

## Activity 1. Determine Purpose(s)

“We must strive to combine the virtues of wisdom and daring. We must move forward together, united and inexorable.” Winston Churchill

### Introduction

Few national leaders in history have had the sense of purpose that Winston Churchill had during the “dark days” of World War II. His words and actions are legendary. Although not legendary, every day, leaders of business, government and charitable organizations resolutely identify, affirm and pursue their intentions. They provide a sense of direction, of what is to be attained and the determination to move forward toward their aims and aspirations.

If determined effectively, purposes provide statements and understandings about the intentions and aims of an organization, its management and other stakeholders. Purposes provide the bases, orientation and guidelines for managers within their various environments. They provide consistent touchstones for management trying to orient, develop, evaluate, implement and adapt strategies to various situations. Common purposive questions include: what is the reason for being, the *raison d'etre* of the organization and its strategic management? Are those reasons legitimate and appropriate to current personal and socio-economic circumstances? If so, is the business, public or charitable organization capable of fulfilling its intentions in the short and long term?

Oftentimes, the purposes of an organization, its management and stakeholders are so vague that they are dysfunctional, if not meaningless. To preclude such consequences, managers are obligated to determine, i.e., to discuss and resolve differences, set bounds or limit and decide conclusively, what are the intentions of and justifications for an organization.

Management typically is oriented toward a desirable future for itself, its organization and its influential stakeholders. What is desirable, i.e., the values of the internal and external environment as well as the stakeholders integral to an organization, become imperatives to determining the purposes as well as the objectives and goals of management. Oftentimes, disparate values have to be reconciled, e.g., labor and management, finance, production and marketing, profit and pollution, before an human organization is capable of achieving a clear reason for being and sense of direction.

### Forming organizational purposes

The individual and collective futuristic ideas of management and other members of an organization need to be formed into a mindset that provides some "shape" and focus for the organization and its strategic management. In early biblical times, an Egyptian Pharaoh dreamed that his country would have seven good years of crops, followed by seven lean years. A strategy of food conservation was followed during the years of plenty that enabled the people of Egypt to survive during the years of scarcity. From then to now, historical accounts are laden with examples of men and women with dreams,

visions and missions that have culminated in a sense of purpose; the values or desiderata upon which progressive management, its strategic and tactical activities and resource allocations are based.

Ancient explorers used the stars to guide their course over uncharted waters. Today's modern company and various other organizations have a different, but equally useful tool for navigating through the world of business: the mission statement. Ellen Schwartz, "Mission: Possible -the mission statement is a compass for your business", *The Costco Connection*, January-February, 1998, p. 18 An effective mission statement may be used to define its business, state its vision and guide its operations. In uncertain times and difficult situations, mission statements may be relied on for making sound strategic decisions. By incorporating well-founded values that change little over time, mission statements provide direction for strategies and tactics that do change significantly. Following the breakup of AT&T, senior management decided that the company needed to redefine its vision and aims. With the help of its employees, AT&T's management prepared a mission statement entitled "Our Common Bond" and stated, in part, that,

We commit to these values to guide our decisions and behavior:

**Respect for individuals**  
**Dedication to helping customers**  
**Highest standards of integrity**  
**Innovation**  
**Teamwork**

By living these values, AT&T aspires to set a standard of excellence worldwide that will reward our shareowners, our customers and all AT&T people. Schwartz, *loc. cit.* Further, as Peter Drucker wrote decades earlier, "...it is management's specific job to make what is desirable, first possible and then actual." Peter F. Drucker, *The Practice of Management*, New York: Harper and Row, Publishers, 1954, p. 12. Basically, management's roles and responsibilities are pragmatic, that is to do what is necessary to make the organization successful in fulfilling stakeholders' purposes, visions, objectives and goals.

