DOES MISSION MATTER?

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ABSTRACT

This article examines the performance impact of mission statements using a sample of 136 large Canadian organizations. Previous writings suggest that mission statements are essential for superior organizational performance results. However, there is little empirical evidence to support this claim. In contrast, the data from the present study demonstrate that mission statements per se may be of little value. The findings suggest that there are other critical considerations which need to be taken into account before a mission can have any real impact.
DOES MISSION MATTER?

The nature of the relationship between a company's formal mission statement and firm performance has been assumed by many researchers, consultants and managers for years. Interestingly, the question of whether a formal mission statement results in positive performance has not been extensively investigated in the literature of the past twenty years and has received only cursory mention in a few studies.

Mission, therefore, is still a relatively uncharted area of management. This is somewhat surprising for it is impossible to pick up a standard text on strategic planning or business policy without some reference to the virtues or importance of having a well developed mission statement. However, if the observed relationship between mission and performance is weak, then it should cause both academics and practitioners to re-think their previous positions on the need for having such a statement. Indeed, considering the amount of time and effort that usually goes into producing a mission statement, most practitioners would probably cheer at the prospects of not having one. (And those consultants who specialize in helping firms develop mission statements would probably cry!)

The purpose of this article is to show the results of an ongoing research project into the usefulness and impact of formal mission statements on company performance. The article begins with a brief discussion on the previous research concerning mission statements. The second section presents the research questions and hypotheses of the study. The third section outlines the research design while the fourth section summarizes the results. The final section provides a discussion of the results as well as implications for managers and academics.

PREVIOUS ASSERTIONS OF THE MISSION LITERATURE

Most of the previous research on mission statements has been devoted to analyzing their content and characteristics. A common observation from these studies is that considerable diversity exists regarding the composition of actual mission statements and academics' pronouncements concerning their theoretical ideal. There appears to be virtually no consensus as to what mission statements should or should not include i.e. amount of detail/length, quantity and type of goals, stakeholder groups, statement of values/philosophies, business definition, identification of customers/customer groups, etc.)! A major reason for this appears to be the fact that no previous studies have attempted to link the specific content and component parts (or characteristics) of mission statements with various performance indicators such as, sales, profits, return, growth or employee behavior impact.

Relatively little is also known about the frequency with which formal mission statements are employed. With only a handful of empirical studies, both confusion and contradiction exists between various authors' assertions concerning the degree to which mission statements are utilized and the reported facts. For example, Coats et al. (1991) and Collins et al. (1991) suggest
that mission statements abound in most corporations - especially the "truly great ones". This assertion is supported by the research of Klemm et al., (1991) who found that 67 percent of the companies in their UK study had formal mission statements. Similarly, Pearce and David (1987) also found that approximately 60 percent of the US firms in their sample had mission statements. Interestingly, a relatively more recent study by David (1989) reported that only 41 percent of his responding CEOs stated that their organization had a formal mission statement drawn-up while 59 percent reported that they did not have one at all. Ireland & Hitt (1992) have also claimed that mission statements have not been developed in many organizations. Thus, the perceived importance of mission statements appears to vary considerably among corporations.

A major shortcoming of the mission literature, however, is that very little is known empirically about the actual (as opposed to the perceived) effectiveness, overall usefulness and performance impact of mission statements. In other words, does the existence of a formal mission statement within a company, by itself, make a difference in terms of firm performance? To be sure, there are many reasons put forward by numerous authors in support of having a well articulated mission statement. The two principal benefits frequently mentioned include: (1) better staff motivation/management control toward achieving a common organizational purpose i.e. having organizational members embrace/accept company objectives, philosophies, values and intentions as their own; and (2) a more focussed/improved allocation of organizational resources. Neither of these performance benefits, however, has been measured directly in any previous studies.

Interestingly, there are a few articles which attempt to explain why firms might be justified in not having a mission statement in the first place. Klemm et al., (1991), for example, states that it simply may not be appropriate for a company to have a mission statement when it is a diversified conglomerate or holding company since there may be problems in developing consensus for such a wide spectrum of activities. Similarly, David (1989) claims that the question of defining a company's business can prove to be too difficult a task for a company's senior management to resolve when developing a mission statement. Ireland & Hitt (1992), however, provide the most extensive list and cite nine reasons (or "excuses") which companies might employ to explain why they do not have a mission statement, including: no one in the organization will read it; too much effort/work; impractical; an academic exercise; don't need it (i.e. already successful without one); would reveal too much confidential information; lack of generalist skills to develop; top management pre-occupation with operational matters; and comfort with the status quo. Nevertheless, most of rationales listed here have been obtained anecdotally. The pervasiveness with which firms rely on, resort to and actually believe these arguments is not currently known.

