



## **Strengthen the Mission Statement of Start-up, Improving the Customer Value Proposition in the Business Model**

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### **Abstract**

The purpose of this study is to improve the customer value proposition in the business model of start-up companies, as today's companies are facing problems in differentiating valuable proposition to their customers. The survival of any organization depends on a unique reason and goal that is evident in the mission statement of the organizations. In fact, the mission statement provides a concise, yet accurate, answer to the question of "what is our business"? An appropriate customer value proposition requires alignment among the interests of all stakeholders, and therefore, we see its increasing improvement, especially in companies that requires fast entry into the market, innovation and providing a better experience for customers. The present study is a descriptive and applied research which is conducted with review approach to identify the factors and elements of the mission statement of start-up companies. The factors and elements of the organization's mission statement include the needs of customers, employees, shareholders, suppliers, society and consideration of the goods and services, non-financial goals, values and start-ups vision that enhancing them, can lead to improved value proposition in the business model. Finally, scientific and practical recommendations was proposed at the end of the paper to improve the customers' value proposition in order to strengthen each of the factors and elements in the business model, which considering them in start-ups, can increase customer satisfaction and competitive advantage resulted from the customer value proposition.

### **Keywords**

Mission Statement; Start-up Company; Business Model; Customer Value Proposition

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### **1. Introduction**

Value is the result of implied negotiation between each consumer and the company in today's competitive age. On the other hand, there are problems for organizations in differentiating between valuable propositions to customer or customer value proposition (CVP). Although consumers today

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have more options than ever before to choose from products and services, they still seem dissatisfied. The true value of a proposition is assessed based on the customer's perspective on it.

The survival of any organizations depends on a unique reason and goal which is reflected in the organization's mission statement. In fact, the mission statement provides a concise, yet accurate, answer to the question of "what is our business"? The effective and informative answer to this question causes creating a sense of confidence in the organization (Haghighi et al, 2010). The mission statement is not just a concept, but a package of factors and elements that emphasized customers in addition to considering the needs of employees, shareholders, suppliers, society, goods and services, non-financial goals, values and vision (Nwachukwu and Zufan, 2017; Nassehifar and Pourhosseini, 2008). The mission statement of the organization includes features that can have different impact on the various functions of the organization (Mirabent et al, 2019; Delimpasis and Kitsios, 2018).

A considerable difference can be observed in developing the mission statement in the research on the mission statement of the organization. This is because the importance of developing a mission statement and its widespread application to organizations is not yet understood. There is also no consensus on the mission statement and its elements and features, and each researcher has considered specific elements and features for the mission statement. On the other hand, researchers have mostly analyzed the content and features of the mission statement (Payne et al, 2017). Recent developments reflect drastic changes in competitive environments that are often very rapid and dynamic, and hence the need to innovate in business models for start-ups (Osterwalder and Pigneur, 2010; Cortimigli et al, 2015). Start-up companies need special customer value proposition to survive in today's changing business environment (Frederiksen and Brem, 2017; Molendijk, 2017). Having a proper mission statement to motivate and empower stakeholders (Powers, 2012) can be helpful in this regard and help to identify customers, accelerate market entry, and prevent the start-ups failure.

In order to understand the factors and elements that improve the customer value proposition in the business model for startups and create a competitive advantage, it seems that a comprehensive study is necessary. Based on the research conducted, the present study seeks to answer the main question of whether strengthening the mission statement of start-up companies has an effect on improving the value proposition of the business model?

### **1.1. Literature Review**

The research related to the organization's mission statement, the introduction of the start-up company, the introduction of the business model and the customer value proposition are reviewed in this section.

