

BERNARD JAWORSKI • VIRGINIA CHEUNG

CREATING

THE

ORGANIZATION

OF THE

FUTURE

BUILDING ON DRUCKER AND CONFUCIUS FOUNDATIONS

Creating the Organization of the Future

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Creating the Organization of the Future: Building on Drucker and Confucius Foundations

BERNARD JAWORSKI

Claremont Graduate University, USA

And

VIRGINIA CHEUNG

Shenzhen University, China



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First published as 当德鲁克遇见孔夫子 (“*Setting the Direction for Your Firm*”) by Orient Publishing Center (“OPC”), with Bernard Jaworski and Virginia Cheung, China, 2021. English language translation copyright © 2023, Emerald Publishing Limited. This English language edition published under exclusive licence from OPC by Emerald Publishing Limited.

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83753-217-9 (Print)

ISBN: 978-1-83753-216-2 (Online)

ISBN: 978-1-83753-218-6 (Epub)



ISOQAR
REGISTERED

Certificate Number 1985
ISO 14001

ISOQAR certified
Management System,
awarded to Emerald
for adherence to
Environmental
standard
ISO 14001:2004.



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About the Authors

Bernard Jaworski is the Drucker Chair in Management and the Liberal Arts, which is named in honor of Peter Drucker, the founder of modern management and the namesake of the Drucker School. Bernard is a ISBM and AMA Marketing Fellow. He is the recipient of the three major *Journal of Marketing* awards – the Alpha Kappa Psi award (received twice), the Maynard award, and the Sheth award. He also received the Converse award and Vijay Mahajan lifetime achievement award for contributions to marketing. His 2020 book on Organic Growth (with Bob Lurie) received the Leonard Berry AMA book of the year award. His work is highly cited (over 49,000 citations as of March 2022). He has been voted MBA teacher of the year (both at USC and Drucker).

Jaworski comes to the Drucker School from the Switzerland-based IMD, a highly regarded international business school. Prior to working at IMD, Jaworski spent a decade as a senior partner of the Monitor Group, a global management consulting firm. During his Monitor career, he cofounded and coled two of the global practice areas, the e-commerce practice and the executive education unit. Among other activities, he was a senior team member of a number of significant multiyear corporate transformations for multinational clients in a variety of sectors, notably pharmaceuticals, biotech, and medical devices.

From 1996 to 1999, Jaworski served as the Jeanne and David Tappan Marketing Fellow and a tenured full professor of Marketing at the University of Southern California. He has also served on the faculty at the University of Arizona and as a visiting professor at Harvard Business School as well as on the review boards of the *Journal of Marketing* and the *Journal of Marketing Research*. He is the coauthor four textbooks on e-commerce and has taught topics including leadership, corporate strategy, and service management.

Virginia Cheung is Associate Research Fellow at the School of Management, Shenzhen University. She holds a PhD in Management from the Peter F. Drucker and Masatoshi Ito Management School at Claremont Graduate University. Her research interests span the integration of both Western and Eastern thought leadership as it relates to leadership, management, and a functioning society. Virginia is interested in comparative research on alternative management philosophies and approaches, with a specific subinterest in how these philosophies are approached in different cultures. Her research focused on the relationship between Drucker philosophy and Confucianism.

Prior to her PhD, Virginia had extensive industry experience in the Greater China region and Germany. Virginia is former director of business development and deputy director of capital market of Phoenix Satellite Television, a leading Chinese omni-media group. She held positions of strategic planner and analyst in Siemens AG in Germany, one of the largest multinational conglomerate manufacturing companies in Europe. She serves and has served on the boards of two big data starts-ups in China and held an adjunct professor title in Beijing Jiaotong University, a prominent university in regard to transportation science and technology.

Virginia also holds an EMBA from the Drucker School, a Master in Law and Economics (LLM) from the University of Hamburg in Germany, and an undergraduate degree in Economics from the University of Bradford in the United Kingdom.

