



**MANAGEMENT OF INNOVATION
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RESEARCH CENTRE**

**DISTINGUISHING BETWEEN THE BOARD AND
MANAGEMENT IN COMPANY MISSION:
IMPLICATIONS FOR CORPORATE GOVERNANCE**

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Distinguishing Between the Board and Management in Company Mission: Implications for Corporate Governance

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Abstract: (107 words)

A relationship between board/management “involvement” and “awareness” with organizational mission and their link to “employee commitment” and “organizational performance” was modeled by drawing on previous research. The model was tested with data from 339 large Canadian and US organizations. It was determined that “mission awareness” on the part of both the board and senior management is an important consideration in the determination of employees’ commitment to the mission. However, the impact of board and management involvement with the mission is not identical. The results show especially the strong and important role that the board performs when it is actively engaged in the development of the organization’s mission.

Key words: mission statements, mission awareness, mission involvement, corporate governance, performance, PLS, vision

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All rights reserved. No part of this work may be reproduced without the permission of the authors. Paper is forthcoming in the *Journal of Intellectual Capital*.

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Distinguishing between the Board and Management in Company Mission: Implications for Corporate Governance

Introduction

What is the proper role of the Board of Directors in terms of setting an organization's mission? Should boards restrict their activities to simply being aware of their organization's mission (with or without formal final approval) or should they be more actively engaged in terms of determining, evaluating, influencing and eventually approving the mission? Furthermore, what is the organizational outcome on intellectual capital development and performance when this takes place? While for many it may seem that these questions should have been addressed long ago, it is surprising that even today, after the recent scandals of Worldcom, Enron and Tyco, there is no clear definitive answer. An important factor contributing to this situation, of course, is the fact that there have been no empirical research studies investigating the potential impact or consequences that varying levels of Board involvement with an organization's mission statement may have. Consequently, this study tackles this problem head-on by assessing the performance implications of both board awareness of and involvement with organizational mission.

Mission Statements

Of all the management tools employed in the world today, the one that has been cited as the most frequently used – and most popular – is the organizational mission statement (Bart, 1997a). In its most basic form, a mission statement is designed to answer the most fundamental questions for every organization: Why do we exist? What are we here for? What is our purpose? As such, mission statements form the cornerstone and the starting point for any major strategic planning initiative (Bart, Bontis and Taggar, 2001). They are the launching pad for setting organizational objectives. They drive organizational priorities and intellectual capital development (Bontis, 1996; 1999; 2001; 2002; 2003a). They set the tone for the organization's climate and culture (Vander Weyer, 1994). Since the 1980's, mission statements have been used more and more to define and communicate the kinds of relationships which an organization wishes to establish with each of its major stakeholder groups (e.g., investors, customers, and employees) (Campbell, 1997). Several examples of recent mission statements from major organizations are shown in Exhibit 1.

--- Exhibit 1 about here ---

Interestingly, recent research has proven that not all mission statements are created equal; that it is possible to have “bad” as well as “good” mission statements; and that it is important to consider many variables in formulating a good one (Baetz and Bart, 1996; Bart and Baetz, 1998). Considering the impact that a mission can have on its organization, it is an understatement to say that it is important to create a proper statement (Bart, 1998a and b, 1999c). Generally speaking, though, an effective mission statement is one that articulates the specific ways in which an organization intends to: i) secure loyal customers for its products and services, and ii) attract dedicated workers who are passionate about and committed to serving the kinds of customers the organization is interested in obtaining. As such, mission statements are written first and foremost

for an organization's workforce. They are designed to communicate the direction in which the organization is headed and to acquire the group cohesiveness – or shared values – which can make the organization a truly formidable competitor. Thus, mission statements can matter – really matter! And a multitude of articles have been written in recent years proclaiming their numerous benefits (Bart, 1997a - 2003b; Bart and Baetz, 1998; Bart, Bontis and Taggar, 2001).

Corporate Governance and Mission

The high-level strategic nature of mission statements and their responsibility for setting the overall direction of an organization, however, has important implications for the field of corporate governance. More specifically, corporate governance is the system by which business corporations are directed and controlled (OECD, 1999). An organization's system of corporate governance is operationalized through the development of a structure which specifies the distribution of rights and responsibilities among different participants (or 'stakeholders') in the corporation and spells out the rules and procedures for making decisions on corporate affairs. Consequently, a critical corporate governance question is: Who should take responsibility for the development, evaluation and approval of an organization's mission?

For company directors and their boards, there is no easy answer because, on the one hand, the job of a board is to give direction to senior management. Directors, as representatives of the shareholders, are stewards of the organization – which, according to the Merriam Webster dictionary is defined as a fiscal agent; one who actively directs affairs. On the other hand, there is near universal agreement that it is important for directors not to micro-manage the corporation by taking on the roles and responsibilities of management. So what is a director to do?

For many writers on corporate governance, one solution to this conundrum is to simply say that each situation is unique and, therefore, all that needs to be done in the interests of good governance is to be transparent about the roles. In other words, write it down! But, boards and directors are also looking for guidance. They want to know: what is the right thing to do? They want to know where the lines and distinctions in the roles between the board and senior management need to be drawn. So, what are the best practices in this regard?

Unfortunately, again, an easy answer to this question is not readily forthcoming. Based on a review of the extant literature, there is no uniformity in terms of the positions taken. Consequently, directors could become easily frustrated in searching for guidance on how to structure their jobs when it comes to strategy in general and mission in particular. Take the Institute of Corporate Directors of Canada (ICD), for instance. It has stated on one occasion that the task facing the board includes the need to determine strategic objectives as prepared and recommended by management (ICD, 1988). With this statement, the ICD appeared to confer on corporate boards a fairly active role in the actual formulation of mission goals. Yet, four years later, the ICD was seen to claw-back the board's authority for strategy by arguing that a board need only take responsibility for approving strategic objectives (ICD, 1992). No apparent rationale for this change in position was offered.

