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THE RELATIONSHIP BETWEEN MISSION STATEMENTS AND FIRM PERFORMANCE: AN EXPLORATORY STUDY

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ABSTRACT

This paper examines the relationship between mission statements and firm performance 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. The data from the present study demonstrate that mission statements and some of their specific characteristics are selectively associated with higher levels of organizational performance. The paper concludes with several propositions to guide future research.

INTRODUCTION

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 is associated with positive performance has not been extensively investigated in the literature of the past 20 years and has received only cursory mention in a few studies.

Mission, therefore, is still a relatively uncharted area of management (Campbell, 1989, 1993; Campbell and Yeung, 1991; Coats et al., 1991). 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 (e.g. Byars, 1984; David, 1993; Hax and Majluf, 1984; Hill and Jones, 1992; Hitt et al., 1995; Johnson et al., 1989; Miller and Dess, 1996; Thompson and Strickland, 1992, 1996; Wheelen and Hunger, 1992). However, if the observed relationship between a mission statement and performance is weak, then it should cause both academics and practitioners to re-think

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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.

The purpose of this paper is to show the results of an ongoing research project into the relationship between formal mission statements and company performance. We begin with a brief discussion on the previous research concerning mission statements. In the second section we present the research questions and hypotheses of the study. The third section outlines the research design while the fourth section summarizes the results. Lastly, we provide a discussion of the results as well as implications for managers and academics.

PREVIOUS ASSERTIONS OF THE MISSION LITERATURE

Mission Statement Content

Most of the previous research on mission statements has been devoted to analysing their content and characteristics (Campbell, 1989, 1993; Campbell and Yeung, 1991; Coats et al., 1991; Cochrane and David, 1987; Collins and Porras, 1991; David, 1989; Klemm et al., 1991; McGinnis, 1981; Pearce and David, 1987). 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 (Campbell, 1989, 1993; Campbell and Yeung, 1991; David, 1989).

Table I shows, in particular, that among the major research studies and commentaries on mission statements over the past 23 years, there could be as many as ten categories or component parts comprising such statements. Interestingly, in some cases, a mission statement appears to contain unique and distinctive properties (e.g. a statement of purpose/raison d'être) and in others it includes older and more familiar concepts (e.g. statement of goals/statement of values). The importance attached to any one of the mission components listed in table I also appears to vary from study to study – though 'purpose' appears to be the most common dimension.

Thus, there appears to be virtually no consensus as to what mission statements *should or should not* include. (Although it appears that the content of a mission statement is some combination of these concepts.) A major reason for this is 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, return, growth or employee behaviour impact.

Mission versus Strategic Intent

While the concept of mission statements has been around for some time, one relatively new notion (which might easily be confused with mission statements) is 'strategic intent' (Hamel and Prahalad, 1989, 1995). The position taken in this paper is that mission statements represent a concept significantly different from the notion of strategic intent.

Interestingly, there are two quite different interpretations on what strategic intent is supposed to mean and both would appear to support our position.

Table I. Previous definitions/components of mission

Mission components	*(a) Drucker (1974)*	*(b) Want (1986)*	*(c) Pearce and David (1987)*	*(d) Campbell and Yeung (1991)*	*(e) Collins and Porras (1991)*	*(f) Coats et al. (1991)*	*(g) Klemm et al. (1991)*	*(h) Ireland and Hitt (1992)*
Purpose/raison d'être	X	X		X			X	X
Values/beliefs/ philosophy		X	X	X				X
Business strategy/ distinctive competence/ competitive position	X			X			X	X
Behaviour standards and policies		X		X				
Corporate level aims/goals		X			X	X	X	
Self-concept/ identity		X	X					
Public image			X					
Location			X					
Technology			X					
Concern for survival			X					

The first interpretation is represented by Miller and Dess (1996). As these authors point out, there is a hierarchy of strategic intentions which every organization strives to achieve:

> ranging from (1) a broad *vision* of what the organization should be, to (2) the organization's *mission*, to (3) specific *goals* that are operationalized as various (4) strategic *objectives*. The elements of this hierarchy set forth the ideals and ideas that serve to unify the energy and the forces scattered throughout an organization. (Miller and Dess, 1996, p. 6)

In terms of the specific component parts, Miller and Dess state that *vision* 'describes aspirations for the future' which inspire and appeal to the emotions and aspirations of the organization's members. *Mission*, on the other hand, is defined to include such items as purpose, competitive distinctiveness, market definition, product/service definition, principal economic concerns and values (pp. 9–10). Mission, therefore, is part of strategic intent, *but not the whole thing*. Mission should, therefore, be subject to separate analysis and study from the concept of strategic intent.

The second interpretation of strategic intent is represented in the position expressed by Hamel and Prahalad (1989, 1995) – one of the authors who coined the phrase. (It is also the position which Thompson and Strickland (1996) take in their most recent textbook.) In their works, Hamel and Prahalad state that strategic intent, in its essence, implies a particular and unique point of view about the long-term market or competitive position that a firm hopes to build over the coming decade or so. Hence, the notion of strategic intent is intended to convey a sense of change, a new future *direction*, a feeling of *discovery* and even profound *destiny*.

In considering their view, though, it appears that their description of strategic intent tends to swerve much closer to and align itself much more with the older concept of 'vision' than it does with mission. The concept of vision deals with establishing certain long-term objectives that create some new penultimate competitive position for the firm in the long-term future (Baum, 1995; Collins and Porras, 1991; Nanus, 1992). On the other hand, mission, as most historical authors prefer to define it (table I), is much more concerned with identifying an organization's unique and enduring purpose which is both rooted in the present and lasting for some indefinite period. Thus, mission is about satisfying stakeholder needs whereas vision is about becoming something great in terms of satisfying those needs. For example, the enduring and timeless mission of Disney has essentially been described as: to make people happy. On the other hand, the vision of Disney (which is rooted in its mission) might be seen as: to become the leading entertainment company in the world (in films, theme parks, television and sports). Thus, mission is different from strategic intent.

Mission Statement Usage

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 per cent of the companies in their UK study had formal mission statements. Similarly, Pearce and David (1987) also found that approximately 60 per cent of the US firms in their sample had mission statements. However, a subsequent study by David (1989) reported that only 41 per cent of his responding CEOs stated that their organization had a formal mission statement drawn up, while 59 per cent reported that they did not have one at all. Ireland and Hitt (1992) have also claimed that mission statements have not been developed in many organizations. Thus, within the academic literature, the perceived importance of mission statements appears to vary considerably among corporations.