Preface

Our experience is that most organizations start with a product or service idea. In the case of a product or software, the engineers go to work to craft a better solution than exists in the marketplace. The same is true of service businesses. The aim is to provide a product or service that is regarded by the market as much better than competing offers. If successful, the product or service gets adopted by lead users, and over time the organization gains customers, adds employees, and experiences revenue growth. If all goes well, it grows from a small start-up to a healthy mid-size or large firm.

At this stage, we observe that organizations take one of two paths. The first is positive. The firm continues to renew itself. It closely monitors marketplace developments and can meet current marketplace needs as well as transition to the future marketplace. Thus, it balances competing in two time periods, the current marketplace and the future marketplace. This is what Peter Drucker termed “managing continuity and change.” For a variety of reasons, this is very hard to do. But a select few firms can and do make this happen. The second pathway is quite the opposite. The firm “locks” in on a business model, optimizes the business model, and, as a result, is unable to reinvent itself to compete in the future. Kodak, Blackberry, and Nokia are all examples of firms that competed well in a particular historical period but were not able to pivot to a new business model. Unfortunately, many firms follow this second path.

There are many reasons why this pivot does not happen. One critical reason is that the senior leadership remains technology- or product-focused rather than asking the basic question of “what business are we in?” Kodak was not in the business of cameras and film: It was in the business of creating memories. The technology to make memories is constantly evolving, but recording these events will ensure that they are with us forever.

Five Content Domains

If one is satisfied with just competing with a core product in one historical time period, then it may not be necessary to set the direction for the firm. However, if the organization aims to be around for a long period of time, it is essential to address all five domains covered in this book. Collectively, these answers provide both the collective goal for the firm that transcends a particular historical period as well as the values and culture to achieve the target. In the best of all worlds the

direction-setting activities place the firm on a course not just to respond to marketplace developments but also to shape the evolution of the market. As Drucker often reminded us, great executives do not simply adapt to changing market conditions; rather, they influence the economic conditions in which the firm competes. In particular, this involves five key areas:

- The mission enables the firm to go beyond the “offering” to focus on the core customer benefit. The core customer benefit in Kodak’s case – memories – lasts for decades if not centuries. It is not bound to one historical period.
- The vision articulates the fundamental target or goal for the enterprise. What does the world look like when you have accomplished your mission? Often this vision takes decades to achieve: It is ambitious, motivating, and energizes the workforce.
- The purpose of an organization answers a simple question, “why do we exist?” At the most fundamental level, how does your community or society benefit from the presence of your organization? Why do you make the world a better place? A strong purpose is rooted in ways that organizations help society function.
- The values of the organization provide the guardrails for ideal behavior in the firm. How are we going to go about achieving our mission and vision? What is the right set of beliefs and behaviors to guide all employees?
- And, finally, culture is how the work currently gets done inside the firm. What are the rituals, norms, and beliefs that shape how work gets done now? What type of culture does the firm want to put in place to compete now and in the future?

These five domains can be divided into two major parts: one that is externally focused on the marketplace (mission, vision, purpose) and one internally focused on how the work gets done inside the firm (values and culture). The mission and the vision are typically focused on your served market. The mission answers the question “what business are we in?” and the vision is focused on the achievement of that mission (i.e., what is the specific goal that we achieve if we accomplish our mission?). Finally, the purpose is rooted in the marketplace, but it goes beyond the customer. Instead, it is focused on the broader community or societal impact of your mission and vision. The key question, “why do we exist?” must be answered from a societal perspective.

In sharp contrast, the remaining two domains of direction setting – values and culture – focus on how the work gets done within the organization. What are the ways we want our organization to ideally operate (i.e., our values) and how can our culture support our vision? In general, the setting of values and culture should come after the establishing of a mission, vision, and purpose. The rationale is that different missions and visions require different cultures. A mission that is focused on “convenience and easy access” requires a very different culture than one focused on “the best cutting-edge technology.” The former may emphasize a customer-service-driven culture while a technology orientation may mean focusing on a culture of technology innovation.

