

# SMOCK ♦ STERLING

## *Strategic Management Consultants*

### **“THE VISION THING” – THE ROLE OF VISION IN ESTABLISHING AND ACHIEVING STRATEGIC DIRECTION**

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Over the last few years, there has been a substantial body of business research leading to the inescapable conclusion that **those companies that specifically state where they are going and why do remarkably better than those who do not.**

- In probably the best recent business best seller on this topic – *Built to Last* by James Collins and Jerry Porras – the cumulative stock returns of what the authors called “*visionary companies*” (those who have a consistent, well communicated vision, direction, and values) were matched against “*comparison companies*” (good companies in the same industries, but not “*visionary*”) and the general market. A \$1 investment in the general market in 1926 would have returned \$415 by 1990, a \$1 investment in the “*comparison companies*” would have returned \$955, and a \$1 investment in the “*visionary companies*” would have returned a staggering \$6,356.
- In *Corporate Culture and Performance*, Harvard Business School professors John Kotter and James Heskett reported on a four-year study of ten firms in each of 20 industries. They found that firms with a strong corporate culture, based on a foundation of shared values, outperformed those who did not have a strong corporate culture by huge margins. Their revenue grew more than four times faster; job creation was seven times higher; their stock price grew 12 times faster; and profit performance was 750% higher.
- The results of a year-end 1994 study of *Business Week* 1000 corporations indicate that having a vision or mission statement has a demonstrably positive impact. Corporations with “*vision statements*” (also known as a creed, purpose, mission, or statement of corporate philosophy or values) were found to have an average return on stockholder equity of 16.1%, while firms without them had only a 7.9% average return.

#### **WHAT IS VISION?**

These well documented, dramatically differentiating results have spawned an increase in the number of business speeches, articles, and books on strategic management, planning, and direction concepts. A term surfacing more and more and often at the heart of these discussions is that of “*vision*.” In its simplest form, vision is viewed, across the spectrum of “*experts*” considering the topic, as the primary glue and purpose that holds an organization to its course and direction or “*the desired future state of an organization*.” Interestingly, some of the earliest and strongest visions were religious in nature. The visions of Buddha, Moses, Christ, and Mohammed still compel and move followers throughout the world. Following are some quotes from a variety of business authors on vision and its importance.

- “*The vision of the corporation is the most fundamental statement of its values, aspirations, and goals and an appeal to its members’ hearts and minds. It must indicate a clear understanding of where the company is going and offer a roadmap for the future.*”
- “*Vision ties the basics of the management process to the future of the corporation.*”
- “*Vision adds meaning to both the work and the life of an organization’s members.*”

- *“Vision is both a vibrant and compelling image of the organization’s future purpose.”*
- *“Vision must stir the noblest part of the soul.”*
- *“Vision provides an inspiration and a guiding force.”*
- *“Vision serves as a reminder of why you keep going when you would rather quit.”*
- *“The very essence of leadership is to have a vision.”*
- Even George Bernard Shaw believed that vision provides a compelling purpose in life. *“The true joy in life is being used for a purpose recognized by yourself as a mighty one, being thoroughly worn out before you are thrown on the scrap heap, being a force of nature instead of a feverish, selfish little clod of elements and grievances complaining that the world will not devote itself to making you happy.”*

These writers’ view of “*vision*” is that of a concept loftier in nature and purpose than the other concepts or elements of strategic management and planning (e.g. – purposes, strategies, objectives, goals, etc.).

Top management is becoming increasingly sensitive to the role of vision in their companies’ present and future. Korn/Ferry International recently conducted a survey of 1,500 senior managers, nearly 900 of them CEOs, from twenty different countries. These leaders were asked to describe the key traits or talents desirable for a CEO today and important for a CEO in the year 2000. The dominant personal behavior trait desired most frequently, both now and for the future, was that the CEO convey a “*strong sense of vision.*” An astounding 98% of those surveyed saw that trait as the most important one for the year 2000. When these same leaders were asked to state the key skills necessary for CEOs for the present and future, “*strategy formulation to achieve a vision*” was seen as the most important skill – by a margin of 25% over any other.

