
A model of the impact of mission statements on firm performance

Christopher K. Bart

Michael G. DeGroot School of Business, McMaster University, Hamilton, Canada

Nick Bontis

Michael G. DeGroot School of Business, McMaster University, Hamilton, Canada

Simon Taggar

Memorial University of Newfoundland, Newfoundland, Canada

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Abstract

A relationship between mission and organizational performance was modeled by drawing on previous research. The model was tested with data from 83 large Canadian and US organizations. We found that mission statements can affect financial performance, however, not as one might have anticipated initially. Several mediating elements were observed to exist. For instance, "commitment to the mission" and the "degree to which an organization aligns its internal structure, policies and procedures with its mission" were both found to be positively associated with "employee behavior". It was this latter variable which was observed, in turn, to have the most direct relationship with financial performance.

Mission statements abound. In fact, in a study by Bain & Co. conducted in 1996, of the top 25 management methods and techniques deployed by senior managers all over the world, mission statements had been consistently shown to be the top-rated management tool during each of the prior ten years (Bain *et al.*, 1996). There are many reasons for their popularity. To begin with, mission statements are supposed to answer some fairly simple yet critically fundamental questions for every organization, such as: why do we exist; what is our purpose; what are we trying to accomplish? When these questions are properly answered, a mission statement captures an organization's unique and enduring purpose (Bart, 1996a, 1999; Ireland and Hitt, 1992; Klemm *et al.*, 1991; Want, 1986).

Mission statements are also regarded as the critical starting point for almost every major strategic initiative and they are considered *de rigueur* in initiating most modern management practices such as TQM, re-engineering and self-directed work teams (Bart, 1997a). In addition, mission statements are intended to motivate (and in so doing, control) the behaviors of organizational members toward common organizational goals (Campbell, 1989, 1993; Collins and Porras, 1991; Daniel, 1992; Ireland and Hitt, 1992; Klemm *et al.*, 1991). They are supposed to provide a context for strategy (Thompson and Strickland, 1992). And they should be the ultimate reference point in making critical resource allocation decisions (Ireland and Hitt, 1992).

However, while managers and academics make frequent mention of their importance, only a modicum of empirical research has been completed on mission statements during the past 25 years – and *none* has considered mission statements in the context of a performance model. As a result, very little is

known about the relationship among various mission constructs (e.g. mission content, satisfaction with the mission, rationale/motivation for having a mission, mission-organizational alignment or commitment to the mission), their effect on employee behavior and, most importantly, their *collective* relationship to financial outcomes. The purpose of this study was to model and test the relationships among selected dimensions of mission and then to determine how they contributed to firm success/failure. The model itself was constructed from the results of the most recent mission literature and research. Our aim was to show the relative weighting of selected mission variables, how they interact – and sequence – themselves and how they relate to success. The model that we developed, thus, was designed to advance our knowledge with respect to successful mission statements and to provide some insights into the dynamics of successful mission-related practices and processes.

Prior mission statement literature

What relationship does a mission statement have to firm performance? Despite the rhetoric emanating from most strategic planning textbooks extolling their virtues, this question, amazingly, has remained largely unanswered (Bart and Baetz, 1998). The main reason for this is that the historical literature has tended to focus (almost obsessively) on identifying the components of a mission's content and then relying on frequency analyses for suggesting what the preferred elements should be (Pearce, 1982; Pearce and David, 1987; Ireland and Hitt, 1992; Klemm *et al.*, 1991; David, 1989, 1993). Very few studies have focussed on the relationship between mission and financial performance. And none have found substantial, direct linkages. The net result can best be summed up as a patchwork quilt of relationships that only imply some sort of

model might be present. Let us briefly review the main research contributions.

Pearce and David (1987) are generally regarded as the first researchers to successfully demonstrate a link between three mission components (i.e. organizational philosophy, self concept and public image) and firm performance (measured in terms of “high” versus “low” performing Fortune 500 companies). However, when Bart (1997b) examined 44 industrial companies to determine the relationship between 25 mission content items and five performance outcomes (ROA, ROS, percentage change in sales, percentage change in profits, and influence of mission on employees’ behavior), only weak relationships were observed to occur with the financial variables. The strongest and most frequent associations were found with the intermediate behavioral variable. And it was this variable which was seen as being significantly associated with financial success (Bart, 1996a).

Similar results were obtained by Bart and Baetz (1998) in their study of 130 Canadian corporations. But their findings also established that significant and positive correlations existed between two new intermediary variables (i.e. “satisfaction with the mission” and “satisfaction with the mission development process”) and financial success. Armed with these results, Bart (1999) embarked upon another study of 103 Canadian Hospitals and this time found a strong connection between mission content and “degree of satisfaction with the mission” – as well as between mission content and “degree of satisfaction with financial performance”. Unfortunately, the connections or path *among* these variables as a group was not explored. However, one of the overwhelming conclusions which stemmed from our review of the recent literature is that a mission’s impact on firm success/failure appears to be much more indirect than previously imagined; that there is a host of intervening variables that needs to be considered in understanding the mission-performance connection.

In addition, the more recent studies appear to be leading to some sort of convergence with respect to our understanding of mission practices. Many details, however, are still lacking. In particular, a clear understanding of the balance between critical mission variables, their interaction with one another and their overall relationship to financial performance does not exist. This is because the various interactions among the primary and intermediary mission variables have not been modeled *holistically* or empirically

tested as such. As a result, the exact nature of the relationships among assorted mission variables is not known. The “directional effects” of any mission model variables also needs to be resolved. As Bart (1997b) has remarked:

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

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

Research model and hypotheses

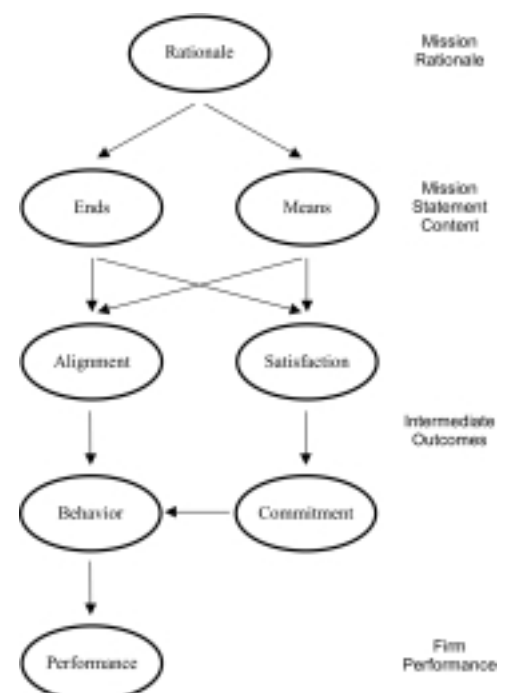
Utilizing the literature to date, a model was developed to guide the present research investigation. Figure 1 illustrates the model and the specific hypotheses that were tested.