Nevertheless, in 1994, Boston-based consultancy Bain and Company surveyed 500 firms to assess the use of 25 management tools – of which mission statements were but one. The consultants found that more than nine out of ten of the firms surveyed had used a mission statement sometime in the past five years. In addition, mission statements were rated first in utilization among the 25 tools. According to this consultant's study, then, mission statements appeared to be the most popular (or at least, most widely used) of almost any other single management tool.

Mission Statements and Performance

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 relationship of mission statements (Coats et al., 1991). In other words, are mission statements associated in any way with firm performance? To be sure, there are many reasons put forward by numerous authors in support of having a mission statement. The two principal benefits frequently mentioned include: (1) better staff motivation/management control toward achieving a common organizational purpose, or 'sense of mission', i.e. having organizational members embrace/accept company goals, philosophies and priorities as their own (Campbell, 1989, 1993; Collins and Porras, 1991; Daniel, 1992; El-Namaki, 1992; Germain and Cooper, 1990; Javidan, 1991; Ireland and Hitt, 1992; Klemm et al., 1991; King and Cleland, 1979; Wilson, 1992); and (2) a more focused/improved allocation of organizational resources (Ireland and Hitt, 1992; King and Cleland, 1979). Neither of the performance benefits listed above, however, has been measured directly in any previous mission statement studies.

The Case Against Mission Statements

Interestingly, there are a few articles which attempt to explain why firms might be justified in *not* having a mission statement at all. 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 and Hitt (1992), however, provide the most extensive list and they cite nine reasons (or 'excuses') that 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 preoccupation with operational matters; and comfort with the status quo. Nevertheless, most of the 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.

A Paucity of Empirical Evidence

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 and 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 mission statement is 'no guarantee of success; nor does the lack of one guarantee failure'. Nevertheless, Wilson has proferred his personal belief that having a mission statement will result in a 50 per cent increase in organizational effectiveness and double the chances that employees will follow the direction and priorities established for implementation.

GENERAL RESEARCH QUESTIONS

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 relationship with 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 relationship (if any) between company mission statements and performance?

How does the specific content of a mission statement correlate with firm performance – if at all?

To what extent does the quality of a mission statement (and the process by which it was developed and implemented) correlate with firm performance?

THEORY AND RESEARCH HYPOTHESES

Mission Statements and Firm Performance

The mission statement is generally viewed as important to the long-term interests and survival of the firm (Pearce, 1982). Various authors have identified numerous performance benefits for firms from having one. However, two key benefits stand out. One is behavioural while the other is financial.

In terms of the behavioural benefit, Klemm et al. (1991) have stated that a company needs a mission statement to motivate staff and for improved leadership. Similarly, Drucker (1974), Campbell (1989, 1993), Campbell and Yeung (1991), Gould and Campbell (1989), and Peters and Waterman (1982) have each argued that a mission statement begins the process of providing organizational members/employees with a 'meaning for their existence' which transcends departmental and corporate needs. (Campbell (1993) calls this a 'sense of mission'.) As a consequence, jobs become more than work. They become a sort of vocation or a calling.

The 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 and 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 and 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 are associated with superior returns and superior organizational performance. As noted earlier, the previous empirical and experimental research on the effectiveness of mission statements is mixed. However, the non-experimental research is almost unequivocally unanimous: mission statements seem to be associated with better results. In addition, studies conducted on other direction setting tools provide additional relevant information with which to construct research hypotheses.

Goals and Firm Performance

To the extent that mission statements are intended to provide a sense of direction, the same has been said for goals. Goals and objectives (or sub-goals) are usually described as 'targets' (or 'end-points') which a firm is striving to achieve. Traditionally, goals are the quantitative/financial yardsticks by which a firm's strategic options and alternatives are judged.

Over the past 30 years, numerous studies have been undertaken to test the assumption that the presence of organizational goals and objectives is a positive contributor to performance. In this regard, the pioneering works of Ansoff et al. (1970), Gershefski (1970), Thune and House (1970) and Herold (1972) have each shown how formal strategic planning (and its accompanying goal setting activities) positively influences firm performance. The sentiments expressed in these early works have been repeated elsewhere and often (Carson and Carson, 1993; Cooper, 1994; Green, 1993; Taylor and Convey, 1993; Zahra and Covin, 1993).

Other studies have found that goals positively influence employee commitment (Barrick et al., 1993; Wright et al., 1993). A considerable body of research also exists which demonstrates almost unequivocally the powerful and positive impact that the existence of goals has on team performance (Meltzer, 1994; Meyer, 1994; Scott and Townsend, 1994; Zigon, 1994). And the recent interest in re-engineering has produced scores of articles arguing that success in re-engineering efforts is tied to clear and direct linkages to specific quantified business objectives (Leth, 1994; Talwar, 1993).

Thus, research on the relationship between the existence of organizational goals and firm performance appears to be quite strong and is suggestive of the research results one might expect with respect to mission statements. The expectations, outlined above, were summarized in hypothesis form as follows:

Hypothesis 1: Significantly higher performance will be associated with those firms that have formal written mission statements (as compared to those firms that do not).

Mission Statement Satisfaction and 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 they create; and that there is no compromising/satisficing behaviour 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. For example, managers may feel that their current mission statement is too long or too short; that the 'words are not just quite right yet'; or that the current mission statement does not produce the desired staff motivation/management control. Thus, there are many reasons why managers might have mission statements which they consider to be less-than-satisfactory – or of low quality. (Regrettably, examining these reasons individually was beyond the scope of this study.) Such statements, however, should correspondingly be associated with lower levels of firm performance. We, therefore, formulated the following research hypothesis:

Hypothesis 2: Performance will be positively and significantly correlated with the degree of mission statement satisfaction.

Mission Statement Development Process and Firm Performance

Before a mission statement exists, it must be developed. Several writers have expressed the view that the process used in 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. 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.

There are also many factors that might influence the quality of the process with which a mission statement is developed. Exley (1988), for instance, concluded that the *process* of mission development must produce a *consensus* within the firm regarding its mission; that to 'paper over internal conflicts' simply dissipated its competitive energy. Quinn (1978) 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.

We could find, however, no studies that directly linked the mission development process (and the quality thereof) to firm performance. Nevertheless, studies conducted in other contexts provided some support for constructing a research hypothesis in this area.

Specifically, there is a body of work – mostly normative – which argues that some level of executive agreement/consensus on goal priorities (i.e. a process outcome) is a prerequisite to effective performance (Ackoff, 1970; Ansoff, 1965; Child, 1974; Hofer and Schendel, 1978; Katz, 1970; Simon, 1960). One empirical study by Bourgeois (1980) found specifically that executive agreement on goals was positively associated with economic performance (although, interestingly, agreement on 'means' was found to have an even more important influence on performance than goals).

