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Corporate Mission Statements Don't Really Matter, Unless You Want To Be A Great Leader



Len Sherman Contributor 

I write about management priorities for long-term growth.



Jeff Bezos, CEO of Amazon (Photo by Mark Wilson/Getty Images)

How much does your company's statement of mission, vision and values influence how you actually do your work every day? For most managers I've worked with over the years across a variety of industries, the answer usually has

been “very little,” if not, “what mission statement?” or even more derogatory comments not suitable for a respected business magazine.

It’s easy to be skeptical about the real value of mission statements. After all, every company has one, and they all say the right things about management’s deep concern for customers, employees, shareholders, communities and even planet Earth. But in the daily grind to meet aggressive business targets, respond to competitive threats and deal with uncooperative colleagues, pesky customers and recalcitrant business partners, it’s easy to get bogged down in a never-ending series of management transactions far removed from the founding principles your company.

Take Wells Fargo for example, whose mission statement proudly boasts of valuing “what’s right for our customers in everything we do.” But this promise apparently got lost in the thirty page document that articulates the company’s vision and values. Just last week, their [US Comptroller of the Currency](#) published its evaluation of Wells Fargo, finding “an extensive and pervasive pattern and practice of discriminatory and illegal credit practices across multiple lines of business within the bank, resulting in significant harm to large numbers of consumers.” This finding came on top of previous reports of thousands of Wells Fargo bank employees who had set up millions of bogus customer bank accounts to earn bigger bonuses. So much for corporate vision and values.

Or consider Lumber Liquidators’ mission statement, promising to “focus on meeting the highest standards of safety, like no other flooring company in this country.” But in 2015, the company was exposed on [60 Minutes](#) for shipping products with dangerously high levels of a known carcinogen.

These are admittedly extreme examples of disconnects between espoused and actual corporate behaviors, but the fact remains that in far too many companies, the founding purpose of a firm has long lost any meaningful role in influencing strategic decision-making or in guiding how work actually gets done in the trenches of front and back office operations.

Some might argue that's as it should be. After all, it seems incongruous, in an era where the pace of change in all aspects of business is accelerating so rapidly, to stubbornly adhere to a company's founding core purpose, which may have been established decades ago. But it is precisely because of, not despite, the rapidly changing business environment, that a company needs an anchoring ideology to guide it. When management priorities become strictly driven by short-term business performance considerations, and business transactions are handled on an ad hoc, case-by-case basis, companies often lose their business — and sometimes even their moral — compass.

Jeff Bezos perhaps [explained it best](#):

“ It helps to base your strategy on things that *won't* change. When I'm talking with people outside the company, there's a question that comes up very commonly: 'What's going to change in the next five to ten years?' But I very rarely get asked, 'What's *not* going to change in the next five to ten years?' At Amazon we're always trying to figure that out, because you can really spin up flywheels around those things. All the energy you invest in them today will still be paying you dividends ten years from now. Whereas, if you base your strategy first and foremost on more transitory things — who your competitors are, what kind of technologies are available, and so on — those things are going to change so rapidly that you're going to have to change your strategy very rapidly, too.

Amazon's extraordinary success — no current CEO has created more shareholder value than Jeff Bezos — is the result of a clearly articulated corporate purpose and management philosophy that meaningfully guides decision-making at all levels of this 340,000 employee firm. Like every company, Amazon has [shared its corporate vision](#) for all to see, but unlike most other firms, Bezos relentlessly