The following sections provide a review of the literature concerning the main components of the mission model and offer a justification for how the research hypotheses were developed.

Mission rationales and performance

In a series of recent studies, the relationship among ten mission rationales and selected

Figure 1
PLS model



organizational and performance variables have been investigated. The organizational variables of interest have included how mission rationales vary with the degree of high technology emphasis (Bart, 1996b), the degree of firm innovativeness (Bart, 1998); within industrial firms (Bart, 1997b) and within hospitals (Bart, 1998). The performance (or outcome) variables considered have been both financial and non-financial. The most consistent finding from these studies is that mission rationales tend to be more strongly associated with a mission's intermediary variables (i.e. behavioral impact, satisfaction with the mission, commitment to the mission) than with its financial performance.

The relationships among mission rationales and content, however, have yet to be explored. Figure 1 states that the rationale or purpose behind the formulation of a mission should ultimately drive its content – categorized in terms of mission ends and mission means. Now, there are two lines of thought on the sources of influence that lead to the creation of missions. One view is that there is no single rationale to which one can point as the real driver of any mission. Instead, a mission is simply created based on some notion of need and the resultant surplus/deficit of words in it occurs because there are no systems or procedures available to constrain or shape the managers' efforts.

The other view is that organizations actually develop mission statements based on a set of governing criteria or rationales. We support this latter view and argue that the clearer managers are about their motives in creating a mission statement ultimately determines its final composition, i.e. the ends and means specified in the mission statement. Hence, the following two hypotheses:

H1: The degree to which the rationale for creating a mission is known a priori will affect the degree to which the *ends* in a mission statement are specified.

H2: The degree to which the rationale for creating a mission is known a priori will affect the degree to which the *means* in a mission statement are specified.

Mission content and performance

Although analyzing the content of mission statements has consumed the mission literature of the past 20 years, specifying the *preferred* content has remained (until recently) highly in dispute. For example, Bart (1997b) found that, in a review of the prior literature, there were 25 items which others had identified as possibly being part of a firm's mission. He claimed that there were

two reasons for this large list. The first was that previous researchers had, for the most part, failed to build upon earlier mission content categorizations – opting instead simply to create their own unique labels (e.g. David, 1989; Coats *et al.*, 1991; Klemm *et al.*, 1991). The second major reason was that there had been, to date, only very limited attempts to relate various mission content categories to organization performance and those that did, failed to take into account the inter-relationships among various intermediary variables. As a result, Bart concluded that managers would be hard pressed to find any reliable and consistent recommendations indicating which components might make a difference and, therefore, which ones should be included in (or excluded from) their missions.

To correct for this shortcoming, Bart launched a series of studies investigating the content of mission statements in different organizational contexts (i.e. hospitals (1999), high-technology firms (1996b), innovative firms (1996a; 1998) and industrial organizations (1997b)). He further attempted to relate his observations to selected intermediary and financial measures of performance. Within each of the aforementioned organizational contexts, some mission statement components were observed to be used significantly more often than others. Amazingly, only one mission component seemed to be mentioned consistently regardless of its organizational context, i.e. a clear compelling goal.

As discussed earlier, though, Bart's research also established that a high frequency of mention for some mission components did not always translate into financial success. Instead, his investigations into the connection between mission content and performance (1996a, 1996b, 1997a, 1997b, 1998) appear to have established two major base points:

- 1 that most mission components have no direct association with financial outcomes; and
- 2 that the bulk of the significant relationships exist between various mission components and some other, intermediary non-financial performance measures (i.e. satisfaction with the mission; mission influence over behavior; commitment to the mission; and satisfaction with the organization's financial performance).

Mission content and satisfaction

Now, while the general relationship between "mission content" and "satisfaction with the mission" appears to be well-established, the

actual direction of that relationship remains unresolved. Which direction, then, seems to make the most sense? It is, of course, possible to argue that the more individuals are “satisfied with their mission” (for whatever reason), the more they will report that their mission statement (i.e. the statements of ends and means contained therein) appears to be “clearly specified”. The contrary argument, however, is that when the ends and means in a mission statement are precise, organizational members will derive certain benefits from this and therefore report greater satisfaction with the actual document.

The major benefit from having a clear mission with well-specified ends and means is that confusion, uncertainty and contradiction are eliminated. That is, when employees operate according to expectations associated with their role in the organization – low role ambiguity, role overload, and role conflict – they experience greater job satisfaction (Fisher and Gitelson, 1983). This is because, they know what to do and what is expected from them. Consequently, they enjoy a greater sense of purpose, direction and focus in their day-to-day activities. Accordingly, we developed the following hypotheses:

H3: The degree to which the ends in a mission statement are specified will positively affect the degree to which employees report satisfaction with the mission.

H4: The degree to which the means in a mission statement are specified will positively affect the degree to which employees report satisfaction with the mission.

Mission content and mission-organizational alignment

The direct relationship between mission content (measured in terms of ends and means) and mission-organizational alignment has yet to be explored in any previous research. However, the strategy literature is resplendent with research claims that for any *strategy* to be successful, there must be management systems and processes in place which are aligned with and which reinforce the strategy. The same, therefore, should also hold true for mission statements since they are traditionally viewed as one of the seminal components of strategy. But, it is imperative that clear direction be given in a mission so that managers are able to make the necessary organizational alignment – or fit – with it.

