INNOVATION RESEARCH CENTRE

A MODEL OF THE IMPACT OF MISSION RATIONALE, CONTENT, PROCESS AND ALIGNMENT ON FIRM PERFORMANCE

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Innovation Research Working Group
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Christopher K. Bart, Ph.D., C.A.
Professor of Business Strategy
Michael G. DeGroote School of Business
McMaster University
Hamilton, Ontario, Canada, L8S-4M4
phone: 905 - 525-9140 ext. 23967
fax: 905 - 521-8995
e-mail: bartck@mcmaster.ca

and

Simon Taggar
Faculty of Business
Memorial University of Newfoundland

A Causal Model of the Impact of Mission Rationale, Content, Process and Alignment on Firm Performance

ABSTRACT

How does an organization's mission end up impacting financial performance - if at all? What are the important elements in the process, if any? In this study, the relationship between mission and organizational performance was modeled by drawing on previous research and on interviews with 15 senior managers. The model was then tested with data from 71 large Canadian and US organizations.

We found that mission statements can affect financial performance, however, not as one might have anticipated initially. Several mediating elements were observed to exist. For instance, "satisfaction with the mission content" and the "degree to which an organization aligns its internal structure, policies and procedures with its mission" were both found to directly impact our measure regarding the "degree to which the mission influences employee behavior." It was this latter variable which was observed, in turn, to have the most direct influence on financial performance.

Mission statements abound. In fact, in an annual study by Bain and Company (1996) of the top 25 management methods and techniques deployed by senior managers all over the world, mission statements have been consistently shown to be the "top rated management tool" during each of the past 10 years. There is good reason for their popularity. Mission statements are reputed to provide the critical starting point for practically all strategic initiatives. They are intended to motivate (and in so doing, control) the behaviors of organizational members toward common organizational goals (Campbell, 1989 & 1993; Collins & Porras, 1991; Daniel, 1992; Germain & Cooper, 1990; Javidan, 1991; Ireland & Hitt, 1992; Klemm et al., 1991; King & Cleland, 1979; El-Namaki, 1992; Wilson, 1992). They are supposed to provide a context for strategy (Thompson & Strickland, 1992, 1996; Wheelen & Hunger, 1992; Hill & Jones, 1992; Millar & Dess 1996; Hitt, Ireland & Hoskisson, 1995) and they should be the ultimate reference point in making critical resource allocation decisions (Ireland & Hitt, 1992; King & Cleland, 1979).

Nevertheless, while managers and academics make frequent mention of their importance (Byars, 1984, 1987; Campbell, 1989 & 1993; Campbell & Yeung, 1991; David, 1989, 1993; Germain & Cooper, 1990; Thompson & Strickland, 1992, 1996; Wheelen & Hunger, 1992; Hill & Jones, 1992; Millar & Dess 1996; Hitt, Ireland & Hoskisson, 1995; Klemm et al, 1991), only a modicum of empirical research has been completed on mission statements during the past twenty-five years. As a result, very little is known about their impact on organizational practices, employee behavior and, most importantly, on the financial performance of organizations. For the most part, the historical literature has tended to focus on identifying the critical dimensions of mission content and mission process. More recently, there have also been some tentative and exploratory initiatives conducted in terms of relating various dimensions of mission (e.g., "satisfaction with the mission content", "degree of stakeholder involvement in the mission development process") to organizational performance. This has lead to the beginning of some convergence with respect to our understanding of management practices within both US and Canadian firms. Nevertheless, many details are still lacking. In particular, a clear understanding of the *balance* between critical mission variables and their overall relationship to financial performance does not exist. The various interactions among the primary, secondary, and intermediary variables have also not been adequately modeled or empirically tested.

The purpose of this study was to investigate the indirect relationships between selected mission characteristics and firm performance. By building on prior research efforts and through interviews with 25 senior managers, this project developed and tested a model of the impact of a set of mission variables on firm success/failure. The findings show the relative weighting of the mission variables and how they contribute to success. Hopefully, the model that we developed advances our knowledge with respect to *successful* mission statements and provides some insights into the dynamics of successful mission development practices and processes.

Mission Statements

A mission statement is typically defined as a formal written document intended to capture an organization's unique and enduring purpose (Bart, 1996a, 1996b, 1997a, 1997b, 1997c; Bart

& Baetz, 1998; Baetz & Bart, 1996; Byars, 1984 & 1987; Campbell, 1989 & 1993; Campbell & Yeung, 1991; David, 1989 & 1993; Germain & Cooper, 1990; Ireland & Hitt, 1992; Klemm et al, 1991; McGinnis, 1981; Medley, 1992; Pearce, 1982; Pearce & David, 1987; Want 1986). In its most basic form, mission statements should answer some fairly simple and fundamental questions: "why do we exist; what is our purpose; what are we trying to accomplish?" They are also regarded as the critical starting point for almost every major strategic initiative and considered *de rigeur* in initiating most modern management practices (such as, TQM, re-engineering and self-directed work teams).

