

**MANAGEMENT BY MISSIONS:
HOW TO MAKE THE MISSION A PART OF MANAGEMENT**

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MANAGEMENT BY MISSIONS: HOW TO MAKE THE MISSION A PART OF MANAGEMENT

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Abstract

Management by Objectives has certain limitations that are not easily overcome simply by including non-financial objectives or by promoting a system of values imported from outside the management system. What is needed, therefore, is a new management system capable of enriching and making sense of the objectives. Management by Missions (MBM) rises above the limitations of MBO and, at the same time, takes into account other innovative proposals put forward in recent years such as Management by Competencies or Balanced Scorecard. MBM is based on the idea of distributing the corporate mission to all levels of the company. Each mission shares in the higher-level missions, so that ultimately everyone has a stake in the corporate mission. The corporate mission is then made operational through objectives. Objectives have no value in themselves but only as a means to fulfill the mission. This new management philosophy is much richer and better able to persuade people to identify with the company they work for and so ensure superior performance at all levels of the organization.

Keywords: Management systems, motivation, values, mission, corporate culture, management by objectives.

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In 2001, the Academy of Management gave its Distinguished Executive of the Year Award to William George, Chair and CEO of Medtronic, Inc. Since 1985, Medtronic had seen 18% annual profit growth and 23% annual growth in EPS. George took over the top job at Medtronic in 1991. At the time he first joined in 1989 as CFO, it was a \$1 billion company; by 2002, it was worth \$70 billion. Yet that is not why the Academy gave him the award. The company's excellent performance was merely a *consequence* of George's good management. The real reason, as he himself acknowledged, was his success in building and sustaining an organization that was focused around a well articulated mission. The reasoning was simple: "when a company offers its employees a sense of mission consistently over time – without deflection or hesitation – the employees end up accepting the mission and committing themselves to it".¹ This commitment leads to innovation and excellence in customer service, which eventually leads to higher profits.

Despite growing global pressure for short-term profitability, there have been plenty of companies in recent years that have built their success on a mission that gives meaning to the work done by their employees. In fact, the most successful companies have almost always found a way to create a sense of mission. In a very well-known study,² Jim Collins and his team combed through more than 1400 companies that have featured in the *Fortune 500* list in recent years and selected the eleven that showed the most outstanding sustained high performance. When they looked for one factor that all these companies had in common to explain their success, what they found was a characteristic type of leadership that created or reinforced the sense of mission in the company. Despite being the companies with the highest stock market returns, none of them based its decisions on maximizing shareholder value. In the case of Medtronic, George is convinced that his company would not have achieved the same spectacular results with a philosophy based on maximizing shareholder value: "With time, if a company's strategy is governed exclusively by financial considerations, the share value levels off and eventually starts to decline".³

There is no doubt that instilling a sense of mission in a company is the most effective driver of success: the world's most successful companies have always created a sense of mission. There is no pleasure in heading a company whose employees are interested only in the money they will get at the end of the month. Most managers prefer to work with people who are highly motivated and deeply committed. It has been common knowledge for the past twenty years or more that the quest for excellence begins with an effort to define the company's mission. And

¹ George, William, "Academy Address," *Academy of Management Executive*, Vol. 15, No. 4, 2001.

² Ibid. p. 42.

³ Collins, Jim, "Level 5 Leadership," *Harvard Business Review*, January 2001.

many companies – large and small – have at one time or another in their history paused to think about and define their mission. Yet very few of them have succeeded in creating and sustaining a sense of mission that really drives people to excel on a day-to-day basis. Many mission statements are left to gather dust in some forgotten drawer in the boardroom or the human resource manager's office. This neglect may be aggravated by the mergers and acquisitions that come about as a result of increasing globalization. A company that has been taken over or absorbed tends to suffer a serious loss of identity that makes it even more difficult to keep any sense of mission alive.