Notwithstanding the arguments against having a mission statement, there have been several attempts (albeit limited and cursory ones) made at linking firm performance with the existence of a company's mission statement. Unfortunately, the results from those studies do little for promoting the use of mission statements. For instance, Klemm et al. (1991) found no significant difference in the performance of firms in terms of employee turnover or profits when comparing firms that had mission statements with those that did not. In contrast, Campbell (1989...
& 1993), and Campbell & Yeung (1991) reported that the behaviour standards specified in the mission statement of British Airways have "dramatically changed the performance of the airline". Similarly, Medley's (1992) study of the World Wildlife Federation's mission (and mission development process) concluded that a dramatic increase in donations resulted shortly thereafter. David (1989), however, found no difference in the performance measures of 75 firms with formal, written mission statements and 106 firms that did not have any. Likewise, Coats et al., (1991), concluded that "poor financial performance" (measured in terms of pre-tax profits) was just as likely as "high financial performance" to occur in firms that had a mission statement. Finally, Wilson (1992) has stated that having a formal mission is "no guarantee of success; nor does the lack of one guarantee failure". Nevertheless, Wilson has proffered his personal belief that having a mission statement will result in a 50 percent increase in organizational effectiveness and double the chances that employees will follow the direction and priorities established for implementation.

These findings are neither encouraging (i.e. there is a lot of "negative" evidence concerning mission statements) nor persuasive (i.e. the evidence is mixed and limited). If academics and consultants are to continue promoting the usefulness of mission statements (and if corporations are to embrace their use), we need more direct evidence in support of the positive performance impact of mission statements. Hence, the primary rationale for the current research undertaking.

Our examination of the historical mission literature, especially, prompted the following questions for direct examination:

* In large firms, what is the impact (if any) of company mission statements on performance?
* How does the specific content of a mission statement correlate with firm performance - if at all? (...or, in other words, what should/should not be included in a mission statement?)
* Does the quality of a mission statement (and the process by which it was developed and implemented) matter?

THEORY & RESEARCH HYPOTHESES

Mission and firm performance

The concept of mission is generally viewed as important to the long term interests and survival of the firm. Various authors have identified numerous performance benefits for firms from having one. Klemm et al.(1991), for instance, has stated that a company needs a mission statement to motivate staff and for improved leadership. Similarly, Drucker (1974), Campbell (1989 & 1993), Campbell & Yeung (1991), Gould & Campbell (1989), and Peters & Waterman (1982) have each argued that a mission statement provides organizational members/employees with a "meaning for their existence" that transcends departmental and corporate needs. Jobs
become more than work. They become a sort of vocation or a calling.

A second major theme concerning the performance impact of mission statements rests on the notion that they sharpen the organization's focus and result in resources being used more wisely. King & Cleland (1979), for example, state that the unanimity of purpose created by the mission statement provides a standard for allocating resources and for translating organizational objectives into a work structure so that time, cost and performance parameters can be assessed and controlled. Likewise, both Daniel (1992) and Ireland & Hitt (1992) claim that mission statements provide the direction through which corporate and individual actions are guided. Wilson (1992) also supports this assertion in his own writings when he declares that mission statements are "the stars which establish direction and destination".

The "bottom line", however, in all of these arguments concerning the use and promotion of mission statements is that they result in superior returns and superior organizational performance. As noted earlier, the previous empirical, experimental research on the effectiveness of mission statements is mixed. However, the non-experimental research is almost unequivocally unanimous: Mission statements produce better results. We decided to test this notion directly for ourselves. Thus, the first hypothesis was:

H1: Firms with formal written mission statements will have significantly higher performance results than those firms that do not have such statements.

Mission statement quality & firm performance

One of the underlying assumptions concerning the experimental research on mission statements is that the mission statements examined are all somehow "of high quality" or "good" ones; that managers in the firms are satisfied with the final product which they create; and that there is no compromising/satisficing behavior on the part of managers. In other words: all mission statements are created equal. But is this true? Common sense would argue that it is not.

Managers are generally not hired, paid and rewarded to create mission statements as a full time occupation. At some point, in all mission development processes, someone has to call for closure. As a consequence, less-than-satisfactory mission statements may occur. It is also possible for firms to have mission statements that are out-of-date or irrelevant for their current operations. Yet, the impact of mission statement quality is one feature that has never been examined in any previous research. Because of this, we set out to determine the extent to which firm performance varies (if at all) between those organizations that are satisfied with their mission statement and those that are not. Based on the opinions of previous writers, we formulated the following hypothesis:

H2: Firms with formal, written mission statements, which are judged by their managers to be satisfactory, will have significantly higher performance than those firms where managers judge their mission statements to be unsatisfactory.
Mission statement development process & firm performance

Before a mission statement exists, it must be developed. Several writers have expressed the view that the process of developing a mission has a positive effect on a firm. Klemm et al. (1991), for example, states that the process of developing a mission statement makes stakeholder interests explicit and helps to bring the management team together to sort out their differences. Campbell (1989 & 1993) and Campbell & Yeung (1991) also take the view that the high ideals of a company’s mission statement helps to dispel selfish interests - or at least reduce their acceptability - and thereby bind the organization together.

However, as with the case of the mission statements themselves, not all mission development processes are created equal. It is possible to have "good" or "satisfactory" processes versus "bad"/"unsatisfactory" ones - which in turn, will affect the quality of the mission statement and the performance of the firm. Exley (1988), for instance, concluded that there must be a consensus with the firm regarding its mission; that to "paper over internal conflicts" simply dissipated its competitive energy. Quinn (1987) also proclaimed that the process of developing a mission required a subtle balance of vision and politics - the failure of which would produce dysfunctional consequences. Following a somewhat similar, though different track, Wilson (1992) described the balance required by the mission development process in terms of "rational" versus "intuitive/inspirational" thinking.