Finally, the strategy of the firm – the specific, integrated set of choices related to “where to play” and “how do we win” in an industry – must follow from setting the direction. Strategy should be articulated in the context of a clear mission, vision, and purpose. Without a clear mission and vision, the senior leadership team has no context to make choices around markets to serve (or not serve) the specific positioning of the organization or the capabilities that need to be built to support their position.

Structure of This Book

This book is organized into two broad sections. The first section focuses on how to build a compelling mission, vision, purpose, culture, and vision. Each of these chapters follows a similar structure by identifying the key criteria to judge the quality of the concept, providing a few examples of the concept and then providing some guidance on how to do it. The aim here is for readers to be able to create or critique their existing mission, vision, purpose, values, and culture (MVPVC). This first section concludes with two chapters (Chapters 6 and 7) that provide guidance on how to “get started” on the journey.

The second section of the book (i.e., Chapters 8–10) focuses on the ideas of Peter Drucker and Confucianism. Drucker had a view on mission, culture, and values, and these are captured in Chapter 8. At the same time, Confucianism is a human-centered philosophy that operates at the individual, relationship, family, and societal levels. For society to function well, individuals need to engage in acts that put society first and individual self-interests second. As such, our intent in Chapter 8 is to demonstrate the linkages between each author as they relate to mission, vision, purpose, values, and culture. We conclude the second section with an overview of the work of Drucker (Chapter 9) and the writings of Confucianism (Chapter 10). Their collective work is the foundation for Chapters 1 through 5.

Building on Their Work

Importantly, we use the term “foundation” to mean that we are building on their work and moving it forward into the twenty-first century. In particular, we enhance and contemporize their work in five specific ways. First, business practices have advanced. For example, today’s business world is highly networked both in terms of “ecosystems” of players that compete against other ecosystems and in terms of the tidal wave of change brought about by digitization. Drucker could not have forecast the fundamental shift in both forms of networks. Furthermore, the emergence of purpose-led organizations and brands has only truly emerged since his death in 2005. Our key point is that the world of business has changed and that we need to update our thinking about this world to reflect this change.

Second, business theory has advanced. Much has been written in the past 20 years that has pushed our knowledge of management forward. For example, Drucker did not have a distinctive position on purpose. Rather, his writing on

mission included purpose. Given how much has changed regarding the role of purpose in organizations – we offer the examples of Microsoft, J&J, Unilever, and several others as case studies in Chapter 3 – we believe it is now exceptionally important to craft a stand-alone chapter on purpose. Purpose is distinct from mission, and this must be acknowledged. More generally, the advancement of business theory is reflected *throughout* this book.

Third, we have advanced our own thinking on the topic, and we want to share our perspective. For example, all of the chapters in the first section specify criteria to assess the quality of the concept (e.g., five specific criteria to evaluate a mission statement). This is our perspective, not that of Drucker or Confucianism. We have spent a good deal of time thinking about these issues, and we want to share our viewpoint.

Fourth, we shift from concepts to very practical guidance in Chapters 6 and 7. This is distinct from Drucker since he was focused more on the novel concept than the exact details of crafting the statements. This is not to say whether he would agree with us (or not), but “how do get started on the journey?” would not be part of a typical Drucker book or manuscript.

Fifth, we introduce new concepts and language to enhance the precision of work and reflect the changes that are unfolding in organizations. This is reflected throughout the entire book – in particular, the examples, criteria, and identification of the best-of-class illustrations in the first section. Each of these sections includes new thinking and language that moves practice forward. Our purpose is to use the wonderful thinking of Drucker and Confucius as a platform for building practical and straightforward advice on how to construct your mission, vision, purpose, culture, and values – and, ideally, shape the markets in which you compete. Collectively, these five choices set both the direction of the firm (e.g., purpose, vision, mission) and the ways the work gets done (e.g., culture and values). We hope you enjoy the book and apply the concepts to your firm.