In our opinion, the reason for what might be described as *the failure of the mission* is that the mission has often been brought into the company in the wrong way. In the past, the mission was generally presented in terms of values, commandments, credos, symbols, and even more or less accurate “true stories” designed to embody the culture inherited from the founders. Yet with a few, rare exceptions backed by leaders of the very highest caliber, these efforts have succeeded only in influencing the management system *from outside*. When it comes to the crunch, they are swept aside by the tyranny and immediacy of financial objectives. At that point, Management by Objectives (MBO) takes control and there is a danger that the mission will be forgotten and cease actually to be used as a decision-making criterion. In this situation, achieving objectives comes to be seen as the ultimate goal or, at best, as a means to the end, which is to maximize profit. As a result, the company is very likely to lose its employees' commitment to the mission, and with it the necessary motivation to achieve exceptional performance.

Recently, alternative means of enriching MBO have been proposed. The options range from including non-financial objectives (as in the Balanced Scorecard method) to strengthening the company's value system (as in Management by Values). Regardless of how popular they may be, none of these proposed solutions actually resolves the fundamental problem with MBO, which is that it focuses management attention on tough objectives (*what* the company wishes to achieve), without having a clear idea of the mission that those objectives are supposed to serve (in other words, *why* the company wishes to achieve those particular objectives and not others). If we do not know *why*, it is very difficult to say exactly *how* and so win people's wholehearted commitment. In this article, we propose a new system of management that is designed to go straight to the root of these problems. The new system, which we call Management by Missions (MBM), does not override the objectives but rather subordinates them to a purpose that enriches and makes sense of them. The key to success in this new system is to get all of the organization's members to actively share and take part in the company's mission. For this to be possible, the mission must first be shared out through the company to reach the different departments and teams until finally it comes into the hands of individual employees.

Defining the Mission

The first difficulty we encounter when we try to implement MBM is how to define the company's mission. Not just any definition of the mission will do. In fact, many companies' mission statements are no use for the purpose of MBM and hardly deserve to be called missions. In MBM, a mission at any given level is defined as *a contribution that characterizes the identity* of that level. For example, the mission of a company must be a contribution that characterizes the identity of the company, and the mission of a team must be a contribution

that characterizes the identity of the team. There does not have to be only one mission at each level, but whatever missions there are must be part of that level's identity.

Many company missions do not satisfy this definition. For example, missions that are defined in terms of the company's relative *position*, such as: to be the number one company in the industry, or the benchmark firm, or the best, or to be one of the top firms in a particular list, etc. It is perfectly possible for a position to become a more or less realistic and useful goal for the purpose of fulfilling a mission, but it can never be the mission itself. The mission is the contribution that gives meaning to the objective: Why do we want to be number one in this particular industry? A company's mission is the contribution it makes, not its position in relation to other companies. And a contribution is first and foremost a service, a specific way of resolving *real problems* of individuals, groups, or society in general. Yet not every contribution is a mission. Only a contribution that characterizes an identity – only a contribution that gives meaning to the existence of a particular company, department, team or individual – is a mission. For example, donating one percent of the company's profits to charity may be an important contribution, but it is very unlikely to be the contribution that characterizes the company, and so it cannot be the company's mission (though it may still be a valuable contribution that is consistent with the company's values and is worth maintaining).

The mission, in turn, is qualified by certain *values*. Values are criteria for action that guide people's decisions among the various alternatives that are available each day for fulfilling the mission. Values are the foundations on which a company's culture is built. Two companies may have the same mission and yet develop very different cultures if the values that people actually live by in each company are different. In MBM the only condition that a company's values must satisfy is that they be consistent with the company's mission; in other words, they must serve the company's mission. This means that we cannot specify the values until we have defined the mission. And if for any reason we decide to change the company's mission, we will have to consider whether the values the company lived by before the change are still meaningful after the change. Values may be generic or specific. *Generic values* are values that are valid for the whole of the company, whereas *specific values* are valid only for a particular department, team or job.

Lastly, the mission must have three fundamental characteristics: content, credibility and urgency.

