

Mission Statement Quality and Financial Performance

BARBARA BARTKUS, *Old Dominion University*
MYRON GLASSMAN, *Old Dominion University*
BRUCE McAFEE, *Old Dominion University*

Abstract

Mission statements are widely considered to be important to business success. This paper reports on the relationship of mission statement quality (based on the inclusion of stakeholders, components, and the meeting of objectives) to financial performance. Our findings indicate that most elements in mission statements are not associated with firm performance. Mission statements that include phrases that refer to what many may view as the fundamental rules of business have a significant positive relationship with financial performance: be concerned with your employees, be responsible to the society in which you do business, and emphasize and communicate your value system.

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Introduction

For years, academic and practitioner publications have stressed the importance and value of clearly defined public mission statements (eg., see Bailey 1996; Ireland & Hitt 1992). Still puzzling, however, is why a *public mission statement* is valuable or useful and what content makes a mission statement “effective.” Admittedly, firms need to develop a strategy and establish clear goals and objectives, but the benefits of condensing and/or publicizing the firm’s strategy in a mission statement is not fully understood.

In fact, there is some evidence that having a mission statement has little or no impact on a firm’s financial performance. No significant differences were found in David’s (1989) study comparing financial variables for firms with and without mission statements.

Inconsistent relationships between financial performance measures and the existence of a formal mission statement were found by Bart and Baetz (1998). Other studies show limited and conflicting evidence linking mission statements to any important financial variable (see Bart 1997a; Bart & Baetz 1998; Bart & Hupfer 2004; Bart & Tabone 1999; Coats *et al.*, 1991; O’Gorman & Doran 1999; Pearce & David 1987).

Although there is a lack of evidence that having a mission statement is associated with financial performance, some elements of mission statements have been touted as important. The literature on this issue takes one of three perspectives. The first focuses on the *stakeholders* mentioned in mission statements (e.g., Bart 1997b; Leuthesser & Kohli 1997). The second examines the specific *components* included in these statements (Bart 1997a; Botterill 1990; David 1989; Ireland & Hitt 1992; Pearce & David 1987; Sufi & Lyons 2003). The third view emphasizes the *purpose* or objectives of a mission statement (e.g., Bartkus, Glassman & McAfee 2004; Ireland & Hitt 1992).

Each of these three perspectives is a measure of the quality of a mission statement. In this study, we examined the relationship between each quality measure (perspective) and firms’ financial performance. Whereas most prior studies examined mission statements of only one country’s firms, we examined those of U.S., European, and Japanese firms.

Our paper is organized into three main sections. In the first section, we introduce our theoretical framework, discuss the existing literature, and present our hypotheses. Next, our methodology and results are presented. Finally, we discuss the implications of our findings.

Theoretical Development

Stakeholders Mentioned in Mission Statements: Quality Measure #1

Over 30 years ago, Drucker (1974) recommended that firms develop missions. Over time, the mission evolved from an internally focused summary of the firm's strategy to a more lengthy proclamation. Firms also began to include their relationship with stakeholder groups in their mission statements as executives recognized the importance of stakeholder management (See Donaldson & Preston 1995). Eventually, the practice of developing a mission statement and defining the stakeholder-organization relationship evolved into a public disclosure of the mission to all stakeholders.

Research indicates that, indeed, firms do refer to stakeholders in their public mission statements. Customers are the most commonly mentioned stakeholder groups (over three-fourths of the time), followed by employees (half to two-thirds of the time), and investors (approximately half the time). Mentioned least frequently are society and suppliers (see Bart 1997b; Leuthesser & Kohli 1997). In a study of 78 hospitals, Bart and Hupfer (2004) found a positive significant relationship between the stakeholders cited in mission statements and executive perceptions of financial success. However, they grouped several stakeholders into a "benefactors" variable, so the impact of the mention of any one particular stakeholder in the mission statement is unclear.