### **1.2. Research related to the mission statement**

According to Peter Drucker, the business of an organization is not defined by its name or its articles of association, but it is defined based on its mission (Nassehifar and Pourhosseini, 2008; David, 2014). The survival of any organizations depends on a unique reason and goal which is reflected in the organization's mission statement. In fact, the mission statement provides a concise, yet accurate, answer to the question of "what is our business"? The effective and informative answer to this question causes creating a sense of confidence in the organization (Haghighi et al, 2010). In other words, the organization mission is the framework of its activities that if it is developed correctly, leads to success and if it is developed incorrectly, leads to its failure of the organization (Nassehifar and Pourhosseini, 2008; Haghighi et al, 2010).

There is also no consensus on the mission statement and its elements and features, and each researcher has considered specific elements and features for the mission statement (Haghighi et al, 2010). The mission statement should not be such that it needs to be updated frequently (being long-term). Once plans, policies and other procedures have been developed under this umbrella, and once shareholders have accepted its validity, it must be valid for a reasonable period of time. Of course, as a result of sudden events such as Hurricane Katrina, the terrorist attack on the World Trade Center on 11 September, and the recent US financial crisis, the mission statements can become obsolete almost overnight. The mission statement should provide a clear direction for the organization's low-level programs so as to motivate the organization's customers, employees and stakeholders, and all employees to clearly understand that it is relevant to their day-to-day work and that all stakeholders should have a clear and realistic view to their interests (Powers, 2012).

By highlighting who the organization wants to be and who it wants to serve (Mirabent et al, 2019), factors and elements including needs of customers, employees, shareholders, suppliers, society, goods and services, non-financial goals, values and visions can be seen in the mission statements that, depending on their type and activity, different organizations use these factors and elements in developing the mission statement. Some scholars point to other elements of the mission statement, including technology, survival, profit, philosophy, beliefs, and public perception. According to them, companies seeking succeed in increasing customer satisfaction in a competitive world must develop a clear, written mission statement from a customer perspective that includes products and services, technology, philosophy, beliefs, and public views. The mission statement can help build and maintain a bond between the company and customers. A customer-focused mission statement has an impact on increasing customer satisfaction (Nwachukwu and Zufan, 2017; Nassehifar and Pourhosseini, 2008). A mission statement, written based on the customer view, can be used as a basis for marketing communication with customers (Power, 2012). According to Mirabent et al. (2019), companies consider economic and social goals and create a bridge between for-profit and non-profit companies. They stated that those companies show higher economic performance where the strategic tools of the mission statement explicitly target customers by providing services (Mirabent et al, 2019).

### **1.3. Introducing the start-up company**

A start-up company is a human entity established to provide a new product or service in a situation with high ambiguity. Start-ups are small companies or teams that are usually formed based on the idea and creativity of one person or a group of people to create value by providing the right product and services, and have become one of the most important factors of economic development in different countries in today's world. (Frederiksen and Brem, 2017). There are many factors to consider when starting a new business and it is difficult to prioritize them. However, the following items are proposed by Greco (1975):

- 1) Specifying the capital needs;
- 2) Receiving legal aid
- 3) market research
- 4) business location
- 5) personnel safety
- 6) providing physical facilities; and
- 7) Creating a plan for profit.

In order to be successful, a start-up business needs to consider marketing, technological, economic, financial, governmental, regulatory and managerial factors, which vary depending on the type of country and the nature of the business (Lee and Osteryoung, 2002). The research was conducted on mission statement in the aviation industry to help aviation managers understand the relationship between mission statements, brand trust and brand equity and how to use this relationship in practice. The mission statement is one of the useful tools in the branding process and may provide an opportunity to emphasize unique features (Lin and Ryan, 2016).

Findings from a research in the field of e-business showed that the technology component in the e-business mission statement has a positive and significant correlation with the measure of financial performance. The capabilities of start-ups include agility, market speed, innovation capacity, expertise in technology, focus on a limited product range, less legislative pressure and a better customer experience. To have a successful strategy for start-ups, we need to formulate standards, rules and regulations and draw a map and implement it so that it leads to removing obstacles and preventing their failure and development (Delimpasis and Kitsios, 2018).

