

# Defining the Purpose of Your Business

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Whether you're starting a business or already running one, your purpose needs to be crisp, crystal clear and instantly understood. You need to be clear about why you're in business in the first place, where your business is headed, and what you want out of it.

A clear business purpose also serves other important purposes: It keeps the business focused on its mission and target markets and helps its management identify new markets for expansion. Prospective lenders look closely at a business's purpose in deciding whether or not to provide financing; it helps them assess whether or not there is a strategic direction for future success. Investors need to understand your motivation and your intentions, so that they can judge whether they match the plans that you developed in launching your business.

This article will help you define your purpose for being in business, your guiding inspiration and your direction.

## What You Need to Know

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### Why am I in business and what do I want out of it?

Even before you start to write a business plan, ask yourself the above two-part question. Your answer will quickly prompt other questions; such as the following:

Will the business be my principal career activity and primary source of income or a secondary pursuit? Am I launching it as an investment to sell as soon as I can? Or, do I envision something more permanent? Will it be a family business, and is providing jobs to family members a primary motivation? Answers to these and related questions will have an impact on the business's aims, its development, and its strategies. For example, if you are starting a business as an investment opportunity, a focus of your planning will be an exit strategy—the sale of the business. You'll want to build the business quickly and maximize its value to get the best selling price possible. On the other hand, if you are building a family business that another family member will some day own and operate, a key focus will be on a succession strategy; that could mean keeping the business small and easily manageable.

### How can I explain what exactly my business will do?

Be as specific as possible! Focus on your business's core activities and direction. If you are going to open a restaurant, for example, will it be a family restaurant serving good quality food at competitive prices in a family-friendly environment; a more upscale restaurant, serving more expensive gourmet

dishes to discerning customers; or a fast-food restaurant that depends on high volume, quick service, and efficiency? Whatever your intent, describe your business in a mission statement that clearly—and concisely—summarizes its purpose and can be easily understood by you, your staff, your customers, and your potential investors. If you cannot describe your business succinctly, rethink your idea.

## **What is a business vision?**

A vision reflects what your business is trying to achieve and what you care about most. Defining purpose (or mission) expresses what the business does. Vision expresses what the business aspires to become. It drives the business forward toward its long-term aims and often is created from the fundamental values of employees as well as the purpose and awareness of the business's current environment. Some experts describe vision as “the glow of light just over the horizon; you may not ever reach the light, but you continue to march toward it.” Vision is about pursuing challenging but achievable goals within defined time frames. It is simply a statement of your desired competitive position within your best guess of the future environment, for example, “Our hardware store will be the very first place people come for...” Realistic visions can be achieved and almost always bolster staff morale. Once your vision is reached, you can further expand your aims. Some businesses even create a third statement, one to express why a business is—or will be—essential to its customers and its locale and why its products or services are unlike any competitors’. For example, “nobody else can deliver the food we deliver at this price” or “no other rental car company brings its vehicles to you...”

## **What to Do**

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### **Know Your Customer**

Product-driven businesses focus first on making a product, then try to get customers to buy it. A better starting point is to define the purpose of your business as a response to customer needs. That makes your business “market-driven.” Define your business purpose as one meeting your customers’ needs and what you perceive their needs to be. For example, a fast food restaurant selling healthy food might see its purpose as “providing health-conscious eaters with quick, convenient and tasty take-out meals and snacks all day.”

### **Distinguish Your Purpose from Your Competitors’**

To succeed against competitors, your business needs to offer something different. Build this differentiation into your purpose, so that everything you do can be judged by whether or not it

supports the purpose. Potential investors want to see your business's unique selling proposition, for this is the basis on which you will compete and on which customers will be attracted.

## **Write Your Mission Statement**

At its core, your business mission is a statement of purpose that guides your activities. It is a summary of what you do. The mission provides the guiding direction for developing strategy, searching out opportunities, and allocating resources—such as money and employees. It is built on your core values, so should be readily understood by staff, customers, and financial backers. You can often establish your mission simply by answering the question: “What business are we in?” One school of thought holds that a mission statement should be one or two sentences that can be written on the back of a standard business card. Being that concise may be difficult, but the fewer words the better.

## **Decide What You Want For the Future**

What are your business goals? Start by considering what the working environment is going to be in, for example, two years' time. Ask yourself what opportunities and threats there might be, and summarize your vision into a single statement. For example: “XYZ Partners aims to be respected as a leading design group working throughout the United States.” This business has chosen not to disclose publicly the timescale to which it is working, but it makes it clear it has a vision.

Try to project a future goal (or goals) so that you can start to move your business towards that point. For instance, you might work towards becoming a market leader, an innovator, a specialist, a good employer, a large company that generates X-revenues each year, or a supplier of superior quality.

## **What to Avoid**

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### **You Don't Have a Clearly-Defined Purpose**

If you don't know exactly what the purpose of your business is, it is going to be very difficult to plan for the future, distinguish good opportunities from bad ones, formulate objectives and goals, and design a strategy to achieve them. One of the best reasons for writing a business plan is that it forces you to clarify your purpose; without that clarity, it is difficult to define your markets and your marketing plans.

## **Your Mission Statement Is Long-winded and All-encompassing**

A business purpose needs to be concise. A purpose that consumes, say, one full page and has assorted numbered paragraphs is likely doomed. If your colleagues and employees can't express the essence of your business purpose, it's of little or no value.

## **You Take On Work Outside Your Core Business**

It is tempting for service-based businesses to take on jobs that are not in their usual line of work. All too often, such work takes longer to perform, costs more than anticipated, and winds up producing poor results for the customer and little likelihood of any repeat business for you. A well-worded purpose sets valuable boundaries for your business. It can help keep you focused on what your business aims to do and what it is best at doing.

## **Where to Learn More**

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### **Book:**

Olson, Erica. Strategic Planning For Dummies. Hoboken, NJ: Wiley, 2006.