Results from studies searching for a significant relationship between the stakeholders mentioned in mission statements and objective measures of firm performance are inconclusive. Bart (1997a) looked at several stakeholder groups (customers, employees, suppliers, society, shareholders) and found a significant *negative* relationship between including any one stakeholder group in the mission (as compared to not clearly identifying any stakeholders) and financial performance. Of the missions including stakeholders, only the employee stakeholder group had a positive significant relationship to performance.

It is likely that including the most critical stakeholders in the mission statement may help executives focus their efforts. That is, by publicly proclaiming the importance of a stakeholder, managers may feel obligated to make that stakeholder group a priority. This suggests that the inclusion of different stakeholder groups implies different courses of action which may have differing impacts on performance. For example, stressing the importance of employees rather than investors may result in different decisions. Thus, we believe that it is necessary to look at the relationship between each stakeholder group mentioned in the mission statement and financial

performance separately. Based on the studies mentioned above, we examined the five most frequently mentioned stakeholder groups.

H 1a. *There is a positive relationship between the quality of a mission statement as measured by the presence of each individual stakeholder group (customers, employees, investors, society, suppliers) and financial performance.*

Although including a specific stakeholder group in the mission may be related to financial performance, it does not necessarily follow that including many or all stakeholders in the mission will result in even greater financial success. As a firm includes more stakeholder groups in the mission statement, conflicts may arise as to which stakeholder should receive priority, thereby decreasing performance. For example, a firm that stresses serving society may be perceived as not being able to deliver the highest returns to investors. Similarly, conflicts may exist between satisfying employees and suppliers (eg., increased outsourcing may benefit suppliers at the expense of current employees). This suggests that the more stakeholders a firm includes in its mission statement, the greater the likelihood of potential conflict. Thus, identifying multiple stakeholders in the mission statement may decrease financial performance even if the inclusion of a specific stakeholder group may enhance it.

H 1b. *Firms that include a greater number of stakeholder groups in their mission statement will have significantly lower financial performance than firms that include fewer stakeholders.*

Components of Mission Statements: Quality Measure #2

Several researchers recommend that certain components be included in a high quality mission statement such as: products, location, core technology, commitment to financial objectives, company philosophy, and desired public image (See David 1989; Pearce & David 1987). According to Bart and Tabone (1999), mission statements that include specific components, namely distinctive competency, target market, products/services, unique identity, desired public image, concern for satisfying customers, and concern for employees are associated with managerial satisfaction with firm financial performance.

Several studies have investigated the relationship between mission statement components and objective financial performance. Pearce and David (1987) found that the mission statements of high performing firms specified the firm's philosophy and identified the firm's self-concept (defined as the company's competitive strengths) and desired public image. In Bart's (1997a) investigation of 25 mission statement components, firms with mission statements that cited

a “concern for survival” had a higher return on assets but a lower return on sales. Oddly, including a business definition in a mission statement was *negatively* related to return on assets, and including non-financial objectives was *negatively* related to return on sales. A significant but *negative* association was found between the listing of financial objectives in mission statements and performance (Bart & Baetz 1998). However, the same study indicated that mission statements that include a firm’s values and purpose were significantly related to higher financial performance.

Other studies have found no relationship between specific components of a mission statement and performance. O’Gorman and Doran (1999) found no significant differences in whether particular components were included in mission statements of high performing and low performing small to medium-sized Irish firms. They suggest that the lack of significant differences might be because many firms in their sample did not include some of the components that Pearce and David (1987) frequently found in U.S. firms’ mission statements.

Overall, the results of previous investigations into the relationship between the various mission statement components and financial performance are inconsistent. This could be due to the differences in performance measures (eg., “satisfaction with financial performance” versus objective accounting measures of performance), the components investigated, and how the components were defined and operationalized.

Based on prior studies, we selected eight components to examine: industry, customer, geographic scope, values/philosophy, motivational message either of excellence or of benefit to society, distinctive competence, future orientation, and financial objectives. Since at least some researchers feel that these eight components should be included in a high quality mission statement, our hypothesis predicts that their inclusion should be associated with higher performance.