Consumer and customer involvement in product and business development, testing in new product development, the minimum appropriate product, and entrepreneurial thinking to do the work are various tangible and abstract elements in a real startup company (Frederiksen and Brem, 2017). Designing value proposition ensures that the design strategy leads to success and wealth and ensures the long-term survival of start-ups (Pigneur, 2010).

#### **1.4. Introducing the business model**

The term business model has been emerged in scientific discussions since the 1970s. Business model has been introduced as a description (Applegate, 2000), as a presentation (Shepher and Smitt, 2005), as an architectural style (Dubosson & Torbay, 2002), as a conceptual tool or model (Osterwalder et al., 2005), as a structural model (Amit & Zott, 2001) and as a method (Afuah & Teece, 2001; Amit and Zott, 2010; Wirtz et al, 2016). The research stream that has received the most attention to business models to date is related to e-business. The term e-business includes e-markets and Internet-based businesses, and refers to companies that conduct business transactions with their partners and buyers via the Internet (Dmitriev, 2014; Mahadevan, 2000).

Innovation in business models includes two dimensions: 1- Designing a business model (entrepreneurs create a new business model), 2- Improving the business model (managers improve their current business models). Innovation in the business model to design a new business model is related to the innovation commercialization literature (Chesbrough and Rosenbloom, 2002). On the other hand, business model innovation, which is to improve the business model, tends to be related to the strategy management literature (Gerard et al, 2010; Amit and Zott, 2010).

The business model is a mechanism for communicating the company's technological innovations in line with customer needs and is the epitome of business financial architecture. Commercialization of technological innovations can reduce costs and increase business profits by influencing other parts of a business model (Teece, 2010). Malmstrom et al. (2014) stated 27 features for high- and low-profit business models, which include the following: technology complexity, product complexity, product technology uncertainty, market maturity, market dynamics, revenue model penetration potential, using social networks, use of information, complexity in sales structure, customer engagement in business model, monetization of a time approach, flexibility in business model, length of market

window for product, use of external sales channels, level of organizational structure, technology focus in model business, degree of market focus, use of external competencies, customer relationship distance, complexity in decision making process, capital capacity in business model, business risk, internal competencies, internal financial instruments, external financial loans, foreign venture capital, sensitivity to business cycle (Chroneer et al, 2015) (Table 1).

**Table 1.** Research performed in the field of business model

Research year	Author	Identified criteria related to business models
2016	Wirtz & Pistoia & Ullrich & Gottel	Competition, innovation, change, evolution, design
2010	Gerard & Bock	Resource structure, value structure, transition structure
2015	Weiweia & Yue	Company, consumers, corporate stores, customer of customer, suppliers, advertising, employees
2016	Nambisan	Open information, discovering new opportunities,, social media
2016	Landav & et al	Market nature, company nature, innovation, business model stability, emerging markets, local development, local emerging market
2014	Solice & Grifell	Implementation, layout of elements, leadership looking to reduce costs, useful manpower, lower prices, competitive advantage, change
2011	Partanen	Components, infrastructure, less risk, resources, suppliers, patience in times of uncertainty
2016	Wirtz	Strategy component, customer market component, value added component, procurement model
2010	Amit & Zott	Innovation, actors, corporate activities, value creation, business model components, communication channels
2010	Teece	Selecting proper technology, profitability, introducing target market segments, revenue streams, design of optimal mechanism
2014	Dmitriev	Value for customers, market segmentation, revenue model, market needs, cost structure, profitability potential
2017	Kawaf & Tagg	Website design, website quality, motivational structures

An effective business model was developed by Nikbeen et al. (2016) in the field of e-business that includes 6 personal, quality, communicational, infrastructural, system and environmental features that can provide customer value proposition in the business world. Considering the infrastructural features in the business can be considered as a company-centric resource and strengthening it in order to create customer value proposition in the business model.