Mission Statement Purpose and Content

According to Bart (1996a), "the importance and impact of having a mission statement has been cited by many researchers in terms of both (a) ***motivating and controlling*** employees toward common organizational objectives; and (b) guiding the ***resource allocation*** process in a more focused manner" (p. 480 – emphasis added). Although the purpose of a mission statement may be to activate moribund employees and/or to more effectively allocate scarce resources, the exact content of a mission statement appears to be highly in dispute. Bart (1997b), for example, found that, in a review of the prior literature, there were up to 25 components which others had identified as possibly being part of a firm's mission. He claimed that there were two reasons for this large list. The first was that previous researchers had, for the most part, failed to build upon earlier mission content categorizations - opting instead simply to present their own survey findings, interpretations and labels. The second reason Bart identified for the growing proliferation of mission statement components was that there had been, to date, no formalized attempts to relate various mission content categories to organization performance. As a result, managers would be hard pressed to find any prescriptions indicating which components "made a difference" and therefore which ones should be included in (or excluded from) their mission statements.

Intermediate Outcomes

Several recent research studies have influenced the model to be proposed here (Bart, 1996a, 1996b, 1997a & 1997b; Bart & Baetz, 1998; Campbell, 1989 & 1993; Campbell & Young, 1991). Each of these research projects, however, has dealt with the relationship between selected mission characteristics and firm performance from a slightly different perspective. In a study of 75 organizations, for instance, Bart (1996a) found that the presence of certain "behavioral standards" written in the mission statements of "innovative" organizations had a significant positive association with the actual practice of those behaviors. Interestingly, while those practiced behaviors were also observed to be significantly and positively associated with a firm's new product sales (expressed as a percentage of total sales), there was no direct relationship found between mission statement content (i.e., the behavioral standards specified in the mission) and organization performance.

In contrast, Campbell (1989 and 1993) and Campbell & Yeung (1991) reported that the behavioral standards specified in the mission statement of British Airways had "dramatically changed the performance of the airline" (p. 20). Their measures and assessment of performance, however, tended to be fairly qualitative in nature.

In a subsequent study, Bart (1996b) discovered that both the "content of mission statements" (measured in terms of 15 behavioral items) and ten possible "rationales driving the formation of mission statements in the first place" varied significantly between high-tech and low-tech organizations. As before, Bart observed that a high-tech firm's choice of mission statement content and rationale appeared to be significantly and positively associated only with selected measures of "member behavior" (and virtually none-at-all with respect to financial performance):

> "Despite the rhetoric which accompanies most descriptions on mission statements and the reasons for their use, the evidence seems pretty clear cut. The linkage between mission statements and firm performance is neither specific nor direct." (Bart, 1996b, p. 222)

Thus, the impact of mission on performance is now believed to be much more indirect - occurring, instead, through the intermediary variable of "firm member behavior."

Mission Statements & Financial Performance

The relationship that mission statements vis-a-vis organizational member behavior, has subsequently been confirmed in several follow-up studies. However, our understanding of the complex connection between mission statements and selected measures of financial performance is also becoming clearer. For example, Bart & Baetz (1998), studied selected mission content components (and other characteristics) of 136 Canadian corporations and found that the association between the organization's mission and various performance outcomes (i.e., ROS, ROA, percentage change in sales and revenues, and influence on employee behavior) was strongest in terms of their measure for "mission influence on employee behavior." Their research also introduced three variables (i.e., "satisfaction with the mission statement," "satisfaction with the mission development process," and "mission-organizational alignment") as potentially important antecedents to individual behaviors as well as selected financial performance outcomes. Indeed, the authors observed that the degree to which an organization aligns its structure, systems, and procedures (a moderating variable) with its mission, represented one of the most powerful, positive, and most pervasive relationships with financial performance.

To further illustrate the point, Bart (1997a) found that, in a sample of 44 industrial organizations, success (measured in both financial performance and behavioral terms) was positively associated with (a) 16 out of 25 possible mission statement components and, (b) six out of 10 mission statement "drivers" or "rationales." The issue of causality, however, was not resolved. Bart remarked that:

> "(it was not altogether clear whether) the observed differences in performance (were) the result of a particular mission component's inclusion or exclusion, or (whether) the decision to include or exclude a mission component (was) the product of a firm's financial performance" (p. 10).

Dealing with the issue of causality was, therefore, considered to be an important issue in any future research endeavors - and was central to the current research project.