Similarly, many writers and researchers have discussed the positive impact and influence of a strong, purposeful and widely shared value/belief system on organizational performance (Armstrong, 1994; Deal and Kennedy, 1982; Deshpande et al., 1993; Ginsburg and Miller, 1992; Gordon and DiTomaso, 1992; Hall et al., 1993; Kotter, 1993; Marcoulides and Heck, 1993; Peters and Waterman, 1982; Quigley, 1994; Rollins, 1993; Scott-Morgan, 1993; Slater and Narver, 1994; Ullman and Ravin, 1993).

Nevertheless, there have also been a few studies which suggest that the existence of goal consensus may not have the profound positive influence on performance that others claim. For example, Grinyer and Norburn's empirical works of 1975 and 1977 found that no significant correlation existed between the extent of executives' agreement on company goals and the financial performance of their sample companies. There are also those management writers who simply claim that 'goal consensus' is unimportant to firm performance (Braybrook and Lindblom, 1970; Frank, 1958; Lindblom, 1959; Pfeffer and Salancik, 1978; Quinn 1977) and that 'consensus on means' is the key to impressive results.

While the related literature on goal consensus referred to above is not unequivocal, we believe that the process by which one develops a firm's mission statement should not be left to chance or to circumstance. The research hypothesis we developed, therefore, went as follows:

Hypothesis 3: Performance will be positively and significantly correlated with the degree of satisfaction concerning the mission development process.

Mission Development Involvement and Firm Performance

As a generalization, many authors contend that high levels of involvement from as many 'internal stakeholders' (e.g. CEO, senior managers, middle managers and non-managers) as possible tend to make for more widely accepted and supported mission statements (Freeman, 1984). This is because the commitment of internal stakeholders to a firm's mission appears to be influenced by exposure to strategic information (Floyd and Wooldridge, 1992). However, as Oswald et al. (1994) state: '[S]upport for these claims are based primarily on intuitive appeal and anecdotal evidence; little systematic empirical research is available regarding them' (p. 477).

Notwithstanding this caveat, the participation and involvement of particular internal stakeholder groups has sometimes been emphasized and promoted by some writers. For instance, the importance of CEO participation has been emphasized in the writings of Medley (1992), Bates and Dillard (1991) and Daniel (1992).

A high degree of participation by the senior management team has also been recommended by Ireland and Hitt (1992), Klemm et al. (1991), Medley (1992), Collins and Porras (1991), Wilson (1992) and Bates and Dillard (1991). None of these writers, however, has linked their particular stakeholder's participation to firm performance. We decided to test this proposition directly and set out to investigate the participation of several internal stakeholder groups on firm performance. The hypothesis we developed was as follows:

> *Hypothesis 4:* Performance will be positively and significantly correlated with the level of involvement by internal stakeholders in the mission development process.

Mission–Performance Evaluation System Alignment and Firm Performance

A generally accepted tenet of business policy is that management will put in place formal organizational arrangements which are congruent with the requirements of strategy – and thus mission (Bart, 1986; Byars, 1984; Galbraith and Kazanjian, 1986; Thompson and Strickland, 1992). This tenet is based on a long history of research which has concluded, in general terms, that the choice of organizational arrangements makes a difference in the achievement of a firm's strategy and objectives (Lawrence and Lorsch, 1967; Rumelt, 1974). This is because the choice of organizational arrangements serves to focus the activities and actions of organizational members and, in so doing, reduce their variability.

Of all the organizational tools available, arguably one of the most powerful is the system used to monitor, evaluate and correct the performance of individual members and their associated business units (Mintzberg, 1979; Galbraith and Kanzanjian, 1986). Interestingly, there has been virtually no research attempting to measure the linkage between a firm's performance evaluation system and its formal mission statement. We, therefore, decided to explore this possible relationship directly and set forth the following hypothesis:

> *Hypothesis 5:* Performance will be positively and significantly correlated with the degree to which a firm's performance evaluation system is perceived to be aligned with its mission statement.

Mission Statement Content and 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 (Byars, 1984; Campbell, 1989, 1993; Campbell and Yeung, 1991; Coats et al., 1991; Cochrane and David, 1987; Collins and Porras, 1991; Daniel, 1992; David, 1989; Drucker, 1974; El-Namaki, 1992; Hax and Majluf, 1984; Ireland and Hitt, 1992; Klemm et al., 1991; McGinnis, 1981; Pearce and David, 1987; Wilson, 1992). Unfortunately, one of the conclusions of all this research is that there is practically no agreement on this issue, i.e. firms seem to use a variety of components/statements under various titles and varying lengths (Klemm et al., 1991).

One summary of the diversity which exists in the current literature (regarding mission statement content) is displayed in table I. This summary suggests that there are up to ten component variables which might be included in creating a formal mission statement.

Almost all of the current recommendations concerning the content of 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. Little of the previous research has attempted to test experimentally for differences in performance which might occur with different mission statement components. It was, therefore, one of the objectives of this research to correct for this anomaly.

Goals. Our earlier discussion on goals (especially in their role as quantitative/financial targets) suggested that they are in a powerful relationship with a firm's performance results. The writings of Want (1986), Collins and Porras (1991), Coats et al. (1991) and Klemm et al. (1991), referred to in table I, further support the notion that goals should be included in any written mission statement. However, these latter authors do not specify whether the goals which they refer to are financial or qualitative in nature. We, therefore, developed the following research hypothesis:

> *Hypothesis 6a:* Significantly higher performance will be associated with those firms where their formal mission statements identify and articulate financial goals (as opposed to those firms whose mission statements do not).

Values. Organizational values are the set of beliefs that represent a firm's thoughts and opinions about itself (e.g. we believe in being the best; we believe that employees represent the firm's greatest resource; we believe that our organization must make a positive impact and contribution on the world community). As with goals, the research on values represents another area related to mission statements (see table I) that has been shown to be associated with selected performance outcomes. For example, it is generally agreed that the type and quality of an organization's values are an important determinant of team success/failure (Davison, 1994; Folz, 1993; Katzenbach and Smith, 1993; Pasmore and Mlot, 1994; Wolff, 1993).

The relationship between organizational values and marketing effectiveness has also attracted a considerable amount of attention (Dunn et al., 1985, 1994; Narver and Slater, 1990; Norburn et al., 1988, 1990; Payne, 1988). In a recent study by Dunn et al. (1994), for instance, it was found that those companies that demonstrated superior marketing effectiveness also had strong, distinguishing organizational values (and goal orientations). The authors concluded that managing a corporation's values 'holds significant promise as a mechanism for improving marketing effectiveness' (p. 139).