### 1.5. Introducing the customer value proposition

One of the most widely used terms in business is the concept of customer value proposition (CVP), originally derived from Michael Lenning and Edward Michaels (1988) and McKenzie Consulting, and has since grown rapidly in the literature. Moldanick (2017) considers the main field of value proposition in the literature of marketing science and business science (Payne et al, 2017). Introducing the customer value proposition, Skalen et al. (2015) state that value proposition is a promise to create

value based on the resources and methods of the organization (Skalen et al, 2015). The concept of CVP is also expressed in the business model literature. A business model can be understood as the design or architecture of value creation, delivery, and absorption mechanisms, and CVP represents a key component of the business model (Osterwalder and Pigneur, 2010).

It can be seriously stated that customer value proposition (CVP) is a strategic tool that plays a key role in providing value to customers, which is one of the goals of companies. Organizations facilitate the delivery of superior value packages to customers with the ability to share resources. As a prominent communication tool, CVP emphasizes the role of resources and resource sharing to provide the right package for customers. Managers and scientists are increasingly using the term CVP, but the concept is not yet well understood and implemented. Given that this concept is very important for the value creation process, it should be the most important principle for organizing companies (Payne et al, 2017). Anderson et al. (1998) state that CVP plays a significant role in the performance of organizations and there is no common agreement on what constitutes CVP and its improvement requires the active interaction of customers with the company. The value proposition demands considering the interests of all actors in the system. Initially, most literatures focus on how to deliver company value to customers without significant customer involvement. These arguments often emphasized the one-sided value pre-determined by the supplier (Kowalkowski, 2011; Anderson and Narus, 1998). Further developments in the CVP literature address a wide range of issues, such as considering a wider range of stakeholders including society, environment, ethics, and focusing on innovation and practices, and the two-way emphasis on CVP implies reciprocal value promises (Ballantyne and Varey, 2006; Kaufmann, 2020).

According to Lenning (1988), the term CVP is often used in an unusual and in a trivial way, while it must be used in a very strategic, accurate and practical way (Lanning and Michaels, 1988). There is no general way for startups to develop their value proposition, but they all emphasize the importance of integrating customers into the process. Along with customers, investors seem to have the greatest impact on value proposition development. Value proposition can be enhanced by customer participation (Molendijk, 2017).

In designing a CVP, one must focus on the breadth of value dimensions and focus on different levels of customers in order to have a clear CVP, so that the mission statement at the company level and the segmentation of customers at the individual level are important in CVP design (Payne et al, 2017). Google, a large part of Alphabet Inc., is the world's leading search engine provider and a multinational technology company that develops and markets Internet-based services. Its mission statement is to organize the world's information and make it useful to the world (Google, 2020). Most of the Google revenue and profit is generated through its advertising, i.e. the sale of targeted advertising space and search engine results. Google's business is built on a set of customer value propositions that link it to a variety of markets, including search engine users and online advertisers. These product markets have different segments. For search engine products, for example, some customer segments may value speed and performance, while others may value more in discovering new information. In the online advertising space, price is important to some customers and quality to others.

Uber is a fast-growing multinational company in the United States founded by two entrepreneurs in 2009 that connects drivers and passengers using technology. The mission statement describes its organization as a reliable transportation, everywhere, for everyone with fewer cars and more access. Uber has been successful in the marketplace by offering new value propositions that attract both

customers and suppliers. Uber's success depends on two distinct value propositions, one for the passenger and the other for the driver. Its business model depends on attractive value proposition and matching with customer and supplier. Innovative companies with sophisticated technology develop their value proposition in similar ways and especially customers have a significant role in this process.

Developing the organization mission statement paying company resources, including having a structure with formal processes, product knowledge including technical specifications and potential applications of the product and market resources including market knowledge in the sense of having knowledge about customers and competitors, innovation, communication and branding, is also important in designing the value proposition of customers. The mission statement can influence the decision of the value proposition strategy for the customers and as a result of its implementation, the customers' judge and understand the value proposition and lead to a competitive advantage for the organization (Payne et al, 2017).

