whether it is possible to plan for profits, or whether instead it is better to plan for the actions and outcomes that lead to profits. Exxon, it is very clear, planned for profits, and paid the price.

Mission Statement

The mission statement is the means of combining the duties that the firm owes to others with the goals that it has set for itself. What role, as a result of this combination, should the firm attempt to play within the market, the industry, the economy, and the society? It is difficult if not impossible to express meaningful corporate values and valid organizational goals in explicit numerical terms. Consequently, managers should think about the possibility of forging a compromise with a mission statement that speaks only generally about the duties they want to observe and the goals they want to achieve, but much more specifically about the means they want to use and the standards they want to follow. The intent is to define the future of the firm, the scope of its activities, and the character of its operations so that everyone will clearly understand, "This is where we're going to go, this is what we're going to do, and this is how we're going to do it." Put yourself in their place, and think in terms of a document that will create a challenge for everyone associated with the firm. Think also in terms of a document you would be *proud* to hand to employees, to show to customers, to send to suppliers and distributors, to mail to shareholders, and to publish for local residents and national citizens.

Exxon, at the time of the wreck of the *Exxon Valdez,* did not have a mission statement. Instead, it had a Code of Conduct, which is reproduced here:

> Our company policy is one of strict observance of all laws applicable to its business:
>
> A reputation for scrupulous dealing is itself a priceless company asset.
> We do care how we get results.
> We expect candor at all levels and compliance with accounting rules and controls.
>
> It is the established policy of the company to conduct its business in compliance with all state and federal antitrust laws:
>
> Individual employees are responsible for seeing that they comply with the law.
> Employees must avoid even the appearance of violation.
>
> Competing or conducting business with the company is not permitted, except with the knowledge and consent of management:
>
> Accepting and providing gifts, entertainment, and services must comply with specific requirements.
> An employee may not use company personnel, information, or other assets for personal benefit.
> Participating in certain outside activities requires the prior approval of management.

What would have happened had Exxon Corporation had a mission statement similar to the one adopted by Johnson & Johnson that was previously printed in Case 5-2? Here the order of priorities was very clear: customers, suppliers, distributors, employees, and local residents come first, with company owners at the very end. Just having a

different mission statement that emphasized duties and goals in set rankings rather than policies and prohibitions without priorities probably would not have avoided the wreck or improved the clean-up. But, it is the argument of this text that having such a mission statement bolstered by proper financial supports, performance measures, incentive payments, prohibited procedures, and leadership actions would have made a substantial difference.

Financial Supports

Within every firm, in very simple terms, someone has to sell the products (marketing), manufacture the goods (production), and supervise the cash flows (finance). In slightly more complex terms, someone also has to gather the data (information systems), develop the people (human resources), and apply the technologies (research and development). In very much more complex terms, someone has to select the strategy (strategic planning), define the tasks (activity planning), and design the structure (organizational planning). People at all of these levels, from the least to the most complex, need money, or more properly the authority to spend money, in order to observe the values and achieve the goals set in the mission statement.

Financial supports provide that authority to spend money to observe values and achieve goals. This money comes in two forms: capital and cost. Capital represents the long-term investments needed for buildings, equipment, and inventory; those amounts are "capitalized" or recorded as an asset on the balance sheet. Cost represents the short-term expenditures required for employee salaries and outside services; these amounts are "expensed" or deducted from revenues on the income statement. The issue in financial supports is whether the capital is allocated and the costs are budgeted to maximize the profits for the company or to fulfill the duties and meet the goals listed in the mission statement.

It is very clear that Exxon had not made the long-term capital investments that were needed for equipment and inventory to be able to contain and then recover the oil spill. Only one of the two barges specified in the contract with the state of Alaska to transport the containment booms to the site of a spill was available, and that had been damaged and not repaired. An adequate number of containment booms were not available. Spare parts for the skimmers were not in stock. Only 69 barrels of chemical dispersants were on hand; not the 10,000 barrels that were required. Obviously, the emphasis here had been on profits, not duties and goals.

It is also very clear that Exxon had not budgeted the short-term cost amounts that were needed for personnel and training to be able to contain and then recover the oil spill. The specialized oil spill recovery teams had been disbanded. Only 11 general purpose workers were on duty at the time of the wreck, not the 16 specified in the contract with the state of Alaska, and none of those employees had been specifically trained to respond to oil spill emergencies. There was a lack of cohesion in the containment and recovery efforts caused, in the view of the marine managers of the Valdez terminal, by "an overall attitude of petty cheapness that severely affected out ability to operate safely" (*Wall Street Journal,* July 6, 1989, p. 1). Obviously, here also the emphasis had been on profits, not duties and goals.