewing institution.

Granted, the philosophy will gradually evolve and inevitably be modified as subsequent leaders express their own personal views. However—and this is crucial—care should be taken to preserve the core, "magical" elements of the original philosophy.

Core Values and Beliefs—Thomas J. Watson Jr., CEO of IBM from 1956 to 1971, identified the first element of a guiding philosophy, its core values and beliefs, and eloquently described its role in the life of an organization:

I firmly believe that any organization, in order to survive and achieve success, must have a sound set of beliefs on which it premises all its policies and actions. Next, I believe that the most important single factor in corporate success is faithful adherence to those beliefs. And, finally, I believe [the organization] must be willing to change everything about itself except those beliefs as it moves through corporate life.²

Core values and beliefs are the organization's basic precepts about what is important in both business and life, how business should be conducted, its view of humanity, its role in society, the way the world works, and what is to be held inviolate. In outstanding organizations, the values and beliefs are deeply felt and reinforced by key individuals at critical junctures in the organization's history. Two powerful examples of this come from central figures at Hewlett-Packard and IBM. Bill Hewlett, co-founder of HP, described the "HP Way" in the following terms:

I think fundamentally the HP Way is "respect for the individual." If you give him a chance, the individual will do a lot more than you think he can. So you give him the freedom. . . . Respect for the individual—not just employees [but] customers and the works.

Thomas J. Watson Jr., in his 1963 book on IBM, elaborated on the core values he held so dearly:

I want to begin with what I think is the most important [belief]: our respect for the individual. . . . This belief was bone deep in my father. Some people who start out in modest circumstances have a certain contempt for the average man when they are able to rise above him. Others, by the time they become leaders, have built up a unique respect and understanding for the average man and a sympathy for his problems.³

These statements are not particularly revolutionary or unusual. That's not the point. The point is that these prominent business leaders believed deeply in these values and through their actions passed them on to the organizations they led. It was as natural to them as breathing. As Bill Hewlett noted: "The HP Way was never really written down. . . . It really

seemed built in and understood. . . . [You keep the values alive] by example. Do as I do, not as I say."

Most companies—including IBM and HP—have more than one core value and belief. Tom Watson lists IBM's three most fundamental values as: respect for the individual, unparalleled customer service, and the pursuit of superiority in all that the company undertakes.⁸ Some companies, like the Herman Miller Company, have specified a more extensive set of core beliefs:

- We believe in being a research and product driven company.
- We believe in good design in every aspect of our business.
- We believe that we should make a contribution to society.
- We believe in quality in all parts of our business (product, service, relationships, etc.)
- We believe in helping our people realize their full potential.
- We believe that profit, which is essential, is an outgrowth of making a contribution.⁹

Johnson & Johnson, with its famous "J & J Credo," not only covers multiple categories with its values, it puts them in a hierarchy. Robert W. Johnson Jr., who took over the business from his father, wrote the Credo in 1943. In it, he specified that J & J's first responsibility is to its customers; its second responsibility is to employees; its third responsibility is to management; its fourth responsibility is to the community; and its fifth and last responsibility is to its shareholders.¹⁰

Indeed, core values and beliefs can span across a wide range of categories, including: people, customers, products, management and business, society, ethical conduct, and the role of profitability. But in all cases where the vision is effective as a guiding force, the values are clear and authentic. Some additional examples of core values and beliefs from a range of companies we've studied or worked with are given in Table 2. The key question in articulating core values and beliefs is not, "What values and beliefs should we have?" Instead, the key question is, "What values and beliefs do we actually hold in our gut?" Otherwise, rhetorical statements rather than authentic value-driven behavior will result, and people will respond with justifiable cynicism.

There may be times when core values need to be balanced against each other, but under no circumstances should a core value be breached in response to outside pressures. Paul Galvin, founder of Motorola, provides an excellent example of how this principle works in practice. He believed fiercely in forthright honesty in all of the company's dealings. During the early 1930s, in the depths of the depression, it was common practice for radio manufacturers to misrepresent company financial health and product benefits to distributors. Pressured to do the same, Galvin responded that he didn't care about standard industry practices. "Tell them the truth," he said, "first because it's the right thing to do and second they'll find out anyway."¹¹

Table 2. Examples of Core Values and Beliefs

About People

GE: "A sound manpower program should be designed to help everyone develop to his maximum capacity; it should not be designed to help only the chosen few."

[Professional Management in General Electric, 1955, *Professional Management in General Electric*, an internal GE training document, p. 2.]

Marriott: "See the good in people, and try to develop those qualities."

[One of 15 principles written down for Bill Jr. from Bill Sr. upon Jrs. ascendency to the presidency. Robert O'Brien, *Marriott: The J. Willard Marriott Story* (Salt Lake City, UT: Deseret Book Company, 1987), pp. 265-267.]

Telecare: "We believe in growth and building: we want to personally grow as individuals and we want to grow and build our organization for the long term."

[Telecare Statement of Philosophy, 1990]

About Customers

MIPS Computer: "Once you make a commitment, you keep it. . . . You never stop trying to meet a commitment unless the other person releases you from it. All levels in this company, when we make a commitment, we keep it. It doesn't have to be written down in a legal document. We've had a couple of situations where we've lost money on verbal commitments made by salespeople who didn't have the authority to make such agreements, but we've kept the commitments." [Bob Miller, CEO MIPS Computer, 1989. James C. Collins and C. Krenz, "MIPS Computer Systems," Stanford Business School Case S-SB-112.]

L.L. Bean: "Sell good merchandise at a reasonable price; treat your customers like you would your friends, and the business will take care of itself."

[Lean Bean, 1947. C. Leighton and F. Tucker, "L.L. Bean Incorporated," Harvard Business School Case 9-366-013.]

Johnson & Johnson: "We believe our first responsibility is to the doctors, nurses, and patients, to mothers and all others who use our products, who use our services. In meeting their needs, everything we do must be of high quality. We must constantly strive to reduce our costs in order to maintain reasonable prices. Customer orders must be serviced promptly and accurately. Our suppliers and distributors must have an opportunity to make a fair profit."

[J&J Credo. Lawrence G. Gosler, *A Company that Cares: One Hundred Year Illustrated History of Johnson & Johnson* (New Brunswick, NJ: Johnson Company, 1986), p. 108.]

About Products

3M: "The 11th commandment: Thou shalt not kill a new product idea."

"Many great product ideas come from stumbling, but you can only