Bernard Jaworski
Claremont, California

Virginia Cheung
Shenzhen, China

Acknowledgments

We would like to thank the many helping hands and minds among our colleagues, clients, family, and friends. Even though there are too many to thank individually, we want to express our deep gratitude to them all here.

We would like to thank Nick Wallwork at Emerald. Nick agreed to our project, sold it inside of Emerald, and guided the book to fruition. We would also like to thank our Chinese editor, Yiting Shen, of Orient Publishing Center. Yiting was the catalyst for a similar set of ideas published for the Chinese market. She encouraged us to pursue an English-language book based on the thinking of Peter Drucker and Confucianism. Finally, Nick Owchar provided expert editorial assistance in reviewing and editing every word of this volume. Thank you, Nick.

We would also like to acknowledge the contributions of Drucker School faculty member Katarina Pick. We worked with Katarina on a “building the organization of the future” project with TCT, a midsize Chinese firm. Here we worked on all five domains that are covered in this volume, and Kat was instrumental in every phase – in particular on the cultural work with the firm. Thank you, Kat: We learned a great deal from you. And special thanks to David Sprott, the dean of the Drucker School, for giving us enormous support to contemporize Drucker’s work, helping us to promote the work, and giving us the chance to practice the findings with organizations across the globe.

We also want to mention the contribution of the organizations working with us. We learned a lot from their market sense and vision. Here we would like to single out Chunhai Gao in particular. Mr. Gao applied the principles of Chapters 1–5 within TCT, and their best practices informed our research and ensured the practical value of our research findings. It was a pleasure to work with the organization, and we benefited greatly from this experience.

In addition, we would like to thank the following individuals and colleagues who are a part of our personal networks.

Bernard

I would like to thank my wonderful fiancée Maria. She not only encouraged this effort, she shared the first five chapters with her colleagues at her start-up venture, the Loop Village. The Loop executive team read the chapters and worked through their mission, vision, and values statements. More generally, she has been incredibly supportive of this effort, engaging in countless late-night discussions,

encouraging me to put the time aside to write, and showing genuine happiness when I let her know that I'd finished another chapter. Thank you, Maria!

My additional colleagues at the Drucker School also must be acknowledged. I am fortunate to work with an incredible set of supportive faculty colleagues.

I would also like to thank my good friends and colleagues at Capsys, Thrive, and SMA. Almost all are former Monitor colleagues with whom I've had the good fortune of working with over the years. They include David Sanchez, Igor Skender, Frank Blithe, Williams Stephens, Joao Lopes, Eliette Krakora, Ajay Patel, Jacque Keats, and many others.

Virginia

First and foremost, I would like to express my deep and sincere gratitude to my mentor, supervisor, and coauthor Professor Bernard Jaworski. Having the chance to be advised by a top-ranked professor with a global reputation on the research of two major thinkers is a great honor and something I would never have imagined. Professor Jaworski is not only the most authoritative Drucker scholar, he is also a remarkable Drucker practitioner: a living, breathing exemplar of Drucker values and principles, and a true role model for me. The findings we present in this book are based on years of hard research conducted by Professor Jaworski and other brilliant professors of the Drucker School. Professor Jaworski generously shared his profound research findings with me and enlightened me about new research methods. This book would not have been possible without his guidance and vision.

I'm extremely grateful to the Drucker School and to each of the professors there. They are the creators of life-changing magic, and the time I spent at the Drucker School reshaped my mind. My special thanks to Professor Jay Prag, who allowed me to enroll in the PhD program. That was the start of a new chapter in my life. Thank you, Jay, I will remember this forever. Professor Katarina Pick not only taught me useful knowledge, her unique and charming teaching style and her inspiration as a female professor also made a difference in my personal career choice. I'm also grateful to former Drucker School dean Jenny Darroch, who gave me the chance to engage in many school activities. I learned how Drucker principles are practiced in real life through these activities and built a strong attachment to the Drucker School.

I would also like to extend my appreciation to Capsys with special thanks to David Sanchez. David provided invaluable suggestions about how organizations can leverage these findings in order to grow, and I learned a lot from him.

