CHAPTER 2 - Vision, mission, strategy, and management accounting

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2.3 Vision, mission, and objectives - A good place to start

Active reading. Note the distinction between the vision and mission, and the elements of a good mission statement, as defined by academics. However, notice how the difference has become blurred by the various ways in which organizations present them. Think about how the vision and mission inform the strategy of the organization.

An organization needs to know where it is going in the future and to develop a plan as to how it is going to get there. A logical starting point would be to define a vision and mission and set the strategic objectives. The initial business idea, however, may come from an analysis of the environment, for example, spotting a gap in the market. Alternatively, it may originate from a review of internal capabilities, such as developing a business around a core competence. Wherever the initial idea comes from, the development of the business needs an overall sense of purpose and long-term objectives. Stakeholders also need to know what the organization is about, particularly investors, employees, and customers.

Vision

The vision sets out the possible and desirable future state of the organization (Bennis and Nanus, 1985). It is a statement about what the organization hopes to achieve in the long run. The vision can also serve as a source of inspiration and motivation for employees.

Mission

In contrast to the vision, the mission is more business-focused and sets out the rationale behind the business. Campbell et al. (1990) suggest that a good mission should include four key elements. A purpose, strategy, behavior standards, and values. Lynch (2003) added to this by suggesting that a good mission statement is one that:

- Communicates the nature of the business
- Considers the customer
- Sets out the values and beliefs
- Encompasses a sustainable competitive advantage

- Is flexible to allow for changes in the environment
- Is realistic and attainable

The use of the terms vision and mission is often not that clear in practice. Organizations frequently use the term vision in place of mission. Consider a version from McDonald's provided on their website in 2003.

> McDonald's vision is to be the world's best quick service restaurant experience. Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile. To achieve our vision, we are focused on three worldwide strategies, to be the best employer in each community around the world, deliver the operational excellence to each customer in each of our restaurants, and to achieve enduring profitable growth.
> Source: https://www.mcdonalds.com/us/en-us/about-us.html (accessed May 2003)

In terms of the four elements of the mission set out by Campbell et al. (1990), this contains the purpose (world's best quick service restaurant), the strategy (worldwide strategies, best employer, operational excellence, profitable) behavior standards (quality, service, cleanliness, value, make every customer smile), and values (customer focus, best employer, communities) and fits well with the criteria suggested by Lynch (2003); therefore, it could be said to constitute a good example of a vision/mission statement.

The current trend, however, is for organizations to focus more on their values than the mission, and to incorporate references to strategy. By 2018 McDonald's had changed the website information to read:

> McDonald's brand mission is to be our customers' favorite place and way to eat and drink. Our worldwide operations are aligned around a global strategy called the Plan to Win, which center on an exceptional customer experience – People, Products, Place, Price and Promotion. We are committed to continuously improving our operations and enhancing our customers' experience.
> Source: https://www.mcdonalds.com/us/en-us/about-us.html (accessed June 2018)

The statement then goes on to identify and explain the McDonald's values which are given as:

- We place the customer experience at the core of all we do
- We are committed to our people

- We believe in the McDonald’s System
- We operate our business ethically
- We give back to our communities
- We grow our business profitably
- We strive continually to improve

Note the references to worldwide operations, global strategy, continuous improvement, and clear customer focus. There is also an explicit reference to what marketers call the marketing mix: people, products, place, price, and promotion. Note also how the values encompass a range of stakeholders.

Compare this with Starbucks' mission and values.

> **Our mission**
> To inspire and nurture the human spirit – one person, one cup and one neighborhood at a time.
> **Our values**
> With our partners, our coffee and our customers at our core, we live these values:
>
> - Creating a culture of warmth and belonging, where everyone is welcome.
> - Acting with courage, challenging the status quo and finding new ways to grow our company and each other.
> - Being present, connecting with transparency, dignity and respect.
> - Delivering our very best in all we do, holding ourselves accountable for results.
> - We are performance driven, through the lens of humanity.
>
> Source:https://www.starbucks.co.uk/about-us/company-information/mission-statement (accessed April 2020)

Here the mission statement says little about what the company does. It is more an inspirational statement that fits better with the definition of a vision. However, the current trend of including values provides much more information, and together with the stated mission provides information about the purpose, behavior standards, and values. It addresses a range of stakeholders and includes elements that relate to strategy, although the Starbucks statement is less explicit about strategy than McDonald’s.