Finally, Bart (1997b), decided to test the relationship between 20 mission statement components (e.g., statement of values, purpose, distinctive competence, desired competitive position, concern for stakeholders) and the antecedent variable of "satisfaction with the mission" in 88 US and Canadian corporations. He found that there were 12 significant and positive correlations between managers' satisfaction with their mission statement and the degree to which certain components were included (or "clearly specified") in their mission. Interestingly, these same relationships were often observed to be at odds with their "frequency of use," (i.e., some high-use mission components were found to have no relationship with mission satisfaction while other "low-use" components were observed to have strong correlations). This study also confirmed that a significant and robust set of positive relationships existed between several other intermediary or moderating variables, namely:

a) the degree to which various stakeholders (e.g., employees, shareholders, customers) were involved in the mission development process and "satisfaction with the mission development process"; and,

b) the degree to which various organizational variables (e.g., reward system, budgeting system, training and development procedures, etc.) were aligned with the mission and "perceptions of success in achieving the mission".

Thus, the findings to date suggest that the failure of others to find a relationship between mission and performance (e.g., David, 1989; Coats et al., 1991; Klemm et al. 1991; Wilson, 1992) probably has a considerable amount to do with both the choice of variables selected for investigation and the need to understand the inter-actions and inter-relationships among them.

The Research Model

Utilizing the research results to-date, a causal model was developed to guide the present research investigation. Figure 1 illustrates the theoretical model and the specific hypotheses tested. This model also represents an extension of the research carried out by Bart in that it includes the concept of *"member commitment"* - or, the degree to which organizational members "volunteer their hearts" to the aims and methods embodied in the mission. This variable was added to the model based on interviews with 15 managers conducted in preparation for this study. It is thought that "commitment to mission" mediates the relationship between satisfaction with the mission statement and employee behavior. In all other respects, the interviews supported the literature and the research model.

Figure 1 here

Mission rationales. Figure 1 presents the two principal rationales (i.e., "mission as employee motivator" and "mission as guide to resource allocation") that ultimately drive the content and satisfaction with the mission statement (especially its "ends" and "means") (Bart, 1996a, 1996b, 1997a & 1997b). However, there are two lines of thought on the sources of influence that lead to the creation of missions. One view is that the there is no single rationale to which one can point as the real driver of the mission. Rather, the mission is simply created based on some "notion of need" and that the resultant surplus/deficit of words in the mission occurs because there are no systems or procedures available to constrain or shape the managers' efforts. However, another view, one supported by the managers interviewed for this study, is that organizations actually develop mission statements based on a set of governing criteria or rationales. We support this latter view and argue that the clearer managers are about their motives while creating the mission statement, the clearer their mission statement's content and focus.

The stuff in between. Whatever the mission eventually developed, the content of the emergent statement (i.e., the specificity of its "ends" and "means") has been shown to be strongly associated with both the reported *level of satisfaction with the mission* (H:7 and H:6; Bart, 1997b) and the reported *degree of mission-organization alignment* (i.e., the degree to which a firm's policies systems and procedures support, reflect and facilitate the achievement of the mission - H:5 and H:8 -- Burns & Stalker, 1961; Bart, 1986; Galbraith & Kazanjian, 1986; Bart & Baetz, 1998; Bart, 1997b).

The degree of organizational alignment with the mission should influence the behavior of firm members (H:9; Bart & Baetz, 1998). However, employee behaviour is also influenced by how satisfied and commited people they are to organizational objectives. Sonia, Ratner & Crawford, (1997) linked employee satisfaction and commitment to organizational goals. Mottaz, (1997) suggests increased satisfaction is a precusor to commitment. Commitment to organizational goals is one impetus for employees to change their behaviour (Mokaden, 1994; Kim, Price, Meuler and Watson, 1997; Nan-Lange, Rusbult, Drigotoss, Arriaga et. al., 1996), There is also strong evidence for the view that individual behavior is not directly influenced by "satisfaction" (Iaffaldano, & Muchinsky, 1985; Hom, & Griffeth, 1995). Nevertheless, job satisfaction is a useful indicator of the condition and effectiveness of many organizational polices and practices (Hamner & Smithy, 1978; Getman, Goldberg & Herman, 1976; Mirvis & Lawler, 1977). Our current thinking is that it is commitment - as opposed to satisfaction - which is the real driver of behavior. This view was also expressed by managers in our interviews who stated that where individuals disagree with the content of a firm's mission (i.e., its ends and its means) they are unlikely to commit personally to it and to follow its directives - which, as it turns out, is one of the primary rationales for having a mission in the first place.

We hypothesized that: (a) satisfaction with the mission should affect the degree of commitment toward the mission (H:10); (b) that commitment should influence member behavior (H:11); and (c) that actual members' behavior is the variable which ultimately leads to and creates a firm's financial performance results (H:12).

