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# Corporate Mission Statements: The Bottom Line

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Developing a mission statement is an important first step in the strategic planning process, according to both practitioners and research scholars.<sup>1</sup> Several recent books on strategic management include entire chapters on mission statements, which attest to their perceived importance in the strategy formulation process. Nevertheless, the components of mission statements are among the least empirically examined issues in strategic management. No reported empirical studies describe the composition of business mission statements, only a few conceptual articles suggest desirable component characteristics, and no reported attempts have been made to link mission statements to corporate performance.

This neglect is surprising since several studies have concluded that firms that engage in strategic planning outperform firms that do not.<sup>2</sup> Thus, the research reported in this paper focused on the nature and role of mission statements in organizational processes; its goal was to improve our understanding of the link between strategic planning and firm performance.

## The Mission Statement

### Function

An effective mission statement defines the fundamental, unique purpose that sets a business apart from other firms of its type and identifies the scope of the business's operations in product and market terms.<sup>3</sup> It is an enduring statement of purpose that reveals an organization's product or service, markets, customers, and philosophy. When prepared as a formal organizational document, a mission statement may be presented under a maze of labels, including "creed statement," "statement of purpose," "statement of philosophy," or a statement "defining our business." Yet regardless of the label, a mission statement provides the foundation for priorities, strategies, plans, and work assignments. It is the starting point for the design of managerial jobs and structures. It specifies the fundamental reason why an organization exists.

A mission statement should create an organization identity larger than the limits placed on the firm by any individual. An effective statement helps to satisfy people's needs to produce something worthwhile, to gain recognition, to help others, to beat opponents,

and to earn respect. Thus, it is a general declaration of attitude and outlook. Free from details, a mission statement has breadth of scope; it provides for the generation and consideration of a range of alternative objectives and strategies because it does not unduly stifle management creativity.

### Components

A mission statement may be the most visible and public part of a strategic plan. As such, it is comprehensive in its coverage of broad organizational concerns. Although no empirical research has been published to guide corporate mission statement development, the limited evidence available suggests eight key components of mission statements:

1. The specification of target customers and markets.
2. The identification of principal products/services.
3. The specification of geographic domain.
4. The identification of core technologies.
5. The expression of commitment to survival, growth, and profitability.
6. The specification of key elements in the company philosophy.
7. The identification of the company self-concept.
8. The identification of the firm's desired public image.

## A Study of Mission Statements

Based on previous theoretical and conceptual work focusing on the composition of mission statements, the present empirical investigation was undertaken to assess the relationship between mission statements with the eight components listed above and corporate financial performance. The present study specifically addressed the following hypothesis: The mission statements of high performing *Fortune* 500 companies will exhibit more of the desired components than will those of low performing *Fortune* 500 firms.

Our rationale for this hypothesis was prior theoretical and conceptual writing suggesting that eight components characterize an effective mission statement. Prior research also suggested that firms that engage in strategic planning outperform firms that do little or no planning. We reasoned that because a mission

statement is increasingly perceived as an indication of a high-quality strategic planning effort, firms that have developed a comprehensive mission statement should outperform those with a weak or no mission statement. Such a finding would not, of course, indicate causation, because many diverse factors affect organizational performance. However, a comprehensive mission statement, we reasoned, should provide a basis for making better strategic decisions which, in turn, should contribute to improved organizational performance.

## Survey Results

### Response Raters

Completed surveys were returned by 218 of the *Fortune* 500 companies mailed the research instrument. Of the respondents, 61 (28%) supplied mission statements that were analyzed for this report. As indicated in Exhibit 1, of the remaining respondents, 40.4% replied that their organization did not have a mission statement; 5% replied that their mission statement was confidential; and 26.6% sent material, such as an annual report, from which a statement of mission could not be confidently extracted.