None of the values/performance research referred to above, however, has been carried out either with reference to (or in the context of) mission statements. And, while much is known about the performance impact of 'values which are widely shared' throughout an organization (see our earlier discussion on this point), little is known about the performance impact of those values which have simply been stated in an organization's written mission statement. There are, nevertheless, a number of writers who argue specifically that organizational values should be articulated in a firm's formal mission statement (Campbell and Yeung, 1991; Pearce and David, 1987; Want, 1986).

Taken as a whole, then, the research on values leads us to suspect that the inclusion of values in a firm's formal mission statement should correspond with greater performance results. We, therefore, decided to test this notion directly and developed the following research hypothesis:

> *Hypothesis 6b:* Significantly higher performance will be associated with those formal mission statements that identify and articulate organizational values (as opposed to those mission statements that do not).

Purpose and business strategy. The literature review summarized in table I suggests that there are two other areas that many writers feel should be contained in any formal mission statement: (1) the specification of the organization's purpose or raison d'être (Campbell and Yeung, 1991; Drucker, 1974; Ireland and Hitt, 1992; Klemm et al., 1991; Want, 1986), and; (2) the identification of the organization's 'business strategy', i.e. customer definition, product/service definition and/or competitive posture (Campbell and Yeung, 1991; Drucker, 1974; Ireland and Hitt, 1992; Klemm et al., 1991). By including these components in the mission statement, the writers argue, an organization's members are provided with a sense of direction and – most important of all – a focus for allocating scarce resources. We, therefore, developed the following research hypotheses:

> *Hypothesis 6c:* Significantly higher performance will be associated with those formal mission statements that identify an organization's purpose(s) (as opposed to those formal mission statements that do not).

> *Hypothesis 6d:* Significantly higher performance will be associated with those mission statements that identify an organization's business strategy (as opposed to those mission statements that do not).

Length. There are no theoretical writings or empirical studies on the relationship between firm performance and the length of a firm's mission statement. There may be some who would argue that length is unimportant; that writing the mission statement is simply a matter of capturing what the organization is trying to accomplish. There are also others who could point to examples of exceptionally famous and successful companies with exceptionally long mission statements (e.g. Johnson & Johnson). However, our own experience suggests that for a mission statement to have any real immediate and long lasting impact on organizational members, it should be relatively short (or KISS – keep it simple and straightforward!). If it is not, no one will remember it. Based on this personal speculation, we developed the following research hypothesis:

> *Hypothesis 6e:* Performance will be negatively and significantly correlated with the length of a firm's mission statement.

RESEARCH METHOD

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 on independent sample *t*-tests (in the case of hypotheses 1, 6a, 6b, 6c and 6d) and correlations (for hypotheses 2, 3, 4, 5 and 6e) to analyse the data.

Sample Selection and Size

An introductory letter and questionnaire was sent to the office of the CEOs of the top-listed 500 industrial corporations in Canada. 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 questionnaires were returned – thereby providing a response rate of 27.2 per cent. Our sample size and response rate compare favourably with other studies that have surveyed CEOs (e.g. Calori et al. (1994) = 26 CEOs surveyed with 100 per cent response; McDougall et al. (1994) = 271 CEOs surveyed with 11 per cent response; Roth and Ricks (1994) = 171 CEOs surveyed with 24 per cent response).

A summary of key operating and performance statistics is reported in table II. The responding firms appeared to be geographically represented and there appeared to be no industry bias. In addition, *t*-tests revealed that there were no significant differences in the responses which could be attributed to firm size (using gross revenues, profit after taxes, total assets and number of employees).

Nevertheless, the method of sample selection restricts 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.

Assessing Non-response Bias

A typical method for assessing non-response bias would be to compare the characteristics of respondents to the characteristics of the population from which the sample was extracted. Since this was not possible, we assessed non-response bias by comparing early to late respondents – as suggested by Armstrong and Overton (1977). They argue that later repliers are more representative of non-respondents than early repliers. We, therefore split our sample of respondents into two groups – based on the order of their receipt.

In our comparison of these two groups, we could find no significant differences between early and late repliers on criteria such as: sales, profits, return on sales,

Table II. Key performance statistics

	Mean	*Maximum*	*Minimum*
Return on sales*	−1.15%	7.51%	−10.62%
Return on assets*	−0.74%	13.11%	−14.77%
Annual sales change*	−4.94%	28.00%	−40.33%
Annual profit change*	14.52%	7,992.67%	−3,800.67%

Notes:
All numbers reported in Canadian $.
*Numbers are adjusted for their relative industry standing and averaged over a three-year period (1991–1993).

return on assets, sales growth, profit growth, satisfaction with the current mission statement, satisfaction with the mission development process and mission statement influence on employee behaviour. Based on these results, non-response bias did not appear to present a problem in the current study with respect to testing our hypotheses.

Target Respondent

The selection of the CEO as the individual most capable of responding to the type of research that we conducted has been established in prior research. Both McDougall et al. (1994) and Hambrick (1981) argue that the CEO is the one who typically possesses the most overall understanding and knowledge of key organizational characteristics, the firm's strategy, and its performance. Calori et al. (1994) also makes the point that a CEO performs the critical 'integrative function' within the top management team. And, nowhere is this more important than in terms of formulating an organization's overall mission and strategy. Thus, the CEO is an organization's chief strategist (Byars, 1984; David, 1993; Hax and Majluf, 1984; Thompson and Strickland, 1992; Wheelen and Hunger, 1992).

In our sample, approximately 40 per cent of the questionnaires were completed by the CEO personally. The remaining 60 per cent were completed by individuals specifically designated by the CEO as being most capable of answering our questions. An analysis comparing the responses of the CEO and non-CEO groups revealed no systematic significant differences among them.

Measures

We developed a mailed survey instrument to assess: the firms' use of mission statements; the respondents' satisfaction with the quality of their firms' mission statements; the respondents' satisfaction with the quality of the process by which their mission statements were developed; the involvement of various internal stakeholders in the mission development process; the degree of mission-performance evaluation system alignment; and various performance measures. We also asked respondents to forward a copy of their mission statement so that we could analyse its contents.

Since very senior executives were often responding to the questionnaire, only single item 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. Indeed, almost all remarked on how they routinely receive numerous requests each week to complete various questionnaires. 'To get a CEO or other senior executives to respond', one executive remarked, 'the questionnaire had better be short.')

It should also be remembered that 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 satisfaction and alignment. A five-point Likert scale was used for assessing the respondents' degree of satisfaction with their firm's mission statement and with the mission development process. A simple five-point non-Likert scale was used for measuring the perceived degree of mission-performance evaluation system alignment.

