

What Do Purchasing and Supply Mission Statements Tell Us about Best Practices?

Alvin J. Williams, Ph.D.

Mitchell College of Business, University of South Alabama,

Mobile, AL 36688 (251) 461-1792 / awilliams@usouthal.edu

Abstract: What do strategic supply mission statements reflect about the organization? As firms grapple with economic and competitive pressures, supply units are expected to play pivotal roles in responding to and withstanding these pressures. This session focuses on the significance of supply mission statements in guiding firms through their competitive morass. What are the commonalities across supply mission statements? The session will compare core themes from a cross-range of industry sectors. Attendees can compare supply mission statements from their own organizations to glean instances of best practices helpful in changing supply thought and practice.

Background and Introduction

Mission statements communicate much about the aims, aspirations, and values of organizations and units of organizations. Statements of mission represent the confluence of culture, purpose, values, leadership, and a host of tangible and intangible resources collectively and integratively targeted toward enhanced performance. In this era of heightened expectations and continuous improvement, firms are constantly seeking alternative means of enhancement. Mission statements offer a glimpse of the priorities of firms and a window to view behaviors leading to various levels of performance. This is particularly relevant to the area of supply chain management. Given the elevated posture of SCM in contributing to the organizational mission, it is instructive to review mission statements in general and supply mission statements in particular to glean instances of performance advantages from various types of missions.

The literature is replete with research on mission statements, their content, and their link to overall performance. Williams (2008) focuses on the mission statement as a “corporate reporting tool with a past, present, and future.” Her study offers a comprehensive analysis of mission statements of *Fortune 1000* higher-performing and lower-performing firms. Williams (2006), along with other studies, links mission statements and performance.

David (1989) identifies nine components, following a comprehensive content analysis, of mission statements: customers, products and services, markets, technology, survival/growth/profitability, philosophy, self-concept, public image, and employees. Of these nine mission components, Williams (2006) found, from a content perspective, that higher-performing firms included survival, public image, and employees in mission statements more frequently. While one cannot say these three mission components caused higher levels of performance, it is important to at least review and consider these elements in designing mission statements.

Mission statements have consistently been recognized as tools useful in managing organizations. Bain and Company (2009) has conducted the global management tools and trends surveys since 1973, including thousands of executives. Their findings show that executive priorities and objectives shift depending on various circumstances, internal and

external. This shift in priorities influences the relative importance of management tools and techniques. Results show that mission statements, as management tools, are heavily used regardless of the economic situation. This bodes well for the continuing importance of mission statements in managing organizations.

The current paper examines selected mission statements of supply organizations to discern themes or patterns of topics identified. While there are challenges in securing comprehensive examples of mission statements for purchasing, procurement, and or supply chain-related areas, a review and comparison of selected statements do offer some insight regarding the priorities of supply organizations. Additionally, this paper can set the foundation for more comprehensive efforts to uncover the directions of purchasing and supply units.

Research Method

A random search of procurement-related, supply chain management-oriented mission statements provided various examples of styles, tones, and key themes of focus. The eight selected supply organizations, in Table 1, offer some variety in content and structure of mission statements. An informal 'content analysis' of the topics and themes was conducted. Using the nine categories offered by David (1989) as a guide - customers, products and services, markets, technology, survival/growth/profitability, philosophy, self-concept, public image, and employees – a count was made of the frequency these themes occurred in supply chain mission statements. Given the wide range of research on mission statements that included these nine categories, they also serve a useful purpose in classifying themes in supply chain-oriented missions.

A review of the selected mission statements revealed the following dominant themes of the nine variables – customers, survival/growth/profit, and products/services. The areas of markets, technology, and employees were mentioned once by several organizations. As supply chain organizations evolve and become more interwoven into the core strategic fabric of firms, it is reasonable to expect greater parallels with the broader organizational mission and directives.