Whether promoting a vision or mission defining these statements encourages managers to think holistically about the business and consider the core values that underpin the organization’s purpose. Collins and Porras (1997: 48) argued that an organization needs a core ideology that is expressed either within the vision or mission, or both together. They suggest that an organization needs, “core values and sense of purpose beyond just making money – that guides and inspires people throughout the organization and remains relatively fixed for long periods of time.” The same idea has been put forward by Hamel and Prahalad (2005). They suggested that organizations should express a strategic intent in which the organization envisions a desired leadership position and establishes the criteria the organization will use to chart its progress.

Even as far back as 1957, Selznick saw a mission statement as a means of identifying an organization’s distinctive competence, providing a framework for resource allocation decisions, and a sense of corporate identity. Campbell and Yeung (1991) promoted the idea of the vision and mission statements acting as a kind of corporate cultural glue that binds the organization together, which is particularly useful in the case of a diversified or conglomerate organization. It was also noted that each business unit could have a mission statement, relevant to its own business, but that each business unit’s mission should be consistent with the overall corporate vision and mission – hence, the cultural glue.

The vision, mission, and values statements serve a communication role. They communicate to external stakeholders what the organization is about, what and how it intends to achieve its purpose, but also acts to transmit the same message to employees, as well as to provide the inspiration and motivation to help the organization fulfill the vision, mission, and objectives (Verma, 2009). Some research studies have suggested that having a clearly stated vision and mission can positively affect financial performance (Bart et al., 2001). This performance benefit, however, is not a universal view, as authors such as Sufi and Lyons (2003) found no such relationship.

In a study across six geographic regions, Nevan Wright (2002) found that eighty-two percent of the organizations surveyed had mission statements, but of these, only forty percent of managers felt that the statements reflected reality. This lack of conviction raises the issue of how seriously organizations take the development of mission statements or whether they are merely established for the benefit of external stakeholders. Many could be said to be published as a public relations exercise, and for the development of a corporate image, as many mission statements contain common words and phrases with no real attempt to clarify, explain, or operationalize the concepts (Cady et al., 2011).

The terms vision and mission are still used extensively by organizations in their published statements; however, other terms such as philosophy, aims, purpose, and principles are now used much more frequently. The corporate values are also taking a much more prominent view on company websites. It is the values that underpin what an organization does and how it does it.

The following example from GSK illustrates how the vision, mission, goals, values, and strategy are incorporated into a single statement.

GSK – About us

We are a science-led global healthcare company with a special purpose: to help people do more, feel better, live longer.

We have 3 global businesses that research, develop and manufacture innovative pharmaceutical medicines, vaccines, and consumer healthcare products.

Our goal is to be one of the world's most innovative, best performing, and trusted healthcare companies.

Our values and expectations are at the heart of everything we do and help define our culture - so that together we can deliver extraordinary things for our patients and consumers and make GSK a brilliant place to work. Our values are Patient focus, Transparency, Respect, Integrity. Our expectations are Courage, Accountability, Development, Teamwork.

What we do

We aim to bring differentiated, high-quality, and needed healthcare products to as many people as possible, with our 3 global businesses, scientific and technical know-how and talented people.

How we do it

Everyone at GSK is focused on 3 priorities – Innovation, Performance, Trust.

Source: https://www.gsk.com/en-gb/about-us/ (accessed April 2020)

This statement is relatively brief but sets out what the organization does, what it is trying to achieve, and how it operates.

Unilever provides another example of how the vision and values inform the strategy.

Unilever - About us

Our vision
Our purpose is to make sustainable living commonplace.

Our values & principles

Our Corporate Purpose states that to succeed requires "the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact."
Our values define how we do business and interact with our colleagues, partners, customers, and consumers. Our four core values are integrity, responsibility, respect, and pioneering. As we expand into new markets, recruit new talent, and face new challenges, these guide our people in the decisions and actions they take every day.

Our strategy

We've built a strategy to help us achieve our purpose of making sustainable living commonplace.

Our strategic focus

To realise our vision, we have invested in a long-term strategy of divisions and brands that deliver growth to the benefit of all stakeholders.

Source: https://www.unilever.com/about/who-we-are/our-strategy/ (accessed April 2020)

The statements promoted via corporate websites are aimed at a range of stakeholders. There is a strong customer focus to the statements from McDonald's, GSK, and Unilever, but they also highlight a commitment to the communities they serve and their people. Both McDonald's and Unilever mention growth. McDonald's refers to profitable growth while Unilever mentions "growth for the benefits of all stakeholders." The statements, being recent examples, also address the issues of ethical behavior, integrity, accountability, and sustainability.

The vision and mission are primarily intended as statements of long-term intent, illustrated well by Alibaba's statement. The example also provides another illustration of how the statements are used to communicate what the organization does and the strategy for how the vision will be achieved. Notice how the text explains the thinking behind the mission statement.