Measures of involvement. For our purposes, we considered the following as relevant internal stakeholder groups: the CEO, the top management team/group, middle managers, and non-managerial employees.

Measures of involvement were taken for each stakeholder category using a two-point scale (i.e. (1) = 'involved in the development of the mission statement' versus (0) = 'not involved'). An overall involvement scale was then formed by summing the scores for each individual stakeholder group. Cronbach's coefficient alpha of our involvement measures was 0.57. Nunnally (1967, p. 226) suggests that results in the range of .5 to .6 are required for statistical reliability with Cronbach's coefficient alpha. Our construct was, therefore, deemed to be both internally consistent and statistically reliable.

Measures of performance. To assess the relationship of firm mission statements with performance, we utilized five measures: four financial and one behavioural. The financial performance measures were: return-on-sales (Brush and VanderWerf, 1990; McDougall et al., 1994); return-on-assets (David, 1989; Roth and Ricks, 1994); the percentage annual change in sales (Brush and VanderWerf, 1990; McDougall et al., 1994; Roth and Ricks, 1994); and the percentage annual change in profits.

While firm performance can be measured according to many different methods, studies by Venkatramen (1989) and Nohria and Ghoshal (1994) have indicated that our selected performance measures are comprehensive and the ones typically referred to as being the critical performance indicators for top management. They are often among the ones most frequently used in academic assessments of performance (e.g. Brush and VanderWerf, 1990). Moreover, a casual review of the annual reports (especially the section regarding 'Management Discussion and Analysis') for some of the companies in our study suggests that our performance measures are the ones that CEOs and company chairmen pay most attention to.

When comparing the financial performance of companies in different industries, however, it is important to control for industry differences. All of our financial performance measures were, therefore, both (a) adjusted to take their relative industry standing into account (based on their reported Dunn and Bradstreet industry mean), and (b) averaged over a three-year period (1991 to 1993) to compensate for any intra-industry fluctuations.

In terms of the behavioural performance measure, we developed a five-point non-Likert scale in which respondents were asked to indicate the degree to which they perceived their firm's mission statement to influence employee behaviour.

Time lags. Given the possibility of a lag in the relationship between a firm's mission statement and its performance, a longitudinal analysis would have been preferable. However, this was not possible due to the nature of our cross-sectional data. This represents a significant limitation of the current research. However, it is one that is shared with most of the other research on this topic.

Mission statement content. We performed a content analysis on those mission statements returned to us. We assessed content in terms of the following five major characteristics: presence of financial goals (none = 0; some = 1); organizational purpose(s) listed (none = 0; some = 1); values/beliefs listed (none = 0; some = 1);

business strategy identified (no = 0; yes = 1); the length of the mission statement (i.e. total number of words).

RESULTS

Mission, Satisfaction and Firm Performance

Hypothesis 1. When the performance measures were compared between 'firms with' and 'firms without' mission statements, the *t*-test results obtained were mixed (see table III, column 1). Specifically, there was no significant difference observed between firms with and without mission statements in terms of our return on assets measure. At the same time, significantly higher performance results for firms with mission statements were observed to occur with respect to their return on sales. And, as for the remaining two measures (i.e. percentage change in both profits and sales), significantly lower performance results were found to be associated with those firms that had formal mission statements (as opposed to those firms that did not). The results obtained in support of hypothesis 1, therefore, were extremely weak.

Notwithstanding these findings, we also considered firm performance in light of

Table III. Mission statement, satisfaction and performance: *t*-tests

Performance measures	*'Firms without' (a) vs. 'Firms with' (b) mission statements* n *(a) = 19* n *(b) = 117*	*Correlation of 'mission statement satisfaction' with performance* n = *117*	*Correlation of 'Mission process satisfaction' with performance* n = *113*
Return on sales	a = −2.84 b = 0.88 +(.052)*	n.s.	n.s.
Return on assets	n.s.	n.s.	.1510 (.100)*
Percentage change in sales	a = 6.27 b = −8.61 −(.026)*	.3087 (.006)*	.1895 (.062)*
Percentage change in profits	a = 928.58 b = −119.53 −(.085)*	n.s.	n.s.
Influence on employee behaviour	Not testable	.5453 (.000)*	.4303 +(.000)*

Notes:
1. All *t*-tests are one tailed.
2. * indicates significance of *t*-test or correlation statistic.
3. n.s. = not significant at the .101 level or greater, therefore not reported.
4. + = mean difference in performance scores whereby (a) score < (b) score.
5. − = mean difference in performance scores whereby (a) score > (b) score.
6. *n* = sample size.

both the mission statements' quality and the quality of the *process* by which the mission statements were developed. Those results follow.

Hypothesis 2. For those firms where managers claimed satisfaction with their mission statements, significant positive correlations were found with respect to two of our performance measures, i.e. the percentage change in sales and the degree of mission statement influence on employees (see table III, column 2). These findings, therefore, caused us to reject the null hypothesis that satisfaction with the mission statement would not be correlated with performance. The support for hypothesis 2, however, appears to be only moderate.

Mission Statement Development Process and Performance

Hypothesis 3. Significantly higher differences in performance were also found to be linked to the managers' satisfaction with their firms' mission development process (see table III, column 3). Satisfaction with the mission development process was found to be positively and significantly correlated with the firms' increase in sales, return on assets and the influence on behaviour measure. Thus, the evidence obtained in support of hypothesis 3 appears to be fairly strong.

Internal Stakeholder Involvement in the Mission Development Process and Performance

Hypothesis 4. Table IV shows the cumulative effect of all internal stakeholders' involvement in the development of the mission statements. Significant direct effects were observed only in the case of two performance measures. Specifically, the amount of internal stakeholder involvement was found to be positively and significantly correlated with higher returns on sales and significantly higher levels of influence on employee behaviour. Thus, the support for hypothesis 4 was considered to be only limited.

As part of a side-bar exploration, though, we also conducted tests which

Table IV. Mission statement involvement and performance: *t*-tests

Performance criteria	*Correlation between 'collective internal stakeholder involvement in the mission development process' and performance*
Return on sales	.2625 (.016)*
Return on assets	n.s.
Percentage change in sales	n.s.
Percentage change in profits	n.s.
Influence on employee behaviour	.1813 (.028)*

Notes:
* numbers in brackets indicate significance of correlation statistic.
n.s. = not significant at the .101 level or greater, therefore not reported.

compared the involvement levels of individual internal stakeholder groups (i.e. CEO, top management, middle managers, and other non-manager employees) with our five performance measures. Significant differences in performance were detected in only one specific instance, i.e. a significantly higher percentage change in profits was found to occur only when middle managers participated in the firm's mission development process.