Content

The content of a mission is its power to persuade the company's members to identify with it. A mission's content may be broad or narrow, deep or shallow, rich or poor. If, for example, a company's mission is exclusively to maximize profit for shareholders, then employees are unlikely to identify with it (unless they happen also to be shareholders). That is one reason why most companies give their mission more content, so that it expresses their commitment to the various stakeholders (employees, customers, shareholders, local community, etc...).

Credibility

There would be no point in creating a high-content mission if it lacked credibility. In fact, lack of credibility is a problem facing many companies and managers. On the one hand, they have a deep mission and rich values; on the other, a management system that assesses and rewards people and behavior in accordance with aggressive financial targets, which may even

contradict the mission. This inconsistency cannot be resolved (and is more likely to be exacerbated) by internal propaganda or speeches by the CEO about how important the mission is. A company's mission is what the company does, not what it would like to do or what it considers "politically correct". When we define a mission, we must be sure that we are not talking about something unrelated to what the company actually does, and that the company's management systems are actually aligned with that mission.

Urgency

If there is no urgency to achieve something, it is because there is no real sense of mission. A team or organization that does not have urgent, demanding goals has succumbed to paternalism, understood as a disease of the mission. Excellent companies are never content with what they have achieved so far: their sense of mission demands more. Good leaders are demanding, and very good leaders are very demanding. But they are also realists. A manager who sets unattainable goals is not a good leader, but a despot. A "demanding but realistic" approach is a balance based on a thorough knowledge of the market, people's abilities and the available technology.

Mission and Management: a Question of Consistency

Many people, when they read their company's mission statement or that of some other organization, complain that it is too unspecific, or that it has very little bearing on managers' day-to-day activities. The main problem is the failure to specify the corporate mission at the strategic and operational level. When that happens, a breach opens up between the company's mission and its management, and the managers are unlikely to be able to get the workforce to wholeheartedly identify with the mission. Experience shows that in order to instill a sense of mission and win the commitment of the organization's members, it is not enough merely to communicate the mission, however thoroughly. The mission has to be something that people can put into practice on a day-to-day basis: *it has to become a part of management*. In a sense, it is a question of consistency between what the company "preaches" and what it "practices". In management by missions, making the mission a part of management means moving from words to actions, from general aims to specific targets, translating the mission statement into specific, measurable actions.

Yet many companies, even large multinationals, define their strategy in terms that have little or nothing to do with their stated mission. This would be the case, for example, of a pharmaceutical company whose mission was to "save lives and improve quality of life" or "alleviate pain and cure disease", but whose strategic goal was to "double turnover within ten years" or "be the market leader in southern European". What does "saving lives and improving quality of life" have to do with "doubling turnover"? Maybe a great deal, maybe nothing. A CEO who is deeply committed to the mission will quickly point out the connection: doubling turnover and winning more customers means fulfilling the mission better and more completely by reaching more people whose life needs preserving and enhancing. But is that the message that comes across to the production manager, the head of sales, or the worker on the packaging line?

Simply rewording definitions or catchphrases is not going to solve this problem, which arises when strategy is derived from a poorly defined vision. When the mission and the vision are stated correctly, they stand to one another in a cause-effect relationship and are mutually reinforcing: the mission orients the vision, while the vision informs the company's mission.

Deploying the Mission: Shared Missions

Once a company has defined its mission, the challenge of MBM consists in making that mission operational at all levels of the organization, so that it does not remain a dead letter. To achieve that, MBM *deploys* the mission in the form of *shared missions* to different levels of the organization. Lower-level missions must *share* in the higher mission (that is why we refer to them as *shared missions*). Sharing means taking part, taking responsibility for something that is part of a whole. Each lower-level mission is, basically, an area of responsibility oriented toward the achievement of a higher-level mission. For example, the mission of a team member must be oriented toward the mission of the team. Thus, everyone has her part to play, one way or another, in achieving the company's mission. Also, the lower-level missions, taken together, must complete the higher-level mission. The missions would not be *complete* if fulfilling all of the lower-level missions did not also fulfill the higher-level mission.