Alibaba Group's mission is to make it easy to do business anywhere.

We enable businesses to transform the way they market, sell, and operate and improve their efficiencies. We provide the technology infrastructure and marketing reach to help merchants, brands, and other businesses to leverage the power of new technology to engage with their users and customers and operate in a more efficient way.

Our businesses are comprised of core commerce, cloud computing, digital media and entertainment, and innovation initiatives. In addition, Ant Financial, an unconsolidated related party, provides payment and financial services to consumers and merchants on our platforms. A digital economy has developed around our platforms and businesses that consists of consumers, merchants, brands, retailers, third-party service providers, strategic alliance partners and other businesses.

Our Vision

We aim to build the future infrastructure of commerce. We envision that our customers will meet, work, and live at Alibaba. We do not pursue size or power; we aspire to be a good company that will last for 102 years.

The website later states.

For a company that was founded in 1999, lasting at least 102 years means we will have spanned three centuries, an achievement that few companies can claim. Our culture, business models and systems are built to last, so that we can achieve sustainability in the long run.

Source: https://www.alibabagroup.com/en/about/overview (accessed April 2020)

The link between vision, mission, and strategy is never more evident than in the strategy statements that are included on corporate websites. For example, compare the three strategy statements of GM, Walmart, and Royal Dutch Shell, taken from websites in January 2018.

GM strategy

GM's purpose begins with a few simple but incredibly powerful words: We are here to earn customers for life. Our purpose shapes how we invest in our brands around the world to inspire passion and loyalty. It drives us to translate breakthrough technologies into vehicles and experiences that people love. It motivates the entire GM team to serve and improve the communities in which we live and work around the world. Over time, it's how we will build GM into the world's most valued automotive company.
Source: https://www.gm.com/investors/corporate-strategy.html (accessed January 2018)

Walmart strategy

Every Day Low Price (EDLP) is the cornerstone of our strategy, and our price focus has never been stronger. Today's customer seeks the convenience of one-stop shopping that we offer. From grocery and entertainment to sporting goods and crafts, we provide the deep assortment that our customers appreciate -- whether they're shopping online at Walmart.com, through one of our mobile apps or shopping in a store.

Source: https://corporate.walmart.com/our-story/our-business (accessed January 2018)

Royal Dutch Shell strategy

Our strategy

Shell's strategy seeks to strengthen our leadership in the oil and gas industry, while positioning the company for growth as the world transitions to a low-carbon energy system. Safety and environmental and social responsibility underpin our business approach.

In February 2016, Shell completed the acquisition of BG Group, adding significantly to our activities in liquefied natural gas (LNG) worldwide and deep-water oil and gas production in Brazil.

Shell's strategy is now centred on creating a simpler company, one that delivers higher, more predictable returns and growing free cash flow per share. By investing in compelling projects, driving down costs and selling non-core businesses, we will reshape Shell into a more resilient and focused company.

Source: https://www.shell.com/investors/shell-and-our-strategy/our-strategy.html (accessed January 2018)

Bear in mind that strategies change over time in response to changes in the environment. However, at the time the statements were accessed, they illustrate that each company has a slightly different focus and could be said to target different stakeholder groups.

- GM appears to emphasize the customers for life and communities as important stakeholder groups. There is also a focus on breakthrough technologies. The emphasis on technology and improving communities is how it hopes to become the most valued company (in its sector), potentially referring to shareholders.

- Walmart is very much a focus on the strategy of low price, convenience, and depth of product range – all of which are aimed at customers.
- Royal Dutch Shell appears to place more emphasis on maintaining its leadership position in the industry and providing predictable returns for investors and also generating cash flow which will enable investment in compelling projects.

There is an implication that the different strategic focus of these three companies will require a different emphasis of management accounting information. Therefore, the vision, mission, and strategy of an organization could be said to determine the style of the management accounting system, the management accounting information required, and the accounting techniques that are the most appropriate for the organization.

Learning activity. Search online for the vision, mission, and strategy statements of organizations with which you are familiar. Compare them with the examples provided in this section. Are there any common themes that emerge from the published statements? A criticism of vision and mission statements is that they have become remarkably similar and full of common phrases. Do you agree with this viewpoint?

2.4 Management accounting and vision, mission, and strategy

Active reading. Note the criticism of traditional management accounting and the suggested need for strategic management accounting to focus support on strategic management. Also, note the definition of strategic decisions, how strategy is articulated, and the level at which it is defined, as these are also relevant to the choice of management accounting information required.