The mediating factors in the model proposed in Figure 1, therefore, are two mission statement content dimensions (i.e., ends and means) and four intermediate outcomes (i.e., mission/organizational alignment, mission satisfaction, mission commitment, and member behavior). These variables suggest a more complex relationship between mission and financial performance than previously anticipated.

Research Method

Sample

A survey was conducted of 88 managers and supervisors from a random selection of some of North America's largest industrial and service companies. Initial letters were sent and followed up with personal telephone calls. We continued to call the firms until a response was received. A response was received from all contacted firms. After removal of firms that reported not having a mission statement and listwise deletion of missing data values, 79 firms were left for analysis. Of the respondents, 43% were Chairs, CEOs, Presidents or General Managers, 30% were Vice Presidents, 9% were directors, 6% were managers and 12% were in the "other" category (supervisors, line managers, etc.). Thus, most of the sample was made up of senior managers. As informants, senior management is most able to recognize the relative importance of organizational changes, be they performance, or strategy related (Glick, Huber, Miller, Doty & Sutcliffe, 1990). Our tests did not detect significant intra-group variations.

The final sample was made up of manufacturing organizations (52%), service organizations (35%) and organizations that categorized themselves as both manufacturing and service firms (14%)[1]. The average firm studied had assets of about $3 billion, firm profits of about $59 million and revenues of $2.9 billion.

In addition, 25 executives, different from the ones sampled above, were interviewed in order to confirm the model. These executives were randomly selected from a list of Fortune 500 companies.

Measures

The dimensions of the constructs studied here were based on (i) earlier exploratory interviews conducted to develop Figure 1 and (ii) a literature search for those items which met the description of the dimensions of interest. Respondents expressed their views concerning each construct's dimensions using a variety of scales. These scales, in turn, were developed from items successfully used in previous investigations and studies for its measurement. Where multiple item scales were used for a construct, the scales were refined using confirmatory factor analysis.

Table 1 summarizes the results of the confirmatory factor analysis (first stage of the

[1] Sample size was too small to test separate models for manufacturing firm, service firms and manufacturing and service firms.

modelling procedure) on the initial measurement model. Each variable appears under each factor along with a factor loading and t-test statistic. Factor loadings in Table 1 show that the measurement model for each construct performed well. For instance, all the factor loadings are higher than 0.41 and statistically significant (p < 005). Factor loadings at the 0.40 level and above are routinely used in the social sciences (Ford, MacCallum, & Tait, 1986). Thus, all factors appeared adequate for use in the second stage of the modelling procedure.

A more complete description of the measures ultimately used for each construct and/or variable in Figure 1 follows.

Insert Table 1 about here

Mission statement rationale. Items that we used to assess mission statement purpose were (1) "the extent to which the organization's mission statement was developed to motivate/inspire organization members," and (2) "the extent to which the organization's mission statement was developed to provide a basis for allocating resources" (Bart, 1996b; Bart, 1997b). Responses were made on a five-point scale ranging from 1 (not at all) to 5 (to the greatest possible extent).

Mission statement purpose. Two macro mission statement content "groupings" were identified:

1) the outcomes desired by the organization (i.e., the "ends"); and,

2) the means of achieving the desired outcomes (i.e., the "means").

Mission statement content items were selected from the list provided by Bart (1997b). Desired outcomes (i.e., "ends") were the sum of scores on the items: (1) general corporate goals, (2) non-financial objectives, (3) specific financial objectives, and (4) desired competitive position. The methods of achieving the desired outcomes (i.e., "means") were measured by adding scores on the items: (1) distinctive competence, (2) competitive strategy, (3) technology defined, (4) location of business, (5) specific products offered, (6) specific markets served, (7) concern for customer satisfaction, and (8) concern for employee satisfaction. Responses for both "ends" and "means" were made using a three point scale as follows: 1 (not included as part of the mission statement); 2 (somewhat included in the firm's mission statement); 3 (clearly specified as part of the firm's mission statement). A complete listing of this construct's psychometric properties is outlined in Table 1.

Intermediate Outcomes

Alignment. The extent to which each organization aligned its internal organizational arrangements with its mission was measured by the items: (1) operating planning system, (2) budgeting system, (3) performance evaluation criteria, (4) system of rewards, (5) recruitment/selection systems, and (6) training and development systems. The respondents' perceptions concerning the degree of alignment for each item was measured using a five-point scale ranging from 1 ("not at all") to 5 ("to the greatest possible extent"). The alignment construct was operationalized as the aggregate of the individual alignment scores on each of the six items. A complete listing of this construct's psychometric properties is outlined in Table 1.

Satisfaction. Satisfaction with the mission statement was measured by adding scores on three items: (1) satisfaction with the clarity of the mission statement, (2) satisfaction with the process used to generate the mission statement, and (3) satisfaction with having the right mission. Responses were made on a ten-point scale ranging from 0 ("very dissatisfied") to 9 ("very satisfied"). Satisfaction was computed as the aggregate of the scores on each item. This construct's psychometric properties are listed in Table 1.