Regardless of the perspective taken by previous researchers, the point is clear: the process by which one develops a firm's mission should not be left to chance or to circumstance. Based on this concern, we developed the following research hypothesis:

H3: When the process used to develop a formal, written mission statement is judged by an organization's managers to be satisfactory, that firm will have significantly higher performance results than those firms where managers judge their mission development process to be unsatisfactory.

Mission development involvement & firm performance

As a generalization, many authors contend that high levels of involvement from as many "stakeholders" (e.g. customers, suppliers, society, employees, shareholders, etc.) as possible tends to make for more widely accepted and supported mission statements (Freeman, 1984). The participation and involvement of some stakeholder groups, however, appears to be more critical than others. For instance, the importance of CEO participation has been emphasized in the writings of Medley (1992), Bates & Dillard (1991) and Daniel (1992). A high degree of participation by the senior management team has also been recommended by Ireland & Hitt (1992), Klemm et al. (1991), Medley (1992), Collins & Porras, (1991), Wilson (1992), and Bates & Dillard (1991). None of the writers, however, have linked stakeholder participation
(either individually or collectively) to firm performance. We decided to test this proposition directly and to investigate the participation of multiple stakeholder groups as well. The hypotheses we developed were as follows:

H4: Where the involvement of any one stakeholder group in the development of a firm's mission statement is judged to be "high", that firm's performance will be significantly greater than in those firms where the involvement of the same stakeholder group is "low".

H5: Where the aggregate level of involvement by all stakeholder groups in the development of a firm's mission statement is judged to be "high", that firm's performance will be significantly greater than in those firms where the aggregate level of involvement is "low".

Mission implementation and firm performance

A generally accepted tenet of business policy is that management will put in place formal organizational arrangements (i.e. structures, reward systems, information systems, people recruitment, selection and promotion systems, etc.) which are congruent with the requirements of strategy - and thus mission (Bart, 1986 & 1988). This tenet is based on a long history of research which has, in general terms concluded that the choice of organizational arrangements makes a difference in the achievement of a firm's strategy and objectives. Building on these findings, we believed that where organizational arrangements are selected with specific reference to a firm's mission statement, superior performance should occur. Conversely, where a firm's formal mission statement is ignored when deciding organizational arrangements, performance should suffer.

Somewhat amazingly, however, there has been virtually no research which attempts to measure the linkage between a firm's choice of organizational arrangements and its formal mission statement. We, therefore, decided to explore this relationship directly and set forth the following hypothesis:

H6: Where a firm's formal mission statement is usually considered and taken into account when deciding that firm's formal organizational arrangements (i.e. where the mission-organizational alignment is high), performance will be significantly higher than in those firms where the mission is not usually considered and/or not taken into account.
Mission Statement Content & Firm Performance

Most of the previous research on mission statements has been consumed with describing their content and/or specifying what that content should be. One of the sad conclusions of all this research is that there is practically no agreement on what that content should be. Firms seem to use a variety of statements under various titles and varying lengths (Klemm et al., 1991). For example, Klemm et al. (1991) stated that there were four types of statements; Pearce & David (1987) claimed that there were nine; and Campbell (1989 & 1993) and Campbell & Yeung (1991) argued that there were really only two components.

Almost all of the recommendations concerning the content of future mission statements, however, are based either on speculation by the various authors or on practitioner surveys which are unrelated to any performance measurements or measures of success. None of the previous research has attempted to test experimentally for differences in performance with different mission statement components. It was, therefore, one of the goals of this research to correct for this anomaly. We developed the following research hypothesis:

H7: There are differences in the content and composition of firm mission statements which are associated with significant differences in performance.

RESEARCH METHODS

A mailed questionnaire to which 136 executives of 500 firms responded constituted the primary source of data. We developed this questionnaire through a review of the literature as well as through interviews and pretests with CEOs. We relied primarily on independent sample t-tests to test the hypotheses stated above.

Sample selection and size.

An introductory letter and questionnaire was sent to the CEOs of the top-listed 500 industrial corporations in Canada for 1993. These firms were identified from an annual survey by one of Canada's national business newspapers, entitled: The Financial Post 500. One hundred and thirty six usable questionnaires were returned - thereby providing a response rate of 27.2 percent.

A summary of key operating and performance statistics is reported in Table 1. The responding firms appeared to be geographically represented and there appeared to be no industry bias.

Naturally, the method of sample selection restricts the claims that might be made about the representativeness of the findings for Canadian firms in general. By Canadian standards,
however, all of the firms surveyed would be considered to be large corporations.

**Measures**

We developed a mailed survey instrument to assess: the use of mission statements; the quality of the mission statements; the quality of the process by which the mission statement was developed; the involvement of various stakeholders in the mission development process; the tools of implementation; and various performance measures. We also asked respondents to forward a copy of their mission statement so that we could analyze its contents.