Mission–Performance Evaluation System Alignment and Firm Performance

Hypothesis 5. Table V shows the correlation results for the performance measures under varying levels of mission–performance evaluation system alignment or 'fit'. The results indicate that the extent to which a mission statement is taken into account when deciding a firm's performance evaluation system appears to have a substantial and significant association with firm performance. All five performance measures were involved and each was found to be positively and significantly correlated with our measure for mission–performance evaluation system alignment. Thus, extensive support was found for hypothesis 5.

Mission Statement Content and Firm Performance

Table VI gives the *t*-test and correlation results found during our content analysis of various mission statement components. While evidence supporting four of the five content hypotheses was obtained, the case in support of each hypothesis appears to be, at best, only moderate.

Goals (hypothesis 6a). The presence of financial goals in the mission statements was observed to vary significantly with selected measures of firm performance –

Table V. Mission-performance evaluation system alignment

Performance criteria	*Correlation between 'mission–performance evaluation system alignment' and performance* n = *110*
Return on sales	.2413 (.021)*
Return on assets	.3699 (.001)*
Percentage change in sales	.2479 (.022)*
Percentage change in profits	.3055 (.031)*
Influence on employee behaviour	.5922 (.000)*

Notes:
* indicates significance of correlation statistic.
n.s. = not significant at the .101 level or greater, therefore not reported.
n = sample size.

Table VI. Mission statement content and performance

Performance measures	*'No' (a) vs. 'some' (b) 'financial objectives'* n (a) = 41 n (b) = 46	*'No' (a) vs. 'some' (b) values* n (a) = 17 n (b) = 70	*'No' (a) vs. 'some' (b) purpose(s)* n (a) = 27 n (b) = 60	*'Business strategy not defined' (a) vs. 'defined' (b)* n (a) = 29 n (b) = 58	*Correlation between 'mission statement length' and performance* n = 87
Return on sales	a = 0.17 b = −2.20 −(.039)*	a = −2.72 b = −0.50 +(.023)*	a = −1.65 b = 0.47 +(.020)*	n.s.	n.s.
Return on assets	n.s.	n.s.	n.s.	n.s.	n.s.
Percentage change in sales	a = −3.40 b = −7.73 −(.085)*	n.s.	n.s.	n.s.	−.3370 (.005)*
Percentage change in profits	n.s.	n.s.	n.s.	n.s.	n.s.
Influence on employee behaviour	n.s.	a = 3.82 b = 4.16 +(.100)*	n.s.	n.s.	−.1739 (.054)*

Notes:
1. All t-tests are one-tailed.
2. * indicates significance of t-test or correlation statistic.
3. n.s. = not significant at the .101 level or greater, therefore not reported.
4. + = mean difference in performance scores whereby (a) score < (b) score.
5. − = mean difference in performance scores whereby (a) score > (b) score.
6. n = sample size.

however, not in the manner anticipated. In particular, a significant *negative* relationship was found to exist between those mission statements that listed financial goals and two of our performance measures, i.e. return on sales and the percentage change in sales (see table VI, column 1). Put another way, when financial goals were formally stated in the firms' mission statements, such statements were generally associated with significantly lower performance results on certain measures.

Values (hypothesis 6b). Significantly higher firm performance, however, was found to be associated with those mission statements that identified and listed organizational values. Both the return on sales and the influence on employee behaviour measures were significantly greater in the case of mission statements that contained statements of organizational values and beliefs – as opposed to those that did not.

Purpose (hypothesis 6c). A significant positive relationship was also found between those mission statements that listed an organization's purpose(s) and performance

– but, only on one measure (i.e. return on sales). Thus, while the association between performance and a mission statement's identification of company purpose occurred as anticipated, the evidence in support of hypothesis 6c appears to be weak.

Identifying the 'business strategy' (hypothesis 6d). Formal written mission statements that contained any mention of a firm's business strategy were observed not to be significantly associated with any of our performance measures.

Length of mission statement (hypothesis 6e). From the analysis in table VI, mission statement length was found to be significantly and negatively correlated with two performance measures, i.e. as mission statement length increased, a firm's percentage change in sales and the mission statement's perceived influence on employee behaviour were observed to decline.

DISCUSSION

Firms With or Without Mission Statements

Hypothesis 1 predicted that firms with mission statements would be associated with higher levels of performance than those firms without such statements. We found, instead, somewhat mixed (and mostly negative) support for this position. In this fashion, our findings are contrary to those of Klemm et al. (1991), David (1989) and Wilson (1992) who could find no performance differences between firms with or without mission statements. And our findings offer, unfortunately, only weak support for the position taken by Campbell (1989, 1993) and Campbell and Yeung (1991) that mission statements positively influence firm performance.

Yet, it has been argued elsewhere in this paper that one of the major problems with previous investigations into the relationship between firm performance and 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: satisfaction with the mission statement developed; satisfaction with the mission development process; the amount of internal stakeholder involvement; and the firm's mission–performance evaluation system alignment.

Mission Statement Satisfaction

Hypothesis 2, therefore, predicted that performance would be positively and significantly correlated with situations in which managers were satisfied with their organization's mission statement. While some support for this hypothesis was found with one of our financial performance measures (i.e. percentage change in sales), the results were far from overwhelming. Very strong support, however, was obtained in the case of our behavioural performance measure.

One interpretation of these findings (proposition A1) is that for a mission to have any impact on its members and performance, it must be viewed as somehow acceptable. Where a mission statement is 'just a bunch of nice sounding words thrown on a piece of paper', its impact will be marginal. But where a mission has 'salience', managerial commitment and financial success will follow (Oswald et al., 1994).

Another equally valid, but alternate, interpretation of our findings (proposition A2) is that when firm performance results are 'high' (i.e. greater than their industry's average), managers will be favourably predisposed to their firm's mission statement – whatever its content – and also attribute greater influence to it. In other words, success breeds satisfaction. Any future research, therefore, will need to deal with these two competing interpretations and attempt to resolve them.

Mission Development Process

Similar results were obtained when we considered the association between a firm's mission development process and performance (hypothesis 3). The findings from our analysis (presented in table III) showed that 'mission development process satisfaction' was positively and significantly correlated with our measure of 'employee behaviour influence' and with two of our financial performance measures (i.e. percentage change in sales and return on assets).

