



Research Journal of  
**Business  
Management**

ISSN 1819-1932



Academic  
Journals Inc.

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## **A Survey of Relationship Between the Characteristics of Mission Statement and Organizational Performance**

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### **ABSTRACT**

This study aims to have investigated the relationship between characteristics of mission statement and organizational performance in the SME Iranian organizations. This research intended to study the clearness of the mission statement, the completeness of the mission statement, the practicality of the mission statement, the reality of the mission statement, the amount of employee's and manager's awareness of the mission statement, the amount of the acceptance of the mission statement, the flexibility of the mission statement, paying attention to the stakeholders in the mission statement and the distinctiveness of the mission statement in the SMEs. A conceptual model of an analytical research for Mission in this SMEs is developed from the findings and literature review. This article has been based on interviews and distributing the questionnaire, Data were collected from 176 managers from SMEs. Hypotheses were tested using Pearson correlation analysis and Regression analysis. Test of hypotheses revealed that there is a positive and meaningful correlation between each of the characteristics of the mission statement and organizational performance. As such, among the mentioned characteristics, from the viewpoint of the managers, the flexibility of the mission statement had the most impact on the organizational performance and the perfectness of the mission statement had the least impact on the organizational performance. In conclusion, the evaluation of amount of the execution of the Mission is expected to reveal the effectiveness, efficiency and adaptability of Mission efforts so as to add more value to the overall performance of the SMEs and help them to satisfied customers needs. In this paper, there is little or no empirical evidence investigating the amount of the execution of the Mission in SMEs. This paper rectifies this imbalance by clarifying the significance others factors in Mission.

**Key words:** Mission statement, SMEs, organizational performance, customers needs

### **INTRODUCTION**

The existence of every organization has a unique reason and purpose. This uniqueness is reflected in organization's mission statement (David, 1989). The Mission statement provides a good, succinct response to this question "what is your business about?" an Effective and informative answer to this question demonstrates professionalism, instills confidence and engenders commitment (Wickham, 1997).

The mission statement reflects what the current managers, directors and owners believe the organization is and where it is likely to be headed (Desmidt and Prinzie, 2007). It is starting points for constancy of purpose, because it attempts to align organizational processes with business

strategies. Finally, a process which Campbell describes as instilling a “sense of mission” in the mind and hearts of employees—a feeling that what they do makes difference in the world (Scandura *et al.*, 1996).

The mission statements promote a sense of shared expectations amongst employees and communicate a public image of the firm to important stakeholders (Analoui and Karami, 2002). On the other hand, the mission statement ensures unanimity of purpose in an organization across all levels and generations of the firm’s employees. It rallies everyone towards one purpose under one common company banner and by establishing a set of values attuned towards a common company goals (Toftoy and Chatterjee, 2004) and also establishing understanding of the purpose and goals of the corporation in employees (Scandura *et al.*, 1996) leads to increase of their commitments (Toftoy and Chatterjee, 2004) and consequently achieves higher levels of organizational performance (Campbell *et al.*, 2001).

In previous researches about mission statement, considerable diversity exists regarding the composition of actual mission statement. Yet, importance of composition of mission statement and its extensive applications is not determined. There is not a consensus as to what mission statements should or should not include and each researcher considers particular components concerning his/her opinion. On the other hand, researchers involved in research about mission statement content and characteristics analysis (Bart, 1998). Consequently there is little practical knowledge about the actual (as opposed to the perceived) effectiveness, overall usefulness and performance relationship of mission statements (Williams, 2008).

According to what is mentioned above, in this research we examine this topic: “Is there any relationship between the organization’s mission statement and organizational performance?”

The importance of an organization’s need for a mission statement has a rich history in the public administration and management literatures (Palmer and Short, 2008). A mission statement is a formalized document defining an organization’s unique and enduring purpose. Why do we exist? What is our purpose? And what do we want to achieve? Are some of the fundamental questions that a mission statement becomes central to every organization’s management (Bart and Tabone, 1999) and hence serves two main purposes: to provide a focused guide for decision making and to motivate and inspire employees toward common objectives (Forbes and Seena, 2006).