## **ISSUES AND CONCERNS**

Vision is a powerful concept and one considered critical for management in the future. However, there are a number of issues, concerns, and disagreements regarding the concept of “*vision*” that must be considered as an organization addresses how to develop and state its vision.

### **Definitions and Semantics**

Considerable confusion exists with regard to the unique terms used in strategic planning. For instance, there is considerable confusion with regard to differences between “*strategies*” and “*tactics*” and “*goals*” and “*objectives.*” This confusion is certainly carried over to the more recently emphasized topic of “*vision.*”

- Various writers define vision in different ways - from a “*brief, but enthusiastic and easily understood, statement of a company’s future*” to an all encompassing statement, including “*goals, mission, purposes, values, and beliefs.*” Thus, there is no real agreement on what exactly “*vision*” is nor its role in the strategic management process. In truth, every strategy professor in every business school has his/her own personal definition.
- Similarly, business writers argue whether vision, in itself, is sufficient to provide overall direction to a company (the minority view) or whether vision is, by definition, an integral part of a broader strategic planning process (the majority and, we believe, correct view).

For “*vision*,” “*visioning*,” and “*vision statement creation*” to play a meaningful role in an entity, there must be a common understanding of what vision is and where it fits.

### **A Plethora of “*Vision Experts*”**

We have seen companies where every project or initiative is preceded by a “*visioning*” process and where everyone and everything has a vision statement. Further, every consultant plying virtually every management concept – from re-engineering to supply chain management to empowerment to whatever is next on the horizon – will offer to do some “*visioning*” as part of the process. Thus, the number of methods and approaches for developing a vision are approaching the infinite. The concept of vision is a simple but a very powerful one. The current plethora of experts, each with his/her own opinion of what vision is, tends to dilute this powerful concept and add more confusion.

### **Belief that Vision Is the CEO’s Responsibility**

Much of the literature on vision is intertwined with the concept of “*leadership*” and results in the perception that “*vision*” (and, subsequently, vision statement development) is the sole responsibility of the CEO. Some believe that the effective CEO sits in his/her office possessing perfect market knowledge, “*thinking great thoughts*,” and ultimately arriving at a vision. But, developing a meaningful vision implies communication, intellectual give and take, and solid information. Simply put, it is bigger than one person and recent corporate history has shown, over and over again, the folly of the one-man vision.

