ORGANIZATIONAL VISION & PLANNING:
If you don't know where you're going, any path will get you there!

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Executive Summary

Today companies trying to navigate the stormy seas of competitive markets are facing extraordinary rates of change. Drive-thru expectations have met Internet access and combined to generate customers that are well informed, demanding, and have unlimited options. Organizations that succeed in the face of these winds of change are finding that a clear organizational vision is the anchor that keeps their company from drifting into oblivion. However, many companies put little effort into defining and clarifying a vision of what they strive to be. *Vision is the most important component of a company's plan*, yet often the most neglected and misunderstood,. When was the last time YOU spent any time, or more a few minutes on your organizational vision?

It isn't only for-profit businesses that are guilty of this neglect. Government agencies, non-profits, and universities struggle with this same issue. Organizations of all kinds rarely take the time to ask themselves the fundamental question "why do we exist?" Or if they do ask, the answer is defined so broadly that almost any solution fits. Sometimes, organizational leaders rationalize the lack of attention to vision, saying that the "situation or the market requires us to be broad and flexible." In reality a failure to choose, prioritize, and stay focused often leads to a decline in organizational effectiveness.

Choosing is what leadership is all about. It isn't the highly efficient machine that makes a company successful; rather it is the decision to buy the machine. It isn't the fact the new sales representative has tremendous sales skills that made your sales grow, but rather the decision to hire that sales person. It isn't the fact that the market for your product is growing like hotcakes that makes the company successful, but the fact you chose to be in that market. Decisions are what drive a company's success. Vision, provides the guide by which sound decisions are made.

Vision and Change

One of the greatest stresses created by competitive forces is that placed on a company's vision. For example, a company that has prided itself for years as being the most efficient, lowest cost producer of chairs for the educational market suddenly faces foreign competition that is not simply cheaper, but a great deal cheaper (perhaps 25-50 percent less expensive)! This competition not only threatens the profits of the organization, but it is also a threat to the very nature of all that the organization represents. Too often company leaders facing such pressures place all of their efforts on the operational side, trying to produce ever cheaper products, or on the marketing side in trying to find new markets, without first placing the effort where it needs to be – on reviewing the organization's vision. This is not to say that an organization must necessarily change its vision in the face of new market conditions, but it is critically important to recognize that collective efforts and strategies are largely driven by who company leaders think they are

or want to be and that future decisions should be conscious of this choice. Competitive pressures MAY require a substantial change in the organizational vision.

In the heat of the battle small things can become major issues. In the above example, company leaders might consider whether "the company is a wood products manufacturer that makes chairs, or a chair manufacturer that uses wood?" Just making that simple clarification in vision can have enormous impact on future decisions within the company, and on how the company is viewed by its current and potential customers.

It is also important to recognize that sometimes a change in vision is essential for growth, or even survival. According to an old Chinese proverb, "insanity is doing the same thing over and over, and expecting different results." When the pressures are such that an organization feels the need to "do" something dramatically different, it is usually an indication that a review of the vision is the place to start.

It is generally true that any new vision should be developed with broad stakeholder participation – i.e. by infusing new blood into the organization. The same individuals that have held tightly to the existing vision are unlikely to easily envision major changes or the breadth of possibilities that truly exist. Increased diversity is a key, whether in the form of race, gender, background, or simply functional responsibility. In general, the greater the diversity the greater the creativity and the broader the options that emerge.

The Vision Statement

The American Collegiate Dictionary defines vision as "a mental view or image." To an organization, the vision is both a picture of what those within an organization expect that organization to look like in the future and a reflection of what those people see as the organization's daily priorities. To the extent those two images are clear, and processes for effecting change well established, the result is quite likely a well-oiled machine. To the extent that they differ, or are unclear, the organization is likely to struggle.

Visions can be lofty. For example, in May 1961 President John F. Kennedy delivered a stirring speech that set the agenda for the U.S. space program. He surprised the nation by declaring that by the end of the decade the United States would "…send a man to the moon and return him safely to earth." With this simple phrase, JFK provided the "vision" for NASA for the 1960s.

> *The State of Maine has recently committed to a vision of being a leader in certified forestland and certified products. Their specific goals are to:*
>
> ➢ *Certify 10 million acres in the state by the end of 2007*
>
> ➢ *Increase the volume of wood from certified sources to 60 percent of the statewide total by the end of 2009.*

The President's vision was also highly functional in that it became possible, given both the goal and the timeframe, for NASA teams to define the intermediate steps necessary to achieve the ultimate goal. As a result, the broad vision framed the basis for many, many narrower, decisions.

