Envisioning: Creating the Context for Strategy

David C. Shanks and W. Tom Sommerlatte

A CEO friend of ours recently expressed a deep concern about his staff's inability to „think strategically." This was surprising to us, given that this corporation is well-populated with excellent talent. Its staff includes brand-new MBAs armed with the latest management tools as well as seasoned „old China hands," Eurocitizens, and global venture experts. Furthermore, the corporation's fortunes had improved during the turbulent '80s, although much of its strategy had been of the „preserve and protect" variety designed to rally the core businesses of the enterprise.

As we talked further, it became apparent that what was missing was not the mechanics of strategy – the skills and abilities of individuals were in fact superb – so much as the context and rationale for applying strategic thought. In other words, the firm lacked not the what and how of strategy, but the where and why. What was missing was vision.

In our view, this is a common affliction, and one not limited to major corporations. An astonishing number of firms have not yet defined visions for their enterprises, much less communicated these visions internally and externally. And many other firms have „visions" that are at best cloudy and at worst counterproductive.

If your vision isn't working powerfully for you, it's likely to be working powerfully against you. When a financial analyst says „I just don't understand this company," he or she is sending a strong message:

„The strategies you are executing don't seem to hang together – and this apparent lack of coherence will influence my recommendation to current and future owners to buy your shares." Customers also send messages to those who will listen, usually of the variety „We think you've lost some focus on our account." And the employees always know first. In the book *The 100 Best Companies to Work for in America,*[1] a survey based largely on employee input, the authors show that the highest marks were awarded to companies where there was common understanding as to „who we are," „why we're here," and „where we're going."

We believe the answer to our friend's dilemma lies in defining and articulating a vision of where his corporation is headed, and why.

What's in a Vision?

Vision statements come in a variety of shapes and sizes. As shown in Exhibit 1, a corporate vision may include statements about the future business environment, technology, and expected performance. Many express some overall theme, discuss core businesses and resources, and comment on how the company will interact with its key stakeholders. Regardless of length, the best visions establish a clear statement of „what we want to be." Several in-depth studies of major organizational change indicate that a clear vision is essential to most successful corporate revitalization efforts. The vision statement fits neatly into a process of defining what needs to change, communicating the required adjustments, and energizing people in the organization to make it happen.

Exhibit 1

Possible Elements of a Corporate Vision

• Performance	• Employees
• Governance	• Customers
• Values	• Owners
• Products/services	• Constituencies
• Markets	• Technology

In the following pages, we discuss five dimensions that define a robust vision:

• Coherence founded on reality

• Credibility and challenge

• Stakeholder satisfaction

• Leadership involvement

• Public visibility

Coherence Founded on Reality

A corporate vision must acknowledge how internal strengths can be used in the „real world" of the future.

Current writing on strategy focuses on understanding the core competencies and capabilities of a firm.[2] These two concepts fit neatly together to form a logical framework for strategy analysis. Core competencies have been defined as embedded skills that give rise to the next generation of products and services. Examples include 3M's skill in creatively combining adhesives, coatings, and substrates; Honda's skill in designing and building internal combustion engines; and Siemens' skills in electrochemical engineering. Core capabilities are more systems-related. Often they arise from excellent, unique business processes. Examples include Federal Express' logistics system and Wal-Mart's special ability to manage its high-efficiency warehouse operations.

But standing alone, these concepts are too introspective to serve as a firm foundation for strategy. The external dimension also requires attention: where are the markets of the 1990s and beyond? What new applications of technology are likely to emerge? What will our competitors do? Who will they be? To answer these questions, many firms are again turning to scenario development, literally „envisioning" possible future events to assist vision development.

Similarly, we see a burgeoning activity in questions surrounding the market impact of new technologies. In fact, in some corporate corridors, the quest is all-consuming. A senior R&D manager at DuPont recently commented to us that „the only things that seem to get funded around here are bugs and chips!" But a corporate vision is incomplete if it does not address possible applications of technology often in very unlikely ways. Hitachi is now ranked fourth in U.S. patents granted since 1963, after IBM, GE, and AT&T. Hitachi president Tsutomu Kanai has declared a vision of the 21st century supported largely by the as-yet-unknown but already well-envisioned flow of technology from its laboratories. This vision includes neural network computing; the use of biocomputers and high-definition television to create virtual reality environments – a surgical operating room or a mock natural disaster – where human skills can be developed risk-free; and fusion reaction energy devices.