Commitment. Commitment was measured by a single item that asked "to what extent are individuals throughout the organization committed to achieving the mission?" A ten-point scale ranging from 0 ("not at all") to 9 ("to the greatest possible extent") was used to collect responses.

Behavior. Lastly, respondents were asked to identify the extent to which their organization's current mission statement influenced their own behavior and the behavior of individuals throughout the organization. Responses to these two items were made on a nine-point scale ranging from "not at all" (1) to "to the greatest possible extent" (9). The correlation between the two items was 0.64.

Relative Financial Performance

To measure performance, we utilized each company's published reported financial results, for the period 1990-1994, specifically: return-on-sales (McDougal et. al., 1994; Brush & VanderWerf, 1990), and return-on-assets (David, 1989; Roth & Ricks, 1994). While firm performance can be measured according to many different methods (which, in turn, reflect the priorities of the company), we selected our financial measures on the basis of those to which analysts and managers pay the most attention (Venkatraman, 1989). They are also among the ones most frequently used in academic assessments of performance (e.g., Brush & VanderWerf, 1990). The two variables correlated at 0.73.

Structural Equation Method

Structural equation analysis is by definition a hybrid of factor and path analysis. A common approach to estimating the structural equation model is that recommended by Anderson & Gerbing (1988)[2]. They distinguish between the measurement model and the structural model. The measurement model specifies the indicators (items on the questionnaire) of each construct, and assesses the reliability of each construct for use in estimating the causal relationships in the structural model[3]. The structural model is the set of one or more dependent relationships linking the model constructs. A latent variable model may not fit the data due to errors in the measurement model and/or errors in the structural model, so Anderson and Gerbing (1988) suggest a two-step process where the fit of the measurement model is first established and then the fit of the full model (measurement and structural) is evaluated. Maximum-likelihood Lisrel 8 (Joreskog & Sorbom, 1993) analysis was used.

Fit statistics. Lisrel 8 produces several statistics that show the degree to which the input data fits the theoretical model. Although chi-square (χ^2) is sometimes used as a fit statistic, it is sensitive to sample size[4], departures from the multivariate normality assumption, and the model's

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[2] Hoskisson, Johnson and Moesel (1984) provide a more detailed example of the two-step process.
[3] The measurement model is similar in form to factor analysis; the major difference lies in the degree of control provided by the researcher. In factor analysis, the researcher can only specify the number of factors, but all variables have loadings (i.e., act as indicators for each factor). In the measurement model, the researcher specifies which variables are indicators of each construct, with the variable having no loadings other than those on its specified construct.
[4] An important caveat to keep in mind in drawing conclusions from our analysis is the size of the data set associated with the tests reported. Because of unavoidable constraints and missing data, our data set was small at 79 firms.

complexity (Baggozi & Yi, 1988, Bentler & Bonnet, 1980; Bearden, Shubhash & Teel, 1982; Oliver & Bearden, 1985). Accordingly, in recognition of these problems and as recommended by Bollen (1990), we report several other fit measures: the goodness-of-fit index (GFI) developed by Joreskog & Sorbom (1984), the comparative fit index (CFI; cf. Bentler, 1990), Bentler's normed fit index (NFI) and non-normed fit index (NNFI; Bentler & Bonnet, 1980).

RESULTS

Table 2 reports means, standard deviations, and correlations of the latent constructs[5] used in the Lisrel analysis. All interfactor correlations above 0.40 reflect the hypothesized paths in our model.

Insert Table 2 about here

The theoretical model fit the data without conditional codes[6] or other signs of mis-specification. Although the overall chi-square was significant ($\chi^2 = 54.81$, $df = 23$, $p>0.05$), as might be expected with this statistic's sensitivity to sample size (Baggozi & Yi, 1988). All the other fit indices (Goodness of Fit Index = 0.84, Comparative Fit Index = 0.99, Normed Fit Index = 0.98 and Non-Normed Fit Index = 0.98; Table 3) were within acceptable ranges and showed the model accounted for a substantial amount of variance. Hence, the model was a reasonable

[5] Intrafactor correlations are available from the second author.
[6] Conditional codes indicate problems in the estimation process. This may be due to linear dependencies between parameters or problematic boundary parameters and may cause difficulty in the interpretation of results. See Bentler (1989) for a detailed description.

representation of the data. Modification indices did not suggest freeing any paths. Since the theoretical model is supported, it was used to test the hypotheses. Table 3 reveals that all 12 paths/hypotheses are significant at conventional levels ($p<0.05$) and therefore all hypotheses are supported.