Of course, it is possible to argue that when managers design their organizational

systems, this may cause them to rewrite their mission statements in order to bring them into line with their organizational arrangements. The strategy case study literature, however, has shown that this seldom happens and that to do so would be tantamount to putting the organizational cart before the strategic horse (Thompson and Strickland, 1992). We believe that it is the choice of mission components and their degree of specification which makes alignment with the mission possible in the first place. Without clear specification of the mission, there could be no alignment. Based on this line of reasoning, we developed the following two hypotheses:

H5: The degree to which the ends in a mission statement are specified will positively affect the degree to which organizational systems are aligned with them.

H6: The degree to which the means in a mission statement are specified will positively affect the degree to which organizational systems are aligned with them.

Mission-organizational alignment and behavior

Bart and Baetz (1998) were the first researchers to introduce the concept of mission-organizational alignment as a potentially important antecedent to a mission’s influence over employee behavior. The authors observed that the degree to which an organization aligned its structure, systems, and procedures with its mission, represented one of the most powerful, positive, and most pervasive relationships with performance in general – but, especially with employee behavior. Similar results were obtained by Bart (1998) in his study of 103 hospitals.

When organizational recruitment, reward and information systems are aligned with the specific components in a mission statement, they serve to reinforce for employees the message in the mission. This is because a high degree of mission-organizational alignment tightens the focus and priorities and makes clear the direction in which an organization is headed. Employee behaviors that are not in synchronisation with the mission will be interpreted as ignoring the signals that the information system is attempting to send concerning mission priorities. Such behaviors will also not get rewarded. Thus, it seems obvious that company situations involving high mission-organizational alignment should be viewed as contributing strongly to the influence that a mission has over employees. But does the reverse logic also hold true? We believe not. Just because

employees feel that their company's mission is influencing their behavior (for whatever reason), it does not necessarily follow that they will report a high degree of mission-organizational alignment – especially when it does not exist. Or, put another way, the reported degree of mission influence on behavior, by itself, does not cause, create or contribute to a company's state of mission-organizational alignment. For these reasons, we proposed the following hypothesis:

H7: The degree of mission-organizational alignment will positively affect the degree to which the mission influences employee behavior.

Mission commitment and behavior

While organizational arrangements have been shown to have an effect on the behavior of firm members, such behavior is also affected by how committed individuals are to organizational objectives. Indeed, commitment to organizational objectives has been shown to be an important precondition for employees to change their behavior (Mokaden, 1994; Kim *et al.*, 1997; Nan-Lange *et al.*, 1997). However, the relationship between an employee's commitment to a mission and his/her behavior has yet to be specifically investigated. It seems quite logical to argue that when commitment to a firm's mission is high, employees will be influenced by it. The reason is that their mental state is favorably predisposed to the mission, i.e. they have linked their hearts, minds and souls to the aims and purposes embedded in the mission. Commitment also appears to be the appropriate link between employee satisfaction and behavior because there is strong evidence for the view that individual behavior is not directly influenced by satisfaction (Iaffaldano and Muchinsky, 1985; Hom and Griffeth, 1995). Our current thinking, therefore, is that it is commitment as opposed to satisfaction which is the real driver of behavior. The question which remains, however, is whether the opposite holds true i.e. when employees feel that their behavior is being influenced by a mission, are they necessarily committed to it. We think not – primarily because it is possible for organizations to force from their employees (through mission-organizational alignment, for instance) certain behaviors which are consistent with the mission – but which lack any personal or emotional connection to it. It was for these reasons that we proposed the following hypothesis:

H8: The degree of employee commitment to a mission will positively affect the degree to which employee behavior is influenced by that mission.

Mission satisfaction and commitment

Satisfaction has generally been portrayed in the literature as a useful indicator for the condition and effectiveness of many organizational policies and practices (Hammer and Smith, 1978; Getman *et al.*, 1976; Mirvis and Lawler, 1977). Motaz (1997), however, is one of the few to have argued that, notwithstanding the influence of many other variables, a high degree of employee satisfaction is an important precursor to their commitment. While the relationship between mission satisfaction and commitment has not been previously investigated, it is easy to accept that when individuals are dissatisfied with their firm's mission (i.e. its ends and means), they are unlikely to commit personally to it. Thus, commitment follows satisfaction. We also contend, however, that commitment to a mission does not necessarily lead to satisfaction with the statement itself. This is because it is highly plausible to have an institution in which individuals feel compelled to work towards the aims in the mission (e.g. a hospital), and yet they do not like specific parts of the mission, certain words or how it was created. We, therefore, composed the following hypothesis to reflect this thinking:

H9: The degree of satisfaction with a mission will positively affect the degree of employee commitment to it.

Behavior and firm performance

It is, of course, possible that when firms experience highly successful financial performance results, this will cause employees to claim that their behaviors were influenced by the mission. However, our ultimate contention in the proposed model is that the influence a mission has on members' actual behavior is the variable that, in the end, leads to and creates a firm's financial performance results. Or, to put it succinctly, actions produce results. Based on this, we constructed the following, and final, hypothesis:

H10: The degree to which a mission influences employee behavior will positively affect firm performance.

Research method

Because the study involved a lengthy questionnaire, the sample for this investigation was constructed through the personal solicitation of the researchers. Eighty-three of the largest corporations in North America (23 US and 60 Canadian) were eventually persuaded to participate in the study. Table I presents some of their key operating statistics.

Table I
A comparison of sample and population characteristics

Characteristic	Canada Financial Post 500 Firms (C\$ in millions) sample n = 60	Significance of difference p-value	US Fortune 500 Firms (US\$ in millions) sample n = 23	Significance of difference p-value
Revenue				
Sample	2,237	0.069*	15,073	0.116*
Population	1,104		8,399	
Profit				
Sample	86	0.098*	1,166	0.087*
Population	47		421	
Assets				
Sample	3,197	0.185*	15,166	0.726*
Population	1,516		19,206	
Employees				
Sample	8,128	0.153*	n/a	n/a
Population	4,324		n/a	

Note: * = not significant at the 0.05 level or lower

To better understand how this group might compare to the typically large North American firm, we compared their operating statistics with those of the largest corporations in each country as reported by the Financial Post and Fortune. This analysis showed that there were no significant differences between our sample and any of the others in the comparison group – either in terms of their total revenues, profits, assets or number of employees. Such results suggest, therefore, that the sample (despite its small size) is representative of the top 500 firms in both Canada and the United States. The results, however, still restrict the claims that can be made about the representativeness of the findings as they might apply to firms of all sizes. The findings and conclusions appear to have validity only insofar as similar larger-scale corporations are concerned and this fact should be noted when considering the study's general applicability.