For large corporations in mature industries, vision may flow largely from using competencies and capabilities in innovative ways. GM's Saturn operation is a good example. Clearly, the Saturn vision couples the internal strength of GM's financial staying power and manufacturing expertise with the external reality of a marketplace crying out for assured reliability, hassle-free purchasing, and efficient service. If successful, Saturn could become a pilot for a transformed GM passenger car operation. For smaller ventures, the pull of new markets, services, and technologies may be the primary driver. For all the current problems of the laggard U.S. economy, Route 128 and Silicon Valley are still hotbeds of new software products. Whatever the balance of internal skill and external opportunity, companies need to acknowledge both.

Without the external dimension, vision development runs the risk of coming totally adrift from reality. Stephen Hawking, the celebrated theoretical physicist, tells the story of a well-known scientist who gave a public lecture about the orbital mechanics of the universe.[3] At the end of his talk, an elderly woman stood up and proclaimed that what the scientist had just said was rubbish: the world was really a flat plate supported on the back of a giant tortoise. The lecturer came back with a question: „What is the turtle standing on?" „Very clever, young man," the woman responded, „but it's turtles half the way down!" Major corporations, like the turtle woman, can erect strategic structures that lack any foundation in reality. The problem is not lack of technique. Today, benchmarking, competitive assessment, value chain analysis, and similar tools are well-developed and readily available. The problem is management's inability to listen carefully to real-world signals.

David Perini, CEO of Perini Corporation, a top-ranked U.S.-based construction firm, once put it this way: „I want my people to lay out all the risks they see in front of us... The best entrepreneurs are not high-wire artists unaware of the future, but executives who go in with their eyes wide open, determined to manage around problems and succeed." Like David Perini, the best executives are building visions based on reality.

Credibility and Challenge

The best corporate visions are believable, yet not easily attainable. On April 12, 1961, the United States was shocked by the Soviet Union's achievement in sending Yuri Gagarin into low Earth orbit. President Kennedy's answer was a bold promise to put a person on the moon within ten years. The little-known story behind that promise is that a team of engineers and scientists worked under tremendous pressure, in advance of Kennedy's public statement, to develop a feasibility plan for both the cost and timing of the project. The United States needed a „stretch" goal, not a mission impossible.

One trap CEOs fall into in this regard is the need to „preserve flexibility." This need – while valid – gives rise to very fuzzy vision statements. The ultimate in fuzziness is, „We will be the best at whatever we do," a claim that lacks a time frame, skill set, and context. Specifics are what make a vision believable. Roberto Goizueta, Coca-Cola's CEO, set forth specific goals for his corporation for the year 2000 in a deceptively simple 1500-word-statement covering four major resources – brand, systems, capital, and people:

• Increased advertising exposure through a worldwide brand framework

• A commitment not to sell commodities

• Increased equity participation in the production and distribution network

• Construction of leading information systems

• Evaluating the use of greater financial leverage

• Creation of a flatter organization

• Hiring more internationalists with multilingual, multicultural capabilities

For the 105-year-old Coca-Cola organization, these directions signal profound changes – and challenges – ahead.

At the other extreme is the need for durability. Especially in large corporations, the CEO needs space and time to turn the enterprise and drive it in a new direction. Short-term milestones, if stated as the only end points, may be quickly surpassed by accomplishments or events. Some visions notable for their longevity include Thomas Watson's insistence on excellence in customer service, a succession of DuPont chief executives' call for top-quality products, and Sam Walton's lifelong drive to reshape retailing for small-town America. These visions have existed for decades as simple, flexible banners under which to work complex corporate agendas.