The three most commonly identified variables in supply mission statements offer some insight into the commitment of supply to broader organizational goals. In the firms selected for review, the 'customer' variable was used from both internal and external perspectives. There was particular emphasis on service to the internal customer. However, supply chain goals and reach become more expansive, an external customer focus is warranted. While in reality a balance between internal and external customer focus is ideal, the relative emphasis on both is predicated on particular situational variables.

The second area of focus, from a thematic perspective, was that of survival, growth and profitability. This too reinforces the pivotal role of supply-oriented functions in moving organizations toward broader, macro-based goals. Having a supply mission with growth and profitability orientations augur well for increased influence, clout, and expectations of supply-related function.

The third area of focus is that of products and services. Supply management has an ever-increasing role and responsibility for conceptualizing, planning, and implementing policies and

strategies designed to achieve maximum efficiency and effectiveness when compared to competitors.

In addition to classifying supply chain themes based on the nine categories used for organizational missions, the supply mission statements were classified according to the relative emphasis on specific supply chain themes. Topics from a leading supply chain text (Fawcett, Ellram, Ogden, 2007) were used for this categorization.

TABLE 1

| | |
|---------------------|---|
| Highmark, Inc. | <p>To judiciously manage the spending of company funds for goods and services.</p> <p>To maintain compliance with government regulations.</p> <p>To improve response time to all internal customers.</p> <p>To assist internal customers in accomplishing their goals.</p> |
| Briggs and Stratton | <p>The mission of the Corporate Purchasing and the Divisional Purchasing Departments is to enhance the profitability of Briggs & Stratton and to support its long range plan by procuring components, materials, and services at an excellent quality level, on time and at the lowest total cost.</p> |
| Southwest Airlines | <p>While adhering to the Company Mission Statement, we are committed to maintaining Southwest Airlines' low-cost Leadership through effective and efficient procurement, fuel management, facilities construction, and project management practices - ensuring that we spend our valuable capital wisely.</p> |
| Grace Company | <p>At Grace, we are committed to provide high quality products with extraordinary service to our customers. Our focus is on creating value for our business partners, providing a safe and healthy work environment for our employees and complying with all regulatory requirements. Ultimately, we strive to become a leader in delivering transforming ideas that help build the businesses of an expanded network of customers.</p> |

| | |
|----------------------|--|
| ABB | <p>Our mission is to support ABB's business strategy by developing and managing a preferred supply base that enhances ABB's competitiveness and success of our customers.</p> <p>We will accomplish this with a continuous improvement focus through the development and performance management of our global supply base, early involvement in technology development, coordination of supplier selection decisions, the application of global SCM processes and the on-going support of ABB's business units.</p> <p>Our leadership in Supply Chain Management will ensure a world class supply base focused on continuous improvement and the optimization of total costs that supports ABB's business requirements and is aligned with our goal to help our customers succeed.</p> |
| Sauer-Danfoss , Inc. | <p>The mission for the Sauer-Danfoss Global Procurement organization is to connect to the market and develop a sustainable global competitive advantage for Sauer-Danfoss and our suppliers.</p> |
| National Instruments | <p>National Instruments creates innovative computer-based products that improve everyday life.</p> <p>We are committed to sourcing material worldwide from a consolidated supply base that can provide us with the best value, highest quality, and lowest total cost supply chain solution. This strategy supports our global procurement mission statement:</p> <p>Provide a dynamic, strategically accessible, world-class supply base, creating a sustainable competitive advantage in every aspect of our global business.</p> |
| GENCO | <ol style="list-style-type: none"> 1. To provide value to our customer and teammates 2. To be profitable |

TABLE 2

Supply Chain Management Mission Statement Themes

| SCM THEMES | FREQUENCY OF MENTION |
|---|----------------------|
| SCM and Competitive Strategy | 6 |
| Customer Fulfillment | 2 |
| Process Thinking and SCM | 1 |
| Order Fulfillment / Logistics | 1 |
| Cost Management | 3 |
| Supply Chain Rationalization / Supply Base Optimization | 3 |
| Relationship Management | 2 |
| Measuring SCM Performance | 1 |

General Findings

As indicated in Table 2, SCM's link with competitive strategy seems to be a conspicuously dominant theme. This is not a surprise. As supply organizations think and act more broadly about their evolving role in overall corporate strategy, it seems reasonable that competitive strategy is a key area of focus. Various supply mission statements address specific areas of focus regarding how SCM is integrated into the larger strategic effort. Additionally, the focus is on SCM's contribution to overall value creation and delivery.