Of those who responded, 43 per cent were Chairpersons, CEOs, Presidents or General Managers, 30 per cent were Vice Presidents, and 27 per cent were Directors and other top level managers. Thus, all of the respondents were senior executives. As informants, senior management is most able to recognize the relative importance of organizational changes, be they performance, or strategy related (Glick *et al.*, 1990; Hambrick and Mason, 1984). The final sample was also split between manufacturing organizations (52 per cent), service organizations (35 per cent) and

organizations that categorized themselves as both manufacturing and service firms (14 per cent).

We naturally wondered whether the responses that were received might be biased somehow as a result of *who* was replying and from what *type* of organization. We decided to examine for this bias by conducting a one-way analysis of variance for each of the study's 21 dependent variables based on the three categories of respondents (factor variable #1) and the three categories of industry classification (factor variable #2).

Significant differences (at the 0.05 level or less) in the answers of the respondents were found in only two instances, i.e. the CEOs in our study were found to perceive both a greater degree of mission specification (regarding the competitive strategy component) and greater behavioral influence on the part of the mission than responding Vice Presidents. Based on these findings, we concluded that there were not sufficient differences among the answers of the various respondents to warrant a concern of response bias.

When the 21 study variables were analyzed for possible response bias resulting from the nature of the firms' classification, significant differences were detected in only one instance (i.e. satisfaction with financial performance) between firms which were classified as manufacturing oriented and those which were categorized as either service or mixed. Thus, there did not appear

to be a significant bias with respect to the industry classification among the responding organizations.

Measures

The dimensions of the constructs studied were based on a literature search for those items which met the description of the dimensions of interest. The scales concerning each construct's dimensions, in turn, were developed from items successfully used in previous investigations. Where multiple item scales were used for a construct, the scales were refined using standard tests of validity and reliability.

Mission statement rationale

In previous research, Bart (1996b; 1997b) determined that motivating employees and allocating resources were two of the primary reasons (or "drivers") behind developing mission statements. Thus, a two-item construct labeled "rationale" was created to capture these mission drivers. One item (MOTIV) was measured by asking the question: to what extent was your organization's mission statement developed to motivate/inspire organization members. Another item (ALLOC) was measured by asking the question: to what extent was your organization's mission statement developed to provide a basis for allocating resources. Responses to each question were made utilizing a five-point scale ranging from 1 (not at all) to 5 (to the greatest possible extent).

Mission statement content

The content of most mission statements can be described as including both:

- 1 the outcomes desired by the organization (i.e. ends); and
- 2 the methods for achieving those desired outcomes (i.e. means).

Items for both constructs (i.e. ends and means) were selected from lists provided by Bart (1997a; 1997b; 1998; 1999; Bart and Baetz, 1998). Desired outcomes (i.e. the "ends" construct) consisted of three items in response to the question: to what extent are the following specified in your organization's formal mission statement:

- 1 general corporate aims (ENDS1);
- 2 non-financial objectives (ENDS2); and
- 3 desired competitive position (ENDS3).

The methods for achieving the desired outcomes (i.e. the "means" construct) also consisted of three items and was measured in response to the question: to what extent are the following specified in your organization's formal mission statement:

- 1 distinctive competence (MEANS1);
- 2 competitive strategy (MEANS2); and
- 3 concern for employees and their welfare (MEANS3).

Responses for both ends and means were made using a three-point scale as follows:

- 1 (not included in the mission statement);
- 2 (somewhat included in the firm's mission statement); and
- 3 (clearly specified in the firm's mission statement).

Intermediate outcomes

There were four intermediate outcomes in our model:

- 1 mission-organizational alignment;
- 2 mission satisfaction;
- 3 commitment to the mission; and
- 4 influence of mission on employee behavior.

Mission-organizational alignment refers to the degree to which a firm's mission statement is taken into account when determining formal organizational practices and procedures. When the mission statement is taken into account "to the greatest possible extent", these formal organizational practices and procedures totally support and reinforce the ends and means contained in the mission statement. The degree of mission-organizational alignment within each firm was measured through six items specified in the following question: to what extent is your current mission statement taken into account when setting up and managing your firm's:

- 1 operating planning system (ALIGN1);
- 2 budgeting system (ALIGN2);
- 3 performance evaluation criteria (ALIGN3);
- 4 system of rewards (ALIGN4);
- 5 recruitment/selection systems (ALIGN5); and
- 6 training and development systems (ALIGN6)?

Respondents' perceptions concerning the degree of mission-organizational alignment for each item were measured using a five-point scale ranging from 1 (not at all) to 5 (to the greatest possible extent).

Satisfaction with the mission statement was measured by using two items:

- 1 satisfaction with the clarity of the mission statement (SAT1); and
- 2 satisfaction with having the right mission (SAT2).

Responses were made on a ten-point scale ranging from 0 (very dissatisfied) to 9 (very satisfied). Commitment to the mission statement was measured by a single item

(COMMIT) that asked: to what extent are individuals throughout the organization committed to achieving the mission? A ten-point scale ranging from 0 (not at all) to 9 (to the greatest possible extent) was used to collect responses.

Lastly, respondents were asked to identify the degree to which employee behaviors were influenced by the mission statement. A single item question (BEH) asked: to what extent does the mission statement influence the behavior of individuals throughout the organization? Responses to this item were made on a ten-point scale ranging from 0 (not at all) to 9 (to the greatest possible extent).