These findings caused us to speculate that a firm's mission development process may ultimately be a powerful influencer on financial performance (proposition B1). After all, there are many considerations involved in the process of developing a mission statement (e.g. desired process outcomes, who is to participate, time allowed to develop a mission, etc.) which, if not 'done right', can throw the beneficial effects of having a mission statement awry. Indeed, Grinyer and Norburn (1975, 1977) speculated that it was precisely because of these 'other factors' that they found no significant correlation between managerial goal consensus (a process development outcome) and financial performance in their sample of firms. However, the opposite may still also be true, i.e. that high performance creates satisfaction with the mission process (proposition B2). We, therefore, need to examine the mission development process in much greater detail (especially the causal relationship between performance and mission process satisfaction) in any future studies.

Stakeholder Involvement

Supposedly, one of the most important considerations in the development of a mission statement is the degree to which internal stakeholders are involved. Hypothesis 4 predicted that the more internal stakeholders were collectively involved in developing a mission statement, the more firms would experience higher performance results.

Collectively, internal stakeholders were observed to significantly impact firm performance only in terms of our return on sales and behavioural performance measures. One interpretation of these findings (proposition C1) is that the more individuals internal to an organization were involved in the mission development process, the greater the influence of mission on their behaviour and on selected financial performance measures. Interestingly, this interpretation is partially supported by prior theory which suggests that increased involvement in strategy is positively associated with increased employee commitment and satisfaction (Oswald et al., 1994; Quinn, 1978; Wooldridge and Floyd, 1990).

However, another way of explaining our findings (proposition C2) is that when firm performance results are high, managers simply attribute greater levels of involvement to the mission development process. Future research is, therefore, required to help sort out these two competing explanations.

Our exploratory venture with respect to individual stakeholder groups, however, found only one group (i.e. middle managers) whose individual involvement had some positive association with firm performance. No other significant associations with performance – positive or negative – were found with the remaining three internal stakeholder groups (i.e. CEOs, top management, and non-manager employees). Yet, the involvement of the CEO and/or top management team has often been cited as critical to the development of effective mission statements (Bates and Dillard, 1991; Daniel, 1992; Ireland and Hitt, 1992; Klemm et al., 1991; Medley, 1992). In fact, it is hard to imagine the development of a mission statement without their involvement.

The results of our analysis, therefore, suggest that the individual participation of the CEO and the top management team in the development of mission statements may be overstated; that, individually, their participation may actually be worth less to the success of the firm than the collective input of all internal stakeholders. This is because collective involvement creates commitment based on a sense of shared values. If only the CEO participates in the mission statement's development, then it is the CEO who is the only one committed to it. Other stakeholders feel nothing toward the mission statement – or worse, feel demoralized because of their exclusion. When the CEO involves all internal stakeholders, though, it creates a set of internal conditions in which each stakeholder group can feel both a sense of ownership (from their individual participation in the mission's development) and a sense of togetherness (from the participation of all firm members). It is only then, as we observed, that the impact on firm member behaviour becomes significant.

Mission–Performance Evaluation System Alignment

The area having the most profound correlation with firm performance was discovered during our examination of the alignment between a firm's mission statement and its performance evaluation system (hypothesis 5). High levels of mission–performance evaluation system alignment were found to be significantly and positively correlated with all measures of performance – both behavioural *and* financial.

One way of understanding these findings is to argue that high levels of performance provoke and nurture 'images of fit' (which may be real or imaginary) in the minds of managers (proposition D1). Another explanation (which we prefer), however, is that an extensive and comprehensive alignment between a firm's mission statement and its performance evaluation system appears to help focus and magnify the performance impact of the mission statement (proposition D2). Indeed, this latter interpretation is supported by the historical literature which has actively examined the strategy–organization–performance linkage over the past thirty years – beginning with the seminal study by Burns and Stalker (1961). The message emanating from this past research is that organizational arrangements in general serve to focus and prioritize the activities of firm members such that their behaviours reflect and reinforce strategy (Galbraith and Kazanjian, 1986). What is surprising here is that the relationship between mission and organizational arrangements has been virtually ignored in the historical mission literature. We have investigated and discussed only one of these organizational arrangements. However, there are many more to consider, including: structure, job descriptions, organizational development/training, strategic planning systems, budgeting procedures, etc. Given the significance of the association found in this exploratory study, the mission–organization–performance alignment should receive much more intensive investigation in any future research.

Mission Statement Content

Previous writings have argued extensively on what the content of mission statements should look like. Unfortunately, little of this literature has attempted to test its conclusions empirically for differences in performance. Hypothesis 6 set out to correct this anomaly.

Our findings showed that differences in the content of mission statements were associated with selected differences in performance. Based on the results shown in table VI, significant positive differences in performance were found to be associated with mission statements which: contained no financial goals, identified a firm's values/beliefs, defined a firm's purpose(s), and were relatively short.

Goals We found that the presence of *financial* goals in a mission statement was significantly and negatively associated with performance. This finding, however, is contrary to most of the results obtained in previous studies which found goals to be positively correlated with financial performance. One interpretation of our results is that the presence of financial goals in the context of a mission statement may actually detract from the real purpose of such statements and thereby contribute, over time, to poor performance (proposition E1). Rather than motivate and inspire firm members to greater heights, financial goals – when stated in a mission statement – may be seen by organization members as too confining, too inhibiting and as removing some of the flexibility from any future actions. For this reason, today's high-performing firms are those ones that have previously excluded financial goals from their mission statements (proposition E2) – though, it is our opinion that they were probably put somewhere else.

An alternate and equally compelling explanation for our results, however, is that firms experiencing low levels of financial performance *deliberately include* financial goals in their mission statements as a way of building legitimacy with external stakeholders and/or re-establishing direction, focus and control for their organization's eventual turnaround (proposition E3). Placing financial targets in a mission statement when performance is low gives them high prominence, company-wide attention and emphasizes senior management's concerns. Highly successful firms, on the other hand, deliberately choose not to articulate any financial goals in their mission statements simply because they feel that there is no need for them in the current time frame (proposition E4). In other words, 'the past is prologue'. Further longitudinal research (which tracks the time lag between actual mission development and future performance) is clearly required to better understand and help clarify these conflicting interpretations.

Values It was both encouraging and not that surprising to find that several significant differences in firm performance (i.e. return on sales and influence on employee behaviour) were positively associated with the inclusion of corporate values in mission statements. Values represent the internal thoughts that individuals and organizations hold (or would like to hold) about themselves. It has been previously noted that when some values are widely shared throughout an organization, their impact on the firm can be extremely powerful – either as a motivator or resistor toward certain ends. Unfortunately, we had no way of knowing (a) whether the values articulated in the mission statements of high-performing firms were 'desirable states' which the firm was now trying to achieve (proposition F1), or (b) whether the mission values of high-performing firms were destinations already attained and which the firms were now trying to preserve (proposition F2). Determining this would, therefore, be an interesting exploration in any future research. In addition, whether mission values represent a cornerstone contributor for superior future financial performance (proposition F3) or whether they are merely a luxury that can only be afforded or indulged in when a firm's performance is already strong (proposition F4) is another research area in need of resolution.