A series of studies by the Canadian Institute of Chartered Accountants (CICA) appears to take a much more uniform position with respect to director involvement in company strategy. One of its early monographs focusing on the governance processes associated with effective control

stated that approval and monitoring of the organization's mission, vision and strategy is one of the board's most important responsibilities, and that the board should review and approve the mission, vision and strategy on a periodic basis and when major shifts occur (CICA, 1995a). A subsequent monograph, outlining the CICA's view regarding the criteria that should be used to establish effective control, reiterated the earlier position. It stated that an explicit mission and clear vision are key elements of control and should be approved by the board of directors (CICA, 1995b). A third document, providing guidance for directors with respect to risk, however, seems to soften the directors' role in strategy considerably when it urges directors to simply have a clear sense of corporate purpose and to be committed to achieving it (CICA, 1999).

It is notable that none of the positions taken by the CICA in the documents cited above argue for the board's active participation in the formulation of an organization's strategy or its revision. In fact, the overall impression created is of a board which just receives and reviews management's stated mission for the enterprise, poses a few questions and perhaps challenges some assumptions, but in the end, raises its hands and simply 'approves the damn thing'. The board's role in strategy is therefore one of interested bystanders and passive approval rather than active engagement.

How then, in such circumstances, does effective control by the board occur? The answer appears to lie largely in their monitoring of the company's performance – relative to the approved mission and strategic plan – whereby failure to achieve the stated goals provides the basis upon which confidence in the CEO is altered. But, so long as the CEO delivers on his/her promises, then no action need be taken. Mission accomplished. However, such an approach to control would seem to support only low-stretch objectives and assumes that directors – lacking sufficient time, information and expertise – have little choice but to approve strategic plans.

A somewhat different perspective occurs when the report of the NACD Blue Ribbon Commission concerning the role of the board in corporate strategy is examined (NACD, 2001). The report identifies a clear need for corporate boards to be actively involved in the development and approval of an organization's strategy and exhorts boards and management to view board participation in corporate strategy as a cooperative and not an adversarial process. The report also reinforces the importance of a board's long standing and historical strength with respect to strategy (i.e., probing, questioning, and constructively challenging and criticizing organizational strategy).

The report, unfortunately though, is confusing and contradictory in terms of its final stance regarding the degree of board involvement in strategy. As a result, it is unclear whether boards should help develop their organization's mission or not (i.e., the report says in one section on page 4 that they should not develop strategy and then in another section on page 8 argues that the board should assess, discuss, amend and urge corrections with management.) While the report emphasizes the need for boards to be constructively involved in strategy, there is little elaboration concerning what the authors of the report exactly meant by this term.

A variation of this was also seen to occur recently when a Canadian task force on corporate governance recommended that the Toronto Stock Exchange (TSX) amend its guidelines to make clear that the board's responsibility goes beyond the adoption of a strategic planning process

(Joint Committee on Corporate Governance, 2001). The report recommended that the board should be responsible for contributing to the development of strategic direction and approving a strategic plan that takes into account an identification of business opportunities and business risks (TSX, 2002). In so doing, the task force authors appear to side clearly with those who argue that the board has a definitive role in shaping an organization's mission. However, the regulators seem to have heard only half the message. In April 2002, the TSX announced that the role of the board in adopting a strategic planning process would be expanded to include only the approval of a strategic plan – thereby, once again, restricting the board's involvement in strategy making and direction setting to approval but not development (TSX, 2002). A quick review of various international corporate governance codes only adds further confusion to this state of affairs beyond what is evident in Canada.

Thus, as this brief review shows, when it comes to the development of an organization's mission statement, there is presently no definitive answer – and no widespread acceptance – regarding the division of responsibilities between the board and senior management. We contend, though, that a major factor contributing to this situation is that all of the reports (including those not reviewed here) are not based on any solid research. Instead, the findings/recommendations contained in the various documents are, in reality, just a compilation of opinions. While those opinions may come from experienced corporate directors and recognized thought leaders, they are still just opinions and not facts. References to empirical studies of board best practices (i.e., strategy formulation, evaluation and monitoring) are virtually non-existent. It is also not apparent that the various reports cited had commissioned any specific research studies to investigate, verify and support their resultant recommendations. Accordingly, this study endeavours to correct this situation by focusing on a set of very specific research questions.

Interestingly, a recent presentation of some preliminary findings by one of this paper's co-authors suggested that a specific and definitive answer to the question of board involvement with mission exists (Bart, 2003b). However, because those findings were deemed provisional, we decided to strengthen the original analysis with more high-powered analytical techniques in order to give the initial conclusions more weight. Along the way, significant new insights were gained.

Research Questions

Numerous questions regarding boards and their mission statements remain unanswered. For instance, to what extent are boards even aware of their organization's mission statement? This question is important because if responsibility for mission belongs exclusively to senior management – or if directors do not see such responsibility as falling within their specific role set – then one might expect to find little or no awareness of it on the part of the board and hence little interest on their part in its development or content.

Nevertheless, even if boards are aware of their organization's mission, they still may or may not feel that their participation in its development is warranted. Of course, an important consideration in determining board best practices vis-à-vis mission statements concerns whether or not board awareness and/or involvement with the mission has any impact on the organization. As the discussion above demonstrated, there is very little guidance as to what is the correct posture that directors should take on these matters.

In order to help boards better understand their roles in relation to their organization's mission statement, a research project was designed which sought to explore the relationship between selected characteristics of board and senior management awareness/involvement with their missions and selected performance-related outcome measures. The specific questions addressed by this research were as follows:

1. To what extent are Boards aware of their organization's mission?
2. To what extent are Boards involved in the creation of their organizations' mission?
3. How does Board awareness/involvement compare with that of senior management's?
4. Does the level of awareness/involvement with respect to the mission matter in terms of enhancing the organization's intellectual capital and performance?
5. What contributes the most to the awareness of the mission?