In the 1980s, there was considerable criticism of traditional management accounting in that it was predominantly financial, internal, and short term (Johnson and Kaplan, 1987; Bhimani and Bromwich, 1989). While it was useful for operational decisions, management accounting was criticized for being of little use to aid organizations in making strategic decisions. Johnson (1987: 4-5) characterized strategic decisions as being "concerned with the long-term direction of the organization, the scope of an organization's activities, the matching of organizational activities to its environment and resource capabilities, the allocation of major resources with the organization, and consideration of the expectation and values of the organization's stakeholders." The essence of these attributes is encapsulated within the vision and mission of an organization. This sentiment echoes the views of Selznick (1957), who suggested that the vision and mission set the priorities for strategy formulation and provides a framework for resource allocation.

Dixon (1998: 273) suggests that "the identification, formulation and implementation of strategy by management is carried out using the techniques and language of the management accountant." Despite the criticism of traditional management accounting information being predominantly financial, organizations invariably articulate, evaluate, and communicate their strategy in financial terms.

Quattrone (2016: 118) identifies the narrative and persuasive nature of accounting in that it can be used, in part, to convince users that a given strategy is the right decision. While it should be recognized that strategic decisions should never be taken based on numbers alone, the financial narrative helps "organizations to imagine visions and strategies and to construct and evaluate different courses of action from which to choose." Of course, one of the principal stakeholders with an interest in the organization's strategy is the shareholders, so it is not surprising that corporate strategies invariable include objectives that are expressed in financial terms, such as profits growth and shareholder value.

Perhaps in response to the criticism of traditional management accounting researchers began to suggest that accounting should take a more external focus and that accountants become more involved in the strategic management process (Simmonds, 1981; Bromwich, 1990, 1994; Kaplan and Norton, 1992; Roslender et al., 1998; Cadez and Guilding, 2008). Allied to this thinking, a body of literature emerged promoting and evaluating the use of techniques under an umbrella term of strategic management accounting (Bromwich, 1988; Govindarajan and Shank, 1992; Dixon, 1998; Roslender and Hart, 2003). Indeed, books have been written titled strategic management accounting (Smith, 1997; Hoque, 2003; Ward, 2016; Stein Smith, 2017; Joannidès de Lautour, 2018; Li, 2018).

This emerging field of strategic management accounting included the development of some new techniques but also emphasized the need for a change of focus in the accounting systems. Brouthers and Roozen (1999: 311-312) suggest that information provided by a strategic accounting system should support: "environmental analysis; strategic alternative generation; strategic alternative selection; planning the strategic implementation; implementing the strategic plan; and controlling the strategic management process." This suggestion fits comfortably with the description of strategic decisions provided by Johnson (1987) and encapsulated within the vision and mission.

The idea of a strategic accounting system raises the question as to whether the strategic intent set out in the vision, mission, and strategy of an organization influences the management accounting information required, and whether the techniques employed would differ depending on the strategy adopted. Miles and Snow (1978) argued that the management information must be aligned to strategy.

For example, GSK included within their information in the *About us* section of their website:

> We aim to bring differentiated, high-quality and needed healthcare products to as many people as possible, with our 3 global businesses, scientific and technical know-how and talented people.
> Source: https://www.gsk.com/en-gb/about-us/ (accessed April 2020)

Walmart included in its strategy:

> Every Day Low Price (EDLP) is the cornerstone of our strategy, and our price focus has never been stronger.
> Source: https://corporate.walmart.com/our-story/our-business (accessed April 2020)

GSK emphasizes differentiation as a strategic focus, whereas Walmart focuses on low prices, implying a low-cost base. Does this difference in strategy, therefore, require different management accounting techniques to be employed?

In terms of strategy, it is worth taking a moment to consider the difference between corporate strategy and business strategy. A corporate strategy, according to Schendel and Hofer (1979: 12), is concerned with "determining what business the organization chooses to compete in and the most effective allocation of scarce resources among business units." The reference to business units can be viewed as managing a portfolio of businesses. Each business unit could then have a separate business strategy, which according to Andrews (1980: 18), is concerned with "how an organization competes in a given business and positions itself among its competitors." Therefore, the implication is that different levels of management are concerned with different levels of strategy and require different information.

Campbell and Yeung (1991) noted that different business units could have a mission relevant to their business, albeit consistent with the overall corporate vision. If each business unit has a mission, it implies that the management information provided to the managers of each business unit could have a different emphasis. Tailoring the management accounting to the mission, and hence the strategy, of each business within a corporate entity adds to the complexity of the management information systems required.