On the other hand, in MBM there are no abstract missions in the sense of missions without an "owner". Every mission "belongs" to someone, or to some group of people. The company's mission, for example, belongs to the general manager, and the departmental mission belongs to the departmental manager. The person immediately responsible for a mission is the *Leader* of that mission. Besides her specific mission, every manager also has a particular managerial mission: to contribute to the development of her subordinates. A manager must therefore have the aptitude to carry out both her specific mission and her managerial mission.

For a shared mission to be well defined, it must satisfy three criteria: inclusiveness, complementarity, and consistency. The criterion of *inclusiveness* judges whether the shared mission actually contributes to the higher mission. The criterion of *complementarity* judges whether the shared mission reinforces and complements the other shared missions at its level, so that no two missions compete with one another (although there may be some overlaps). And the criterion of *consistency* judges whether the shared mission is aligned with the company *intrategy*,⁴ that is, with the line laid down by the company for the fulfillment of its higher-order mission.

The set of shared missions makes up what we call the *mission chart*: a map of shared missions at different levels that specifies how the different missions contribute to the achievement of the company's mission. This mission chart enriches and complements the traditional organization chart, which describes only the hierarchical relationships.

⁴ Just as strategy is the process that seeks to make the objectives consistent among themselves so as to achieve a higher-order objective (or vision), we have given the name "intrategy" to the process that seeks consistency among the shared missions in order to achieve the company's mission (see *Harvard-Deusto Business Review*, No. 85, July-August 1998).

Shared missions are also important for solving the problems of identity arising from the mergers and acquisitions that have become so common in recent decades. In many cases, subsidiaries may find it difficult to define and specify their mission, whether for lack of cohesion among management or lack of independence. The human resources director of an insurance company that was taken over by an Italian multinational describes her experience as follows: “Before, we had a clear concept of the company, we knew who we were and why we were here; now we have lost a large part of our identity and have no clear, shared mission. I would even venture to say that that is the main reason for the fall in productivity we’ve seen in recent years”.

Several managers of subsidiaries have asked us whether, in our opinion, a subsidiary has its own mission. Our answer is yes: subsidiaries must find and defend an identity of their own that is in accord with their history and their environment, and at the same time define their shared mission, that is, how they contribute to achieving the mission of the group or holding to which they belong.

As globalization becomes the dominant economic model, the way subsidiaries approach their shared mission is becoming an increasingly complex and variable issue, depending on how the decision centers are structured. It is particularly important, therefore, that the governing bodies of large multinationals take care in deploying their mission, allowing scope for the managers of local subsidiaries to adapt the company mission to the particular environment and circumstances of the country, region or industry in which they operate.

Mission Scorecard

Many practicing managers and management experts consider performance measurement using indicators and ratios a basic necessity in day-to-day operational management: “you cannot manage what you do not measure”. Certainly, unless we measure them, our objectives may never go beyond vague declarations of intent. A company’s mission may be similarly ineffectual if it is not in some way accompanied by indicators or ratios that tell us how we are accomplishing it.

To implement MBM we therefore need to create a *mission scorecard* (MS). The mission scorecard helps us translate the mission statement into specific, measurable outcome objectives by defining one or more indicators for each dimension of the mission. The MS is thus derived directly from the mission and is not necessarily limited to financial indicators or pre-established areas or perspectives.

Many of the indicators commonly used in companies can be included in the MS. In some cases, however, we will need to devise new indicators, especially for mission statements whose content is less tangible. Once a MS has been created, it can be deployed throughout the organization, using the shared mission at each level.

Preparing a MS has benefits in itself, but the MS is also a powerful driver of leadership in the company and promotes consistency between the mission and corporate practice. For these benefits to be realized, the indicators must always serve the mission and not become ends in themselves.