#### Exhibit 1

#### The Survey Responses

<b>Number of mailings</b>	500
No response	282 (56.4%)
Responses	218 (43.6%)
<b>Responses replying:</b>	
That the organization had no mission statement	88 (40.4%)
That the organization had a confidential mission statement	11 (5%)
With material that we could not use	58 (26.6%)
With usable mission statements	61 (28%)

### Nature and Prevalence of Components

One of the most valuable insights the survey results provide is a realistic portrayal of the components of corporate mission statements. For managers who are asked to participate in constructing or modifying a firm's mission, such information is helpful for comparative purposes. In this section, we will review the survey results for popularity of each of the eight components identified above. We will also present examples

of each component excerpted from the corporate mission statements we evaluated.

1. *Target customers and markets.* Did the mission statements specify the firm's intended major customer or market targets? Many did—48%. We were somewhat surprised that more firms were not willing to commit openly to customers and markets. Those we questioned provided three reasons for this intentional omission: First, specifying certain groups might unintentionally signal "no interest" to others; second, merger and acquisition activity might violate any predetermined definition of customers or markets; and third, the various markets of many diverse business units effectively dictated a worldwide corporate market focus, and limiting that focus in any way could be confusing to some readers acquainted with smaller markets for individual product lines.

From the mission statements of Johnson & Johnson and CENEX came these clear commitments to specific customer groups:

*We believe our first responsibility is to the doctors, nurses, and patients, to mothers and all others who use our products and services. (Johnson & Johnson)*

*... to anticipate and meet market needs of farmers, ranchers and rural communities within North America. (CENEX)*

2. *Principal products or services.* Did the mission statements convey the firm's commitment to major products or services? Yes—a solid majority (67%) were unequivocal in specifying their major products or services.

Consider, for example, the following excerpts from the mission statements of AMAX and Standard Oil Company of Indiana, respectively:

*AMAX's principal products are molybdenum, coal, iron ore, copper, lead, zinc, petroleum and natural gas, potash, phosphates, nickel, tungsten, silver, gold, and magnesium.*

*Standard Oil Company (Indiana) is in business to find and produce crude oil, natural gas and natural gas liquids; to manufacture high quality products useful to society from these raw materials; and to distribute and market those products and to provide dependable related services to the consuming public at reasonable prices.*

3. *Geographic domain.* Did the mission statements specify the firm's intended geographic domain for marketing? Only 41% did. Those who talked to us about the omission said it seemed unnecessary to state

the "obvious" global nature of their marketing efforts. "This is undoubtedly an important issue to smaller firms" was the frequent comment of the *Fortune* 500 spokespersons.

Exemplary statements that included this component were the following by Corning Glass and Blockway:

*We are dedicated to the total success of Corning Glass Works as a worldwide competitor. (Corning Glass Works)*

*Our emphasis is on North American markets, although global opportunities will be explored. (Blockway)*

4. *Core technologies.* Did the mission statements describe the firm's core technologies? Overwhelmingly, they did not. By the far the least frequently included component in the 61 mission statements we evaluated was the "core technology" component, which was specified by only 20% of the firms. The principal reasons company spokespersons gave to our follow-up questioning about the omission were (1) the impossibility of succinctly describing the many technologies on which their multiple products depended, and (2) the inappropriateness of trying to describe the core technologies of their service-based business units. Once again, this component was judged to be far more relevant to smaller, more narrowly focused businesses.

Two of the corporations providing noteworthy exceptions were Control Data and NASHUA, which clearly specified their core technologies:

*Control Data is in the business of applying micro-electronics and computer technology in two general areas: computer-related hardware; and computing-enhancing services, which include computation, information, education and finance. (Control Data)*

*The common technology in these areas relates to discrete particle coatings. (NASHUA)*

5. *Concern for survival, growth, and profitability.* Did the mission statements specify the firm's plans regarding survival, growth, and target levels of profitability? Overwhelmingly, they did. The most popular component in the mission statements was an organizational commitment to survival, profitability, and growth. Of the 61 firms, 55 (90%) included statements at least as explicit as the following excerpts from Hoover Universal and McGraw-Hill:

*In this respect, the company will conduct its operations prudently, and will provide the profits and growth which will assure Hoover's ultimate success. (Hoover Universal)*

*To serve the worldwide need for knowledge at a fair profit by gathering, evaluating, producing, and distributing valuable information in a way that benefits our customers, employees, authors, investors, and our society. (McGraw-Hill)*

6. *Company philosophy.* Did the mission statements disclose the firm's basic beliefs, values, aspirations, and philosophical priorities? Yes—more than three-fourths (79%) of the respondents did include clear indicators of the firm's strategic, operating, and human resources philosophies. Several did so by attaching elaborate statements of philosophy to more product/market-oriented statements.

The following brief excerpts from two statements provide a sense of how philosophies were embedded in the mission statements:

*We believe human development to be the worthiest of the goals of civilization and independence to be the superior condition for nurturing growth in the capabilities of people. (Sun Company)*

*It's all part of the Mary Kay philosophy—a philosophy based on the golden rule. A spirit of sharing and caring where people give cheerfully of their time, knowledge, and experience. (Mary Kay Cosmetics)*

7. *Company self-concept.* Did the mission statements express the company's view of itself? Did they provide an explanation of the firm's competitive strengths? The answer to these questions is "yes" for 77% of the respondents. As part of their corporate self-concept, Hoover Universal and Crown Zellerbach stated the following:

*Hoover Universal is a diversified, multi-industry corporation with strong manufacturing capabilities, entrepreneurial policies, and individual business unit autonomy.*

*Crown Zellerbach is committed to leapfrogging competition within 1,000 days by unleashing the constructive and creative abilities and energies of each of its employees.*

8. *Desired public image.* Did the mission statements express the firm's desired public image? They clearly did in 87% of the cases, which makes this the second most included component in 61 formal statements. Among the ways in which desired public images were expressed were the following statements from Dow Chemical, Sun Company, and Pfizer:

*To share the world's obligation for the protection of the environment. (Dow Chemical)*

*Also, we must be responsive to the broader concerns of the public including especially the general desire for improvement in the quality of life, equal opportunity for all, and the constructive use of natural resources. (Sun Company)*

*... to contribute to the economic strength of society and function as a good corporate citizen on a local, state, and national basis in all countries in which we do business. (Pfizer)*

### **Mission Statements and Financial Performance**

In summary, the analysis of the 61 mission statements revealed some common characteristics. Specifically, the 90% and 87% values (55 and 53 of 61 firms, respectively) indicate that nearly all of the corporate statements included the "concern for survival" and "desired public image" components. In contrast, the 19% and 41% values (12 and 15 of 61 firms, respectively) suggest that sample corporate statements tended to omit discussions of "core technology" and "geographic domain." As shown in Exhibit 2, significantly more of the mission statements of the highest performing *Fortune* 500 firms exhibited three of the eight components than did the statements of the lowest performing firms. Further, mean scores of the highest performers were greater than those of the lowest performers for six of eight components. These findings were all supportive of the research hypothesis. Thus the inclusion of the desired mission statement components was positively associated with a firm's financial performance.

Of course, many variables affect organizational performance, so the present findings do not suggest that the inclusion of desired components in a firm's mission statement will directly improve organizational performance. Quite to the contrary, a firm may have a comprehensive mission statement and still experience declining sales and profits for any number of reasons.

**Exhibit 2**  
**A Comparison of Mission Statements of Fortune 500 Companies**

<b>Component</b>	<b>High Performers' Mean Score<sup>a</sup></b>	<b>Low Performers' Mean Score<sup>a</sup></b>	<b>Statistical Difference Between Mean Scores?<sup>b</sup></b>
Philosophy	.8947	.6000	Yes
Self-concept	.8947	.5333	Yes
Public image	1.0000 <sup>c</sup>	.7333	Yes
Customer/ market	.4737	.6000	No
Product/ service	.5789	.8667	No
Geographic domain	.4211	.3333	No
Technology	.1579	.0667	No
Concern for survival	.9474	.8667	No

<sup>a</sup> High performers were firms in the top quartile of a profit margin distribution of all responding *Fortune* 500 companies. Low performers were the lower quartile firms.