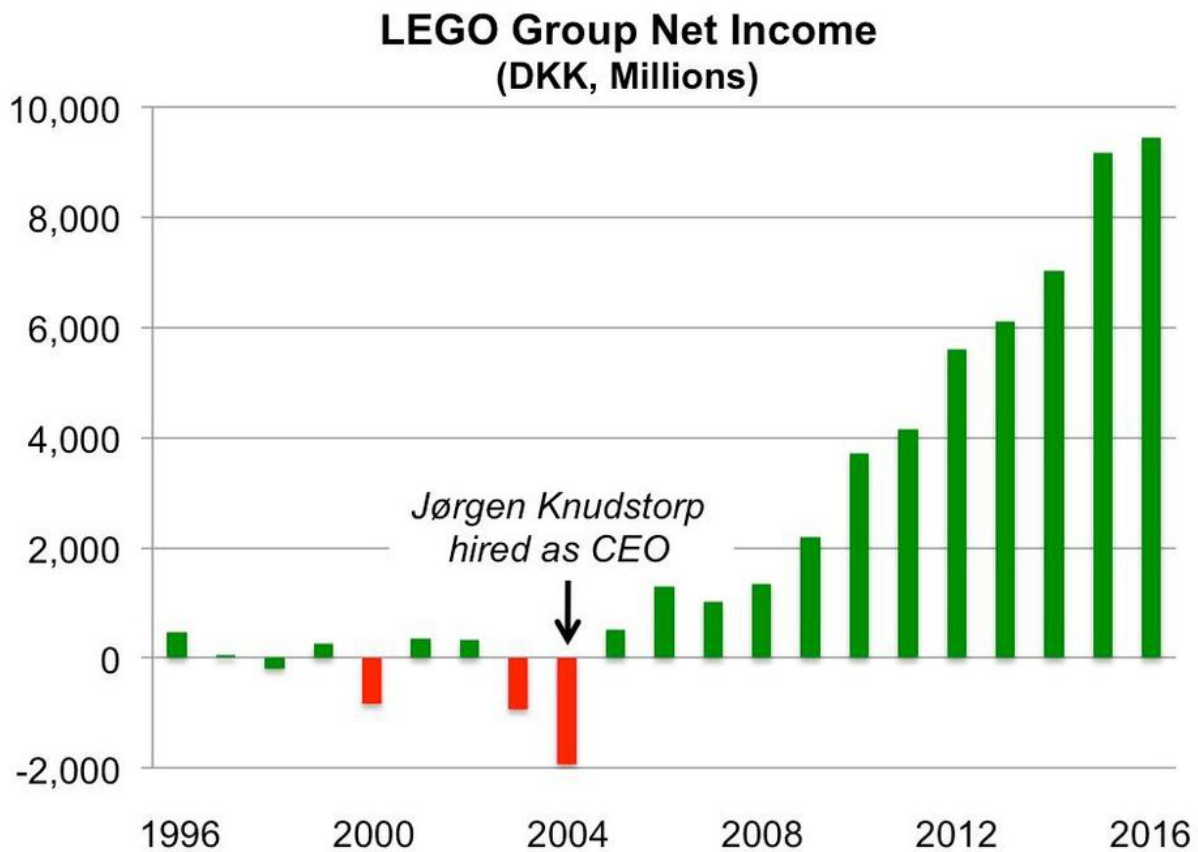
ensures that his fourteen leadership principles are fully embraced and faithfully executed across the enterprise.

Corroborating evidence on the importance of a clear corporate mission — a North Star — to guide all aspects of the evolving strategic, operational and management priorities of successful enterprises can be found in four of the most epic turnarounds in history: LEGO, Starbucks, Schwab and Apple. In all of these cases, the companies achieved enormous early success, foundered after straying from their core purpose, but were rescued by the return of a new or founding CEO who recommitted the firm to its core ideology. A meaningful, guiding corporate vision makes or breaks great companies.

LEGO

Take LEGO for example. After 60 years of growth as an iconic global toy brand, the company began to struggle at the dawn of the video game and Internet eras. In response, LEGO made a common mistake of weakening its core value proposition by adding excessive product line complexity and pursuing brand-diluting diversifications including children's wear, watches and theme parks. As management raced to tap attractive opportunities that seemed to be everywhere, LEGO lost its brand meaning, customer relevance, corporate purpose and financial viability.

In 2004, the board turned to Jørgen Knudstorp, a 35-year old ex-academic and McKinsey consultant to become the first non-family related CEO. Knudstorp focused on three strategic imperatives: restoring LEGO's core values, controlling operational complexity and growing through brand-reinforcing innovation. Knudstorp moved quickly to divest non-core businesses, reduced product line complexity by 50 percent and strengthened the company's in-house operational and design capabilities. Knudstorp's turnaround strategy dramatically improved LEGO's consumer appeal, employee engagement and financial performance.



LEGO Net Income LEN SHERMAN

Reflecting on the company's success during his twelve years as CEO, [Knudstorp commented](#):

“ “You really need to think hard about some simple questions, and those are: Why do you exist as a company? What's the really compelling reason why you exist? Of course, ultimately, you want to come up with something that's hugely relevant, and at the same time, very unique and really value creating for other people. What's our philosophy, or doctrine? How can I say a few things about strategy and ways of behaving that then permeate the entire organization and allow me to empower and decentralize? The battle is not won in the CEO's office. It's won in the individual markets, and in meetings with customers.