Firm performance

To measure performance, we utilized a perceptual item (FINPOS) that asked the question: how satisfied are you with your organization's overall current financial performance (i.e. sales, profit, growth, and margin)? This item was measured on a ten-point scale ranging from 0 (very dissatisfied) to 9 (extremely satisfied). To evaluate the convergent validity of this perceptual item as a measure of business performance, a correlation comparison was made between the values for that item and several objective accounting measures of performance. The accounting measures used were: return-on-sales (McDougall *et al.*, 1994; Brush and VanderWerf, 1991), and return-on-assets (David, 1989; Roth and Ricks, 1994). While firm performance can be measured according to many different methods (which, in turn, reflect the priorities of the company), we selected these financial measures on the basis of those to which analysts and managers pay the most attention (Venkatraman, 1989). They are also among the ones most frequently used in academic assessments of performance (e.g. Brush and VanderWerf, 1991). A mean measure of ROS and ROA was calculated for each company over a three-year time period. These two values correlated at 0.914 (p -value < 0.01). A positive and significant relationship was found between the perceptual performance item and ROS ($r = 0.412$; $p < 0.01$) and ROA ($r = 0.411$, $p < 0.01$). These findings support the use of the perceptual item to measure firm performance.

Modeling with PLS

Hulland (1999) has noted that the use of partial least squares (PLS) as a structural equation modeling technique has received increased interest in the strategic management literature in such areas as intellectual capital management (Bontis, 1998; Bontis *et al.*, 2000) and geographic

diversification (Delios and Beamish, 1999). According to Hulland, this is because "causal models such as PLS can help strategic management researchers to achieve new insights ... As the field of strategic management continues to mature, researchers need to increasingly rise to the challenge" (Hulland, 1999). PLS also allows researchers to develop a systematic and holistic view when establishing measures to solve research problems. For large-sample modeling, LISREL (Bollen, 1990, Jöreskog and Sörbom, 1984) has several relative strengths, whereas for small-sample predictive research, PLS (Fornell and Bookstein, 1982; Hulland, 1999) is more appropriate. All of the items germane to this study were therefore assigned to their respective scales using PLS as suggested by Barclay *et al.* (1995) as well as Hulland (1999).

A matrix of loadings and cross-loadings was used to test discriminant validity. Constructs were also tested for reliability as suggested by Hulland (1999) using Fornell and Larcker's (1981) internal consistency measure. This is an alternative test to the Cronbach alpha measure of reliability – and considered more appropriate for use in structural equation modeling. The convergent validity of the constructs was examined also based on the work of Fornell and Larcker (1981). Finally, the paths in Figure 1 represent the hypotheses of our proposed model.

Research limitations

With respect to the present results, a number of caveats pertaining to common method, single-respondent, and social desirability biases should be acknowledged. To address the possibility of common method bias, a Herman's one-factor test on the questionnaire measurement items was conducted (Scott and Bruce, 1994; Konrad and Linnehan, 1995). A principal components factor analysis yielded 17 factors with eigenvalues greater than 1.0 that accounted for 75 per cent of the variance. Since several factors, as opposed to one single factor, were identified, and since the first factor did not account for the majority of the variance (only 25 percent), a substantial amount of common method variance does not appear to be present (Podsakoff and Organ, 1986). Nevertheless, the presence of common method problems cannot be fully discarded.

An important methodological imperative for this study was for each respondent to be highly familiar with the mission statement and its resultant organizational effect. In this respect, the study was considered

satisfactory since the majority of respondents were top executives in their respective organizations. Given the singularity and specialized knowledge associated with these informants, a single-informant approach was deemed best and was therefore used. We believed that less knowledgeable informants would result in less accurate data.

Whereas survey data are sometimes subject to social desirability bias (Arnold and Feldman, 1981; Podsakoff and Organ, 1986), we do not perceive such bias to be a major concern for this study. Following previous research showing anonymity reduces social desirability bias in studies of sensitive topics (Konrad and Linnehan, 1995), we designed and implemented a survey to guarantee respondents anonymity. The topic of investigation, although strategic, was not thought to be so highly sensitive as to be likely to prevent responses that would present the respondent or organization in an unfavorable light. In addition, much of the information obtained was not deemed highly confidential. However, the occurrence of such bias cannot be totally ruled out.

Results

The matrix loadings for the total set of items are summarized in Table II. Shimp and Sharma (1987) suggest that items have loading values greater than 0.7 to ensure construct validity. This procedure is also supported by Carmines and Zeller (1979) as well as Hulland (1999). All but one item (MEANS3) met the minimum threshold. This item was retained nevertheless since the loading value was close (0.69) and because the item makes theoretical sense. Once the items were verified for construct validity, each item was re-validated by testing its item-to-total correlation measure. All but two items (MEANS1 and MEANS3) had measures of 0.35 or greater (as suggested by Saxe and Weitz (1982)) for their corresponding constructs. Again, these “below threshold” items were retained given that they appeared to make intuitive sense.

The matrix of loadings and cross-loadings (used to test discriminant validity) is presented in Table III. The results of this test show that there is confidence in the discriminant validity of the remaining measures and their corresponding constructs since all remaining items had higher loadings with their corresponding factors in comparison to the cross-loadings in their row.

Fornell and Larcker (1981) suggest that the shared variance between any two constructs should be less than the variance extracted by either of the individual constructs. In other words, values along the diagonal of the correlation matrix in Table IV must be greater than the corresponding values in each row or column. The results in this Table IV, coupled with the results of the matrix in Table III, support the discriminant validity of these constructs.

The results in Table V depict the validation of hypothesis testing. Eight of the proposed ten hypotheses were validated at the 0.05 level or better. The average explanatory power of all of the endogenous constructs in our model was good (R^2 24.34 per cent).

Discussion

Our study is the first attempt to look at how various primary and intermediary elements might be integrated into a holistic mission-performance model. In so doing, we have been able to demonstrate that mission statements matter and have identified the important elements required for a mission to make a positive contribution to performance. In particular, our results reveal:

- 1 the relative importance of our model's constructs on firm performance;
- 2 the importance of path analysis in providing new insights into the role and “directional influence” of various mission statement components; and
- 3 the comprehensiveness of the undertaking required for a mission to be successful.

Failure on one of the elements in Figure 1 (e.g. mission-organizational alignment, behavior, satisfaction, commitment, etc.) can jeopardize the success of a whole mission. Cultivation of each element, on the other hand, improves the chances of a positive outcome. Our results point, especially, to the criticality of using a holistic approach to mission implementation (cf. Stajkovic and Luthans, 1997).