<sup>b</sup> A "Yes" indicates a t-value significant at less than .05.

<sup>c</sup> A mean value of 1.00 indicates that all 61 mission statements included the evaluative criterion.

Thus, it would be inappropriate, based on this study alone, to label the desired components as "essential" characteristics of mission statements. Rather, further research is needed to determine particular industries, conditions, and situations when specific components are most desirable.

However, the current findings are important for two major reasons. First, they lend empirical support to the notion that higher performing firms have comparatively more comprehensive mission statements. Specifically, for the organizations included in the study, higher performing firms more often exhibited the components suggested as important in the literature. Second, the findings suggest that corporate philosophy, self-concept, and public image are especially important components to include in an organizational mission statement.

## Discussion

### Developing a Mission Statement

An intended practical and immediate contribution of the present research was to provide some benchmarks against which future studies could gauge the nature and direction of mission statement development. Because such large sample baseline data are otherwise unpublished, the information gathered in this research effort may provide a useful standard of comparison for managers responsible for coordinating the development of mission statements.

This research disclosed that 40% of the 218 responding *Fortune* 500 companies did not have a written mission statement. If mission statements are so important to the strategic development process, why is this so? The respondents may have provided an unsolicited answer, in that 10% of all corporate CEOs specifically requested guidance from the researchers in helping them develop effective mission statements. It may well be that a lack of knowledge about desirable components hampers or even prevents mission statement development.

This initial attempt at empirical research in the area of mission statement composition provides some encouraging evidence of the accuracy of previous conceptual writings and case studies. All eight of the components described as desirable in the normative literature were found to exist in the mission statements; in fact, they appeared with an average frequency of 66%. This finding is important because evaluators of mission statements—such as industry analysts, stockbrokers, and directors of investment funds—may express as much concern for components that are excluded as for those that are included. With the general and macro-nature of mission statements, perhaps it is at least as important for a firm to demonstrate concern for a particular content issue as it is to express a particular preference for outcomes.

It may in fact be that the findings of this study understate the importance of a carefully and comprehensively developed mission statement. It seems reasonable to theorize that organizations that differ dramatically in such areas as profit motive, stakeholders, and geographic marketplaces would also differ in the components included in their mission statement. In fact, had the corporations responding to the study been more homogeneous, or had business units rather than corporations been contacted, the observed differences might have been greater both in number and in magnitude. For optimal effectiveness, mission statements may need to be as distinctive as the relatively unique competitive situations in which organizations conduct their strategic planning.

## Questions Remain

Not only is additional research needed to assess the degree to which the findings of this initial empirical effort can be generalized, but several critical questions about mission statements merit special attention. Three of the more intriguing questions are the following:

1. *What is the nature of the link between mission statements and organizational performance?* An important likely finding is that comprehensive mission statement development sets the stage for comprehensive planning efforts. Since such efforts have been associated with improvements in organizational performance, mission statements may be found to act as outlines for top managers to use to direct and focus their own planning and that of their subordinates.

2. *In what ways should the composition and intent of useful corporate and business-unit mission statements differ?* Corporate missions must often reflect the diverse concerns of several distinct strategic business units, even though corporate and business-unit missions may differ in their contributions to performance. Corporate missions may be best used to establish organizational values and strategic planning priorities, while business missions may be best when they suggest more specific directions that business strategies should incorporate.

3. *How closely associated are publicly pronounced mission statements and "in-house" strategic planning documents?* Our discussions with strategic planners revealed that public statements of corporate mission are designed to be of little value to other firms as a basis for competitive planning. Thus, they are unlikely to spell out specific plans for strategic action. It is perhaps more likely that public statements provide only competitively harmless overviews of competitively potent strategic intentions. In such cases, the mission's strategic substance, which serves as the framework for competitive action, may be communicated among key managers on a classified basis.