Method and measures

Sample Selection and Size

Surveys were delivered to the top manager (i.e., CEO, President, Executive Director, Board Chairman) of 1,000 North American organizations randomly selected from the Fortune 1000 (U.S.) and Financial Post 500 (Canada). As informants, senior management is most able to recognize the relative importance of organizational issues be they performance, or strategy related (Glick *et al.*, 1990). The top manager was asked to complete the survey or to delegate the task to someone knowledgeable with the organization's mission statement and its development. Three hundred and thirty-nine (339) completed questionnaires were returned representing a response rate of 33.9 percent. The method of sample selection, however, restricts the claims which can be made about the representativeness of the findings as they do not appear to apply to organizations of all sizes, cultures and sectors. The findings and conclusions in this study appear to have validity only insofar as larger-scale, English-speaking North American organizations are concerned and this fact should be noted when considering the study's general applicability. Descriptive statistics of the respondent sample closely mirror that of the population from which the sample was derived.

Respondent title and response bias

Of the responses received, 37.2% were from a top manager (i.e., CEO or Board Chairman) while the remainder were senior level executives or managers (i.e., Sr. Executives 26.6%; Sr. Managers 36.3%). A one-way ANOVA for each of the respondent types was examined against three important dependent variables (see Exhibit 1): 1) What is your overall satisfaction with the organization's financial performance? (scale from 0 = very dissatisfied to 9 = very satisfied), 2) Are individuals in the organization committed to the mission statement? (scale from 0 = not at all to 9 = to the greatest possible extent), and 3) How innovative is your organization? (scale from 0 = not all innovative to 9 = extremely innovative).

--- Exhibit 1 about here ---

Results of the one-way ANOVA show that there is no statistical significant difference in dependent variable outcomes based on respondent-type thereby yielding no evidence of response-bias in this study (F -stat = 5.33, 7.43, 10.13, p -value < 0.001).

Operationalizing mission awareness and involvement

Respondents were asked to rate separately the extent to which the board and senior management were aware of their organization's mission statement using a four point scale (1 = not aware at all; 2 = somewhat aware; 3 = moderately aware; 4 = highly aware). Managers were then asked (again using a four point scale) to indicate the degree to which they were involved in developing their organization's mission statement (1 = no involvement at all; 2 = somewhat involved; 3 = moderately involved; 4 = highly involved).

--- Exhibit 2 about here ---

Exhibit 2 shows that the awareness of mission statements and the involvement in developing them differed between senior management and board members. On average, board members scored lower than their management counterparts in both awareness (3.48 vs. 3.66) and involvement (2.98 vs. 3.74). However, in absolute terms, awareness and involvement with the mission by board members and senior managers appears to be fairly high.

Mission communication technique usage

There were a variety of mission communication techniques that were measured in this study (see Exhibit 3 for list). On average, the use of annual reports and employee manuals were the most prominent communication methods in use at 67.6% and 63.5% respectively. Alternately, only 27.3% of respondents used advertisements to communicate their mission statements.

--- Exhibit 3 about here ---

Outcome Measures

Three outcome measures were used in order to assess the effect of board and senior management awareness and involvement with the mission: 1) the extent to which members throughout the organization are emotionally committed to the mission statement (Bart, 1998a; Bart, 1999c; Bart, Bontis and Taggar, 2001); 2) the extent to which respondents were satisfied with the financial performance of their organization (Bart, 1997b; Bart, 1998a; Bart, 1999c; Bart and Baetz, 1998), and 3) the extent of perceived innovativeness of the organization. Respondents were asked to rate each of these outcome measures on a 10-point scale (i.e., 0 = not at all, 9 = to the greatest possible extent).

Bontis and his colleagues (Bontis and Fitz-enz, 2002; Choo and Bontis, 2002; Bontis, Chua and Richardson, 2000; Bontis, Dragonetti, Jacobsen and Roos 1999; O'Regan *et al.*, 2001; Stovel and Bontis, 2002; Bontis and Nikitopoulos, 2001; Bontis and Girardi, 2000) have shown that organizational commitment is a critical antecedent to intellectual capital development and performance outcomes. Furthermore, Bontis (1998) and his colleagues (Bontis, Crossan and Hulland, 2002) have shown in intellectual capital studies that perceived measures of performance can be: 1) a reasonable substitute for objective measures of performance (Dess and Robinson, 1984); and 2) have a significant correlation with objective measures of financial performance (Venkatraman and Ramunujam, 1987; Lyles and Salk, 1997). Accordingly, our interpretation of the results from this study is that respondents were, on average, 'moderately satisfied' with members' commitment to the mission statement (mean = 5.94), financial performance (mean = 5.86) and organizational innovativeness (mean = 5.87).

It is also important to note that a control variable was used to limit unnecessary variability of the endogenous constructs. For this study, each organization was asked to provide the year in which the organization first developed a recorded mission statement. That year was converted to the age (i.e., age = 2002 – year) of the mission statement process since inception. The average year of inception of the mission process for the firms in this study was 1989 (or 13 years). This was required so that variability in performance could not be attributable solely to an organization's length of experience with its mission.

PLS Model

Hulland (1999) has noted that the use of partial least squares (PLS) as a structural equation modeling technique has received increased interest in the strategic management literature in such areas as intellectual capital management (Bontis, 1998; 2003b, Bontis *et al.*, 2000; Bontis *et al.*, 2002) and mission statements (Bart, Bontis and Taggar, 2001). According to Hulland, this is because “causal models such as PLS can help strategic management researchers to achieve new insights ... As the field of strategic management continues to mature, researchers need to increasingly rise to the challenge” (1999, p. 202-203). PLS also allows researchers to develop a systematic and holistic view when establishing measures to solve research problems. For large-sample modeling, LISREL (Bollen, 1990, Jöreskog & Sörbom, 1984) has several relative strengths, whereas for small-sample predictive research, PLS (Fornell & Bookstein, 1982; Hulland, 1999) is more appropriate.