Insert Table 3 here

DISCUSSION

In this study, we have identified the important elements required for a mission to have an impact on financial performance. Our study is the first attempt to look at how these elements might be integrated. In particular, the results reveal: (a) the relative importance of the model's constructs on firm performance; (b) the importance of path analysis in providing new insights into the role and impact of various mission statement components; and (c) the comprehensiveness of the undertaking required for a mission to be successful. Failure on one of the intermediate elements in Figure 1 (alignment to mission, employee satisfaction and commitment to mission, behavioural change) can jeopardize the success of the whole mission. Cultivation of each element, on the other hand, will improve the chances of a positive outcome. Our results point to the criticality of using a holistic strategy to mission implementation (cf. Stajkovic and Luthans, 1997).

Mission rationales. It was comforting to find that both mission rationales (motivating employees and allocating resources within the organization) played a significant and leading role in the connection between mission and performance. It shows that most of the anecdotal commentaries on the importance of mission rationales are grounded in reality.

It was particularly interesting to see the relative strengths of both mission rationales relative to our two mission content factors ("ends" and "means"). Each had a fairly strong and positive influence on mission content. The results, however, were not uniform. They showed a weaker linkage in terms of the connection between both mission rationales and content "means". This finding, though, appear to make sense - at least intuitively. In other words, when managers seek to inspire their employees, they do so through their choice of goals - or their vision - not through their definition of the business or technological emphasis. And when they wish to signal organizational preferences with respect to how resources should be allocated, they appear to favor highlighting those preferences though the specification of "ends" rather than "means". Perhaps, this is to avoid confusing lower level employees with too many "signals". Or, perhaps, it is the way that managers allow employees throughout their organization to exercise their personal creativity and ownership of high-level organizational goals. In addition, in an era of large, diversified and global corporations (which all of the firms in this sample appear to be), it may be too much to ask of any mission statement to specify all the "hows" or "means" that apply universally in the pursuit of organizational ends. If employees manage to keep their sights on the "big goals", i.e. to stay focused, then senior management has probably accomplished one of its important, if not its most important, responsibility.

In any event, the findings still demonstrate that, with respect to allocating resources, organizational members need guidance (re direction, goals and other rules of the game). To provide this, a good deal of care needs to be taken in terms of specifying both the ends and, where appropriate, the means up front. Not any words will do. In fact, the more precise the better. The result of such an exercise is that firm members come away with a clearer picture of what the firm is really trying to do and then they can allocate their time and their budgets accordingly.

Unfortunately, time and space does not allow for a full discussion on how the two rationales influence the content of mission statements in terms of their specific components (i.e., goals, business definition, technology specification etc.) We will address that topic in another paper.

Mission content (ends). Identifying and specifying the major goals and objectives in the mission statements was a powerful and important construct in our model. The findings indicate that specification and clarity of mission ends influence and impact the degree of organizational alignment and employee satisfaction with the mission.

The results that we obtained with respect to the impact of "mission ends" on "mission satisfaction" support the notion that individuals really do care about their organization's choice of goals. Not any target (or set of noble sounding words) will do. Moreover, employees are able, somehow, to distinguish reality from rhetoric and to the extent that a mission statement represents a pack of falsehoods and lies, it will show up first in measures of employee satisfaction - and ultimately in measures of firm performance.

The results obtained with respect to mission ends and organizational alignment are also important because they confirm the long established finding from previous research that a powerful and positive relationship exists between an organization's strategy and its internal structure; that the choice of ends (or goals) influences the way in which an organization will set up its structure, rewards, hiring practices etc. For instance, its is generally accepted that growth oriented strategies require organizational structures different from those firms more interested in pursuing short-term profit maximization. The results that we obtained would suggest that similar arguments could be made with respect to the strategic priorities reflected in a firm's mission.

Mission content (means). Given our earlier discussion above on the well established relationship between strategy and structure, it was somewhat surprising to find that only a very weak relationship existed between mission content (means) and organizational alignment. This may be because, at the level of the mission statement, such proclamations may be too abstract to be pragmatic. They may provide no practical direction for strategic business units. Thus, the findings of this study suggest that managers' interests would be better served if they were to confine their efforts to creating an organizational alignment with their mission's ends and not its means. In other words, this is this relationship which will yield the greater impact on performance. The fact that "mission means" positively influences "employees' satisfaction with the mission" is consistent with our earlier discussion on "mission ends and satisfaction" and needs no further commentary here.

Mission alignment, behavior, satisfaction and commitment. The result which did not surprise us, however, was the relatively strong impact that mission alignment apparently had on employee behavior. Previous research is fairly clear about the strong and robust association which is known to exist between these two constructs (Bart, 1997b; Bart & Baetz, 1998). Our findings, therefore confirmed that - as expected - both a positive and significant relationship existed between mission alignment and behavior i.e., that greater mission-organizational alignment produces missions which have a significant and positive influence on employee behavior..