## Conclusion

Practitioners and researchers alike believe there is value in mission development and in the written statements that result. Perhaps it is asking too much to prove that they guarantee direct financial consequences. However, it is not unreasonable to demand empirical evidence of the presumed integral role of mission statements in linking strategic planning with corporate performance. The research we have described puts the first piece of that evidence in place. ■

### Research Methodology

**The Research Sample** — A letter requesting a copy of the organization's mission statement was mailed to the chief executive officer of each of the *Fortune* 500 corporations. Responses were received from 218 of the 500 companies, producing a 44% response rate. Of the respondents, 61 companies supplied a mission statement that could be evaluated.

**Content Analysis** — To evaluate the 61 corporate mission statements, content analysis, a qualitative research technique for analyzing message contents, was used. Specifically, content analysis involves selecting a written message to be studied, developing categories for measurement, measuring frequency of appearance of the categories by using coding rules, applying an appropriate statistical test to the data collected, and then drawing conclusions. The mission statements were evaluated to determine whether they exhibited the eight components identified from the literature review. Three independent raters evaluated each of the 61 usable statements to determine the degree to which they contained the eight desired components. Prior to conducting their evaluations, the raters read and discussed mission statement articles; they also rated and discussed their ratings of several example mission statements.

When a rater determined that a mission statement contained a specific component, a value of "1"

was assigned to the statement. When a particular mission statement did not "clearly" exhibit the component, a "0" was assigned. Inter-rater reliability coefficients revealed no significant differences ( $p < .01$ ) among the three independent raters on their evaluations of the corporate statements' total scores.

**Statistical Analyses** — Pearson intercorrelations of the eight mission statement components disclosed that only one of the 28 computations ("concern for survival" with "public image") was statistically significant, and only one of the coefficients was above .2701. Thus, the evaluated mission statement components were considered distinct variables. In addition, the low intercorrelations lend some empirical support for the heretofore theoretical notion that mission statements may be examined in terms of their components.

Parametric t-test analyses were performed to test the hypothesis that mission statements of high performing companies would exhibit more of the components than those of low performing firms. The selected indicator of performance was the profit margin of each of the sample *Fortune* 500 companies. The distribution was first divided into quartiles; then mission statements of the top quartile firms were compared with those of lower quartile firms. The results are discussed in association with Exhibit 2.

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# ENDNOTES

1. Among recent authors who have stressed the critical role of mission statements as the starting point in strategic management are W. A. Staples and K. U. Black in their article, "Defining Your Business Mission: A Strategic Perspective," *Journal of Business Strategies*, 1984, 1, 33-39; V. J. McGinnis in "The Mission Statement: A Key Step in Strategic Planning," *Business*, November-December 1981, 39-43; and D. S. Cochran, F. R. David, and C. K. Gibson in "A Framework for Developing an Effective Mission Statement," *Journal of Business Strategies*, 1985, 2, 4-17.

2. For the reader interested in a better understanding of the nature of the empirically evidenced positive relationships between strategic planning and firm performance, three articles should be of particular interest: (1) G. G. Dess and P. S. Davis's "Porter's (1980) Generic Strategies as Determinants of Strategic Group Membership and Organizational Performance," *Academy of Management Journal*, 1984, 3, 467-488; (2) J. W. Fredrickson and T. R. Mitchell's "Strategic Decision Processes: Comprehensiveness and Performance in an Industry with an Unstable Environment," *Academy of Management Journal*, 1984, 2, 399-423; and (3) R. B. Robinson, Jr. and J. A. Pearce II's "The Impact of Formalized Strategic Planning on Financial Performance in Small Organizations," *Strategic Management Journal*, 1983, 3, 197-207.

3. Probably the most often referenced work on mission statements, the one on which strategic management texts heavily rely, and the one that provided much of the impetus for the present study, is an article by J. A. Pearce II, "The Company Mission as a Strategic Goal," *Sloan Management Review*, Spring 1982, 15-24.