All organizations, whether public or private, large or small, young or old, for-profit or not-for-profit, should have in place a clearly articulated a vision for their future desired state. In general, the vision statement should announce where as an organization you want to go -- to the moon for example! -- Or paint a broad picture of what you want the organization to become.

Vision statements do not need to be lengthy—a phrase or two is sufficient. A written vision statement is a measuring stick that helps everyone in the organization identify if what they are doing is furthering the future of the company. Even a company with only three employees cannot afford to have them operate in a vacuum with no idea where the organization is going. Day-to-day supervision is not enough.

The ultimate evaluation of the clarity of a vision comes in the form of what is sometimes referred to as the "cocktail party test." If you can explain your vision in one sentence to a stranger at a cocktail party, and they can repeat it back to you in their own words, you have a clear vision. If you can't, or they can't, then it isn't as clear as you might think it is.

Visioning is about <u>guiding</u> decisions of individuals

Vision statements should include the following information:
   ➢ What the organization wants to be
   ➢ Concepts for future products or services (not specific products and services)
   ➢ Some additional structure for decision making (e.g. timeframes, behavior guidelines, or competitive approach)

We want to be …

The leaders of an organization typically develop vision statements, often with input from stakeholders. Leadership is responsible for creating a vision that puts into words a view of a realistic, credible, attractive future for the organization—a condition that is better in some important ways than what currently exists.

Beware of generic statements such, "we want to be the best in the business" without some form of qualitative description. Phrases such as most reliable, most responsive, most creative, are all better descriptors of a company's desires than "best." And don't be afraid to think big, if that is what you really want. A failure to state that you want to be the largest wood flooring manufacturer in the region, when that is what you really hope to achieve means that others within the organization will likely be striving for a lower goal than the executive office. Always remember the old adage, "think, speak, and do." Vision is about speaking your hopes and dreams, in order to get the whole organization working to the same end. Organizations that can't speak about their dreams, rarely achieve them.

We want to do …

A vision is the opportunity to be motivational. Statements like, "we want to double in size," are motivational only to the extent individuals interpret that as a benefit to them. A better motivation is to directly address why you want to double in size, e.g. to increase opportunities for employment, create a more stable organization, or provide benefits to all. Remember, in general, stakeholders will always look to the vision to identify what is in it for them. A good example is Cirrus airplanes, whose vision is to manufacture the safest airplane in the industry. The result is their planes are unique in that they have parachutes, they attract employees from all over the country who are excited about their creative approach, and they have a long list of customers for whom safety and creativity are a priority.

A vision should be clarifying, but general enough that it allows for flexibility and creativity. A rather famous article by Theodore Levitt[1], called Marketing Myopia, discussed the failure of organizations to describe themselves broadly enough. In one example Levitt suggested that the struggle of the railroad industry was due primarily to the fact that they described themselves as being in the "railroad" business, rather than in the transportation business. Thus, even though needs for transportation of people and freight increased significantly over the years, railroads failed to benefit from that growth.

We will act …

The vision is also the best place to make a statement about the culture of the organization. Are you trying to save the world or beat the competition? Are you primarily trying to foster collaboration or competition? Naturally, there are always aspects of both, but what is your organization's first priority? For example, a competitor wants to tour your facility to see a new piece of equipment that you purchased. Your manager's decision to allow this or not will be based on his or her interpretation of your vision. If you are a highly competitive organization you may not want competitors in your facility. On the other hand, if you are a collaborating organization you might see it as an opportunity to provide your competitor a service (perhaps sell them stuff the equipment makes so they don't need to buy one themselves). In any case, a vision drives behavior in many important and complex ways. How does your incentive system fit your vision? Do your sales and operational systems fit your vision?