Stakeholder Satisfaction

A corporate vision must at least address – and preferably satisfy – all the major stakeholders in the enterprise. At Arthur D. Little, we have promoted the concept of the High Performance Business as one in which all key stakeholders – customers, employees, owners, and others – receive the satisfaction they require.[4] By definition, a High Performance Business is one that has customers who wouldn't buy from anyone else, employees who think they have the best jobs in the world, and owners who receive returns that far exceed the industry average. Furthermore, it is regarded by its community as „a model corporate citizen."

Not only must a corporation honor all its stakeholders in its vision: it must also serve their interests congruently, balancing them with one another.

Perhaps the most striking examples of stakeholder imbalance were some of the leveraged buyouts of the 1980s, for which the main driving force was financial return for a select group of owners. Not all LBOs worked this way, of course, but for those that did, a monocular focus on financials alone dramatically curtailed their ability to hire and retain top talent and to invest in longer-term development programs.

Similarly, an obsessive focus on the customer – however well intended – can spell trouble. Service industries appear to be particularly susceptible here. People Express, many savings and loan institutions, and countless restaurants and smaller service establishments have joined the casualty list. Often personal service formulas that work well in microbusiness environments are too inelastic to support the enterprise as it grows. Redoubling efforts without rethinking them often leads to a „bet the enterprise" scenario.

The employee dimension can also get badly out of balance. We know of several law firms that had visionary policies providing for ever-increasing partner compensation despite declines in billed hours and business booked. During the recent prolonged economic recession in the United States, such practices led to larger partner „draws" in advance of revenues, debt financing to meet payroll expenses, and ultimately the collapse of some well-known, highly professional firms.

Finally, many companies simply haven't anticipated the development of new classes of stakeholders with different agendas. The owners of contaminated property, ex-employees with residual health problems, or communities with changed attitudes toward business's impact may all have influence on corporate vitality far beyond what yesterday's management teams could have imagined.

For these reasons, we have been encouraging a „congruency check" of vision statements against the interests of current and possible future stakeholders. One interesting way to conduct this exercise is by role-playing the various constituencies' responses to a draft vision. The more questions the better, until a sense of robustness and balance is achieved.

Leadership Involvement

A corporate vision must ultimately be developed – or at least influenced – by the leadership group that is responsible for bringing it to life. When Sam Bodman took over as CEO of Cabot Corporation in 1986, he spent the first several months in office listening to his people, testing ideas, asking questions, and involving the senior leadership group in a running conversation about where the corporation was going. Bodman's vision for the „new Cabot“ selects and strengthens some of the old directions and sets forth several new ones.

When Edzard Reuter took over as CEO of Daimler-Benz, he spent most of his early effort on rallying the Board and key people in the corporation behind the idea that they should transform Daimler-Benz into a technology concern with major positions in aerospace, automation, and information management in addition to the traditional automotive business.

This question of senior staff involvement is a curious one. The process must start with the CEO; in fact, his or her vision of the future is an essential ingredient. But without the active input of the key line and staff managers in the corporation, the process falls short. How many plaques on the wall merely state what the public relations department drafted in 300 words or fewer? The questions each senior manager should ask include: Do I really believe in this vision for my corporation? Can I explain it to the stakeholders? Am I prepared to make the hard choices necessary to achieve it?

Johnson & Johnson's credo is an example of a living vision that has been kept „evergreen“ for almost 50 years. In 1943, General Robert Wood Johnson set forth the original credo – a one-page set of simple statements about the company's responsibilities to its customers, employees, management, neighbors, and stockholders. Over the years, as new challenges have arisen, the company's senior management has modified the credo – most recently to recognize the importance of safeguarding the environment and the need for balance between work and family. The strength of this single unifying document was never clearer than when it provided guidance to the company's management during the Tylenol crises of 1982 and 1986. Johnson & Johnson routinely surveys how well the company measures up to its credo. When shortcomings appear, it takes corrective action.

Some senior executives have told us that they find it helpful to actually „see“ their company of the future. In their mind's eye, they picture new product offerings, changed employee behavior, new plant and equipment, and enhanced service delivery, much in the same way that high performance athletes envision themselves soaring over the high bar or hitting a faraway, well-trapped green pin-high. Whatever the mechanism, the executive group – and the CEO in particular – must have a strong hand in developing the vision.