Similar results were obtained with respect to the relationship between mission satisfaction and commitment. It is to be expected that the more employees are satisfied with the mission, the more they will be committed to it. The nature of the relationship which we observed (i.e., significant and positive) was the strongest in the model.

The relationship between commitment and behavior was equally interesting. As noted above, the influence of mission statement satisfaction on employee commitment appeared to be fairly strong. However, the extent to which a mission statement actually influences performance behavior appears to lose a lot of its power in the commitment-behavior path of the model. In other words, a lot of satisfaction with the mission statement appears to deliver only a lot of commitment. But a lot of commitment to the mission seems to produce only a modest amount of influence on behavior. Thus, employee commitment serves to "decelerate" the impact of mission on behavior that was "gained" as it passed through the mission satisfaction construct.

Finally, employee behavior was also found to have a significant and positive impact on performance - i.e. the more that company mission influenced employees' behavior (i.e., to act in a way which was consistent with the dictates of the mission), the greater the financial performance.- but, only to a modest extent. Nevertheless, these results are very much consistent with the earlier findings obtained by Bart (1996a) in which he found that the more employees practiced certain "innovative behaviors", the greater the innovativeness of the firm (measured in terms of new product sales).

Conclusions

This study has shown that mission statements impact financial performance. However, for a mission to be successful there are several provisos. Ultimately, for the mission to impact financial performance it must have the proper rationale, strategic direction (sound goals and objectives), organizational alignment and bring about sufficient behavioral change in the desired direction.

The path model which we developed and tested offered the best opportunity to date to understand the relative influence of the intermediary mission-related variables on firm performance. As a result, we now know the role that these variables play in the process.

When well conceived and handled, mission statements are supposed to harness employees' energies and focus company resources. But, the current research has demonstrated that they can not do this by themselves. To get the maximum impact out of a firm's mission requires that a number of moderating or intermediary variables be properly managed. Only when employees "feel the heat of the mission" or have "a sense of mission", will they execute and implement it with profound passion and resolve - two ingredients which cannot be bought but which every employee posseses. To the extent that employers can manage their missions wisely, they will capture these most elusive - yet highly prized - dimensions of high performance organizations. We hope that this research has helped shed some light on how organizations can identify and nurture these qualities for themselves.

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 I performed Herman's one-factor test on the questionnaire measurement items (cf. Scott & Bruce, 1994; Konrad & Linnehan, 1995). A principal components factor analysis yielded 17 factors with eigenvalues greater than 1.0 that accounted for 75 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 25 percent), a substantial amount of common method variance does not appear to be present (Podsakoff & 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 impact. 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 & Feldman, 1981; Podsakoff & Organ, 1986), we do not perceive such bias to be a major concern for this study. Following previous research showing anonymity reduces social desirability bias in studies of sensitive topics (cf. Konrad & Linnehan, 1995), we designed and implemented a survey to guarantee respondent's anonymity. The topic of investigation, although strategic was not though to be so highly sensitive as to be likely to prompt responses that would present the respondent or organization in a favorable light. In addition, much of the information obtained was not deemed highly confidential. The eagerness and candor of the 22 executives that were interviewed in this study supports this view. However, the occurrence of such bias cannot be totally ruled out.

Future Research

Organizational interventions may have greater impact in manufacturing firms than they do in service organizations (Stajkovic and Luthans, 1997). In this study, the sample size was too small to determine whether the model tested here is applicable equally to firms in different industrial settings.

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Table 1. Measurement Items and Measurement Validation

	Item-Construct Loadings	T- test
Outcomes Desired by the Organization (ends): NFI = 0.94 NNFI = 0.93 CFI = 0.98 GFI = 0.98		
(1) general corporate goals	.60	4.59
(2) non-financial objectives	.75	5.49
(3) specific financial objectives	.51	3.88
(4) desired competitive position	.41	3.11
Means of Achieving the Desired Outcomes (means): NFI = 0.91 NNFI = 0.95 CFI = 0.97 GFI = 0.90		
(1) distinct competence	.55	4.88
(2) competitive strategy	.65	5.95
(3) technology defined	.59	4.65
(4) location of business	.41	8.42
(5) specific products offered	.42	8.59
(6) specific markets served	.69	6.89
(7) concern for customer satisfaction	.48	4.10
(8) concern for employee satisfaction	.55	4.82
Alignment: NFI = 1.00 NNFI = 1.00 CFI =1.00 GFI = 0.98		
(1) operating planning system	.70	6.88
(2) budgeting system	.76	7.73
(3) performance evaluation criteria	.93	10.52
(4) system of rewards	.86	9.32
(5) recruitment/selection systems	.83	8.86
(6) training and development systems	.74	7.36
Satisfaction: NFI = 1.00 NNFI = 1.00 CFI =1.00 GFI = 1.00		
(1) satisfaction with the clarity of the mission statement	.91	8.43
(2) satisfaction with the process used to generate the mission statement	.77	7.02
(3) satisfaction with having the right mission	.62	5.56