The Appendix presents the specific question areas posed to respondents. Respondents were asked to use five-point Likert-type scales to indicate their degree of satisfaction, level of involvement, degree of importance or frequency of use (5 = "very satisfied" or "to a great extent" or "very important" or "always considered"). Since very senior executives were responding to the questionnaire, only single items questions were posed in order to keep the questionnaire as brief as possible. (Note: this represented the principal recommendation from the CEOs we pre-tested the questionnaire with.) Moreover, few of the qualitative questions raised in this study have ever been asked in previous research. Thus, our initial attempts here should be considered as somewhat exploratory in nature.

**Measures of performance.** To measure performance, we utilized each company's published reported financial results for 1993 - specifically: sales, profits, return-on-sales, and return-on-assets. We also utilized selected performance data from 1992 for comparative purposes (i.e. percentage annual change in sales and percentage annual change in profits). Finally, we asked respondents in our survey to indicate: the degree to which the mission statement influenced personal behavior; and the degree to which the firm current sales was represented by new products/new services commercially introduced into the marketplace in the past five years.

**Mission statement implementation.** Ten organizational dimensions were identified which firms regularly use for the purposes of implementing their strategies. Their selection was based on the work of Bart (1986 & 1991) and Galbraith & Kazanjian (1986) and adapted for the purposes of the present study.

Ten measures were then developed which involved asking respondents to indicate the extent ("0" = not at all; "5" = to a great extent) to which their mission statement was considered (or taken into account) when deciding their firm's: organizational structure; job descriptions; strategic planning system; operating planning system; budgeting system; performance evaluation criteria; types of rewards; recruitment/selection procedures; training/organizational development; and leadership styles. The more that a mission statement was taken into account when determining these organizational arrangements, the greater the mission-organizational alignment or "fit".

The scores obtained from each measure were then summed to create an overall "mission-
organization" alignment measure ("0 to 30" i.e. the median score = low alignment/fit; "31 to 60" = high alignment/fit).

**Stakeholders.** Stakeholders are groups both inside and outside the firm which have an interest in its future and success. For our purposes, we considered the following as relevant stakeholder groups: (external) customers, suppliers, shareholders; (internal) the CEO, the top management team/group, middle managers, non-managerial employees, government agencies and consultants. We measured stakeholder involvement in the mission statement development process individually ( "0" = not involved; "1" = involved) and collectively (i.e. we summed the individually coded stakeholder involvement measures; 0 - 2 = "low involvement"; 3 - 8 = "high involvement"). We also measured whether individual stakeholders were mentioned in the content analysis of the mission statement.

**Mission statement content.** We performed a content analysis on the mission statements returned to us. We assessed content in terms of the following 11 characteristics:
* length (11 words to (the median) 43 words = a "short" mission statement; 44-282 words = a "long" mission statement);
* number of stakeholders mentioned (0-1 = small; 2-5 = large);
* number of financial/economic objectives (0 = none; 1 or more = some)
* number of non-financial/non-economic objectives (0 = none; 1 or more = some)
* definition of businesses (0 = none; 1 or more = some definition provided)
* definition of markets/customers (0 = none; 1 or more = some definition provided);
* definition of bases of competition (0 = none; 1 or more = some definition provided).

**RESULTS**

Mission, satisfaction and firm performance.

**Hypothesis 1.** Table 2 presents the results of the performance measures and t-tests associated with different grouping conditions. When the eight performance measures were compared between "firms with" and "firms without" mission statements, the t-test results all indicated that the null hypothesis could not be rejected at the 0.10 level of significance. There appeared to be no significant differences in any of the performance measures. Hypothesis 1, therefore, could not be supported.

However, we also considered the performance of our firms in light of both the quality of their mission statement and the quality of the process by which it was developed. Those results follow.

**Hypothesis 2.** For those firms where managers claimed satisfaction with the quality and content of their mission statement, significant differences in performance were observed in terms of the annual percentage change in sales and the degree of influence on employee behavior.
Thus, the results of our various t-tests allow us to reject the null hypothesis that there is no significant difference in performance among those firms where managers are satisfied with their firm’s mission statements and those where they are not. The support for Hypothesis 2, however, appears to be very limited.

Mission development, stakeholder involvement & performance

**Hypothesis 3.** Interestingly, the difference in firm performance was seen to be substantial when the quality of the mission statement development process was considered. Where managers reported high levels of satisfaction with the process used to develop their mission statements, significantly higher levels of performance were reported in almost all performance measures than when low levels of satisfaction were obtained. Firms with high levels of satisfaction regarding their mission development process were found to have: significantly higher levels of sales and profits; a significantly greater annual percentage increase in sales; a significantly higher percentage of sales from new products and new services; and greater influence on the behaviour of organizational members. Thus, significant evidence was obtained in support of Hypothesis 3.