Mission Interdependencies

One of the mistakes of traditional management systems is “the common assumption that if each component or division [of an organization] does its part, the company as a whole will achieve its ultimate objective. This is generally not true: the components are almost always interdependent”. To deploy a mission, therefore, it is not enough simply to define how each area contributes to accomplishing the mission (direct contribution); we must also specify how individual areas must cooperate with one another to that end (indirect contribution). This relationship, where individual departments serve and support one another, is what we call *mission interdependencies*.

Identifying the interdependencies between areas or departments is usually a complex undertaking. In practice, the questions we must ask ourselves are, What do I need other areas to do in order for me to be able to accomplish my shared mission? (internal suppliers); and what do others need me to do in order for them to be able to accomplish their shared missions? (internal customers). Normally, the members of a company are more or less aware of these relationships. The difficulty lies in designing an interdependency matrix that is genuinely efficient (i.e. the opposite of bureaucratic). This can only be done with a proper understanding of the company’s internal processes and a mission-oriented perspective that takes all aspects of the company into account.

Mission interdependencies go to the root of the problem of cooperation, as the non-cooperation that plagues so many organizations is usually due not to lack of aptitude but to a lack of good reasons to cooperate. Mission interdependencies thus point cooperation in a new direction, orienting it to a higher end: *cooperating out of a sense of mission*. This new way of understanding cooperation – which goes beyond cooperating for strictly economic reasons or out of mutual interest – is in a sense one of the main contributions of management by missions.

Tying Objectives to the Mission

Once the missions at the various levels have been established, they must be made operational through specific objectives. The mission and the objectives need one another: *a mission without objectives is a dead mission, and an objective without a mission is a blind objective*. In our model, as in MBO, objectives are a key component of the system, but with one clear proviso: objectives only have meaning if they serve the mission of the company.

This way of seeing objectives as being in the service of the mission is to some extent implicit in the minds of most managers, but making the underlying logic explicit enriches the whole goal-setting process. And when the mission is well defined, management as whole will improve. Otherwise, even though the mission places special emphasis on aspects such as customer service and staff development, the great majority of the company’s objectives may be exclusively economic and financial, so that the company loses consistency and mission focus.

When the objectives are conceived to serve the mission, the mission itself demands that the objectives be achieved. A company’s objectives can change very radically, or even completely, without the mission changing in the least. The mission leader must decide what objectives will best accomplish the mission, as the leader is the one primarily responsible for setting goals at her level. The choice of objectives must naturally be oriented – and approved – by the higher-level manager, as the higher-level manager cannot accomplish her own mission unless her

subordinates accomplish theirs. There is therefore a necessary balance between top-down and bottom-up deployment of objectives. A manager may set objectives for her subordinates; but it is vital that she also appeal to each person's sense of responsibility and willingness to show initiative in setting his or her own objectives.

In MBM the goal is not to achieve higher and higher objectives each year, but to fulfill the mission more completely. Increasing the objectives by two or five per cent, for example, will not be enough unless that increase is a means of fulfilling the mission more completely. It may be that the objectives need to be increased by 50%, or cut by 20%. It is the mission that gives meaning to the objectives, not vice versa.

Performance Evaluation

There is a direct relationship between the way a company is managed and how employee performance is assessed. In management by tasks (based on command-and-control) employees tend to be assessed on the mistakes they have made. In management by objectives (based on empowerment) they are assessed on their results.