However, adding components may increase the likelihood of a conflict. For example, including the firm’s philosophy, motivational messages of excellence, or societal responsibilities in the mission may conflict with stated financial objectives. An overly inclusive mission can become a long treatise that, in an attempt to provide clear guidance and to please different constituencies, becomes conflicting and confusing.

Thus, we developed two hypotheses. The first considers the relationship between specific components in the mission statement that have been recommended frequently in the literature and financial performance. The second hypothesis addresses the potential problems of a mission statement that contains conflicting components.

H 2a. *There will be a positive relationship between the quality of a firm’s mission statement, as measured by the presence of each component (i.e., industry, geographic scope, values/philosophy, motivational message of excellence or of societal benefit, distinctive competence, future orientation, and financial objectives) and the firm’s financial performance.*

H 2b. *Firms that include many components will have significantly lower financial performance than firms that include fewer components in their mission statement.*

Mission Statement Objectives: Quality Measure #3

The greatest financial benefit of mission statements may not result from the mention of specific stakeholders or components, but whether the mission statement accomplishes specific objectives. Previous scholars (eg., see Dalrymple & Parsons 1995; Davies & Glaister 1997; Ireland & Hitt 1992; Jones & Kahaner 1995; Leuthesser & Kohli 1997; Miller 1998) have suggested that mission statements serve a variety of purposes. That is, executives develop mission statements with particular objectives and goals in mind.

Bart (1997a) looked at the rationales given by executives for developing mission statements. He refers to these reasons as “mission statement drivers.” The six primary drivers rated the most important by at least 20% of the executives in his study were: provide a common purpose, define the business scope, set behavior standards, help employees identify with the firm, create shared values, and inspire employees. Bart found no significant relationship between any of the mission statement drivers and performance.

Other researchers contend that mission statements have four primary objectives (Bartkus, Glassman & McAfee 2000). First, missions may be a public declaration of the firm’s direction, stating where the firm is headed. Second, mission statements may serve as a control mechanism by identifying boundaries that prevent a firm from engaging in unrelated or inappropriate business activities. Third, they can assist employees in making non-routine decisions by expressing the firm’s values. Finally, they can motivate and inspire employees by creating a shared sense of purpose. Because these goals are not contradictory, we expect that firms whose mission statements meet more objectives will be more likely to have better financial performance.

H 3a. *There will be a positive relationship between the quality of a firm’s mission statement, as measured by the presence of each objective (i.e., sense of direction, control mechanism, non-routine decisions, and motivation) and the firm’s financial performance.*

H 3b. *There will be a positive relationship between the quality of a firm's mission statement as measured by the number of objectives met in the mission statement and the firm's financial performance.*

Methodology

Sample

The sample was obtained from the companies listed in the 2001 Fortune Global 500. (www.fortune.com). For the initial sample, the largest 30 Japanese, European, and U.S. firms were selected because large firms are more likely to have mission statements and to publicize them on their web site. Four Japanese firms' web sites had no English translation so the next four firms on the list were selected. Mission statements were found on the web sites of 22 European firms, 15 Japanese firms, and 19 U.S. firms.

Procedure

Web sites for each firm were searched for the mission statement. Because some managers, consultants, and scholars use the terms mission, vision, philosophy, values, and goals interchangeably (see David 1989; Levin 2000), we defined "mission statement" broadly (following Leuthesser and Kohli's, [1997] lead) in that we included equivalent company descriptions that listed the same elements. Decisions were based on Ireland and Hitt's (1992) and Pearce and Roth's (1988) description of a mission statement. Thus, statements with at least some of the following elements: purpose, goals, product-markets, and values/philosophical views were included in our study. In the rare case that a firm had two such statements, only one was analyzed with preference given to the statement actually labeled "mission."

Variables

Mission statement quality was measured in three different ways: the stakeholders mentioned, the components included, and the objectives met. These variables were identified via content analysis. Key words and specific terms were identified in advance to avoid subjectivity and rater bias.