**Hypothesis 4.** Table 3 gives the results of the t-tests comparing various performance measures when different stakeholder groups are involved in the mission development process. In particular, the results show that: (a) significantly higher levels of sales occur when customers are involved; (b) significantly higher levels of profits arise with the involvement of suppliers and consultants; (c) the annual percentage-change-in-profits differs materially when middle managers participate; (d) high shareholder involvement significantly and positively influences employee behavior; and (e) significantly higher percentage levels of new products appear when the involvement of the top management team, customers, suppliers and non-manager employees is obtained. Thus, while the results varied among the various stakeholder groups, we concluded that considerable support existed in favour of Hypothesis 4.

Interestingly, while the involvement of almost all stakeholders was observed to significantly and positively influence firm performance in some way, the involvement of the CEO in mission development was seen to have practically no significant impact. Thus, insofar as the involvement of the CEO is concerned, the null hypothesis for Hypothesis 4 could not be rejected.

**Hypothesis 5.** Table 3 also shows the cumulative effect of all stakeholders' involvement in the development of the mission statements. Significant direct effects were observed in three performance measures. Specifically, firms with high aggregate amounts of stakeholder involvement were found to have significantly higher levels of sales, profits and influence on employee behavior than in those organizations with low aggregate levels of involvement. Thus, it could be argued that some support for Hypothesis 5 was obtained.
Mission implementation and firm performance

**Hypothesis 6.** Table 4 shows the t-tests results for the performance measures under two different levels of mission-organization alignment or "fit". The results indicate that the degree to which a mission statement is taken into account when deciding a firm's organizational arrangements appears to have a major impact on performance i.e., for those firms where the overall measure of mission-organizational alignment was assessed as "high", significantly higher levels of performance were achieved in six of the eight performance measures. More specifically, firms with high levels of mission-organization fit were found to enjoy: significantly higher profits; a significantly higher percentage return on both sales and assets; a significantly greater annual percentage change in both sales and profits; and significantly greater influence on employee behavior. Thus, substantial support was found for Hypothesis 6.

Mission statement content & firm performance

**Hypothesis 7.** Table 5 gives the t-tests results of our various performance measures under different conditions found during our content analysis of the mission statements. From this analysis, mission statement length was found to be significantly and negatively related to both a firm's percentage of new products and the degree of mission statement influence on firm behaviour. Similarly, the number of stakeholders mentioned in the mission statement was observed to be significantly and negatively related to the firms' annual percentage change in profits and the percentage of new products.

As expected, the number and type of objectives (i.e., financial and non-financial) were also seen to vary with selected measures of firm performance. A significant negative relationship was found between the number of financial objectives listed in the mission statements and the firms' annual percentage change in profits. A similar relationship was also found between the number of non-financial (or qualitative) objectives and both the firms' reported net profits and their impact on employee behavior.

Formal written mission statements that did not contain any mention of their firm's "business" were observed to have significantly higher levels of net profit than those firms where the business was more defined. Likewise, those mission statements that did not define their markets/customers were seen to have a greater influence over their employees' behavior than those firms where the customers were defined. No differences in performance, however, were detected between those firms where a firm's basis of competition was defined in its formal written mission statement and those where it was not.

Thus, based on our observations stated above, limited - and selected - support was found in the results of our analysis for Hypothesis 7.
DISCUSSION

**Firms with & without missions statements.** Hypothesis 1 predicted that firms with formal mission statements would enjoy higher levels of performance than those firms without such statements. We could, however, find no support for this. In this fashion, our findings are similar to those of Klemm et al. (1991) and David (1989). The existence of a mission statement is no guarantee of superior performance.

This finding, by itself, would be quite discouraging since it attacks one of the fundamental dimensions of strategic planning and calls into question the usefulness and value of mission statements in particular. However, it has been argued elsewhere in this paper that one of the major problems with previous investigations into the performance impact of mission statements is that they are either tangential to the research's main thrust or incomplete. Several important factors which have never been taken into account include: the quality of the developed mission statement; the quality of the mission development process; and the firm's mission-organization alignment.

**Mission statement quality.** Hypothesis 2, therefore, predicted that the more managers were satisfied with the mission statement of their organization, the greater the firm's performance would be. While some positive support (in terms of greater sales growth and high employee influence) for this hypothesis was found in our analysis, the results were not overwhelming.

**Mission development process.** It was not until we considered the impact of the mission development process on firm performance (Hypothesis 3) that some major support was obtained. The findings from our analysis (presented in Table 3) showed that firms with high levels of "mission development process satisfaction" achieved significantly higher ratings on five of our eight performance measures. This outcome - especially when compared to our earlier findings regarding Hypothesis 2 - suggests that the process of developing a mission statement may be more important than the product (i.e. the mission statement itself); and that even though an unsatisfactory mission statement may result, the process of attempting to create the mission has a positive impact on firm performance.

**Stakeholder involvement.** However, one of the most important considerations in the development of a mission statement is the degree to which various stakeholder groups are involved. Hypotheses 4 and 5 predicted that the more stakeholders (individually and collectively) were involved in developing the mission, the more firms would experience higher performance results. Partial and positive support for these hypotheses was found in our analysis (Table 3). Collectively, stakeholders were observed to influence firm performance on a selective basis. At the same time, almost all stakeholder groups, individually, could be found to have some positive impact on firm performance.