In general, the most complex models will involve: i) the number of indicators on the most complex formative construct, or ii) the largest number of antecedent constructs leading to an endogenous construct. Sample size requirements become at least ten times the number of predictors from i) or ii), whichever is greater (Barclay *et al.*, 1995). In this case, there are a total of 9 formative indicators on the most complex construct which is communication technique (i.e., advertisement, annual reports, etc.), and a total of 6 antecedent constructs leading to the endogenous construct. Therefore, the minimum sample requirements become 9 times 10 or 90. PLS is an adequate technique for this study since the sample size is 339 respondents. All of the items germane to this study were therefore assigned to their respective scales using PLS as suggested by Barclay, Higgins & Thompson (1995) as well as Hulland (1999).

Reliability and validity

The survey items and constructs were subjected to various psychometric evaluations to confirm reliability and validity. A Cronbach alpha's (α) measure was used to test the reliability of the communication technique construct which contained 9 items. The alpha (α) value of 0.839 is above the minimum threshold of 0.7 as supported by Nunnally (1978). Shimp and Sharma (1987) suggest that items have loading values greater than 0.7 to ensure construct validity. This procedure is also supported by Carmines and Zeller (1979) as well as Hulland (1999). In this case, only 3 of the 9 items had loading values greater than 0.7 and were therefore removed prior to the subsequent modelling exercise.

Interestingly, the 3 remaining communication techniques that were both reliable and valid were not necessarily the most often used by the respondents. Company information kits ($\lambda = 0.732$), newsletters ($\lambda = 0.732$) and internal documents ($\lambda = 0.702$) were used only by 59.6, 53.1 and 57.4 percent of respondents. Conversely, the most often used communication technique of

annual reports was used by two-thirds (67.6%) of the respondents. Yet, its construct validity ($\lambda = 0.598$) was below the threshold denoting a suspiciously absent nomological connection to board and management awareness of mission statements (see Exhibit 4).

--- Exhibit 4 about here ---

Similarly, a latent performance construct was created using two of our outcome measures identified above – both of which were found to be both valid and reliable. The first item was overall satisfaction with the financial performance of the organization ($\lambda = 0.837$) and the second item was how innovative the organization was ($\lambda = 0.874$).

Research limitations

With respect to the present results, a number of caveats pertaining to common method, single-respondent, and social desirability biases should be acknowledged. To address the possibility of common method bias, a Herman's one-factor test on the questionnaire measurement items was conducted (Scott and Bruce, 1994; Konrad and Linnehan, 1995). A principal components factor analysis yielded 4 factors with eigenvalues greater than 1.0 that accounted for 51 percent of the variance. Since several factors, as opposed to one single factor, were identified, and since the first factor did not account for the majority of the variance (only 29 percent), a substantial amount of common method variance does not appear to be present (Podsakoff and Organ, 1986). Nevertheless, the presence of common method problems cannot be fully discarded.

An important methodological imperative for this study was for each respondent to be highly familiar with the mission statement and its resultant organizational effect. In this respect, the study was considered satisfactory since the majority of respondents were top executives in their respective organizations. Given the singularity and specialized knowledge associated with these informants, a single-informant approach was deemed best and was therefore used. We believed that less knowledgeable informants would result in less accurate data.

Whereas survey data are sometimes subject to social desirability bias (Arnold and Feldman, 1981; Podsakoff and Organ, 1986), we do not perceive such bias to be a major concern for this study. The topic of investigation, although strategic, was not thought to be so highly sensitive as to be likely to prevent responses that would present the respondent or organization in an unfavourable light. In addition, much of the information obtained was not deemed highly confidential. However, the occurrence of such bias cannot be totally ruled out.

Results

Exhibit 5 represents the final specified PLS structural equation model. Each path and beta coefficient displayed is both substantive and significant. The explanatory power of the model is relatively high for survey research at 33.4 percent and denotes a strong confidence in the explanation of performance variance attributable to mission communication, involvement, awareness, and commitment (see Exhibit 5).

Missions communication technique and awareness (β_1 and β_2)

The beta path (β_1) coefficient from communication technique to board awareness is 0.362 while the beta path (β_2) from communication technique to management awareness is 0.294. These

results support the notion that our selected mission communication techniques aid in raising awareness of the mission statement for both board members and senior management. Furthermore, the magnitude of this impact is relatively higher for boards. The communication technique construct, however, was not found to have any direct impact on our measure for member commitment to the mission.

Involvement and awareness ($\beta 3$, $\beta 4$ and $\beta 5$)

The beta path ($\beta 3$) coefficient from board involvement to board awareness is 0.441 while the beta path ($\beta 4$) from board involvement to management awareness is 0.128. These results support the notion that involvement with the mission development process by the board is important in raising the board's awareness of the mission statement. Similarly, when the board is involved in developing their organization's mission, it positively impacts management's continuing and current awareness of the mission – though, this latter relationship is significantly weaker.

In contrast, the beta path ($\beta 5$) coefficient from management involvement to management awareness was found to be just 0.158 while the beta path from management involvement to board awareness was neither substantive nor significant. Therefore, while management's involvement in the mission development process appears to encourage their continuing awareness of the mission, it does not appear to have any effect on the board's current awareness.

Antecedents to commitment ($\beta 6$, $\beta 7$ and $\beta 8$)

The beta path ($\beta 6$) coefficient from management involvement in mission development to members' commitment to the mission was established to be 0.139 while a beta path from either board involvement to commitment or management involvement to board awareness did not exist. What this suggests is that while the commitment of an organization's members to the mission statement can be directly supported by management's involvement in the mission development process, the board's involvement acts as an antecedent to commitment only indirectly and only through the process of raising its own awareness ($\beta 3$ and $\beta 4$). Following that, there are substantive and significant paths from both board awareness ($\beta 7 = 0.150$) and management awareness ($\beta 8 = 0.173$) to members' commitment to the mission.