Public Visibility

Historically, the corporate vision statement was a very private affair. Often it occupied the front page of a numbered black binder, kept locked up somewhere on the top floor. Only the most senior executives and board members had ever seen it, as if, like a painting by an old Dutch master, exposure to the elements might somehow destroy it. Not any longer. Today's corporate vision has gone public. Most corporate annual reports now give major clues to the direction in which the executive group would like to take the company. And CEOs will tell anyone who will listen where their company is headed. The direction for the future is now a standard question in security analysts' meetings.

Methods of getting the word out are myriad. One is particularly worth noting for its power: the CEO as public figure. Today's CEO is very much in the public eye. Once protected by the anonymity of blue suits and corporate corridors, executives such as Frank Perdue and Lee Iacocca are seen nightly on TV pushing chickens and Chryslers. Jim Burke became a familiar figure rebuilding consumer confidence in Tylenol, and Larry Rawl took the platform during the *Exxon Valdez* incident. With this visibility, there is opportunity to inform the public about the corporate agenda. Of course, visibility can be costly. Companies without firm future agendas will be exposed, and those that change too often risk confusing the public rather than convincing it.

The implications for corporate strategy are interesting. In the early 1970s, Mobil Oil began a successful, long-running series of op-ed articles in major U.S. newspapers. During the ensuing energy crisis, Mobil gained an early positive reputation for being environmentally aware. The firm subsequently demonstrated a corporate concern for other public policy issues related to energy. More recently Bill Gates, the CEO of Microsoft, has spoken out forcefully about the primacy of his corporation's DOS software operating system. Both of these companies gained an advantage when their strategies were congruent with their vision statements.

Finally, a word about the impact of vision statements on employees. It helps if the direction in which the company is headed has an „inspirational element.“ Employees like to know there's a noble cause behind their efforts. Slogans (which are often vision „sound bites“) such as „Better things for better living“ (DuPont), „We bring good things to life“ (GE), „Quality is job 1“ (Ford), and „Innovation working for you“ (3M) have been powerful and constant reminders that, in addition to sales and earnings, these organizations were dedicated at their core to some worthwhile higher purpose. Our colleague, Ranganath Nayak, talks about the concept of the corporate leader as a composer who creates a theme capable of evoking companywide response. He notes that at Toyota everyone is attuned to the slogan „Eliminate waste.“ Everyone can respond to this, from production worker to president. Companies that can develop such themes have powerful tools with which to focus the organization.

Envisioning the future is not an easy task for any corporation. But the effort pays rich dividends in terms of a smooth-functioning organization. Benefits accrue to all constituents: a sense of direction for employees, renewed confidence on the part of shareholders, clearer signals to customers, and increased respect from other stakeholders. Vision can serve as a guide to strategy, a reminder on tactics, and a silent conscience for the organization. If you haven't taken the time to articulate a vision of your company's direction, you had better do so. If your corporation's vision is cloudy or needs refocusing, address it now. You will find the process invigorating and of the highest long-term value.

[1] *Michael Katz, Robert Levering, and Milton Moskowitz,* The 100 Best Companies to Work for in America, *Penguin Books, New York, 1987.*

[2] *G. Hamel and C.K. Prahalad, „The Core Competence of the Corporation,"* Harvard Business Review, *May-June 1990, pp 71-91; and G. Stalk, P. Evans and L. Shulman, „Competing on Capabilities: The New Rules of Corporate Strategy,"* Harvard Business Review, *March-April 1992, pp 57-69.*

[3] *Steven W. Hawking,* A Brief History of Time, *Bantam Books, New York, 1988, p 1.*

[4] *„Creating the High Performance Business,"* Prism, *first quarter 1992, Arthur D. Little, Cambridge, MA.*

David C. Shanks is a vice president of Arthur D. Little, Inc., managing director of the firm's management consulting activities in the New England region, and a leader of its worldwide Electronics, Information, and Telecommunications Industry Practice.

W. Tom Sommerlatte is a vice president of Arthur D. Little, Inc., and managing director of its European operations. Based in the firm's Wiesbaden office, he has consulted to large European corporations for more than 20 years, helping them to integrate systematic approaches to technology management into their corporate strategies.