It was especially interesting to find, however, that the involvement of the CEO in the mission development process appeared to have no effect. The CEO's involvement is often cited
as being critical to the development of effective mission statements. In fact, it is hard to imagine
the development of a mission statement without the CEO's involvement. But our findings suggest
that the role may be overstated! The CEO's participation in mission development may, therefore,
be a necessary condition for performance success, but it is not a sufficient one.

Interestingly, what has been overlooked in previous discussions of mission statements is
the powerful - and, perhaps, required - contributions of different organizational stakeholders with
respect to different performance results. As Table 3 illustrates, a firm's percentage of new
products appears to be influenced most when the following stakeholder groups are involved: top
management team, customers, suppliers and non-manager employees. Employee behavior is
influenced most when shareholders participate in the mission development process. Sales are
most affected when the mission is developed with the input of shareholders and customers. And
profits are positively affected when the contributions of consultants and middle managers to the
process are solicited. Fortunately, most of these findings appear to make sense intuitively and,
thus, demonstrate high face validity.

What Table 3 appears to demonstrate effectively, however, is the notion that firm
performance will vary selectively with the involvement of selected stakeholders in the mission
development process. Moreover, no one stakeholder had an impact on all performance measures.

Mission implementation. The area having the most profound impact on firm performance,
however, was found during our examination of the alignment between a firm's mission statement
and its organizational arrangements (Hypothesis 6). High levels of mission-organizational
alignment were found to be significantly and positively associated with almost all of the
measures of performance. Only two (i.e. net sales and percentage of new products) were not.

This finding is not that surprising since the strategy-structure-performance relationship
has been actively tested experimentally over the past thirty years - beginning with the seminal
study by Burns & Stalker (1961). What is surprising here is the fact that the relationship between
mission and organizational arrangements has been virtually ignored. Given the significance of
this relationship's potential impact (as found in this exploratory study), the mission-organization­
performance alignment should receive more intensive investigation in any future research.

Mission statement content. Previous research has argued extensively on what the content
of mission statements should look like. Unfortunately, none of this research has attempted to test
its conclusions experimentally for differences in performance. Hypothesis 7 set out to correct
this anomaly.

Our findings show that significant differences in firm performance are associated with
differences in the content of mission statements. It is important to note, however, that the t-tests
reported in Table 5 are for two tailed tests. Had we been able to speculate, in advance, the
direction that the content of the mission statements should take, we would have been able to use
one tailed tests. Given our current statistics, this would have resulted in even more significant
correlations with performance given our current statistics.
Based on the findings in Table 5, however, we can argue that effective mission statements (i.e. ones that are associated with high performance measures) are those which:
* are relatively short (i.e. less than 43 words);
* mention very few stakeholders - if any;
* contain very few financial and non-financial objectives;
* do not define their business; and
* do not define their customers/markets.

Some of these findings are quite intriguing. For instance, it is often argued in the prior literature that firms should define their businesses and markets in their mission statements and indicate all important objectives. Doing so, supposedly helps to clarify the activities of the firm for all stakeholders, establish priorities and make for better resource allocation. But it also makes for much longer mission statements.

The rationale for our current findings, however, appears to lie with the argument that shorter and more concise mission statements are easier to communicate, easier to remember and encourage more focussed effort. Failure to define the business and markets appears to be the price of brevity. And mentioning only one or two stakeholders seems to drive home the old adage: "you can't please everyone, and so don't try to."

**CONCLUSIONS**

What is truly provocative about all of the results discussed above is that most of the previous writings extolling the virtues of having a mission statement appear to be wrong. Simply having a mission statement is not enough. Or, put another way, not any mission statement will do. The results of this study show that, for mission statements to have an impact on performance, they must be of reasonable quality. Managers must be satisfied with them.

To the extent that the mission statement formulated is judged to be less than satisfactory, it is the quality of the process used to develop that statement which is still important in terms of performance impact. This is because a high quality mission development process helps bind organizational members together and creates a unity of purpose. Naturally, not all mission development processes accomplish this since a high quality process is neither automatic nor guaranteed.

Our findings have also established that the involvement of different stakeholder groups appears to have a differential impact on firm performance. However, the most important performance consideration appears to be the degree to which the firm's organizational arrangements are aligned with the mission. To the extent that they are not, low performance will occur.

Thus, in answer to our original question "Does mission matter?", the answer appears to be: No - by itself and on its own, it does not. Yet, to the extent that other considerations are
taken into account (especially, the quality of the mission statement, the quality of the mission development process and the degree of mission-organization alignment), the findings from this study suggest that the performance implications of mission statements can be profound.
TABLE 1