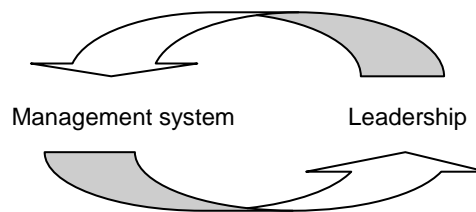
In management by missions we use *integral assessment*, in which employees are assessed on their contribution to the mission. Integral assessment thus combines the achievement of mission objectives with other qualitative or intangible factors such as personal behavior or competency development. In MBM we assess the way each employee contributes (directly or indirectly) to the accomplishment of the company's mission. Intangibles can be just as important for this purpose as tangible or quantitative factors. In the case of a sales manager, for instance, integral assessment takes more than just sales revenue into account: it may also measure collaboration with other departments, customer satisfaction, the development of particular leadership skills and other aspects that are vital to the accomplishment of a particular manager's mission.

| Management system | What is assessed? |
|--------------------------|-----------------------------|
| Management by tasks | Mistakes |
| Management by objectives | Results |
| Management by missions | Contribution to the mission |

In MBM integral assessment is an effective way of fully developing each person's potential in the service of the company's mission. While the focus remains clearly on results, it is complemented by a broader view encompassing the longer term and the organization's values. Any company that succeeds in implementing integral assessment unquestionably gains a competitive advantage. To implement MBM, however, there are two characteristics the organization must have to some degree: trust and flexibility.

Leadership in MBM

The most important benefit of MBM is that by making missions a part of the management system, the company helps managers to be true leaders; in other words, it helps them to inspire a sense of mission in their subordinates. Obviously, whether MBM works properly or not in a company will depend ultimately on the quality of the company's managers, which is to say, on the leadership potential of the people managing the company at all levels. The job of creating a sense of mission should not be left entirely to a formal system. Although MBM greatly facilitates true leadership, it is no substitute for day-to-day managerial action. For management by missions to fully get through to people and produce concrete results for the company, a virtuous circle must be created in which management and leadership become mutually reinforcing. That way, the management systems will strengthen the leadership, and the leadership will get the best possible results from the management system.



Therefore, implementing MBM requires simultaneously developing leadership in the company. Specifically, the company needs to develop competencies associated with the interpersonal dimension of leadership, such as communication, delegation, coaching and teamwork.

In theory, it is possible for a manager to create a sense of mission in her subordinates even if the company does not have a fully articulated mission at each level. There have been exemplary cases of gifted leaders who in effect managed by missions because they defined objectives with a specific mission in mind. Such leaders tend to be misunderstood by their own bosses, however, and in some extreme cases even feared and persecuted with an almost pathological hatred. A company's leadership potential will be proportional to its capacity to identify with the mission. That is why profit maximization does not usually generate leaders: because it is not a "mission" people can easily identify with.

When a company has a deeply held and clearly defined mission, and this mission is skillfully deployed in shared missions through a well designed intrategy, it offers the people who make up the organization an opportunity to contribute to something worthwhile. This effectively unleashes people's strongest and richest motivation: the motivation to contribute, also known as *transcendent motivation*.⁵ As Professor Robert Simons of Harvard⁶ has said: "We all have a deep-seated need to contribute – to devote time and energy to worthwhile endeavors. But companies often make it difficult for employees to understand the larger purpose of their efforts or to see how they can add value in a way that can make a difference. Individuals want to understand the organization's purpose and how they can contribute, but senior managers must unleash this potential".

⁵ Pérez López, J. A., "Fundamentos de la dirección de empresas," Rialp, Madrid, 1993.

⁶ Simons, Robert, "Control in the Age of Empowerment," *Harvard Business Review*, March-April 1995.

Benefits of MBM

More and more companies are putting these ideas into practice, demonstrating that MBM actually works and, in most cases, is capable of generating extraordinary results. In our experience the main benefits are:

- It increases commitment and leadership among the organization's members.
- It breaks functional silos and improves cooperation between areas and departments.
- It improves communication and facilitates strategy deployment.
- It promotes new idea generation and personal involvement.
- It increases motivation.
- It improves the working atmosphere.

In MBM the mission is no longer secondary or symbolic but structures the management system and affects the way we understand success. *And so* we go from *the failure of the* mission to *the success of the* mission. In short, managing by missions is a more human, richer and – out of a sense of mission – more demanding way of managing companies, one better able to guide and give meaning to the work people do.