The first measure of mission quality was the stakeholder groups included. Terms that identified stakeholder groups are as follows: "customers," "clients," or "consumers" identified customers; "employees," "our people," and "workforce" identified employees; "shareholders" or "investors" identified investors; "partners" and "suppliers" identified suppliers, and "society," "community," "world," "global," "social goals," "environment," "national economies," and "quality of life" identified society.

The second measure of quality was derived from specific components. The list of components is based on previous research (Bart 1997a; Pearce & David 1987; Botterill 1990) and includes industry, geographic scope, values/philosophy, motivational message of excellence or of benefit to society, distinctive competence, future orientation, and financial objectives.

Terms that identified each component are as follows: standard industry descriptive terms such as finance, banking, oil, or automotive identified a specific industry; if the mission statement included an operating or marketing region (i.e., "worldwide," "Asia," "Europe") the geographic scope was mentioned; and, the terms "fair," "integrity," "well-being," "harmony," "honesty," and "responsibly" were operationalized as company values. Because of cultural differences (see Pearce & Roth 1988), the motivational variable was operationalized in two ways. First, we looked for terms such as "leading," "best," or "outstanding" – words that are likely to motivate based on excellence. Second, we also looked for the terms "society," "community," "nation," and "giving back" – as these words are likely to motivate based upon improving society. Distinctive competency was identified by the terms "innovation," "low cost," "high quality," and "efficient." Future orientation was operationalized by words that indicated objectives or potential in the years to come; "to be," "will be" (not "we are"), "future," "create," "dedicate," "dedicated," "anticipated," or a specific future year. Finally, financial objectives were operationalized by the terms "create value," "growth," "profit," "returns," "financial strength," and "financial performance."

The third measure of quality was based on four objectives of mission statements identified by Bartkus *et al.*, (2000): provide a sense of direction, serve as a control mechanism, help with non-routine decision making, and serve as a motivational/inspirational tool. Each objective was measured according to specific components included in the mission statement. Mission statements that disclosed a future orientation had a sense of direction. The mission statement could serve as a control mechanism if it included at least two of the following components: industry, customer, geographic scope, and distinctive competence. Statements that included company values or philosophy could help in non-routine decision making; and a motivational message (based on excellence or societal benefit) met the motivating and inspiring objective.

Our financial performance variables were return on sales (ROS) and return on assets (ROA). These figures were taken from Thomson ONE Banker (an Online source) for 2001. SPSS was used for Pearson correlation and comparison of means (*t*-tests). The hypothesized relationships between performance and quality of mission statements were tested by

comparing two financial measures of accounting performance (ROA and ROS) and each of the three measures of quality.

Results

Correlations and descriptive statistics are shown in Table 1. Tables 2 and 3 present the results of *t*-tests for comparing means of accounting performance measures for mission statements that included or did not include a particular variable. As expected, Table 1 shows that the correlation between the two performance measures (ROA and ROS) was positive and highly significant. The correlations show that mission statements that included more stakeholders

also included more components and met more mission statement objectives.

The first hypothesis expected a positive relationship between the quality of a firm's mission statement as measured by the inclusion of specific stakeholder groups and firm performance. A significant positive relationship was found between ROA and the inclusion of employees ($p < .05$); the positive relationship between ROA and including society was marginally significant ($p < .10$). Similar positive relationships were observed between ROS and mentioning employees ($p < .05$) as well as ROS and including society ($p < .10$). The relationship between other stakeholder groups and our performance measures was not significant. Thus, support for H1a was very limited.

Table 1 Correlations of Continuous Variables

	Mean	Std. Dev.	Stakeholders (total)	Components (total)	Objectives (total)	ROA
Stakeholders (total)	1.65	1.38				
Components (total)	4.53	1.65	.455***			
Objectives (total)	2.58	1.01	.306*	.831***		
ROA	-.007	.111	.142	.185	.177	
ROS	-.0267	.210	.201	.200	.240 [†]	.750***

* $p < .05$.