We have always emphasized that we're here to serve the children...We want to be an irreplaceable and irresistible brand for children. We want to be on top of their wish list and something they talk passionately about. We measure

that by a Net Promoter score. Then we measure how we create value for our customers and suppliers. We really want to be sure that it's value creating for our customers and suppliers to work with us. Then we measure our employees' engagement, and that is actually the foundation of our reward system. We also reward financial value creation, but we view financial value creation as the result of being highly recommended by children, highly value creating for our business partners, and having creative and engaged employees. If we have those three things, we cannot help but actually make a profit at the end of the day."

The rise, fall and resurgence of Schwab, Starbucks, and Apple follow a similar pattern. In all of these cases, the companies strayed from their pioneering vision after the CEO retired and suffered disastrous results, prompting the founder to return to recommit to the companies' founding principles.

Charles Schwab

Charles Schwab pioneered the discount brokerage business model that brought investing from Wall Street to Main Street. From the outset, Schwab built an emotive bond with customers that enabled a generation of Americans to make and execute more informed decisions about where and how to invest their money.

Nearly a quarter century after its founding, the company was managing well over one million accounts, and the founder turned over day-to-day management to a trusted colleague. Under new leadership, the company increased its range of services, expanded internationally and raised fees, opening the door to a new breed of discount brokers like E*Trade to gain share. Before long, Schwab was reeling. Between 2000 and 2004, the company laid off nearly a third of its workforce, suspended retirement plan contributions and suffered an 80 percent drop in share price.

The board fired the CEO and brought Charles Schwab back to revive the company. Job #1 for the returning CEO was to re-establish a connection with customers. [As Schwab recalls](#), "We had allowed ourselves to get disconnected

with our clients. We got somewhat arrogant, all caught up in the dotcom arena with its wonderful explosion of new accounts, transactions, valuations."

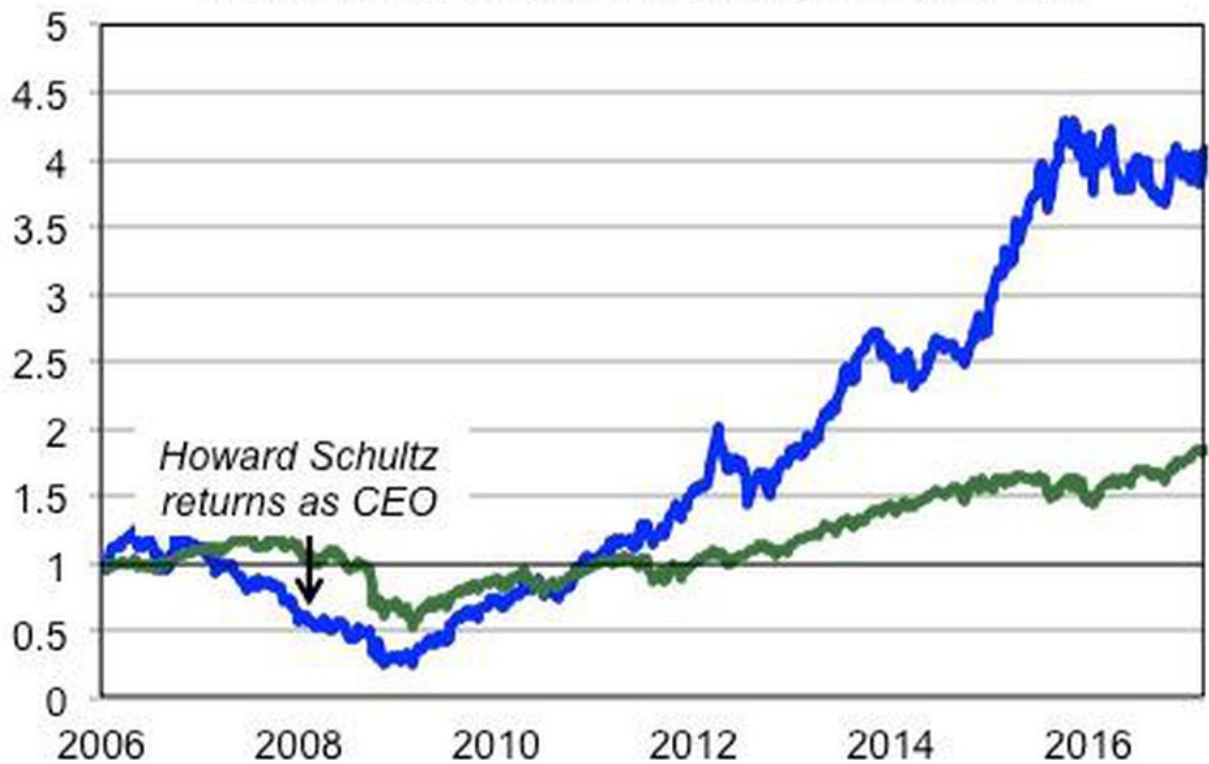
To restore focus on its core mission of individual client service, Schwab stripped away bureaucracies and non-core business activities that had built up over the years. "We ended up selling our capital markets, all of our international activities, anything that deviated really from our focus on our core business. In some respect, the company had grown and matured and thought it could do everything. And it wasn't the case. We had a core capacity, a core culture and we needed to get back to basics."