Mission rationale and mission content (H1 and H2)

It was comforting to find that the construct for mission rationales (which included both motivating employees and allocating resources within the organization) played a significant role in our model. Since both hypotheses (H1 and H2) were confirmed, the results show that most of the anecdotal commentaries on the importance of mission rationales are grounded in reality, i.e. that the stronger the mission intent is a priori,

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Table II
Item statistics

Item #	Mean μ	Std Dev. σ	Loading λ^a	Error ϵ	Item-to-total correlation ^b
MOTIV	3.7179	1.1883	0.8571	0.2654	0.5220
ALLOC	3.1154	1.2295	0.8868	0.2136	0.5220
ENDS1	2.5507	0.5746	0.7891	0.3773	0.4487
ENDS2	2.0571	0.6964	0.7301	0.4670	0.4446
ENDS3	2.4493	0.6903	0.7286	0.4692	0.3643
MEANS1	2.2899	0.7002	0.7178	0.4848	0.3013
MEANS2	2.1857	0.6494	0.7341	0.4610	0.4835
MEANS3	2.3143	0.7415	0.6863	0.5290	0.2291
ALIGN1	3.7013	1.0939	0.8258	0.3181	0.7287
ALIGN2	3.3377	1.1956	0.8615	0.2578	0.7865
ALIGN3	3.5256	1.2069	0.9003	0.1895	0.8456
ALIGN4	3.2468	1.2606	0.8462	0.2839	0.7847
ALIGN5	3.1733	1.1829	0.8557	0.2677	0.7942
ALIGN6	3.4286	1.1200	0.8042	0.3532	0.7332
SAT1	6.2000	1.9606	0.9544	0.0892	0.7174
SAT2	6.6600	1.5820	0.8927	0.2030	0.7174
COMMIT	6.2857	1.4745	1.0000	0.0000	n/a
BEH	6.1571	1.5589	1.0000	0.0000	n/a
FINPOS	5.4571	1.9920	1.0000	0.0000	n/a

Notes: ^aAll items (except MEANS3) have loading values greater than 0.7. ^bAll items (except MEANS1 and MEANS3) have item-to-total correlation values greater than 0.35. Single-item constructs have no item-to-total correlation calculation

Table III
Matrix of loadings and cross-loadings

Item #	RATION factor	ENDS factor	MEANS factor	ALIGN factor	SAT factor	COMMIT factor	BEH factor	PERF factor
MOTIV	0.857	0.188	0.372	0.697	0.514	0.449	0.455	0.226
ALLOC	0.887	0.306	0.348	0.682	0.323	0.306	0.324	0.269
ENDS1	0.191	0.787	0.401	0.295	0.402	0.324	0.306	0.167
ENDS2	0.162	0.727	0.336	0.281	0.260	0.366	0.341	0.208
ENDS3	0.284	0.734	0.451	0.299	0.313	0.233	0.164	0.052
MEANS1	0.300	0.409	0.715	0.310	0.401	0.360	0.280	0.054
MEANS2	0.170	0.446	0.733	0.206	0.318	0.258	0.156	0.174
MEANS3	0.366	0.304	0.690	0.407	0.283	0.387	0.343	0.407
ALIGN1	0.675	0.408	0.372	0.826	0.456	0.413	0.520	0.203
ALIGN2	0.713	0.341	0.391	0.862	0.363	0.354	0.396	0.158
ALIGN3	0.713	0.443	0.481	0.900	0.465	0.431	0.464	0.372
ALIGN4	0.645	0.300	0.357	0.846	0.309	0.358	0.324	0.379
ALIGN5	0.667	0.279	0.382	0.856	0.340	0.371	0.461	0.253
ALIGN6	0.592	0.148	0.285	0.804	0.456	0.328	0.416	0.276
SAT1	0.476	0.477	0.484	0.497	0.954	0.624	0.646	0.389
SAT2	0.388	0.305	0.372	0.352	0.893	0.389	0.358	0.194
COMMIT	0.428	0.405	0.485	0.447	0.571	1.000	0.827	0.510
BEH	0.443	0.354	0.384	0.513	0.571	0.827	1.000	0.392
FINPOS	0.285	0.184	0.307	0.320	0.335	0.510	0.392	1.000

Note: All items had higher loadings with their associated factor in comparison to their cross-loadings

the more clearly a mission's content is specified. Or, as one manager in our study put it:

Knowing why you want to do something brings clarity of purpose and passion to your efforts. It helps influence and guide what you do next as well as how you do it.

Our findings also extend the most recent works of Bart (1996b, 1997 and 1998) by finally demonstrating empirically the connection between mission rationale and mission content.

It was particularly interesting, however, to see the differences in influence that mission

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Table IV
Construct statistics

	RATIONALE	ENDS	MEANS	ALIGN	SAT	COMMIT	BEH	PERF
Arithmetic^a mean	3.4167	2.3524	2.2633	3.4022	6.4300	6.2857	6.1571	5.4571
Cronbach's α^b reliability	0.6857	0.6063	0.5151	0.9229	0.8244			
Internal^c consistency	0.8639	0.7937	0.7561	0.9395	0.9211			
Convergent^d validity	0.7605	0.5622	0.5084	0.7216	0.8539			

Correlation matrix and discriminant validity assessment

RATIONALE	0.8721^e							
ENDS	0.287 ^f	0.7498						
MEANS	0.412	0.533	0.7130					
ALIGN	0.789	0.389	0.451	0.8495				
SAT	0.474	0.440	0.472	0.472	0.9241			
COMMIT	0.428	0.405	0.485	0.447	0.571	1.0000		
BEH	0.443	0.354	0.384	0.513	0.571	0.827	1.0000	
PERF	0.285	0.184	0.307	0.320	0.335	0.510	0.392	1.0000

Notes: ^aArithmetic mean of all items in each construct. ^bCronbach's alpha (1951) as per Nunnally (1978). Single-item constructs have no calculation. ^cFornell and Larcker (1981) measure of internal consistency greater than 0.70 threshold. See Equation 1. ^dFornell and Larcker (1981) measure of convergent validity greater than 0.50 threshold. See Equation 2. ^eFornell and Larcker (1981) measure of discriminant validity which is the square root of the average variance extracted compared to the construct correlations. Bold values are supposed to be greater than those in corresponding rows and columns. ^fOff-diagonal values are correlations. All correlation values are significant at 0.01 level (2-tailed)