** $p < .01$.

*** $p < .001$.

[†] $p < .10$.

Table 2 ROA t-test Results

Variable	Mission statements that omitted the variable			Mission statements that included the variable			<i>t</i> -value
	<i>n</i>	Mean	Std. Dev.	<i>n</i>	Mean	Std. Dev.	
STAKEHOLDERS							
Customer	15	.005	.043	34	-.012	.132	.686
Employee	30	-.029	.136	20	.027	.040	2.125**
Investor	33	-.005	.058	17	-.010	.176	.123
Supplier	48	-.009	.112	2	.051	.052	1.518
Society	38	-.019	.123	12	.030	.042	2.111**
COMPONENTS							
Financial objective	23	-.005	.066	27	-.008	.139	.101
Industry	12	-.021	.084	38	-.003	.118	.576
Geographic scope	28	-.020	.144	22	.009	.040	1.014
Values/Philosophy	37	-.019	.125	13	.027	.038	1.960*
Motivation: excellence	20	.003	.043	30	-.014	.139	.616
Motivation: societal benefit	35	-.019	.127	15	.021	.048	1.610
Competency	20	-.004	.071	30	-.009	.132	.147
Future Orientation	6	-.111	.280	44	.007	.056	1.035
GOALS							
Sense of Direction	6	-.111	.280	44	.007	.056	1.035
Control Mechanism	13	-.015	.082	37	-.004	.120	.349
Non-Routine Decisions	37	-.019	.125	13	.027	.038	1.960*
Motivation	14	.001	.038	36	-.010	.129	.477

* $p < .10$.

** $p < .05$.

Table 3 ROS t-test Results

Variable	Mission statements that omitted the variable			Mission statements that included the variable			t-value
	n	Mean	Std. Dev.	n	Mean	Std. Dev.	
STAKEHOLDERS							
Customer	15	-.068	.256	34	-.009	.191	.805
Employee	30	-.070	.259	20	.039	.061	2.209**
Investor	33	-.031	.191	17	-.019	.249	.169
Supplier	48	-.030	.214	2	.049	.051	1.649
Society	38	-.045	.238	12	.030	.037	1.869*
COMPONENTS							
Financial objective	23	-.004	.101	27	-.046	.271	.753
Industry	12	-.019	.124	38	.029	.232	.220
Geographic scope	28	-.062	.272	22	.018	.062	1.500
Values/Philosophy	37	-.047	.240	13	.031	.053	1.866*
Motivation: excellence	20	-.043	.226	30	-.016	.202	.432
Motivation: societal benefit	35	-.047	.247	15	.022	.045	1.587
Competency	20	-.054	.237	30	.009	.192	.705
Future Orientation	6	-.119	.431	44	-.014	.165	.588
GOALS							
Sense of Direction	6	-.119	.431	44	-.014	.165	.588
Control Mechanism	13	-.083	.294	37	-.007	.172	.882
Non-Routine Decisions	37	-.047	.240	13	.031	.053	1.866*
Motivation	14	-.064	.267	36	-.012	.185	.667

* $p < .10$.** $p < .05$.

We also hypothesized (H1b) that a negative relationship would exist between the inclusion of more stakeholders in the mission statement and firm performance. Based on the non-significant correlations between the total number of stakeholder groups and the performance measures in Table 1, this hypothesis was not supported.

Hypothesis 2a, which predicted a positive relationship between the quality of a firm's mission statement, as measured by the inclusion of specific components, and firm performance, received very limited support. ROS was positively but weakly related to mentioning values/philosophy ($p < .10$). Similarly, the positive relationship between ROA and the inclusion of values/philosophy was marginally significant ($p < .10$). No relationship was found between the total number of components contained in the mission statement and ROA or ROS. Therefore, Hypothesis 2b was not supported.

Hypothesis 3a, which predicted a positive relationship between the quality of a firm's mission statement, as measured by meeting specific objectives, and firm performance received limited support. Firms whose mission statements met the "non-routine decisions" goal had higher ROS and ROA than those that didn't but the relationship was marginally significant ($p < .10$).