I am very thankful to Yanchun Pan, deputy dean of the School of Management, Shenzhen University, for providing generous support and encouraging me to focus on completing this research work.

Finally, I would like to acknowledge with gratitude the support and love of my family, friends, and partners in China. I can't thank them enough for generously sharing their insights, providing suggestions during the writing process, and promoting the practice of our findings in China. These include Ou Zhang, Zhong Liu, Siyuan Tao, Kim Zhu, Fang Luo, Charles Guo, and many others.

Thank you all for offering me your kind and continuous support.

Chapter 1

Developing an Organization's Mission

Introduction

A well-crafted mission statement may, at first glance, seem rather obvious. Our experience is that it often takes weeks, if not months, for a senior-level team to answer the very basic question, “What business are we in?” Peter Drucker stated the challenge as follows: “Nothing may seem simpler or more obvious than to answer what a company’s business is. A steel mill makes steel, a railroad runs trains to carry freight and passengers, an insurance company underwrites fire risks. Indeed, the question looks so simple that it is seldom raised, the answer seems so obvious it is seldom given. Actually, ‘what is our business’ is almost always a difficult question which can be answered only after hard thinking and study. The answer is usually anything but obvious.”¹

Equally important, the crafting of a mission statement is not simply a nice poster on the wall or a “who we are” message on the website; rather, it is one of the most important decisions of the leadership team. If the mission statement is narrowly focused on current products and technology, the firm will likely miss out on the next generation of products and technology. If it is too broad, it will not help focus the firm’s resources: its R&D investments, its people investments, and its selection of target markets. Drucker believed that the business purpose and mission were normally not given sufficient consideration by most firms. He believed that this error was perhaps the *most significant* cause of business frustration and failure.²

With these thoughts in mind, mission statements share six basic characteristics. In this chapter, we introduce and discuss these characteristics. As you read this chapter, ask yourself, does my mission statement pass the test for each of these criteria? If not, we strongly advise you to revise your mission statement. We conclude the chapter with a discussion of five mission statements that not only pass the test but represent “best of class” mission statements. We hope you can learn from these case studies.

Creating the Organization of the Future, 1–10

Emerald Publishing Limited, Howard House, Wagon Lane, Bingley BD16 1WA, UK.

First published as 当德鲁克遇见孔夫子 (“*Setting the Direction for Your Firm*”) by Orient Publishing Center (“OPC”), with Bernard Jaworski and Virginia Cheung, China, 2021. English language translation copyright © 2023, Emerald Publishing Limited. This English language edition published under exclusive licence from OPC by Emerald Publishing Limited. Translated by Bernard Jaworski and Virginia Cheung. The moral right of the copyright holder and translator has been asserted.

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doi:10.1108/978-1-83753-216-220231001

Precise Mission Statements: Getting It Right

Precise mission statements share six basic characteristics: (1) they focus on the core customer benefit, not the existing products or technology; (2) they specify their target customers; (3) they are short—often one sentence; (4) they must fit the theory of the business; (5) they inspire the workforce; and (6) every worker can see how their role can support the mission.

Focus on Underlying Benefits for Customers—Not Products or Technology

Mission statements are customer-centered. They answer the key question, “What is the core customer value that we provide our target market?” They do not articulate current products, offerings, services, or solutions. These product forms are internally focused on what the firm does. Products change, but underlying customer benefits last years if not decades.

Let’s take a look at Disney. The mission of The Walt Disney Company is “to entertain, inform and inspire people around the globe through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that make ours the world’s premier entertainment company.”³ There are two parts of this definition that stand out. First, they are in the business of entertainment—their mission is not expressed in terms of movies, theme parks, TV shows, or digital offerings. Yes, these offerings are important—but they do not answer the question of “what business are we in?” Second, across all their properties, the core customer benefit is “storytelling.” This is true of their movies, TV programs, and even their theme parks. One can only imagine the length of time it took the senior executive team to arrive at this deeply meaningful benefit that extends across all product lines—currently and in the future.