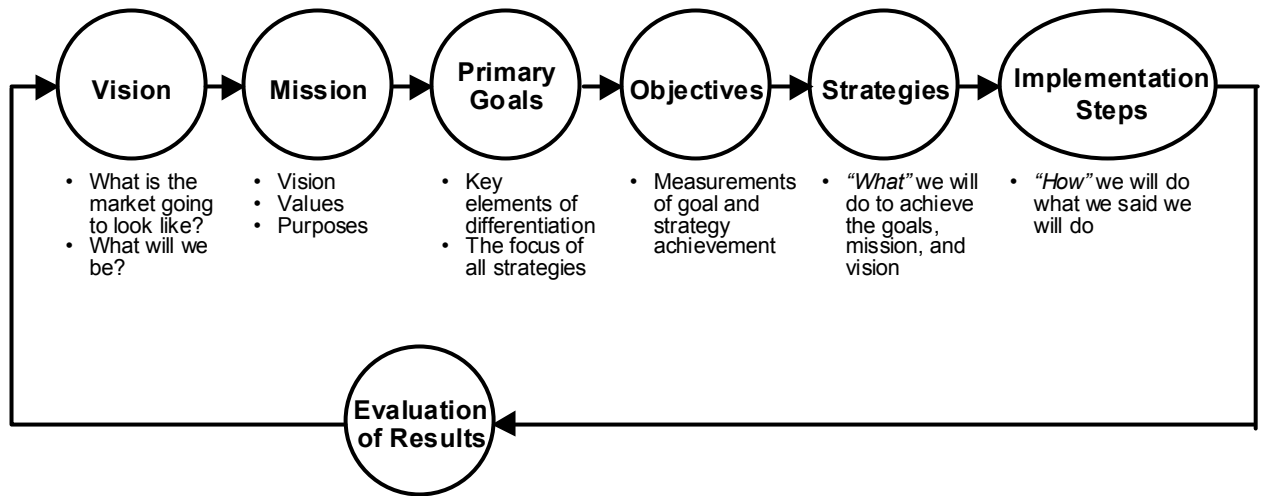
### **Vision Is “*Fluff*”**

While the majority of business writers extol, in a variety of ways, the advantages of having a vision, this opinion is not universally shared by all CEOs. Robert Eaton, Chrysler’s Chairman before the Daimler merger/acquisition, has alluded to vision as being “*some esoteric thing no one can quantify*” (one might argue that Daimler did give Eaton the vision). Louis Gerstner of IBM has said that a “*vision is the last thing IBM needs right now*.” There is a feeling among some CEOs that quantifiable, short-term results are their primary (if not only) objective and vision development is, in itself, a non-value added effort.

## **SMOCK•STERLING STRATEGIC MANAGEMENT CONSULTANTS’ VIEW OF VISION**

While short term quantifiable results are important, Smock•Sterling disagrees strongly with Mr. Eaton and Mr. Gerstner and others who agree with them. In fact, the solid research we presented earlier is more than compelling enough to overcome their objections. Having a vision and communicating it (over and over again) is critical for an organization’s focus and for ultimately adding value to that organization.

- Vision is a critical element of strategic planning, strategic management, and strategy implementation. Without a sense of what a company’s vision is, it is difficult, if not impossible, to determine a management focus.
- Our belief is that a company’s vision plays a role in strategic planning similar to what yeast does in the baking of bread. It is the catalyst or “*spark*” to developing the other elements of the plan – the mission (of which the vision is part), the primary excellence goals, the objectives, and the strategies.
- Merely developing and agreeing to a vision is only the first step. A vision without a specific plan to achieve it is an empty combination of uplifting words. As the “*yeast*,” agreeing on a vision starts a process that culminates in evaluating that vision as a result of a company doing (or not doing) what it said it would do. That cycle is shown on the next page.



- Development of an effective vision is an intensive intellectual effort, involving more than merely facilitating the agreement of the management group on a vision statement. Merely sitting around a conference table and agreeing, uninformed, on a vision is dangerous because it is, at best, *“factless.”*
  - The key element missing from most vision development processes is objective information and solid research on the future of a company’s industry and its present and future markets. It is essential that those who decide on the vision review and internalize critical market information. This is why the concept of the CEO *“thinking great thoughts”* and individually arriving at a vision is both fallacious and dangerous.
  - Developing a vision is a team effort and teams almost always tend to produce a better considered vision. But the process involves more than just meeting to agree. It involves not only information development, but sufficient intellectual stimulation of the group/teams (through a variety of means and/or exercises – such as scenario development and focus groups) to ensure a meaningful end product.
- We do agree with the need for the vision to be *“uplifting”* and to be a *“rallying cry”* for the entire organization. For this reason, it must be simple but elegant and be easily understood and communicated.
  - President Kennedy’s goal *“to put a man on the moon and return him safely to earth by the end of this decade”* remains one of the best and most easily understood of all vision statements – as does Henry Ford’s, *“to build a car everyone can afford.”*
  - A company should not be afraid to *“reach”* with their vision. In fact, for vision to inspire, it must be a reach to a level higher than that currently occupied.

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Smock•Sterling Strategic Management Consultants, as a strategic management specialty consulting firm, has helped a wide variety of companies identify and agree on their true vision, as well as the other elements of a meaningful strategic plan. Please call John Smock (847-615-8833) or contact him by e-mail ([jsmock@smocksterling.com](mailto:jsmock@smocksterling.com)) if you have any questions.

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