Hypothesis 3b, which predicted a positive relationship between the quality of a firm's mission state-

ment, as measured by the number of objectives met, and firm performance received only very weak support. While no relationship was found between the number of objectives met in the mission statement and ROA, there was a marginally significant relationship with ROS ($p < .10$).

Discussion

Previous studies focused primarily on a single measure of mission statement quality for firms of one country, typically the U.S.. However, this study examined the content of the largest U.S., European, and Japanese firms' mission statements in terms of three quality measures (stakeholders mentioned, components cited, and objectives met). Our goal was to determine if these measures are associated with two specific financial performance measures (ROA and ROS).

The results indicate that the more successful firms are likely to mention the stakeholder groups "employees" and "society" and the component "values." Mission statements that met the goal of helping employees make "non-routine decisions" were also associated with higher performance. Emphasizing employees, society, and values in the mission statement, at the very least, creates the impression of a socially responsible firm and may help encourage the firm to act as a good corporate citizen. Whether

successful firms describe their company in these terms or whether including these terms in the mission statement sets firm priorities that culminates in success is uncertain.

Stakeholder Groups

As mentioned above, only two stakeholder groups were found to be related to financial performance: employees and society. Our finding of a positive relationship between the inclusion of employees in the mission statement and financial performance is similar to the findings in Bart's (1997a) study, and this supports the perspective of Frederick Smith, the CEO of Federal Express: "Put people first and they will provide the highest possible service. Profits will follow" (Baldwin & Danielson 2000, p. 8).

Including "society" in the mission statement may indicate that the firm sees itself as a good corporate citizen and that it views its role as being more than an investment machine for the stockholders. In addition, publicly proclaiming the organization's responsibility to society may indicate to outsiders and employees that the firm operates within socially approved boundaries. Although it is difficult to determine cause and effect, it is possible that such a statement does lead to more socially responsible actions and a more favorable reputation. This, in turn, makes the firm more attractive to potential customers, employees, etc., which leads to improved financial performance. On the other hand, the more successful firms have the resources to be more responsible to society.

One can speculate as to why the remaining stakeholder groups (investors, suppliers, and customers) were not significantly related to performance. Because investors are an implicit priority in the publicly traded firms in our sample, the inclusion of investors in the mission statement may be redundant. Although suppliers are a stakeholder group, only two firms included them in their mission statements, suggesting they are not a priority. We were surprised that the customer stakeholder group was not related to performance. However, the inclusion of customers in the mission statement may be merely a public relations formality that is unrelated to meeting customer needs or customer satisfaction. It is more likely that customer satisfaction is a result of product design, employee reward systems, and operating policies.

Components

Another important finding is that the inclusion of only one component (values/philosophy) was related to financial performance. The significant and positive relationship between including "values/philosophy" in mission statements and performance was weak but the finding supports previous work by

Bart and Baetz (1998) and Pearce and David (1987). The causal relationship is uncertain (value statements may result in better performance, or successful firms may be more likely to emphasize value statements), but it is possible that publicly stating the firm's values may encourage stakeholder groups to see the firm as more than a collection of capital and assets, helping to differentiate the firm and its products. Furthermore, specifying a set of values in the mission may attract a more motivated, ethical employee and remind management that unethical behaviors are inappropriate.

The components that were not significantly related to performance were financial objectives, industry, geographic scope, core competency, future orientation and motivational phrases. The inclusion of industry, geographical scope, and core competency could restrict firm adaptation and flexibility, thereby reducing financial performance. The lack of a positive relationship between two components (financial objectives and future orientation) and financial performance was unexpected. It may be that profits and the desire to survive are primary goals in all publicly traded firms regardless of stated priorities in the mission.