Secondarily, there is tremendous emphasis on both cost management and supply chain rationalization. Again, these two themes occupy considerable attention of supply chain executives in a cross-section of industries. Cost management is a key focal point of SCM during relatively strong economic times, but certainly takes on increased significance during periods of sustained economic uncertainty. There seems to be enhanced expectations of the role of cost management and SCM in moving organizations toward long-term goals.

Several organizations included supply chain rationalization-type themes in their mission statements. In particular, there was emphasis on optimizing the supply base. Increased pressures for better cost management and stronger supplier relationships influenced the move to reduce the number and variety of suppliers globally. While not included in the current study, Wal-Mart announced an initiative in January 2010 to centralize global sourcing and to reduce the use of middlemen (Supply Chain Digest, January 6, 2010). Wal-Mart will work to reduce the number of intermediaries in global sourcing, thus saving billions annually. It seems that Wal-Mart is still heavily dependent on sourcing intermediaries for the majority of its sourcing activities, buying less than 20% directly from offshore suppliers. This action by the world's largest retailer is indicative of the momentum of many organizations to further embrace supply chain rationalization as an integral part of overall competitive strategy.

Both customer fulfillment and relationship management were also included as themes in SCM mission statements. This is reflective of the increased attention on customer-centered SCM organizations. This orientation meshes with a marketing-based focus on adding value at every

level of the supply chain, while simultaneously satisfying the varying needs of different types of customers throughout the process.

The focus on relationships is consistent with developing internal and external linkages required for competitive advantage in dynamic global marketplaces. Understanding and managing the dynamics of relationships throughout the supply network is critical to sustained success. Thus, identifying this critical success factor in the context of the mission statement reinforces the overall significance of this initiative.

Summary and Conclusions

As organizational mission statements have acquired increased importance, so it is with SCM-related mission statements. Why is it essential to understand SCM mission statements and their implications for long-term success? As firms seek best practices in every realm of SCM, mission statements are no different, especially when analyzing and examining high-performing supply chain organizations. If SCM mission statements help glean pathways to organizational success, it is essential to study their components and how they relate to performance.

The current paper offers an exploratory foundation on which to base more methodologically-sophisticated studies, using formalized content analysis, to discern key SCM themes across a wide swath of industries and locations. This paper provides a glimpse at the potential research and managerial usefulness of SCM mission statement studies. Future efforts should be more comprehensive and inclusive in comparing mission statements, with attention focused on broad and specific SCM themes that both have potential influence on performance.

REFERENCES

David, F.R., 'How Companies Define their Mission,' *Long Range Planning*, 22 (1), 1989, 90-97.

Fawcett, S.E., L.M. Ellram, and J.A. Ogden, *SUPPLY CHAIN MANAGEMENT: FROM VISION TO IMPLEMENTATION*, Pearson-Prentice Hall Company, 2007.

Peyrefitte, J. and F.R. David, 'A Content Analysis of the Mission Statements of United States Firms in Four Industries,' *International Journal of Management*, 23(2), June 2006.

Wal-Mart to Centralize Global Sourcing, Reduce Use of Middlemen, *Supply Chain Digest*, January 6, 2010.

Williams, L.S., 'The Mission Statement: A Corporate Reporting Tool with a Past, Present, and Future,' *Journal of Business Communication*, 25 (2), April 2008, 94-119.