KEY FINANCIAL AND OPERATING PERFORMANCE STATISTICS
(all numbers reported in Canadian $ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Median</th>
<th>Maximum</th>
<th>Minimum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1,194</td>
<td>474</td>
<td>14,475</td>
<td>114</td>
</tr>
<tr>
<td>Profits</td>
<td>-11</td>
<td>4</td>
<td>329</td>
<td>-1,005</td>
</tr>
<tr>
<td>Assets</td>
<td>1,528</td>
<td>429</td>
<td>13,192</td>
<td>33</td>
</tr>
<tr>
<td>Return on Sales (%)</td>
<td>0.5%</td>
<td>0.9%</td>
<td>17.9%</td>
<td>-65.2%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>1.8%</td>
<td>1.8%</td>
<td>59.2%</td>
<td>-16.8%</td>
</tr>
<tr>
<td>Sales Rank</td>
<td>n/a</td>
<td>#167/500</td>
<td>#2/500</td>
<td>#357/500</td>
</tr>
<tr>
<td>Annual Sales Change (%)</td>
<td>1.9%</td>
<td>3.0%</td>
<td>31.0%</td>
<td>-57.0%</td>
</tr>
<tr>
<td>Annual Profit Change (%)</td>
<td>-72.5%</td>
<td>-1.0%</td>
<td>1,216.0%</td>
<td>-2,253.0%</td>
</tr>
<tr>
<td>% Sales from New Products/ New Services</td>
<td>37.4%</td>
<td>20.0%</td>
<td>100.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>
TABLE 2
Mission Statement, Satisfaction & Performance: T-tests

<table>
<thead>
<tr>
<th>PERFORMANCE CRITERIA</th>
<th>&quot;Firms with&quot; (a) vs. &quot;Firms without&quot; (b) Mission Statements</th>
<th>Satisfactory (a) vs. Unsatisfactory (b) Mission Statements</th>
<th>Satisfactory Mission Processes (a) vs. Unsatisfactory processes (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>ns</td>
<td>ns</td>
<td>+ (.003)</td>
</tr>
<tr>
<td>Net profits</td>
<td>ns</td>
<td>ns</td>
<td>+ (.075)</td>
</tr>
<tr>
<td>Return on sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Return on assets</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in sales</td>
<td>ns</td>
<td>+ (.085)</td>
<td>+ (.029)</td>
</tr>
<tr>
<td>% change in profits</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>New products % of current sales</td>
<td>ns</td>
<td>ns</td>
<td>+ (.095)</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>ns</td>
<td>+ (.000)</td>
<td>+ (.000)</td>
</tr>
</tbody>
</table>

NOTES/LEGEND:
* all t-tests are one tailed
* numbers in brackets indicate significance of t-test statistic
- (ns) = not significant at the .101 level or greater, therefore not reported.
* (+) = mean difference in performance scores whereby (a) score > (b) score.
* (-) = mean difference in performance scores whereby (a) score < (b) score.
TABLE 3
Mission Statement Involvement & Performance: T-tests

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>CEO &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
<th>Top Management &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
<th>Middle Managers &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
<th>Other Employees &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Profits</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Return on sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Return on assets</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in profits</td>
<td>ns</td>
<td>ns</td>
<td>+ (.090)</td>
<td>ns</td>
</tr>
<tr>
<td>New products %</td>
<td>ns</td>
<td>+ (.022)</td>
<td>ns</td>
<td>+ (.006)</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
</tbody>
</table>

NOTES/LEGEND:
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- (+) = mean difference in performance scores whereby score (a) > score (b).
- (-) = mean difference in performance scores whereby score (a) < score (b).
TABLE 3 (Continued)

Mission Statement Involvement & Performance: T-tests

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>Customers &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
<th>Suppliers &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
<th>Shareholders &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
<th>Consultants &quot;Involved&quot; (a) vs. &quot;Not Involved&quot; (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>+ (.000)</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Profits</td>
<td>ns</td>
<td>- (.088)</td>
<td>ns</td>
<td>+ (.089)</td>
</tr>
<tr>
<td>Return on sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Return on assets</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in profits</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>New products %</td>
<td>+ (.017)</td>
<td>+ (.001)</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>ns</td>
<td>ns</td>
<td>+ (.051)</td>
<td>ns</td>
</tr>
</tbody>
</table>

NOTES/LEGEND:
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- numbers in brackets indicate significance of t-test statistic
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- (-) = mean difference in performance scores whereby score (a) < score (b).
TABLE 3 (Continued)

Mission Statement Involvement & Performance Alignment: T-tests

<table>
<thead>
<tr>
<th>PERFORMANCE CRITERIA</th>
<th>&quot;High&quot; Aggregate Stakeholder Involvement (a) vs. &quot;Low&quot; Aggregate Stakeholder Involvement (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>+ (.082)</td>
</tr>
<tr>
<td>Net profits</td>
<td>+ (.093)</td>
</tr>
<tr>
<td>Return on sales</td>
<td>ns</td>
</tr>
<tr>
<td>Return on assets</td>
<td>ns</td>
</tr>
<tr>
<td>% change in sales</td>
<td>ns</td>
</tr>
<tr>
<td>% change in profits</td>
<td>+ (.092)</td>
</tr>
<tr>
<td>New products % of current sales</td>
<td>ns</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>+ (.098)</td>
</tr>
</tbody>
</table>

NOTES/LEGEND:
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* (+) = mean difference in performance scores whereby (a) scores > (b) scores.
* (-) = mean difference in performance scores whereby (a) scores < (b) scores.
TABLE 4