We were initially surprised by the finding that mission statements that contain a "motivational appeal" are not associated with higher financial performance. Yet, we realize that motivational phrases in the mission statement might not be reinforced or aligned with operational goals, incentives, and rewards. It is also possible that given the large number of strategies used by firms to motivate employees, it is unrealistic to expect that the inclusion of a motivational message in a mission statement will affect financial performance (See Bartkus, Glassman & McAfee 2000).

Objectives Met

Interestingly, when most executives write mission statements, they seem to focus on only three of the four recommended objectives. Providing a sense of direction, serving as a control mechanism, and serving as a motivational/inspirational tool were each in over seventy percent of the missions. However, our study found that none of these objectives had a significant relationship to financial performance. On the other hand, the goal of "making non-routine decisions" was relatively rare in mission statements but had a positive relationship to financial performance. We are uncertain as to cause and effect. It is possible that including the "making non-routine decisions" objective emanates from an organization that is more likely to delegate responsibility and develop employee capabilities resulting in higher performance. It is just as likely that the more successful firms are willing to promote the idea, via their mission, that employees are encouraged to rely on

value-driven guidelines rather than purely objective criteria for decisions. A third possible explanation is that organizations whose missions met the “making non-routine decisions” goal engaged in a different, more unusual process in crafting their mission. Perhaps, it isn’t meeting the objective, *per se*, that results in better performance. Rather, better performance is a result of the process used in creating their mission statement that led to the objective being met.

Conclusion

The literature is rich with arguments about the purpose of mission statements and the elements (stakeholders, components, objectives) that “should” be included. Considering that most of the recommended elements have little to no impact on financial performance, the question then becomes, why is it considered essential (or, at least important) from an academic perspective to include all four in a mission statement. The findings in this study cast doubt on the notion that firms should develop comprehensive mission statements that mention all stakeholders and include multiple components and meet specific objectives in the hope that it will somehow impact financial performance. Perhaps some of these elements do not help the firm’s bottom line because they don’t accurately describe the company or its goals. A study of middle and senior level managers found that although most firms (82%) had a mission statement, less than half (40%) of the managers felt that the mission statement accurately reflected the organization (Wright 2002).

Overall, the lack of a relationship between many elements and performance suggests that many executives may view mission statements as public relations devices. It is also possible that executives craft missions primarily for the process and idea exchange that encourages a critical look at the firm. Alternatively, some managers may write mission statements to describe what the firm is *currently doing*. The end result may not provide direction and explain where the firm is headed (literally, its “mission.”). Drucker (1974) recognized that it is more important that firms know what the “business should be” than what “[the] business is” (p. 93) and this was in the early 1970’s, when firms were not as diversified and the world wasn’t changing as rapidly. Future studies may be necessary to determine if mission statements are reactive (merely descriptions of what the firm is doing now) or proactive (forward looking statements).

Many firms may spend considerable time and money developing mission statements, yet most stakeholders, components and objectives included in mission statements are not associated with financial perfor-

mance. Our study suggests that those factors in mission statements that are most associated with financial performance can be viewed as indicators of a socially responsible company. Mission statements that include phrases that refer to what many may view as the fundamental rules of business have a significant positive relationship with financial performance: be concerned with your employees, be responsible to the society in which you do business, and emphasize and communicate your value system.

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BARBARA BARTKUS,
College of Business and Public Administration, Old Dominion University, Norfolk, Virginia 23529, USA. E-mail: bbartkus@odu.edu

Barbara Bartkus is Associate Professor at Old Dominion University. Her research interests includes strategic goals, governance and corporate philanthropy.



R. BRUCE McAFEE,
College of Business and Public Administration, Old Dominion University, Norfolk, Virginia, 23529, USA.

R. Bruce McAfee is Professor of Management at Old Dominion University, His research interests are in employee motivation and employee relations.



MYRON GLASSMAN,
College of Business and Public Administration, Old Dominion University, Norfolk, Virginia 23529, USA. E-mail: mglassma@odu.edu

Myron Glassman is Professor of Marketing at Old Dominion University. His research focuses on integrating marketing and management concepts.