The main reasons for having mission statements in organization such as: Communication tool (Sufi and Lyons, 2003) important tool in directing the formulation and implementation of strategic planning (Palmer and Short, 2008), guide leadership style (Analoui and Karami, 2002) and attracting customers that respect organization (Campbell *et al.*, 2001). But we can assume the shared viewpoint, the most important reason for having mission statement. This shared viewpoint is essential to organizational unity and decision making effectiveness that leads to more commitment to organizational objectives.

Composition of mission statement has many advantages for organization. One of the most important advantages is that mission statement viewed as the guiding principle for your entire business. It tells you, your company, your employees, your vendors, your customers, your investors and your lenders what your goal is, what you stand for and where you’re headed (McLeod, 2004). Thus, gives organization a character and defines its personality (Toftoy and Chatterjee, 2005).

Campbell *et al.* (2001) suggested that there may be situation when having a mission is inappropriate. This may be where strategy is uncertain or is likely to change, where the management team is changing or is unlikely to be stable, or where there are strong differences

between members of the management team. In those situations it may be necessary to retain flexibility in values and overall strategy (Campbell *et al.*, 2001).

The mission statement needs to be longer than a phrase or sentence but not a two-page document. And it should not include dollar amounts, percentages, numbers, goals, or strategies (David and David, 2003). It should not overly details (Campbell *et al.*, 2001). It should not be made on acclamation (Toftoy and Chatterjee, 2004). It should not be made according to profit. Profit is more correctly an objective and a result of what the company does (Thompson and Strick Land, 2001).

**Mission statement and firms' performance:** A major shortcoming of the mission literature, however, is that very little is known empirically about the actual (as opposed to the perceived) effectiveness, overall usefulness and performance relationship of mission statements (Bart, 1998; Williams, 2008). Klemm *et al.* (1991), in their study of mission statements of 59 top companies from the Times 1000, found no significant differences in performance (measured in terms of employee turnover and profits) between them. Likewise, Coats *et al.* (1991) concluded that "poor financial performance" (measured in terms of pre-tax profits) was just as likely as "high financial performance" to occur in firms that had a mission statement. Finally, having a mission statement is no guarantee of success; nor does the lack of one guarantee failure (Bart, 1998). In following years, Bart and Baetz (1998) found significant correlation between selected mission content items (i.e., financial objectives, values, purpose business strategy and length) and such performance measures as return on sales, return on assets, percentage change in sales and percentage change in profits. More recently, O'Gorman and Doran (1999) found that company philosophy, self-concept or public image in a mission statement did not improve organizational performance. Neither "more comprehensive" or "high content" mission statements are more likely to be correlated with high performance (Analoui and Karami, 2002). Analoui and Karami (2002) found that high performance firms do not necessarily have a more comprehensive mission statement than the low performing firms (Analoui and Karami, 2002). Bart and Baetz (1998) found significant correlation between selected mission content items (i.e., financial objective, values, purpose business strategy and length) and such performance measures as return on sales, return on assets, percentage change in sales and percentage change in profits. Bart and Tabone (1999) found that certain mission statement components have a greater behavioral and financial impact on performance. The components "distinctive competence/ strength, specific customers (patients) served, unique identity, concern for satisfying customers (patients)" are a significant positive correlation with performance while there is not a significant correlation between concern for suppliers/concern for survival and organizational performance. Sufi and Lyons (2003) found that while there was a statistically significant correlation between the mission statements and the annual turnover, there was no significant correlation with the net profit margin or the return on equity.

## **MATERIALS AND METHODS**

After doing some preliminary studies and obtaining enough observations about the relationship between Characteristics of Mission Statement and organizational performance, we formulated the main research hypothesis. Then we introduced mission statement with its nine characteristics and determined the following subsidiary hypothesis:

**Main hypothesis:** There is a positive correlation between the characteristics of Mission Statement and organizational performance.