Specifies the Target Customers

Mission statements must specify your target set of customers. For a company such as Microsoft the target market could be exceptionally broad and for a small startup the core segment could be very narrow. Indeed, one of the major problems with start-ups is that they often spread their resources too thin across many opportunities and segments.

Let’s consider Mattel. Their mission is to “create innovative products and experiences that inspire, entertain and develop children through play.”⁴ Mattel focuses on the children consumer market. Within the mission statement one does not need to provide the details of the target audience (e.g., ages 1–12), but one does need to take a clear position about what portions of the market you do not serve (e.g., Mattel does not focus on the play of teenagers, young adults, or adults). We should also note that, like Disney, Mattel’s mission focuses on the core child benefit (i.e., play) and not the core product form (i.e., toys). There was an explicit pivot by the firm several years ago to change their mission from a focus on toys to play.

Keep It Short—One or Two Sentences

Mark Twain once said, “I didn’t have time to write you a short letter, so I wrote you a long one instead.” In the same spirit, it takes a good amount of time for a senior leadership team to write a one-sentence mission statement. There is a lot to like about IBM’s mission statement. The IBM mission statement is “to lead in the creation, development, and manufacture of the industry’s most advanced information technologies, including computer systems, software, networking systems, storage devices, and microelectronics. And our worldwide network of IBM solutions and services professionals translates these advanced technologies into business value for our customers. We translate these advanced technologies into value for our customers through our professional solutions, services and consulting businesses worldwide.”⁵

While it specifies the underlying customer benefits and their target B2B market, it is very long and wordy. Hence, no employee can remember this statement: It is simply too complex. Moreover, in sharp contrast to our recommendation not to focus on products and technologies, they do focus on current offerings. We would simply shorten it. Our revision would be as follows: “We are a global leader in the creation and development of the world’s most advanced information technologies enhancing the productivity and results for our business customers.”

Inspirational

Considering both Drucker and Confucianism are human-centered, a precise mission statement should inspire the workforce. Drucker noted that a mission cannot be impersonal; it has to have deep meaning, be something you believe in—something you know is right. Nestle’s mission statement “Good Food, Good Life” is captured in a simple slogan and an associated description. “Good Food, Good Life” is “to provide consumers with the best tasting [sic], most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night.”⁶ The key point is that good food supports a good life. Similarly, the mission of Amgen, one of the world’s largest biotechnology companies, is to serve patients by transforming the promise of science and biotechnology into therapies that have the power to restore health or save lives.⁷ Both of these mission statements are designed to inspire the workforce to deliver on the mission.

Grounded in the Theory of the Business

Recall that a key component of Drucker’s thinking is that the mission of the firm must fit the “realities” of the marketplace. He termed this ability to specify the core assumptions of the industry as a key part of his theory of the business. A mission statement must fit comfortably with the key trends, developments, and evolution of the industry. If the core profitability assumptions of the industry change (e.g., the profit in the industry shifts from the product itself to the services or information provided by the product), then the mission must be revisited.

4 *Creating the Organization of the Future*

Hence, prior to crafting a mission statement, the senior executive team must agree on the five to eight key trends that are unfolding in the industry and where value is shifting in the industry. This activity should begin with 40–50 trends—and narrow down to the most important. Once these key trends are identified—the executive team must ask “Is our mission still useful, given these trends?” For Mattel, there was a realization that “toys” was a narrow view of play—and industry developments required a shift to the broader benefit of play.