Mission-Organization-Performance Alignment: T-tests

<table>
<thead>
<tr>
<th>PERFORMANCE CRITERIA</th>
<th>&quot;High Mission-Organizational Alignment&quot; (a) vs. &quot;Low Mission-Organizational Alignment&quot; (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>ns</td>
</tr>
<tr>
<td>Net profits</td>
<td>+ (.099)</td>
</tr>
<tr>
<td>Return on sales</td>
<td>+ (.063)</td>
</tr>
<tr>
<td>Return on assets</td>
<td>+ (.028)</td>
</tr>
<tr>
<td>% change in sales</td>
<td>+ (.042)</td>
</tr>
<tr>
<td>% change in profits</td>
<td>+ (.022)</td>
</tr>
<tr>
<td>New products % of current sales</td>
<td>ns</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>+ (.000)</td>
</tr>
</tbody>
</table>

NOTES/LEGEND:
* all t-tests are one tailed
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* (+) = mean difference in performance scores whereby (a) scores > (b) scores.
* (-) = mean difference in performance scores whereby (a) scores < (b) scores.
## TABLE 5

Mission Statement Content & Performance: T-tests

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>&quot;Short&quot; (a) vs. &quot;Long&quot; (b) Statements</th>
<th>&quot;Few&quot; (a) vs. &quot;Many&quot; (b) Stakeholders</th>
<th>Few&quot; (a) vs. &quot;Many&quot; (b) Financial Objectives</th>
<th>Few&quot; (a) vs. &quot;Many&quot; (b) Non-Financial Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Profits</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
<td>+ (.098)</td>
</tr>
<tr>
<td>Return on sales</td>
<td>ns</td>
<td>ns</td>
<td>+ (.168)*</td>
<td>- (.197)*</td>
</tr>
<tr>
<td>Return on assets</td>
<td>ns</td>
<td>ns</td>
<td>+ (.123)*</td>
<td>- (.120)*</td>
</tr>
<tr>
<td>% change in sales</td>
<td>ns</td>
<td>ns</td>
<td>+ (.123)*</td>
<td>ns</td>
</tr>
<tr>
<td>% change in profits</td>
<td>+ (.121)*</td>
<td>+ (.090)</td>
<td>+ (.081)</td>
<td>ns</td>
</tr>
<tr>
<td>New products %</td>
<td>+ (.088)</td>
<td>+ (.091)</td>
<td>+ (.124)*</td>
<td>ns</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>+ (.060)</td>
<td>+ (.148)*</td>
<td>ns</td>
<td>+ (.009)</td>
</tr>
</tbody>
</table>

**NOTES/LEGEND:**

- all t-tests are two tailed
- (ns) = not significant at the .201 level or greater, therefore not reported.
- number in brackets indicates significance of t-test statistic
- (+) = mean difference in performance scores whereby (a) > (b).
- (-) = mean difference in performance scores whereby (a) < (b).
- (*) = statistic would have been significant had a one-tailed test been applied (i.e. 50% of two tailed test).
TABLE 5 (continued)
Mission Statement Content & Performance: T-tests

<table>
<thead>
<tr>
<th>Performance Measures</th>
<th>&quot;Business Defined&quot; (a) vs. &quot;Business Not Defined&quot; (b)</th>
<th>&quot;Markets Defined&quot; (a) vs. &quot;Markets Not Defined&quot; (b)</th>
<th>&quot;Basis of Competition Defined&quot; (a) vs. &quot;Not Defined&quot; (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Profits</td>
<td>+ (.088)</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Return on sales</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Return on assets</td>
<td>ns</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in sales</td>
<td>+ (.157)*</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>% change in profits</td>
<td>ns</td>
<td>+ (.135)*</td>
<td>ns</td>
</tr>
<tr>
<td>New products %</td>
<td>+ (.186)*</td>
<td>ns</td>
<td>ns</td>
</tr>
<tr>
<td>Influence on employee behavior</td>
<td>ns</td>
<td>+ (.082)</td>
<td>ns</td>
</tr>
</tbody>
</table>

NOTES/LEGEND:
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- (*) = statistic would have been significant had a one-tailed test been applied (i.e. 50% of two tailed test).
APPENDIX

Survey Items

BACKGROUND ON THE FIRM

* Company sales (1993 & 1992)
* Company annual after-tax profits (1993 & 1992)
* Total assets (1993 & 1992)
* Percentage of current sales represented by products/services which were commercially introduced into the marketplace in the last 5 years

USE OF MISSION STATEMENT

* Firm currently has a mission statement (Yes/No)
* Level of stakeholder involvement in creating the mission statement
* Degree of satisfaction with the process used to create the mission
* Degree of satisfaction with the current mission statement
* Degree to which the mission statement currently influences individual behavior
* Degree to which the mission statement is considered or taken into account when deciding organizational arrangements

REQUEST FOR COPY OF FIRM'S CURRENT MISSION STATEMENT

STATISTICS SUBSEQUENTLY CALCULATED

* Return on sales (1993)
* Return on assets (1993)
* Annual percentage change in sales (1992-1993)
* Annual percentage change in profits (1992-1993)
REFERENCES


T. Peters and R. Waterman, In search of excellence, , 1982.


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