Commitment to performance ($\beta 9$)

The beta path ($\beta 9$) coefficient from individuals' commitment to the mission statement and performance was 0.583. This is not at all surprising since it replicates the findings of a previous study by Bart, Bontis and Taggar (2001). But, the findings continue to underscore the tremendous impact and important role that member commitment to the mission continues to play in terms of enhancing an organization's performance.

Discussion

There are a number of important and significant findings which have materialized from the current study.

Boards' awareness of their organization's mission

The findings from Exhibit 2 suggest that directors and their boards appear to be relatively aware of their organization's mission – though it was somewhat lower than management's. Only a small percentage of respondents indicated that their board was "somewhat aware" of the mission and very few stated that there was no awareness at all. Nevertheless, for the most part, there were

still large numbers of directors who were not highly or fully aware of their organization's mission. Therefore, the question remains: should they be? In this regard, path analysis results are unequivocal. Continuing board awareness of the mission – whereby directors “know, understand and remember the mission” – is an important and significant contributor to having individuals throughout the organization commit to it. The more aware that boards are of their organization's mission, the greater their organizational members' commitment to it will be. Moreover, directors' awareness of the mission is equivalent in impact (with respect to members' commitment) both in terms of management's awareness of the mission and management's involvement with the mission's development. Consequently, boards cannot afford to be complacent when it comes to their organizations' mission and their continuing and current awareness of it.

This is a thought provoking observation. It suggests that the days of boards being entertained every now and then with PowerPoint presentations of the company mission while the lobster sandwiches are passed around are over. Boards must accept that the mission statement is a valuable and important tool in helping to set the strategic direction and positioning of the organization. It should be the cornerstone of every organization's strategic plan. Given this importance, it cannot be given short shrift once it has been developed and introduced to the organization. Because every mission also needs the continuing commitment and support of all organizational members if it is to be ultimately achieved, directors have an on-going responsibility to keep themselves aware of the it as well.

One obvious way in which they can help do this is to make sure that the mission statement is part of each board meeting and part of every board discussion. Directors must refer to their organizations' mission regularly (not just in a crisis) and use it to test management's ability to become and remain focussed. Having the mission as part of every “board package” would certainly assist in this regard. So would memorizing it in certain circumstances. Directors also need to be assured that the mission is being achieved and that there is accountability for its implementation. This, in turn, suggests that there must be some sort of mechanism in place to measure the organization's progress against the mission. When actions such as these are taken, directors will help keep their organizations' mission alive not just for themselves but for the rest of the gang as well. (Please note, though, that additional comments on enhancing board awareness are being reserved for the following two sections.)

Boards involvement in the creation of their organization's mission

This paper began with the question of whether or not boards should be involved in the development of their organization's mission. Unlike the previous discussion on board awareness, the findings of Exhibit 2 show that involvement by the board of directors in their organization's mission creation process is generally not a well accepted activity and generated the highest percentage of responses in the category for “not at all”. Whereas 80 percent of the respondents perceived their senior managements to be highly involved in developing their organizations' mission, only 47 percent believed this to be the case for the board. Moreover, informal conversations with established and senior directors have suggested that board tradition typically dictates that the role of the board vis à vis mission is for “management to propose and for the board to dispose.” The current findings, however, would challenge this viewpoint.

Recall that the discussion in the previous section established the pivotal role that board awareness of the mission plays in terms of enhancing organizational commitment to the mission. The results from path analysis in Exhibit 5, however, have demonstrated the critical importance of the board's involvement in developing the mission if full board awareness of the mission is to be achieved. Indeed, of all the antecedent measures in the study, it was board involvement which obtained the strongest beta (β) score and was the number one driver of board awareness. Moreover, the findings of path analysis show that while management's continuing awareness of the mission is also an important consideration in terms of securing organizational commitment to it, that awareness is produced, almost equivalently, from both their own – and the board's – involvement in mission development. In other words, it takes both the board's and senior management's involvement to generate – within the executive ranks – the necessary and continuing knowledge and understanding (i.e., awareness) required to affect members' commitment to the mission. Interestingly, while management involvement by itself was also found to have a direct influence on organizational commitment to the mission, board involvement did not. Instead the board's impact on organizational commitment to the mission is “felt” through their on-going awareness of it.

Now, this is a provocative notion, since in the eyes of many individuals, management typically represents and provides, to a greater extent than the board, the pragmatic, ongoing and de facto strategic leadership of the organization. Yet, the results from our current study would argue that directors' involvement in a mission's development is a constructive activity on the part of the board and an important contributor to organizational success. Should boards be involved in creating their organization's mission? The answer would appear to be a definitive “yes”.

Directors must now see their role in terms of: i) getting involved in the development of their organization's mission in order to raise awareness of it for themselves and for management, and ii) raising awareness of the mission for themselves in order to create and influence higher levels of commitment to it throughout the organization. Consequently, the findings should be seen as helping to put to rest the current debate concerning the nature and degree of board involvement in mission development. Boards must get involved and it is wrong for them not to do so. The research findings thus represent, for the first time, a true “best practice” in corporate governance research. The current corporate governance literature needs to be revised to take these results into account.

Mission communication and awareness

When the various techniques to communicate the mission were analyzed a number of interesting observations were made. To begin with, when the relative ranking of the various communication methods (as shown in Exhibit 3) was reviewed, it appeared that there was no one technique which appeared to be the overwhelming favourite. The annual report appeared to be the most popular – and perhaps the most obvious – place for ensuring the widest possible dissemination of the mission among the various stakeholder populations. After all, anyone with a serious interest or “stake” in the organization would be sure to see the mission in this document. The employee manual and posters were also seen as logical choices for communicating the mission to employee groups. However, no one technique achieved a usage rating greater than 67 percent and most communication methods could be said to be used only to a moderate extent (mean score range 2.56 to 2.94) – with the exception of advertisements, which was clearly and indisputably the least favourite technique (mean score 1.84).

