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## MISSION STATEMENT AND FIRMS' PERFORMANCE

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### ABSTRACT

This paper presents some of the pertinent arguments on the effects of mission statements on firm performance. A critical analysis of the literature is also presented. Prior literature shows that mission statements have a positive impact on firm performance. To reap the benefits of mission statements, some proviso must be met, namely, solid mission content and rationale, strong mission development and a systematic dissemination process.

### INTRODUCTION

Mission statements are everywhere! They are one of the most popular management methods and techniques employed by senior managers all over the world (Bart, Bontis & Taggar 2001; Rigby, 2001; Boyle, 2001; Bain et al., 1996). Mission Statements are popular as they are usually found to be the cornerstone of every firm's strategy formulation and having a mission statement is recognized as the first step in strategic planning (Bart 1997; David 1987). Another reason for its popularity is due to the effect it has on the development of corporate culture and integration of employees. In addition, most commentaries on mission statements imply that firms can gain superior performance results shortly after their adoption.

A mission statement is often created in the hope that it can help to push the firm toward some desired destination. However, mission

statements are usually planned, lifeless and static whereas much of that world is unpredictable and uncontrollable. Formalized plans in mission statements are ordered, singular and well-conceived while the reality is disorganized, full of unexpected changes and frequently random in nature. It is one thing to have a mission statement but it is another to actually make the mission come true. The purpose of this article is to discuss critically the effects of mission statements and to review critically the literature on the impact of mission statements on firm performance.

### WHAT IS MISSION STATEMENT?

So what is a mission statement? It addresses the fundamental question of why an organization exists and why it is in business (Lipton, 1996). A mission statement is therefore a clear definition of the purpose of the organization, the organizational goals, and the role of all stakeholders groups (Thompson and Strickland, 2001; Ackoff 1997). Many organizations define the basic reason for their existence in terms of their mission statements, using the statement to legitimize the organization, providing a statement to all their stakeholders of what the company stands for-its purpose, image and character (Strong, 1997; Webster, 1992). A mission statement in a firm, acts as the "invisible hand" that guide people within the firm to work independently and yet collectively to achieve levels of performance

desired by the firm (Kotler et al., 1996). A compelling mission indicates how the firm intends to grow and serve its customer through individual, team, and organizational excellence.

An interesting fact about mission statements is that there has been little empirical research or quantitative investigation that illustrates the effects of organizational variables on organizational mission; the interest shown and the research conducted in this area do not match. (Bart, 1997; Pearce & Robinson, 1994; Larwood & Kreiger, 1993; Ackoff, 1997). This has led to a situation in which this is still considered an uncharted area of management (Bart & Baetz, 1998; Campbell & Yeung, 1991). Larwood and Falbe (1995) clarify that the study of organizational mission has been based largely on qualitative cases, abstract theorizing, or prescriptions that assume both what a mission statement is and why it is worth having.

Most of the empirical studies conducted in the area investigate the relationship of mission statements on the organization, and mission statement content and characteristics (Collins & Porras, 1991; Campbell, 1993; Pearce & David, 1987). A common observation from these studies is that considerable diversity exists regarding the composition of actual mission statements and academic pronouncements concerning their theoretical ideal (Bart, 1998; David, 1989). There is limited agreement on the purpose and content of mission statements as shown in the following:

- Ireland and Hitt (1992) argue that the aim is to publicly declare the purpose, goals, products and philosophical views of the organization. They also assert that

mission statements can be motivating and inspiring.

- Bart and Tabone (1998) note that a mission statement is a written formal document that attempts to capture an organization's unique and enduring purpose and practices.
- Rigby (1998) suggests that all a mission statement should do is to communicate to what are coyly referred to as the firm's key constituent (shareholders, employees, suppliers and the like), what the firm is doing and ought to be doing.
- Drohan (1999) claims that a good mission statement expresses an organization's reason for being, conveys the association's identity and articulates purpose, focus and direction. Such a statement is meaningful and inspiring and imparts a sense of stability.

A mission statement is sometimes referred to as the organisation's creed, statement of purpose, statement of general principles, statement of corporate intent or vision, and all these are often used interchangeably (Levin, 2001; Strong, 1997). As a result, mission statements appear to mean different things to different organizations. With this apparent confusion, doubts over the impact of mission statements on firms become a common issue: Are Mission Statements Myth or Fact? Do mission statements have an impact on a firm's performance?

#### BENEFITS OF MISSION STATEMENTS

Mission Statements are presumed to have numerous benefits for an organization. Four of the most frequently cited benefits are;