Table V
Validation of hypothesis testing

		PLS highlights				
	Path		β^a	t^b	Valid ^c	
H1	Rationale	→	Ends	0.287	2.40	✓✓
H2	Rationale	→	Means	0.412	3.76	✓✓✓
H3	Ends	→	Alignment	0.208	1.97	✓
H4	Ends	→	Satisfaction	0.262	1.82	✓
H5	Means	→	Alignment	0.341	3.58	✓✓✓
H6	Means	→	Satisfaction	0.332	2.18	✓✓
H7	Alignment	→	Behavior	0.180	2.55	✓✓
H8	Satisfaction	→	Commitment	0.571	6.33	✓✓✓
H9	Commitment	→	Behavior	0.747	12.13	✓✓✓
H10	Behavior	→	Performance	0.392	2.90	✓✓✓
	Endogenous construct		R² %			
	Ends		8.22			
	Means		16.93			
	Alignment		23.46			
	Satisfaction		27.24			
	Commitment		32.56			
	Behavior		70.96			
	Performance		15.37			
	Average		24.34			

Notes: ^aStandardized beta (β) coefficients are all positive and in the predicted direction. ^bT-statistic of beta coefficients. ^cValidity of hypotheses. Significant at p-value (< 0.10 ✓), (< 0.05 ✓✓), (< 0.01 ✓✓✓)

rationale had relative to our two mission content constructs (i.e. ends and means). Our results showed that a much stronger linkage existed between the constructs of mission rationale and mission “means” – as opposed to the connection between mission rationale and mission “ends” (See Table V). What this suggests is that the more a mission’s rationale is known and pre-specified up-front (as part of the mission development process), the more this will lead to a greater emphasis on the clarity and specification of mission means (rather than ends). This finding also suggests that of the two mission content constructs, it is the specification of mission means which appears to contribute the most to financial performance. Now, this is a provocative notion, since it appears to fly in the face of the current conventional wisdom which states that CEOs (and other general managers) should focus more on the specification of corporate “ends” and leave the problem of defining “means” to others. (Taking such an approach is sometimes called “empowerment”.)

‘... The findings ... demonstrate that, with respect to specifying mission content, organizational members need guidance. To provide this, a good deal of care needs to be taken in terms of specifying both the ends and the means up front...’

Our findings here, however, should not be interpreted as attempting to downplay the relationship between mission rationale and mission ends since the relationship that we observed between these two constructs was both significant and positive. Nevertheless, the present findings suggest that when general managers emphasize “ends” in their mission, they may actually wind up confusing lower-level employees by leaving too much undefined. After all, if a corporation’s “end” is some general corporate aim, such as, “outstanding customer satisfaction”, then there are many ways (i.e. “means”) of achieving this – e.g. service, quality, product availability, etc. And, not knowing which way can be very frustrating for middle and lower level managers. By giving more emphasis to mission “means”, however, general managers can still allow employees throughout their organization to exercise personal creativity and ownership. They can still make lower level employees feel empowered – but with tighter guidance and control exercised through the specification of mission-level means.

Also, in an era of large, diversified and global corporations (which all of the firms in

the sample appeared to be), specification of means (as opposed to ends) may be a better way for such companies to unite their disparate enterprises (and create the shared values that unite both the hearts and minds of employees). Through clearer specification of mission means – especially those that recognize an organization’s distinctive competence, competitive strategy and/or the contributions of employees – large, diversified firms may finally have at their disposal, the common denominator that enables them to create true “unity of purpose” – that elusive, yet highly desired organizational state. If senior managers – especially CEOs – manage to do this (i.e. to help their employees become – and stay – collectively focused through a shared understanding and acceptance of the mission), then they will have accomplished one of their most important responsibilities.

The findings obtained here, therefore, continue to demonstrate that, with respect to specifying mission content, organizational members need guidance. To provide this, a good deal of care needs to be taken in terms of specifying both the ends and the means up front. Not any words will do. In fact, the more precise the better. Fortunately, we now know that the key to greater specification of mission means rests with pre-specification of a mission’s rationale. The result of such an exercise is that firm members come away with a clearer picture of what the firm is really trying to do. They can then allocate their time, their budgets and their energies accordingly.

Mission content and satisfaction (H4 and H6)

The observed influence of mission content (i.e. both ends and means) on satisfaction supports the earlier works of Bart (1997a and 1999). It confirms the notion that individuals really do care about their organization’s goals. In particular, the greater the degree of specification in a mission statement, the more employees will be satisfied with their firm’s mission. This is because when mission statements are clear, employee understanding as to “what the organization expects of me” is enhanced. On the other hand, when a mission statement represents a pack of vague and ambiguous statements, it will show up first in measures of employee dissatisfaction – and ultimately in measures of firm performance

Our findings also imply, however, that when specification of the ends and means in a mission statement are high, this will eventually lead to greater acceptance of the mission. For those employees who do not like

their mission's message, some may feel compelled to leave. Others will adjust their attitudes to remove cognitive dissonance and thereby find ways of accepting the mission. The end result will be a collection of like minded individuals who derive great contentment from their shared "sense of purpose". And it is this collective shared purpose which contributes ultimately to high firm performance.

Mission content and alignment (H3 and H5)

The results in Table V (confirming the relationship between mission content and mission-organizational alignment) further substantiate the long established conclusion from previous research that a powerful relationship exists between an organization's internal structure and its strategy (Burns and Stalker, 1961; Galbraith and Kazanjian, 1986; Bart, 1986). The findings demonstrate that the specification of both mission ends and means influence the way in which an organization will set up its organizational design, rewards, hiring practices etc. Or, to paraphrase an old theorem, *structure follows mission* (Chandler, 1962).

Mission content: means matters more!