It therefore came as somewhat of a surprise that when the communication construct was created, only three communication methods were found to be reliable and valid (i.e., company information kits, company newsletters and other internal documents (such as, company strategic and operating plans, budgets, MBO and bonus criteria). Yet when these results were further dissected and contemplated, they appeared to make considerable sense. For effective communication to take place, a “message” must be sent, received, understood and remembered (Bart, 2002). Accordingly, while annual reports may be the most frequently used document for communicating an organization’s mission, they are not the most effective. This is because they are often not read, not widely read or not completely read. As a result, the mission message, while “sent” is not necessarily received, understood nor remembered. Similarly, employee manuals may – and probably should – contain explicit reference to their organization’s mission. However, how many times has anyone, as employees, ever referred to the mission by quoting it from the company manual? Probably few, if any at all.

In contrast, the communication techniques which appear to have a lasting and profound impact in terms of taking a mission message beyond its “sent point” are those which are designed to: i) create special attention (i.e., an information kit dedicated to explaining the mission and which can be used as a reference guide), ii) create ongoing attention and deal with short attention spans (e.g., company newsletters), and iii) focus resource allocations (e.g., strategic and operational plans). Thus, when these documents are used, most people pay attention. Furthermore, path analysis confirmed that both the board and management seem to be listening. Indeed, for the board, the communication construct was the second most powerful influencer in terms of its positive impact on board awareness of the mission. Only board involvement with the mission was more important. However, in terms of management’s awareness, results revealed that it was the communication construct which had the most profound impact – almost double that of any other variables!

These findings are significant. They show that in terms creating continuing awareness on the part of boards with respect to their organizations’ missions, it is necessary first and foremost to engage them actively and constructively in its development. Involvement begets awareness. To keep them continually aware, various selected communication techniques then need to be deployed. But those techniques will be impotent in terms of their effect if the board has not yet first made the commitment of time and energy to the development of the organization’s mission. There is no “Viagra” cure for when this has not taken place. So, boards need to understand how the timing and sequence of their awareness is created and sustained. Hopefully, this research helps to establish the proper path to be followed.

The observations with respect to management awareness of the mission are also intriguing. As with the case of the board, there is no question that management involvement in developing the mission produces a certain level of ongoing awareness. Similarly, one would expect that when the board is also involved, it acts as a strong signal to management that the mission is more important than might otherwise be found in organizations where the board ignores it. When combined, management’s involvement and awareness has a tremendous effect on the commitment that organizational members have with respect to their mission. But to sustain management’s interest in the mission and keep their interest in the mission robust, the findings

show that it is the communication construct – with its three critical communication techniques – which has the greatest impact. Boards and their managements would do well to ensure that these techniques are being regularly deployed if they are seriously interested in making sure senior executives don't lose sight of the mission or lose enthusiasm for it. Relentless repetition of the mission message is probably still the only way to ensure that the message is remembered – the last, but essential, component of the rules for effective communication (Bart, 2002).

Conclusions

If there is one final thought it is this: boards need to be more involved in developing – and continuously aware of – their organization's mission. Board involvement matters. So, too, does their awareness. For too long, there has been a lack of clear guidance with respect to the board's role in mission. The extant literature is contradictory and confusing. These results, therefore, represent a significant and profound milestone for the literature on corporate governance. The results herein demonstrate and prove “best practice” while challenging many of the assumptions underlying current board practices in this provocative area. Accordingly, it is recommended that board involvement with a mission's development – and continuous awareness of it – need to be both recognized formally in an organization's governance structure (e.g., board charters) and proposed as an amendment to most governance codes currently in force. It is also recommended that given this new responsibility for mission development, directors need to be sufficiently trained in strategy development so that they can, with management, develop a shared view on what the future of the organization should be and why it exists. However, to do so effectively, both boards and management need to develop a common language and strategic analysis framework. Recent developments at the newly formed Directors College (a joint venture of the DeGroote Business School at McMaster University and the Conference Board of Canada see www.thedirectorscollege.com) should help boards and their managements considerably in this regard.

Exhibit 1. Sample Mission Statements

IBM

At IBM, we strive to lead in the creation, development and manufacture of the industry's most advanced information technologies, including computer systems, software, networking systems, storage devices and microelectronics. We translate these advanced technologies into value for our customers through our professional solutions and services businesses worldwide.

JP Morgan

Who We Are: We create exceptional value for our clients, shareholders and employees by delivering our deep, broad and integrated global capabilities.

What We Stand For: *Integrity* - set the standard, *Clients* - build relationships they value, *Excellence* - in our people and what we deliver, *Leadership* - in everything we do, *Diversity* - respect for all, *Teamwork* - deliver the global network, *Quality* - get it right, *Initiative* - find a way.

AT&T

We Commit to These Values to Guide Our Decisions and Behaviour:

Respect For Individuals

We treat each other with respect and dignity, valuing individual and cultural differences. We communicate frequently and with candour, listening to each other regardless of level or position. Recognizing that exceptional quality begins with people, we give individuals the authority to use their capabilities to the fullest to satisfy their customers. Our environment supports personal growth and continuous learning for all AT&T people.

Dedication To Helping Customers

We truly care for each customer. We build enduring relationships by understanding and anticipating our customers' needs and by serving them better each time than the time before. AT&T customers can count on us to consistently deliver superior products and services that help them achieve their personal or business goals.

Highest Standards Of Integrity

We are honest and ethical in all our business dealings, starting with how we treat each other. We keep our promises and admit our mistakes. Our personal conduct ensures that AT&T's name is always worthy of trust.