**Subsidiary hypothesis:**

- There is a positive correlation between the clearness of the mission statement and organizational performance
- There is a positive correlation between the completeness of the mission statement and organizational performance
- There is a positive correlation between the reality of the mission statement and organizational performance
- There is a positive correlation between the practicality of the mission statement and organizational performance
- There is a positive correlation between the amount of employee's and manager's awareness of the mission statement and organizational performance
- There is a positive correlation between the amount of the acceptance of the mission statement and organizational performance
- There is a positive correlation between the flexibility of the mission statement and organizational performance
- There is a positive correlation between paying attention to the stakeholders in the mission statement and organizational performance
- There is a positive correlation between the distinctiveness of the mission statement and organizational performance

Since this research evaluates the relationship between organization's mission statement and organizational performance, regarding its objective is an applied research and regarding the methods of data collection is descriptive (survey and correlation). As the data has been gathered from the statistic population in a particular time, is cross sectional.

The Statistical population of this research consists of top managers, middle managers and experts of large organizations of Iran that has involved in formulation and implementation of mission statement.

Systematic random sampling method was used for the selection of respondents. First, we made a list of the names of managers and experts that had participated in the formulation of mission statement or are now part of the executive team and then we refer to them randomly. As many as 73 persons out of 100 top managers, middle managers and experts cooperated in filling the questionnaires.

The needed data were gathered through different methods such as observation, interview and questionnaire.

The questionnaire had 10 sections and 35 questions. We used 11 points scale that varied from 0 to 10 in this questionnaire. The questionnaires were distributed in 16 manufacturing organizations and 9 administrative organizations. Four questionnaires were given to each organization that one of them was filled by top manager and others by middle managers and experts. The validity of the questionnaire was evaluated by the strategic management experts from various universities and finally its validity was confirmed. The Cronbach's alpha indicator was used for computing the reliability of gathered data. At last, after collecting data and information, SPSS software was used for summarizing, classifying and analyzing the gathered data.

## **RESULTS AND DISCUSSION**

After testing the hypotheses, it was found that all of the research hypotheses are confirmed. It means that there is a positive and meaningful correlation between the clearness of the mission statement and organizational performance, the completeness of the mission statement and organizational performance, the practicality of the mission statement and organizational performance, the reality of the mission statement and organizational performance, the amount of employee's and manager's awareness of the mission statement and organizational performance, the amount of the acceptance of the mission statement and organizational performance, paying attention to the stakeholders in the mission statement and organizational performance, the flexibility of the mission statement and organizational performance and finally between the distinctiveness of the mission statement and organizational performance.

After analyzing the effect of the characteristics of Mission Statement on organizational performance, it was found that the flexibility of mission statement in comparison with other characteristics has the most effect on organizational performance. On the opposite side, the completeness of the mission statement has the least effect on organizational performance. It means that more flexibility of mission statement can have an increasing effect on organizational performance and the completeness of the mission statement can have the least effect on organizational performance.

After analyzing the correlation among the characteristics of Mission Statement, it was found that all characteristics except flexibility have positive and meaningful correlation with each other. It means that there is positive and meaningful correlation among the clearness of the mission statement, the completeness of the mission statement, the practicality of the mission statement, the reality of the mission statement, the amount of employee's and manager's awareness of the mission statement, the amount of the acceptance of the mission statement, paying attention to the stakeholders in the mission statement, the distinctiveness of the mission statement. But there is no meaningful correlation between flexibility and other attributes.

## **CONCLUSION**

Considering the results and findings of the research, the model of the effect of characteristics of the mission statement on organizational performance is shown in Fig. 1.

According to Fig. 1, the flexibility of mission statement has the most effect on organizational performance. It means that if mission statement can be adjusted and revised according to the changes in market and business conditions or according to company's current condition, can be formulated in general words, then flexibility in comparison with other characteristics can have the most effect on organizational performance.

After the flexibility, those characteristics that have the most effect on organizational performance are the distinctiveness, the practicality and the reality of the mission statement. It means that if the mission statement is unique and commensurate with the organization's size and environment, if it is practical and managers and employees are capable of implementing it, also if there is enough resources for the realization of the mission statement and employees have tendency to cooperate in its realization and if the mission statement is formulated based on the organization's current conditions and its real values, it can have more effect on organizational performance.