Every Employee Can Contribute to the Mission

As Drucker noted, a fundamental responsibility of leadership is to make sure that everybody knows the mission, understands it, lives it. He stated, “The mission is broad, even eternal, yet directs you to do the right things now and into the future so that everyone in the organization can say, ‘What I am doing contributes to the goal.’ So, it must be clear, and it must inspire. Every [stakeholder] should be able to see the mission and say, ‘Yes. This is something I want to be remembered for.’”⁸

Hence, each employee must ask the question, “What can I do to support the mission of my organization?” What strengths do I possess that enable me to direct my activities and results in support of the mission? This reflection on the “contribution of each individual to the mission” is a conversation each employee should have with his or her boss each year. Interesting this alignment with a broader collective purpose, was consistent with Confucian thinking that individual development is best focused on shared goals rather than individual goals.⁹

If employees cannot see how their role can support the mission statement, the mission statement is not useful—and must be rewritten. Keep in mind: One purpose of the mission statement is to align all employees toward a common goal.

Precise Mission Statements: Examples

Given the six criteria noted above, it is possible to find mission statements that meet all of the criteria. As we noted at the start of the chapter, this is not an easy task—but it is essential for the success of the enterprise.

LinkedIn

To connect the world’s professionals to make them more productive and successful.¹⁰

LinkedIn has multiple business lines, but they all relate to connecting people. In some cases, the connection is for HR professionals to enhance their recruitment of the right employees. For others, it is about connecting audiences to their LinkedIn learning suite of offerings. Sales professionals also access the LinkedIn network to find, access, and connect with new potential clients. Company revenues come mainly from selling access to its members (e.g., a sales professional can

get premium access to the membership to better locate potential target clients). In 2016, the firm was acquired by Microsoft and is now a wholly owned subsidiary. As of December 2021, LinkedIn had over 756 million registered members from over 200 countries and territories.¹¹

Let's now turn to the six criteria. The core customer benefit is "connecting" professionals. Why connect? To make the professionals more productive and successful. The target market is the "world's professionals," making the clear distinction between other networking sites that are focused on connecting for a different purpose (e.g., Instagram, Facebook). It is only 12 words—yet it covers its target clients, core benefits, and enables all employees to align against the mission. It fits the underlying shift from face-to-face to "screen to face" connections enabled by the digital world. Finally, it provides direction and inspiration for the workforce, making others successful in their professional role.

Amazon

To be the Earth's most customer-centric company.

In 1995, Amazon's mission statement was to be Earth's most customer-centric company,¹² where customers can find and discover anything they might want to buy online, and to endeavor to offer its customers the lowest possible prices. As of 2021, the mission statement has been shortened to being "the Earth's most customer-centric company." This shift recognizes that Amazon has both its B2C business and its vast B2B business (i.e., Amazon Web Services).

This mission statement is quite unusual and reflects the worldwide dominant position of Amazon. Very few companies in the world could specify such a general statement. What makes this mission statement work is the additional specification of 14 leadership principles, which provide very specific direction and guidance to the entire workforce as noted in [Table 1.1](#).¹³ These principles—in combination with the mission statement—inspire and enable the global workforce. These principles are used daily by employees to guide decision-making and resource allocation.

Nike

To bring inspiration and innovation to every athlete in the world.

Nike designs, develops, manufactures, markets, and sells athletic footwear, apparel, equipment, and accessories. It is one of the most valued brands in sports with a market capitalization of \$136 billion as of October 2022.¹⁴ It employs nearly 80,000 worldwide and had revenues of over \$37 billion.¹⁵ As such, it is 85th in the top 100 of the Fortune 500 firms.¹⁶

This mission statement focuses on two benefits, inspiration and innovation, which are delivered to their target market (i.e., every athlete in the world). It fits

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Table 1.1. Fourteen Amazon Principles.