Innovation

We believe innovation is the engine that will keep us vital and growing. Our culture embraces creativity, seeks different perspectives and risks pursuing new opportunities. We create and rapidly convert technology into products and services, constantly searching for new ways to make technology more useful to customers.

Teamwork

We encourage and reward both individual and team achievements. We freely join with colleagues across organizational boundaries to advance the interests of customers and shareowners. Our team spirit extends to being responsible and caring partners in the communities where we live and work.

By living these values, AT&T aspires to set a standard of excellence worldwide that will reward our shareowners, our customers, and all AT&T people.

Exhibit 1. ANOVA test for response bias

		Mean	Std Dev	F-stat	Sig.
Overall satisfaction with financial performance (0 to 9)	CEO or Chairman	6.5	1.8		
	Vice President	6.1	2.0		
	Director	5.1	2.3		
	Sr. Manager	5.2	2.4		
	Other	5.8	2.3		
	Total	5.9	2.2	5.33	< 0.001
Individuals committed to mission (0 to 9)	CEO or Chairman	6.6	1.9		
	Vice President	6.0	1.8		
	Director	5.7	2.1		
	Sr. Manager	5.1	2.0		
	Other	5.7	1.9		
	Total	5.9	2.0	7.43	< 0.001
Innovativeness of organization (0 to 9)	CEO or Chairman	6.5	1.5		
	Vice President	6.2	1.8		
	Director	5.7	1.8		
	Sr. Manager	5.1	2.1		
	Other	5.1	2.1		
	Total	5.9	1.9	10.13	< 0.001

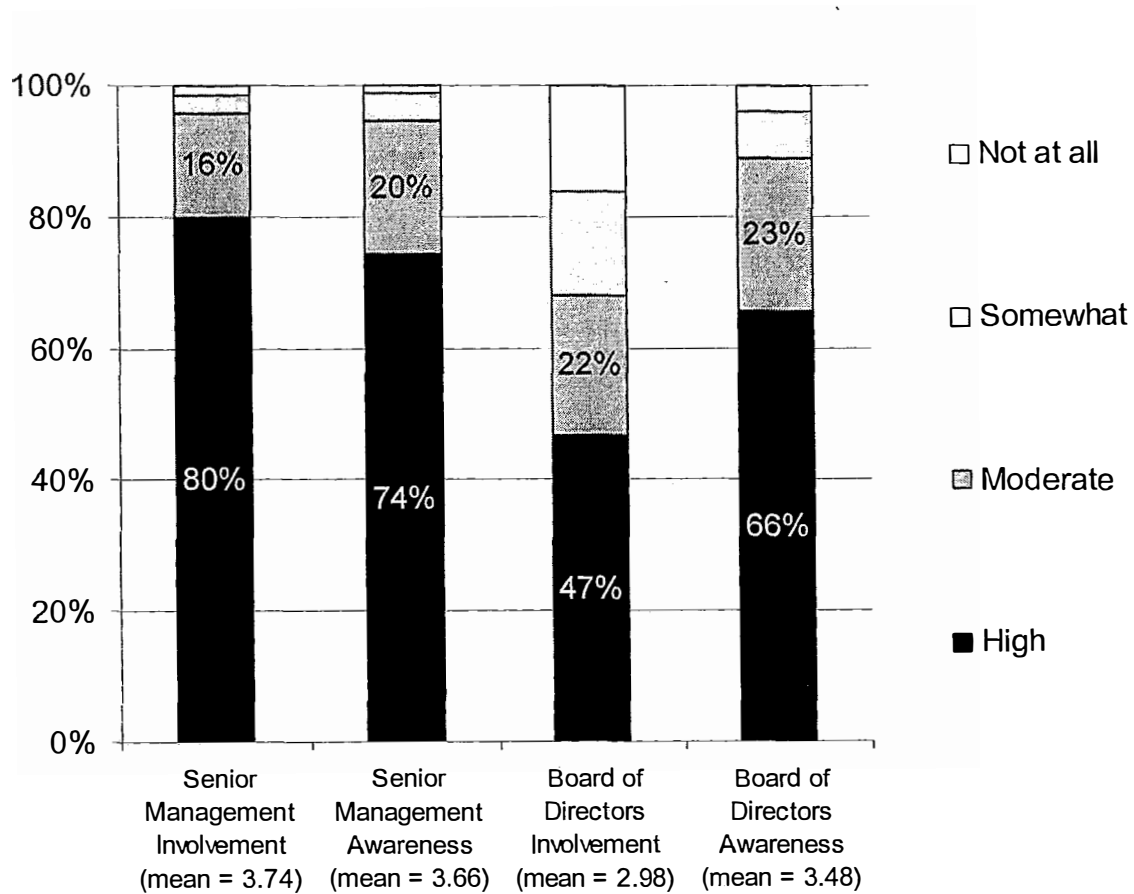
Exhibit 2. Awareness and involvement by board and senior management