Given the previous discussion on the relationship between mission rationales and mission content, we were not surprised to find that a stronger association with mission satisfaction and alignment was also observed to occur for mission means (H4 and H6) – as opposed to mission ends (H3 and H5). Once again, this appears to be due to the fact that, at the level of a mission statement, proclamations of ends may be too abstract for lower level employees to find useful and, therefore, satisfying. When mission statements specify only ends – such as, "desired competitive position" (e.g. to become the dominant producer within five years), "general corporate goals" (e.g. to provide a secure and profitable return on investment) or "non-financial objectives" (e.g. to increase customer satisfaction by 20 percent), they provide little practical direction for strategic business units and the employees who work in them. The findings with respect to this part of the model, therefore, continue to suggest that general managers' interests may be better served if they were to channel the bulk of their efforts into specifying mission means. Their reward for doing so appears to be much greater yields to the organization in terms of employees' ratings for mission satisfaction and a much stronger alignment between organizational systems and company mission.

Mission alignment, behavior, satisfaction and commitment (H7, H8, H9 and H10)

Previous mission research has been fairly clear and consistent about the strong and robust association which appears to exist between mission-organizational alignment and employee behavior (Bart 1998; Bart and Baetz, 1998). To some extent, the results of the current study continue to support this (H7). What did surprise us, however, was the relatively weak (albeit significant) association between these two constructs. Our findings suggest that while the degree of mission-organizational alignment continues to positively influence employee behavior, there may be other variables/constructs which (when taken in a holistic context) are more important than those considered in this study.

Quite different results were obtained with respect to the observed impact that "satisfaction with the mission" had on employees' "commitment" to it. This relationship (H9) proved to be the second strongest in the model. It demonstrated that the more employees are satisfied with their company's mission (i.e. when they feel that the mission is clear/understandable and that it has the right content), the more they will be personally committed to it.

The association between mission commitment and behavior (H8), however, was especially interesting. It was the strongest in our model and highlighted the relative importance of commitment over satisfaction in terms of influencing employee behaviors. As noted above, the influence of mission statement satisfaction on employee commitment appears to be very strong. However, the extent to which a mission statement actually influences behavior seems to depend more on commitment than satisfaction. In particular, the results from our analysis of the satisfaction-commitment-behavior path of the model demonstrate that employee commitment serves to accelerate or augment the impact of a mission statement on behavior which was gained as it passed through the mission satisfaction construct.

Finally, employee behavior was also found to have a significant and positive impact on performance (H10). The results prove that the more a company's mission can exert influence over employees' behavior (i.e. to cause employees to act in ways which are consistent with the dictates of the mission), the greater the performance. The significance of this current research finding is that it:

- (1) adds further confirmation to the role and influence that mission plays in relation to employee behavior; and

(2) demonstrates the positive impact that “mission-influenced” employee behavior has on overall organizational results.

The alternative hypotheses

Before leaving this section, it is important to discuss some of the alternative hypotheses from our model that were not explicitly considered in this paper but which were examined via path analysis nonetheless. Three alternative construct paths are involved: mission content (ends and means) and performance; satisfaction and behavior; and mission-organizational alignment and commitment. When these paths were added to the model (individually and in combination), they detracted from the strong relationships and paths presented in Table I, i.e. their path coefficients in the PLS model produced insignificant results. Consequently, it appears that the only paths that really work are the ones shown in Table I. There are, however, additional reasons that we considered a priori in eliminating the three alternative paths cited above.

‘... mission statements ... have a positive association with performance and make a positive contribution towards it ... However, for a mission to be successful there are several provisos...’

First, the relationship between *mission content ends and performance* may seem to be an obvious relationship to include given the voluminous goal-theory literature that describes the importance of establishing concrete and explicit targets for performance achievement (Ansoff *et al.*, 1970; Meyer, 1994). Yet, it was this direct path from ends to performance that we were attempting to unravel. Although our results in Table III show a positive correlation between these dimensions, they are relatively weak. We argue that while a direct relationship between ends and performance may exist, it is a naïve concept. After all, there exist – numerous and obvious – intermediary variables that appear do a better a job at explaining the behavioral changes that occur as a result of mission (e.g. mission-organizational alignment, commitment to mission etc.). The support we found for hypotheses 3 through 9 is both more compelling and convincing when considering such a complex relationship.

The second alternative hypothesis that was not included a priori in our model was the relationship between *satisfaction and behavior*. Interestingly, on the surface, this

relationship appears to make intuitive sense, i.e. employees satisfied with their organization’s mission should be affected by it in some manner. But, mission satisfaction alone does not appear to be a sufficient condition for making a group of employees feel compelled to act – just as simply liking someone does not necessarily mean that one is going to marry him or her. Satisfaction with the mission is also not a necessary condition for inducing employee behavior since other mechanisms may exist which simply force the behaviors (e.g. the reward system).

Finally, we did not model, a priori, a relationship between mission-organizational alignment and commitment. Our reason for not doing so is fairly straightforward. Such a relationship assumes, for example, that when an organization aligns its reward systems with the mission, it leads to higher levels of employee dedication or devotion to the mission. But such a relationship is difficult to conceive since reward systems, as organizational weapons, are “blunt instruments” designed to “implement a mission by force”, i.e. structural force. When this occurs, employee behavior is affected (indeed our model supports the position that alignment influences behavior). But such behaviors occur with little or no degree of positive personal passion or enthusiasm on the part of operative employees. True employee commitment, on the other hand, requires more than structural alignment; it needs “soul”. While organizational alignment can *make* employees behave in certain ways, it cannot make them *want to behave* that way. Satisfaction with the mission, according to our model, appears to be one of the constructs that generates such commitment and puts, as one executive expressed it, “the wag in the dog’s tail”.

Conclusions

This study has shown that mission statements – from their pre-development rationale to their post-development alignment with employee behaviors – have a positive association with performance and make a positive contribution towards it. Thus, mission statements matter! However, for a mission to be successful there are several provisos. Ultimately, it must have the proper rationale, contain sound content, have organizational alignment and bring about sufficient behavioral change in the desired direction.

The path model that we developed and tested offers the best opportunity to date to understand the relative influence of the

primary and intermediary mission-related variables on firm performance. As a result, we now know the role that these variables play in the process.

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

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Application questions

- 1 To what extent do you believe that the visioning process is just as or more important than the final mission statement itself?
- 2 Given the turbulence in your business environment, how often should your mission statement be reviewed?
- 3 Ultimately, mission statements must have the proper rationale, contain sound content, have organizational alignment and bring about sufficient behavioural change in the desired direction. What specific initiatives can you launch or change in your organization that can build from your mission statement?