1	Customer obsession	Leaders start with the customer and work backwards. They work vigorously to earn and keep customer trust. Although leaders pay attention to competitors, they obsess over customers.
2	Ownership	Leaders are owners. They think long-term and don't sacrifice long-term value for short-term results. They act on behalf of the entire company, beyond just their own team. They never say, "That's not my job."
3	Invent and simplify	Leaders expect and require innovation and invention from their teams and always find ways to simplify. They are externally aware, look for new ideas from everywhere, and are not limited by "not invented here." As we do new things, we accept that we may be misunderstood for long periods of time.
4	Are right, a lot	Leaders are right a lot. They have strong judgment and good instincts. They seek diverse perspectives and work to disconfirm their beliefs.
5	Learn and be curious	Leaders are never done learning and always seek to improve themselves. They are curious about new possibilities and act to explore them.
6	Hire and develop the best	Leaders raise the performance bar with every hire and promotion. They recognize exceptional talent, and willingly move them throughout the organization. Leaders develop leaders and take seriously their role in coaching others. We work on behalf of our people to invent mechanisms for development like Career Choice.
7	Insist on the highest standards	Leaders have relentlessly high standards – many people may think these standards are unreasonably high. Leaders are continually raising the bar and drive their teams to deliver high-quality products, services, and processes. Leaders ensure that defects do not get sent down the line and that problems are fixed so they stay fixed.

Table 1.1. *(Continued)*

8	Think big	Thinking small is a self-fulfilling prophecy. Leaders create and communicate a bold direction that inspires results. They think differently and look around corners for ways to serve customers.
9	Bias for action	Speed matters in business. Many decisions and actions are reversible and do not need extensive study. We value calculated risk-taking.
10	Frugality	Accomplish more with less. Constraints breed resourcefulness, self-sufficiency, and invention. There are no extra points for growing headcount, budget size, or fixed expense.
11	Earn trust	Leaders listen attentively, speak candidly, and treat others respectfully. They are vocally self-critical, even when doing so is awkward or embarrassing. Leaders do not believe their or their team's body odor smells of perfume. They benchmark themselves and their teams against the best.
12	Dive deep	Leaders operate at all levels, stay connected to the details, audit frequently, and are skeptical when metrics and anecdotes differ. No task is beneath them.
13	Have backbone; disagree and commit	Leaders are obligated to respectfully challenge decisions when they disagree, even when doing so is uncomfortable or exhausting. Leaders have conviction and are tenacious. They do not compromise for the sake of social cohesion. Once a decision is determined, they commit wholly.
14	Deliver results	Leaders focus on the key inputs for their business and deliver them with the right quality and in a timely fashion. Despite setbacks, they rise to the occasion and never settle.

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the evolution of global society trends regarding better health and wellness. It provides enough direction whereby each employee can ask each day “How does my work support the mission?” Finally, it is inspirational insofar that Nike reaches out to the “athlete in all of us.”

Amgen

Amgen strives to serve patients by transforming the promise of science and biotechnology into therapies that have the power to restore health or save lives.

Amgen is one of the world’s largest independent biotechnology companies focused on human therapeutics. Its sales revenues for 2020 were \$25.4 billion¹⁷ and its market capitalization is over \$122 billion.¹⁸ It has over 23,000 employees worldwide.

Amgen’s mission to restore health and saves lives is powerful for their target clients (i.e., patients suffering from health conditions) and highly motivating for their workforce. It is precise, empowering, and inspirational. All workers can translate this mission into their work-lives. The scientists at Amgen are focused on breakthrough therapies, the sales force is saving lives by communicating the efficacy of the Amgen therapies, and manufacturing must maintain very high-quality control to grow cell cultures.

Tesla

To accelerate the world’s transition to sustainable energy.¹⁹

Tesla, as of February 2021, is the world’s most valuable automobile manufacturer. With sales of \$31 billion,²⁰ its market capitalization is over \$650 billion.²¹ This market cap is largely driven by the potential of the electric vehicles to reshape the world’s transportation market. Its current products include electric cars, battery energy storage, and solar technology. Tesla’s global vehicle sales approached 935,000 units in 2021.

The eight-word mission statement provides an articulation of the core benefit—sustainable energy as well as its approach which is, namely, to accelerate the change. It is an interesting play on words since automobiles also “accelerate” when the gas pedal is pushed. There is a lot to like in this mission statement; it is memorable and believable by the workforce. It can inspire the workforce to accelerate the transition to renewable, sustainable energy.

Assessing Your Mission Statement

It is now your turn to evaluate your current mission statement. Here is your six-question checklist.