The turnaround helped Schwab restore profitable growth, and the company now enjoys a market valuation 300 percent higher than when the founder returned to focus the company on its core mission.

Starbucks

Howard Schultz echoed similar sentiments about getting back to basics at Starbucks upon his return to the troubled company in 2008. During his eight-year absence as CEO, Starbucks had embarked on an overly ambitious expansion effort, at the expense of maintaining the unique customer experience that had always distinguished the brand. Commenting on his most critical turnaround challenge, [Schultz sought to address](#) "how to preserve, and hopefully enhance, the integrity of the only asset we've ever had as a company, our values, our culture, and guiding principles, and a reservoir of trust with our people." Schultz engineered a remarkable turnaround through the teeth of a severe recession, by investing in restoring the confidence and capabilities of his workforce, improving the signature ambience of his stores and doubling down on Starbucks' brand promise "to inspire and nurture the human spirit – one person, one cup and one neighborhood at a time." The results speak for themselves.

Starbucks vs. S&P500 Stock Price Index



Starbucks stock price LEN SHERMAN

Apple

Finally, Steve Jobs returned to Apple as CEO in 1997, twelve years after having been fired by his board. In perhaps the most dramatic turnaround of all time, facing a company on the brink of bankruptcy, Jobs refocused the company on its founding mission, setting the stage for Apple to become the most highly valued company in the world.

No moment in Steve Jobs' storied career better captures his founding customer-centric vision than one of the lowest points in Apple's history. The company Jobs rejoined was in deep trouble, having lost nearly \$1 billion the prior year, and its \$3 billion market value was in free fall. The first thing Jobs did was to pronounce Apple's intent do a few things extraordinarily well, rather than doing lots of mediocre things. At the heart of Jobs' "shrink-to-grow" strategy was a commitment to obsessively focus on delighting customers, which had been his passion from day one.

Any product at the time that wasn't delivering a demonstrably superior consumer experience was axed, including Apple's Pippin game console, Newton tablet, QuickTake digital camera and several software products. With fewer products to support, Apple laid off 3,000 workers.

With employee morale at an all-time low, Jobs had the courage to voluntarily take unscreened questions at Apple's 1997 Worldwide Developer Conference from an audience of thousands of workers and business partners . Early in the session, Jobs was confronted by a disgruntled attendee who challenged the CEO: "Mr. Jobs, you're a bright and influential man. But it's sad and clear that on several counts, you don't know what you're talking about," going on to question why Apple had cancelled an enterprise software product that led to many workers losing their jobs.

An audible gasp went up from the audience. It is rare indeed for a CEO to be so bluntly confronted in such an open forum. The exchange warrants watching for its melodrama and insight.

Jobs took a long time to answer, signaling a genuine desire to give a thoughtful and honest response. The pregnant pause added palpable tension in the room. Jobs acknowledged that the discontinued product undoubtedly had several

technical merits that the CEO might not fully understand. But then, Jobs delivered an impassioned plea on the need to reframe the company's mission around delivering superior customer experiences, which would form the core of the Apple's strategy for the next twenty years.

“ One of the things I've always found is that you have to start with the customer experience and work backwards to the technology. You can't start with the technology and try to figure out where to try to sell it. I made this mistake probably more than anybody else in this room and I have the scar tissue to prove it. We have tried to come up with a strategy and a vision for Apple that starts with what incredible benefits to give to the customer and working with the customer, not starting with the engineers and figuring out what awesome technology we have, and how we can market it.

Four years later, Apple introduced the iPod, followed by the iPhone and iPad, and the rest is history.

The common theme underscoring all these remarkable turnarounds is the determination of a visionary leader to deeply instill the firm's founding purpose in order to reconnect with consumers and inspire employees. So the next time you find yourself or your CEO too busy to bother with such squishy concepts as corporate visions and values, you might want to reflect on how well your company is doing, compared to Lego, Schwab, Starbucks and Apple. The CEO's of those companies might just have been on to something.

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