Exhibit 3. Techniques to communicate mission statement

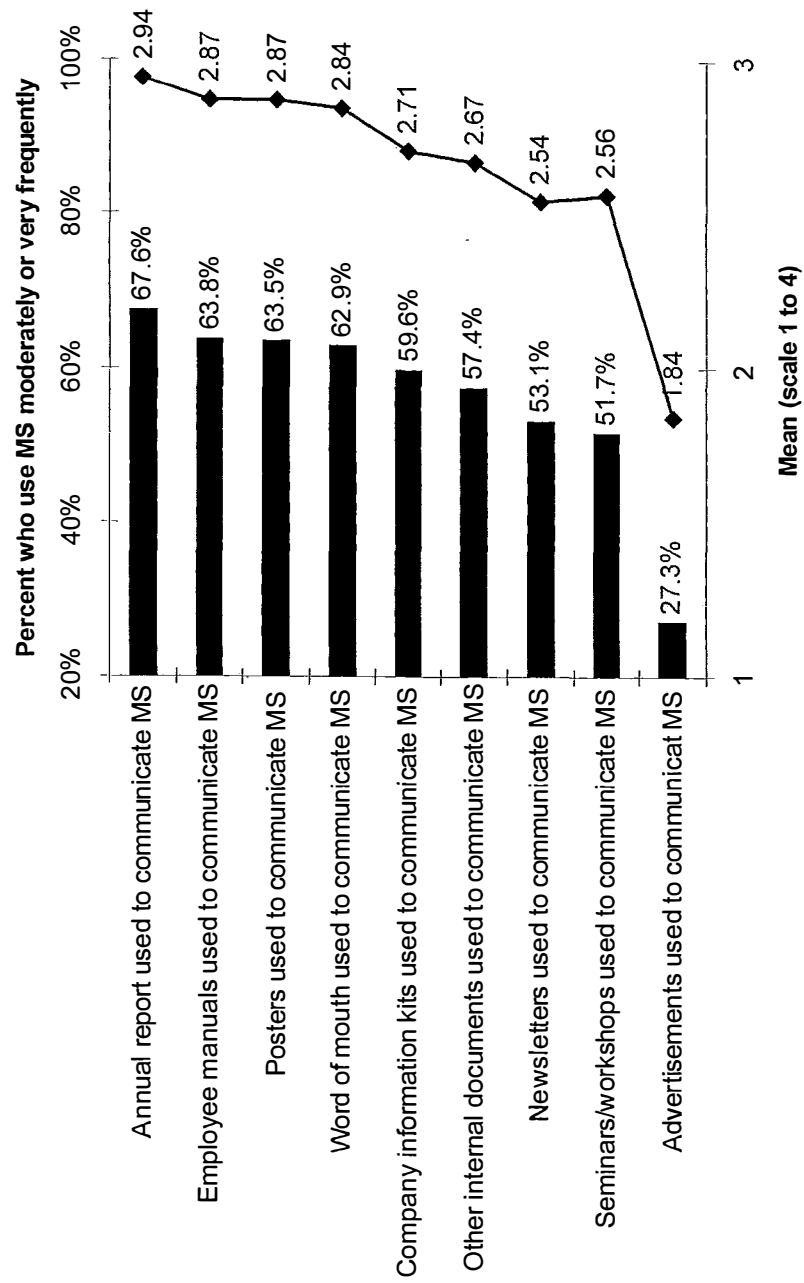
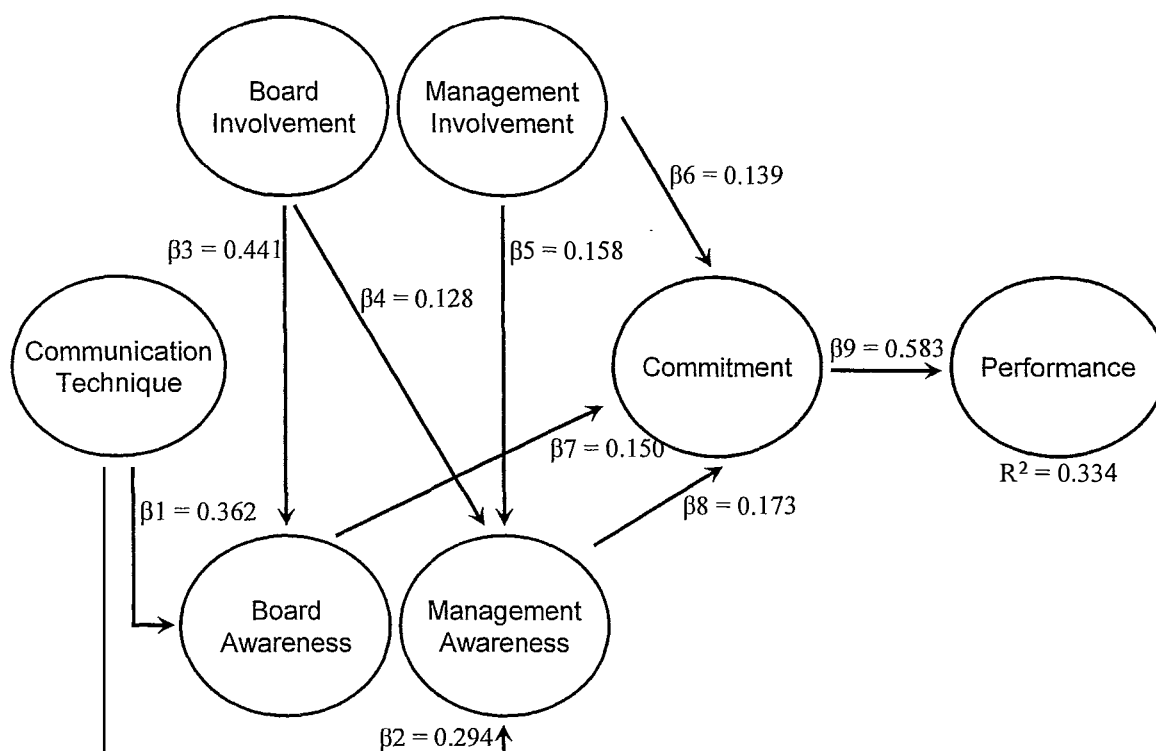


Exhibit 4. Construct validity and reliability of communication technique

Items	λ	use
Company information kits used to communicate MS	0.732	59.6%
Newsletters used to communicate MS	0.732	53.1%
Other internal documents used to communicate MS	0.702	57.4%
Items below threshold ($\lambda < 0.7$)		
Employee manuals used to communicate MS	0.694	63.8%
Word of mouth used to communicate MS	0.667	62.9%
Seminars/workshops used to communicate MS	0.645	51.7%
Posters used to communicate MS	0.630	63.5%
Annual report used to communicate MS	0.598	67.6%
Advertisements used to communicat MS	0.539	27.3%
Construct Alpha (α) = 0.839		

Exhibit 5. PLS Structural Equation Model

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