Table 2. Correlation Matrix and Descriptive Data for the Latent Constructs of the Theoretical Model

	1	2	3	4	5	6	7	8	9
1. Motivation	1.00								
2. Allocation	.32***	1.00							
3. Ends	.40***	.39***	1.00						
4. Means	.47***	.44***	.25**	1.00					
5. Alignment	.34***	.22*	.49***	.42***	1.00				
6. Behaviour	.34***	.19*	.20*	.16*	.55***	1.00			
7. Satisfaction	.29**	.12	.37***	.48***	.24*	.59***	1.00		
8. Commitment	.31**	.10	.29**	.25**	.26**	.68***	.52***	1.00	
9. Performance	-.06	.16	.22*	-.06	.14	.29**	.07	.10	1.00
Mean	3.70	3.11	29.48	21.65	34.48	11.07	16.94	6.29	2.62
Standard deviation	1.23	1.26	6.69	4.29	9.60	2.10	4.02	1.61	13.16

N= 71, *p<.05 **p<.01 ***p<.001, two-tailed.

Table 3. Path Coefficients, Total and Indirect Effects on Firm Performance: Structural Equations Modelling Results for the Theoretical Model

Hypothesis	Description of Path			Expected Direction	Path Coefficient[a]	T-statistic
1	Purpose is to motivate	➔	desired ends	+	.68	4.92
2	Purpose is to motivate	➔	means to desired ends	+	.49	3.02
3	Resource allocation	➔	desired ends	+	.63	4.67
4	Resource allocation	➔	means to desired ends	+	.40	2.54
5	Desired ends	➔	allignment	+	.47	4.42
6	Means to desired ends	➔	satisfaction with mission	+	.40	4.97
7	Desired ends	➔	satisfaction with mission	+	.50	6.31
8	Means to desired ends	➔	allignment	+	.19	2.09
9	Allignment	➔	behaviour	+	.45	3.92
10	Satisfaction with mission	➔	commitment to mission	+	.70	7.33
11	Commitment to mission	➔	behaviour	+	.51	6.19
12	Behaviour	➔	firm financial performce	+	.39	2.99

Overall Fit Indices

Goodness-of-fit index (GFI)	.84
Comparative fit index (CFI)	.99
Normed fit index (NFI)	.98
Non-normed fit index (NNFI)	.98

[a] All significant at $\alpha = 0.05$.

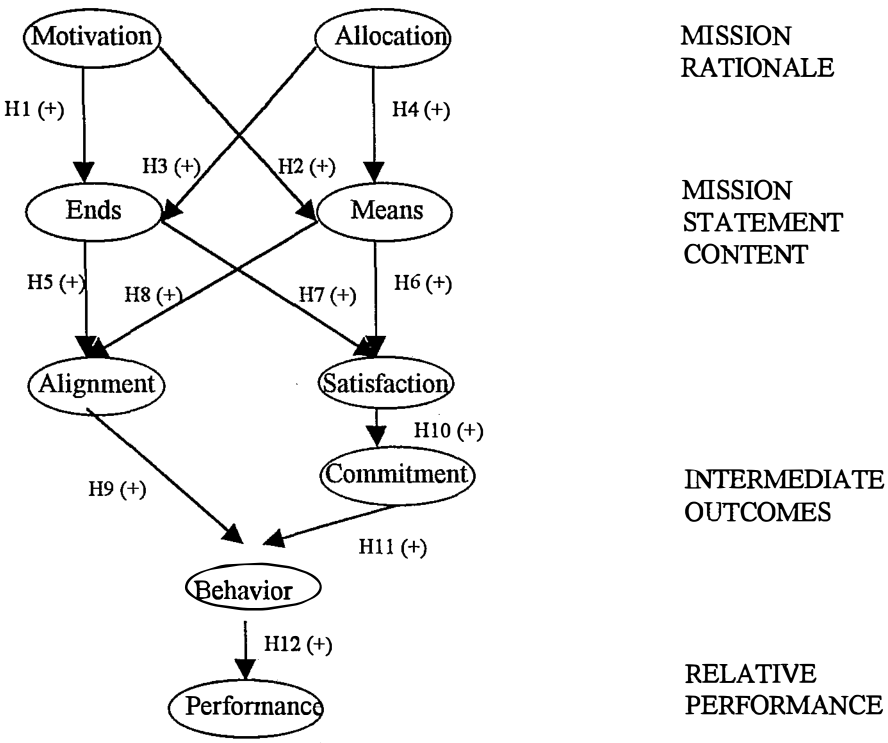

Figure1. Theoretical Model of the Relationship between Mission and Financial Performance

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