Visioning is also about <u>making</u> decisions

When creating a vision you are, or need to be, making several major decisions. These decisions can generally be grouped based on the following considerations:
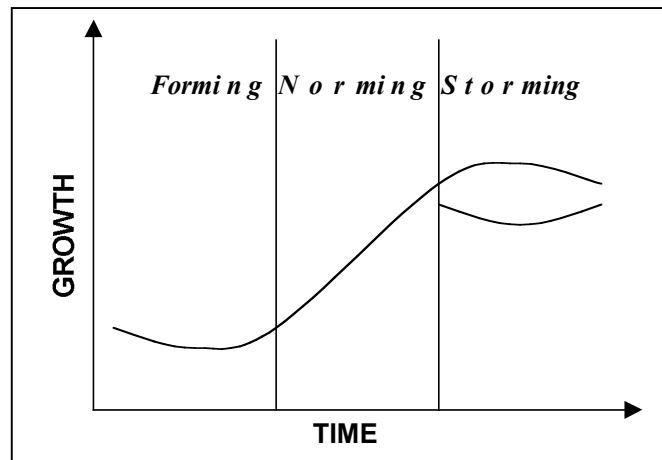   ➢ What phase of life is your organization in?
   ➢ What phase of life are your products or services in?
   ➢ What is your core approach to doing business?

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[1] Levitt, T. 1960. Marketing Myopia. *Harvard Business Review*, 8(July/August): p. 24-47.

What phase of life is your organization in?

Every organization has many similarities to an individual, meaning it has a youthful startup phase, a period of consolidation and maturation, and then a phase where growth and diversification are reborn. Sometimes these phases are described as "forming," "norming," and "storming." George Land and Beth Jarmin in their book *Break-Point and Beyond*[2] describe these phases in great detail. They suggest that the transition between these phases can be very stressful, generating what are called crisis or "break-points" in an organization.

It is important to know where your organization is in this process. Is it still in the early (forming) phase, when entrepreneurship and risk-taking are critical? Or is your organization getting increased pressure for standardization, consistency, and lower prices (norming)? Lastly, is your company starting to diversify, to increase employee empowerment, and to seek profitability through wide specialization (storming) rather than commodity production? It is extremely important to recognize that each of these phases (forming, norming, and storming) requires a different approach to leadership. Risk-taking entrepreneurs are not generally good at managing issues like consistency, repeatability, and reliability. At the same time, leaders who are experts at these three skills are often uncomfortable with the sharing of power, loss of control, and creativity necessary to move to the specialization and diversification of the storming phase.

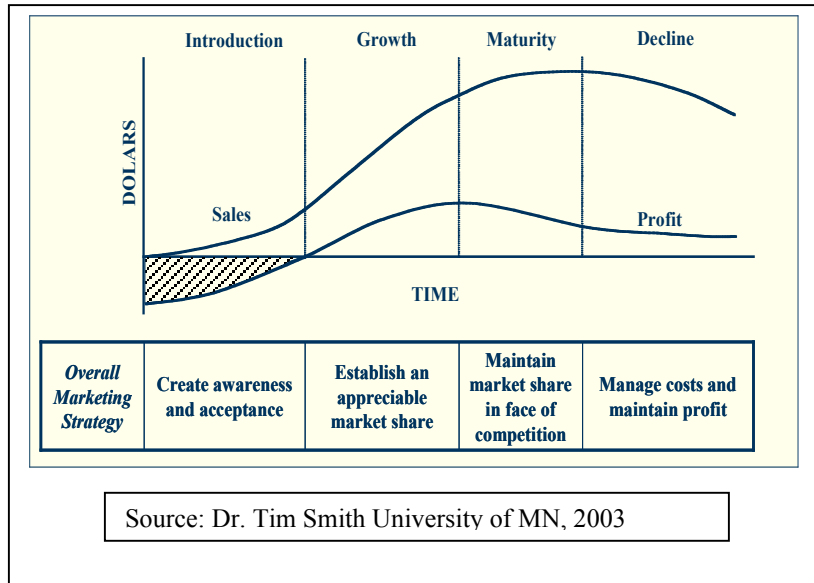*What phase of life are your products or services in?*

The most common discussion on this topic generally revolves around the "Product Life Cycle" graph.

This graph[3] is discussed in detail in introductory marketing books, so we won't spend much time on it here. It is important to recognize that each product goes through a series of phases in the marketplace from *introduction*, with little or no profit, to *growth* with high profitability, to *maturity* with its higher volume but generally lower profitability per unit (or percentage), and finally to the *decline* phase with increasing competitiveness, and smaller margins.

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[2] Land, G. and B. Jarmin, 1992. Breakpoint and Beyond: mastering the future – today. New York: Harper Business.
[3]This graph was provided by Dr. Tim Smith from his presentation: *Introduction to Production Management: creating value in the product offering*. WPS 5402, University of MN 2003.