## **2. Research method**

The present research seeks to improve the customer value proposition in the business model by strengthening the mission statement of the organization in start-up companies. Therefore, this research is developmental in terms of purpose, descriptive in nature, library in terms of research environment and an applied research. For this purpose, with the help of reviewing domestic and foreign texts related to this field, an attempt has been made to count and strengthen the factors and elements constituting the mission statement of start-up companies and to improve the customer value proposition.

## **3. Research findings**

First, the research findings are expressed separately in 4 parts: mission statement, Start-up Company, business model and customer value proposition, then the research general findings are discussed. In the mission statement section, considering the impact on various aspects of business performance, paying attention to the stakeholders' interests is important. In developing a proper mission statement for start-up businesses, attention should be paid to factors and elements including customer needs, employees, shareholders, suppliers, community, goods and services, non-financial goals, values and vision, and not being ignorant of the needs of current customers. It is also important to consider two company-based and market-based sources (based on the customer) in order to develop the mission statement of start-up businesses. In the section of startups filed, it is emphasized to understand the customers' needs in order to provide customer value proposition, while we should not neglect the features of startup companies, including market entry speed, agility, innovation and providing a better experience for customers. In the business model section, the effective business model (Nikbeen et al., 2017) was introduced which was composed of 6 features individual, quality, communication, infrastructure, system and environment. Paying attention to the infrastructure features of the business model increases the importance of compiling a mission statement for start-up businesses. Customer value proposition is a part of the business model and innovation in the business model, that is necessary for the dynamic environment of the present age, is not possible without providing value to customers. Regarding the customer value proposition, we must pay attention to customer activity, benefits and sufferings of customers and prioritize them. Providing value is not possible without considering the interests of stakeholders and requires a strong mission statement that focuses on the importance of customers in order to provide special value proposition while taking into account the stakeholders' interests. A favorable mission statement in start-up businesses will improve the customer value proposition in the business model and will create a competitive advantage for start-up businesses and

facilitates their faster entry into the market in order to gain better customer experience and business profitability.

## **4 Conclusions and suggestions**

### **4.1. Conclusions**

As mentioned in the introduction, the purpose of the present study is to answer the question that whether strengthening the mission statement of the organization can improve customer value proposition in the business model of start-ups? Due to the innovative approach of the present study to the factors and elements of the organization's mission statement in start-up companies and its relationship with the value proposition in the internal and external research business models, no coherence was found to compare with the present study. Therefore, in the introduction, research on mission expression, value proposition and business models focusing on start-up companies is expressed, which is effective in designing customer value proposition. It is important to pay attention to the infrastructural features of an effective business model in order to provide appropriate value proposition to customers in the form of company promises to customers and as a bridge between customers and start-up companies. In order to design the customer value proposition in the business models of start-up companies, is important to consider strengthening the company's resources such as paying attention to the needs of customers, employees, shareholders, suppliers, community, goods and services, non-financial goals, values and vision in the organization mission statement, having a structure with formal processes, product knowledge including technical specifications and potential product applications on the one hand and market resources including market knowledge, and having knowledge about the customer and competitors, innovation, communication and branding. Customer value proposition design is a strategic decision that if implemented in the organization by understanding the judgment and customer value proposition will lead to rapid market entry, increase profits, prevent failure and increase competitive advantage in start-ups.

### **4.2. Suggestions**

Studying factors and elements of the mission statement of the organization of start-up companies is suggested according to the nature of companies, place of activity, company resources, etc.

- Conducting research on other changing factors affecting the customer value proposition, such as changing business environment, is recommended.
- Customer needs are different in Business to Customer and Business to Business patterns, so understanding different needs requires separate research to achieve the desired mission statement in the organization.
- It is recommended that start-ups include issues such as ethics, environment, and society, as the current needs of customers, in their company's mission statement in order to compete in a dynamic business environment.
- It is suggested that start-up businesses properly understand the customers' needs and prepare an appropriate mission statement according to the resources of their organization.

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