Nevertheless, the fact that we observed a positive and significant association between mission values and our performance measures appears to reinforce the 'majority opinion' from the historical literature and provides some potential guidance, at least, as to where statements of organizational values should probably be located and communicated within a firm's information system. We also found it particularly interesting that our findings with respect to mission values seemed to balance fairly nicely with the results that we obtained regarding the inclusion of financial goals in mission statements – i.e. quantitative, financial goals are significantly associated with negative performance while qualitative, non-financial statements of beliefs are significantly associated with positive performance.

Purpose

Organizational purpose describes why an organization exists and/or what higher-order aims it is trying to meet or serve (e.g. 'our purpose is to meet and exceed customer needs and expectations'; 'we exist because of the dedication, loyalty and commitment of our employees', etc.). As such, statements of purpose represent a type of goal, albeit, one that is characterized as generally oriented, non-quantitative (or qualitatively worded) and non-financial in nature.

In our study, stating the purpose(s) of an organization in a mission statement was found to be positively associated with only two of our measures of performance (i.e. return on sales and influence on employee behaviour). Though the support for hypothesis 5c is fairly limited, our findings are, nevertheless, quite consistent with both prior theory and prior goals research. And it is again interesting that the non-quantitative goals associated with organization purpose were positively associated with performance while the quantitative, financially oriented goals (discussed earlier) were not.

We believe that there are two possible reasons for this. One interpretation emanates from our review of the mission documents supplied to us. Our analysis showed the statements of purpose contained therein appeared to be much more inspiring than the somewhat dry and sterile financially oriented goals. As such, statements of purpose appear to hold the potential to ignite and energize human behaviour (proposition G1). Also, because statements of purpose are generally worded, they are usually less confining than financial goals (proposition G2). Employees are somewhat freer to put their own creative interpretation on what the actual words in a statement of purpose mean for their particular job. This, in turn, appears to translate into better financial performance.

The other competing interpretation for these results, however, is that only firms enjoying high financial performance results have the necessary organizational slack which allows them to ask – and answer – such philosophical questions as: Why do we exist? What purpose do we serve? Why would someone need to create us if we didn't exist already? (proposition G3). Firms in financial trouble, on the other hand, may be afforded no such luxury. With a wolf knocking at their door, such firms may feel compelled to be very precise and directive in their communications concerning organizational ends and seek to avoid any exercises in navel gazing (proposition G4).

What is required to help clarify and sort out these alternate interpretations is some detailed case studies and interview surveys that allow a deeper probing of the thinking that managers bring when creating and deploying their missions.

Business Strategy

We could find no differences in the performance of firms between those that included and those that did not include some mention of their business strategy. This is fascinating since many previous studies suggest that a firm's business strategy forms an integral part of its mission (table I). They also typically claim, either by implication or outright declaration, that the firm's business strategy should be included as part of the mission. These previous studies, however, did not attempt to link a mission statement's identification of its firm's business strategy with any measures of performance.

Our analysis, nevertheless, did make such an effort and our findings cause us to argue that while the firm's business strategy is probably a widely accepted mission component, it does not appear to have any direct association with performance. It would, therefore, appear that managers may be wasting precious organizational resources in attempting to include such a definition in their mission statements per se – and should probably put them elsewhere (proposition H1).

Mission Length

It was interesting to find that mission statement length was significantly and negatively correlated with performance. After all, it has been argued in the historical literature that mission statements should identify their firm's purpose(s) and include a definition of their firm's business strategy(ies). 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.

One explanation for our current findings, therefore, appears to lie with the argument that shorter and more concise mission statements are easier to communicate, easier to remember and encourage more focused effort (proposition I1). (In fact, this interpretation would help to explain the absence of specific financial goals and business strategies that we observed in some of the mission statements of our high performing firms. Their absence may simply be part of the trade-off required to achieve the desired mission statement brevity.) Long and detailed mission statements, on the other hand, are simply ignored and this, in turn, leads to poor performance (proposition I2).

Another explanation, however, is that high performing organizations do not need to spend a lot of time articulating their firm's mission – it's almost intuitively known (proposition I3). Low performance firms, on the other hand, need 'to have things spelled out for them in detail' so that there is no confusion or misunderstanding about what the firm is trying to accomplish as part of its future orientation (proposition I4). Once again, though, additional research is needed to help sort out these alternate viewpoints.

SUMMARY AND CONCLUSIONS

The results from our study are provocative. They suggest that most of the previous writings extolling the virtues of having a mission statement appear to be wrong or incomplete.

To begin with, our results showed that the presence of mission statements were not automatically associated with superior firm performance. In fact, our results were somewhat mixed. At the same time, we found a significant and positive correlation between: (a) firm performance and mission statements with which managers were satisfied; and (b) firm performance and the process used to develop mission statements.

Our study also established that the collective involvement of all internal stakeholder groups (as part of the mission statement development process) seems to have a differential performance impact. However, the most important performance consideration appeared to be the degree to which a firm's performance evaluation system was aligned with its mission. To the extent that it was, performance appeared to be both positively and significantly correlated.

Looking at our findings in a slightly different way, the results obtained in this study have also helped to confirm empirically the two benefits which many previous writers have only 'claimed' to be associated with mission statement use, namely, influencing organizational members' behaviours and improving resource allocation. As our analysis showed, where firms: (a) develop mission statements with which they are satisfied, (b) use a mission development process with which they are satisfied; and (c) have high levels of internal stakeholder involvement in the mission development process, then, mission statements appear to have a particularly strong affinity with employee behaviour – and a highly selective relationship with our financial measures.

However, when a mission statement is highly aligned with its firm's performance evaluation system, the result appears to be a much more focused resource allocation process in which the firm's efforts are concentrated and its resources not dissipated. Because of this, the degree of association with financial performance was substantial. Our findings, therefore, reinforce and confirm a huge body of prior research which has established that a firm's choice of organizational arrangements represents one of the key tools for implementing mission and for achieving superior financial performance results (Galbraith and Kazanjian, 1986).

But the critical question is: Do mission statements matter? While we could not answer this question at the present time, we are encouraged by our preliminary and exploratory results which have for the first time confirmed and challenged empirically some of the relationships and associations that have formed part of the conventional wisdom surrounding mission statements. With additional research, especially that which investigates over time the causality of the relationships found in this study, we will be able to put this question finally to rest.

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