It is important to recognize where your product(s) are on this graph, and to do everything in your power to keep all your products from ending up in the decline phase. With

appropriate strategies it is possible to regenerate growth in a product or service that has entered the mature or decline phase. Alternately, the judicious introduction of new products prevents having all your products in any one phase. Both these approaches assume you know which phase your product or service is in and that you are creating strategies to optimize company performance based on that knowledge.

	Introduction	Growth	Maturity	Decline

Source: Dr. Tim Smith University of MN, 2003

Overall Marketing Strategy	Create awareness and acceptance	Establish an appreciable market share	Maintain market share in face of competition	Manage costs and maintain profit

What is your core approach to doing business?

Research has shown that businesses generally separate themselves, and compete in, three areas: price, innovation, and customer service (similar to Porter's Model[4]). For example, these three core approaches can be summarized in the following way:

> Price -- strive to become the lowest cost producer, (example: most framing lumber producers)
> Innovation -- invest in creative processes, technology and new product development, (example: 3M) and
> Customer service -- focus on developing an intimate understanding of the customer and willing to do almost anything to make the customer happy, regardless of cost. (Example: Nordstrom, a department store famous for its employees running to other stores to get items their customers want but that Nordstrom doesn't carry)

Deciding the core approach is both among the most important decisions an organization can make, and generally the most controversial in discussion – because, in truth, all of the above traits are critical. However, the clarity of vision can be evaluated based on the ability of the front line employee to make independent decisions. If the core approach is clear, front line employees instinctually know what to do in most situations.

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[4] Porter, M. 1998. Competitive strategy: techniques for analyzing industries and competitors. New York: Free Press. 396 p.

Example: Suppose your shipping department is readying a cabinet that your organization manufactured, for shipment and discovers that the hinges on the doors are slightly different than those listed on the purchase order. What do they do? If they don't know and have to ask someone before taking action, then the vision of the company isn't clear. If you are a low cost producer then you ship it as long as it is functional and it doesn't detract aesthetically (e.g. doesn't match); anything else would add to ultimate cost. If you are a customer service oriented organization you would hold the cabinet until either the correct hinges are installed or the customer "OK's" the use of the alternate ones; and you would express ship the product if necessary to be sure it still arrived on time (at no additional cost to the customer). An innovative business might send a video or picture of the cabinet to the customer automatically for their final approval, thus resolving the problem differently.

And, yes, customer service and innovative organizations must be cost-effective! And low-cost producers must still provide a high level of customer service! However, key is recognition that decisions are being made every day on everything from capital investment, to staffing, to product or service characteristics based on leadership's core choice of approach. The clearer the "core approach" is from a vision point of view the more consistent and effective the organization will be.

Trouble shooting your company's vision

It is common that, if a company is struggling in a key area (e.g. in quality performance, operational efficiency, or sales), the culprit is the organizational vision. So, in general, if the organization is facing major challenges or issues, the first place leadership should look is at the company's vision. The organization should ask itself the following questions, in the following order:
   o   Is the vision clear to organizational leadership?
   o   Is it clear to all employees?
   o   Do all company programs support the vision of the organization or do some programs conflict?
   o   What's missing or needs to be changed to link all activities to a common vision?

Perhaps the best way to gauge your company's vision and to find answers to these questions is to simply ask your major stakeholders to describe the vision. For example, you could ask every employee to take 5 minutes and write down their view of "what does the company do?" or "how are they expected to behave?" and "what are the major goals of the organization for the future?" Depending on the size of the organization, it might be unreasonable to expect everyone to have the same general answer. But by charting responses by functional area, you can get a clear picture of where company conflict is likely occurring, e.g. the shipping department is focusing on being a low cost provider while production is trying to be customer service oriented. From these results approaches can be developed that bring everyone onto the same page.

It is often very enlightening to ask these same questions of your customers and vendors. Their experience is in some ways a better measure of your employee's true beliefs than

the responses your employees give you directly. The customers and vendors responses are driven by your organizations activities rather than your intentions. It's the implementation of the old adage "it's not what you say, but what you do, that is important."

Conclusion

An organization's vision should be the driving factor behind all organizational decisions, and clear motivating visions lead to exciting successful companies. Yet, many organizations fail to take the time to articulate a clear vision statement. The rapidly changing marketplace requires that organizations adapt to new and more diverse opportunities. Periodically committing a day or two of leadership's time to the organizational vision is vital to ensuring success.

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This report was prepared by

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