5.1.1

COMPANY'S PURPOSE, VISION, MISSION AND VALUES

Before building the strategy, the Board should discuss with the shareholders what the purpose of the company is, and then set the vision, mission and values to provide clarity and direction for its employees, customers, stakeholders and the broader community. These elements serve as a foundation for the organisation's identity and guide its actions and decisions. There are numerous benefits for companies that have a well-established purpose, vision, mission and values, in particular:

- Clarity and focus: define and concentrate on long-term objectives.
- Guidance: support decision-making and strategy.
- Encourage purpose-driven business development.
- Inspire and motivate employees and attract top talent.
- Alignment: encourage collaboration and consistency.
- Competitive advantage: set the company apart from the competition.
- Improve branding and public relations through effective communication.
- Business sustainability: promote long-term growth.
- Resilience: navigate challenges based on purpose and values.
- Build public trust and reputation.
- Enable the company to have a broader and more meaningful impact on the world, beyond profit generation.

Purpose statement sets out the reason or reasons why an organisation exists. It defines the core reason for being and the positive impact the organisation wants to have on the world. The definition of the purpose leads to strategic choices and builds on cultural strengths to drive impact.

What is our purpose as an organisation, and how does it link with our "superpower", our capacity to make a distinctive contribution to the world?

Ask whether your purpose is:

1. Meaningful. In other words, does it make a real difference in people's lives? Does it have the potential to make a meaningful difference for all stakeholders?
2. Authentic. Does it match what people in the organisation care deeply about? Does it resonate with the company's values?

3. Credible. Does it draw on the organisation's unique abilities or assets? Can the company deliver in a way that makes a significant difference? Does it make business sense? Can it be translated into concrete actions?
4. Powerful. Are the needs the organisation addresses important and sizeable? How much good comes from addressing these needs?
5. Compelling. Is it clear, specific and aspirational enough to inspire and mobilise people both within and outside the organisation?

Examples of purpose statements:

- Telecommunication company: Inspire human progress through the power of communication and entertainment.
- Investment company: To help more and more people experience financial well-being.
- Beverage producer: Refresh the world. Make a difference.
- E-commerce company: To empower people and create economic opportunity for all.
- Automobile producer: To drive human progress through freedom of movement.
- Technology company: To create world-changing technology that enriches the lives of every person on earth.

Vision statement describes what the organisation will look like in the future: a big picture of what you want to achieve.

As you develop and review your vision statement, check for the following things:

1. Is it ambitious enough? The statement should feel aspirational, not like a finite goal to be accomplished.
2. Is it realistic enough? Make sure you strike a balance between the aspirational and the realistic.
3. Does it accurately reflect your organisation? Run the statement past internal stakeholders who were not involved in creating it, and ask for their feedback on what may be missing, which parts may be unnecessary, or how certain ideas may be phrased more effectively.
4. Does it make sense? Ask people outside the company to read the statement, to confirm that it makes sense to the average reader.

Examples of vision statements:

- Online technology company: To be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and which endeavours to offer its customers the lowest possible prices.

- Financial services company: To become essential to our customers by providing differentiated products and services to help them achieve their aspirations.
- Computing technology company: To make the best products on earth and to leave the world better than we found it.
- Web technology company: To bring the metaverse to life and help people connect, find communities and grow businesses.
- Entertainment streaming company: Becoming the best global entertainment distribution service.

Mission statement describes what an organisation does and for whom, and how the vision will be achieved. The organisation's function, target audience and value proposition are elements often mentioned in a mission statement. The mission is an action statement that usually begins with the word "to".
It is important for:

- motivating employees;
- inspiring customers;
- strategic planning;
- setting values.

Examples of mission statements:

- Seller of furniture and home products: To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.
- Mass media and entertainment company: To entertain, inform and inspire people around the globe through the power of unparalleled storytelling.
- Business social media platform: To connect the world's professionals to make them more productive and successful.
- Athletic footwear and apparel producer: To bring inspiration and innovation to every athlete in the world.
- Construction toy production company: To inspire and develop the builders of tomorrow.

Double-check the uniqueness of your statements. They should not be too general and should not fit too many organisations.

Values are very important because they serve as guiding principles that help to shape the culture and behaviour of the company. Values also provide a shared

understanding of what is important for the company and help to align employees' actions with the company's mission and goals. They provide a framework for decision-making: when employees understand the company's values, they can use them as a reference point when making choices and solving problems, which leads to better outcomes and a more predictable corporate culture. Clearly defined values can also attract and retain employees who share them.

When defining the company's values, take into consideration the following aspects:

- Involve employees at all levels of the organisation in the process
- Ensure that your company values align with your purpose, mission and vision
- Keep them simple and easy to remember and apply
- Make them actionable: it should be clear how employees can demonstrate these values in their daily work
- Lead by example: senior management should set a good example and embrace the company's values.

A company's values are not just a statement of what the organisation believes in; they are a strategic tool for shaping culture, behaviour and decision-making. Values play a vital role in creating a positive and effective work environment and are a key component of an organisation's overall identity and success.

These statements are one of the primary starting points for the development of the strategy. They should be reviewed at the beginning of each strategy revision and amended if needed.

KEY TAKEAWAYS

A. Purpose, vision, mission and values are the foundation of strategy and of the company's identity. The Board should agree the purpose with the shareholders and then set the vision, mission and values before the strategy is built.

B. A purpose statement explains why the company exists; it should be meaningful, authentic, credible, powerful and compelling. A vision describes what the company will look like in the future; a mission describes what it does, for whom and how the vision will be achieved.

C. Values are a strategic tool, not a poster: they guide decisions and behaviour, shape culture and attract people who share them. They work only if they are simple, actionable, developed with employees and visibly practised by senior management.

D. The statements must be specific to the company; if they would fit any organisation, they are not doing their job. They should be reviewed at the start of every strategy revision and amended where needed.

QUESTIONS FOR THE BOARD

1. *Have we, together with the shareholders, agreed a purpose that explains why the company exists, and do our vision, mission and values follow from it?*
2. *Would our purpose, vision and mission statements fit almost any company, or do they clearly describe ours?*
3. *Were employees involved in defining the values, and can they say how the values apply to their daily work?*
4. *Does senior management visibly live the values, and does the Board see evidence of this in decisions, not only in communications?*
5. *When did we last review these statements against the strategy, and what changed as a result?*