Companies that enjoy enduring success have core values and a core purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world. Collins and Porras, *loc. cit.* As with virtually all aspects of management, purposes are based on values. Consequently, when owners or managers of an organization ask the fundamental question: what is our reason for being?, the responses will be value-laden. "An effective purpose reflects people's idealistic motivations... It doesn't just describe the organization's output or target customers; it captures the soul of the organization" *Ibid.*

Purpose identifies deeper, more philosophical reasons for an organization's existence. It is derived from and represents the core values of its stakeholders. Some examples illustrate the values in companies' purposes.

- \* Merck (pharmaceutical corporation) - To preserve and improve human life.
- \* Walt Disney (entertainment company) - To make people happy
- \* Hewlett-Packard (electronics company) - To make technical contributions for the advancement and welfare of humanity *Ibid.*

Alcan Aluminum has prepared a more extensive, insightful and classic statement of purpose.

Alcan's purpose is to utilize profitably the risk capital voluntarily invested by the shareholders as a financial base to create productive facilities, employment and skills devoted to the production and distribution of aluminum and related products to the public on an international scale. Alcan Aluminum Limited, *50th Annual Report*, 1978.

This purpose was based on the following value-based beliefs or "convictions":

1. that aluminum possesses superior properties for a large number of uses, is derived from raw materials which are abundant and, by combining lightness in weight and ease of recycling, incorporates qualities of energy conservation superior to many other materials;
2. that responsible, competitive private enterprise is the most efficient system for producing and making aluminum available to the public at large. We believe that this role is complementary to the responsibility of governments to develop their own priorities and goals, to set legal and taxation frameworks for corporate enterprises within their jurisdictions and thus to share in the economic benefits of industrialization;
3. that partnerships with national and local governments are on occasion appropriate, provided that our business objectives and their development aspirations are compatible.

Alcan's statements of purpose and convictions illustrate the sense of direction and the values underlying the company's strategic management. Its purpose recognizes the importance of risk capital and the need to reward its investors with profits. It realizes the need to create productive capacity, ie, facilities, employment and skills. And it recognizes that it is in the production and distribution business on an international scale. Alcan's beliefs provide further illumination for its managers, other stakeholders and the general public.

Decades ago, management guru Peter Drucker asked the oft-repeated question "What is our business?" He wrote that

Nothing may seem simpler or more obvious than to know what a company's business is. Actually, 'What is our business?' is almost always a difficult question and the right answer is usually anything but obvious". Peter F. Drucker, *Management - Tasks, Responsibilities, Practices*, New York: Harper and Row, Publishers, 1974, p. 77.

Judging by the number of companies that have re-structured, re-engineered and re-focussed during the last decade, many corporate managements and their directors have asked the Druckerian question and then had to make some difficult and strategically consequential decisions. Major assets or subsidiaries have been sold, shut down or moved. Thousands of employees have been "laid off". Product lines have been cut back, expanded or re-oriented.

Consider The Seagram Company as it approached the new millennium. What was its business? Prior to selling the Tropicana fruit juice subsidiary to Pepsi Cola in 1998, Seagram was commonly thought of as being in the "beverages business". With the purchase of MCA in 1997 and Poly Gram in 1998, Seagram developed a "split personality", i.e., alcoholic beverages and entertainment. What business was the corporation in? What was its purpose, its core values and beliefs, its mission, its vision? In late 1998, senior management of The Seagram Company addressed these issues as

they related to the company's wine and spirits business. In part, the Chairman of the Seagram Spirits and Wine Group stated:

We are determined to capture the lion's share of the volume and profit growth in those categories and markets where we decide to focus and compete. We will think globally in the development of our strategies and the transfer of knowledge and best practices across business boundaries. We will win locally with superior execution of our initiatives in each marketplace.

Seagram's focus will be on spirits and wine categories with clearly defined growth potential and the company will drive towards leadership of those categories in which it chooses to compete. Our number one focus and priority will be our two premium whiskey category leaders -- Chivas Regal globally and Crown Royal in North

America. John Hunter, "Seagram sets out vision and strategic direction for its global spirit and wine business...", *Canada News Wire*, November 10, 1998, p. 1.

Subsequently, such visionary musings turned into empty rhetoric as the corporation stumbled along, misled by executives who had other values, purposes and "agendas".