After the mentioned characteristics, the amount of the acceptance of the mission statement has the most effect on organizational performance. It means that if the managers' and employees' behaviors affected more by the mission statement and if the mission statement become more acceptable, certainly can have more effect on organizational performance.

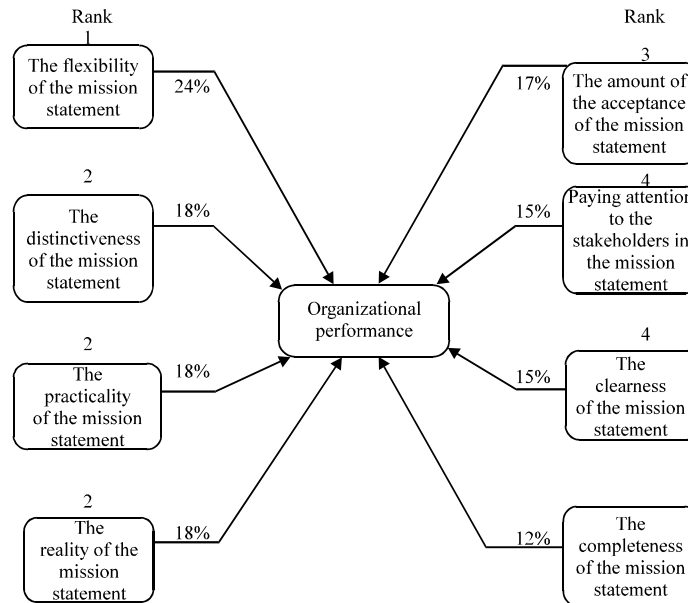


Fig. 1: The model of the effect of mission statement characteristics on the organizational performance (Numbers show Beta coefficient)

According to the model, paying attention to the stakeholders in the mission statement and the clearness of the mission statement has effect on organizational performance. It means that if the formulated mission statement is more understandable for persons inside and outside of the organization, if its calling to remembrance is easier and if the main objectives of the organization is specified in the mission statement, if it is more consistent with stakeholders' objectives and expectations and they are more certain about mission statement, it will have more effects on organizational performance.

Among the above mentioned characteristics, the completeness of the mission statement has the least effect on organizational performance. In other words it can be said that if the completeness of the mission statement is neglected but other characteristics are considered thoroughly, lack of completeness can not so much affect the organizational performance. But if the other characteristics are neglected and just the completeness is taken into consideration, the organizational performance will not increase as expected.

### MANAGERIAL IMPLICATIONS

All organizations that are studied in this research and every organization that is interested in strategic management especially in the formulation of mission statement will be presented the following suggestions:

- The mission statement should be formulated in a way that can be revised and modified regarding the changes in business and environment conditions
- The size and environment of the organization should be considered during the formulation of the mission statement
- The mission statement should be formulated in a way that can be implemented
- The abilities of the employees should be considered during the formulation of the mission statement

- The mission statement should be formulated based on the current conditions and realities of the organization not those going to achieve
- The mission statement should be formulated in a way that is acceptable to all the managers and employees
- The mission statement should formulate in a way that make a commitment to all members of the organization
- The mission statement should be formulated in a way that is consistent with stakeholders' objectives and expectations
- The mission statement should be formulated in a way that provides acquiescence of all of the stakeholders
- The mission statement should be enough clear to be comprehend easily by all the stakeholders
- The mission statement should be formulated with simple words that can be easily memorized and used by personnel
- The components of the mission statement should be specified regarding the organization conditions and activities
- Every person in organization should access to the mission statement

**Limitations and future researches:** According to some limitations in performing the present research, the following researches in the field of mission statement are recommended to improve the applied knowledge in the mentioned field:

- A survey of the reasons of mission statement unrealisation
- A survey of factors that affect the realization of the mission statement
- A survey of the effect of mission statement on organizational productivity
- A survey of the process and algorithm of mission statement formulation
- Mission statement comparison among different organizations

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