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Corporate Mission: Much Ado about Nothing or Essential Strategic Step?

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ABSTRACT

This paper highlights the corporate mission statement as an essential strategic step in the planning process, based on its impact on companies' business performance, explained through the connection and the influence of mission statement on profitability. We underline the significance of early employment of mission statement as one of the first components of a strategic plan, since it is a way of explaining and maintaining the strategic intention of a company. This should be of even greater importance in transition economies market, in companies with outdated business practices that are 60 years behind market trends, as is the case of Macedonia. The study addresses three main research aspects: 1. the connection between detailed, highly comprehensive mission statement and business performance, i.e. profitability, 2. the key components and terms of a mission statement connected to performance, and 3. current practices in mission statements in companies, explained through the case of Macedonian companies. The methodology includes quantitative and qualitative research that explored the way in which 38% of the registered companies in the confectionery industry in Macedonia create their mission statements. Primary data was derived from questionnaires and semi-structured interviews and secondary data - from books, journals and academic articles. Data was analyzed with IBM Statistical Package for Social Sciences (SPSS) 19. Results suggest that highly comprehensive mission statements have significant correlation and directly influence companies' profitability. The analysis has also shown that companies can easily create highly comprehensive mission statement by following a model that includes the key components and terms of a mission statement. Furthermore, it can be stated that

companies that operate on transition economies market, such as Macedonia, do not attend this question with high importance. The limitations of the paper arise from sample's size and the chosen industry, but the findings are useful to entrepreneurs and managers, since they provide a more accurate perspective of the significance of mission statement and the way that it affects business.

Key words: Mission statement, business performance, profitability

Introduction

At the beginning of the business operation, top management must define the culture and strategic intent as key aspects in the operation of an enterprise. The aspirations of the company should have a strategic intent, expressed through statements about vision, mission and organizational goals. The mission of the company is often presented in the form of so-called mission statement, which projects a certain image of the underlying intent of the existence of the company. The mission is broad description of the intention of the company and the type of activities it plans to undertake (Campbell, 1997). In fact, the mission statement defines the business that the company is in, its goals and approach to achieving those goals (Rigby, 2011).

The motivation for development of a mission statement may arise from the objectives that are expected to be accomplished with it (Campbell and Yeung, 1991): motivation of employees to achieve higher performance, direction and consistency in the allocation of resources, a balance between the conflicting interests of different groups of stakeholders. The mission statement can also contribute with its impact outside the enterprise (Rigby, 2011): closer ties and better communication with customers and suppliers, public relations, external support.

However, regardless of the rationality of the process, it is proposed that the basic purpose and motivation for the development of the mission statement should be to enhance the performance of the company (Bart and Tabone, 1998).

Literature review

The vision and mission are considered to be of great importance for the efficient and effective operation of the enterprise. Many research papers identify the mission statement as a tool for strategic planning and starting point in building enterprise's identity. It is also associated with business performance and survival (Leuthesser and Kohli, 1997). According to Medley (1992) and Wilson (1992), the existence of a detailed mission statement can lead to a 50% increase in the effectiveness of the company. Research shows that companies with a detailed, highly

comprehensive mission statement have an average return on investment of 26.2%, while companies with low comprehensive mission statement have an average return of 13.7% (Rarick and Vitton, 1995).

Since 1993 until 2010, mission statement is highly popular marketing – management tool, used by a large number of managers, irrespective of the geography and the type of economic system in which the company operates (Rigby and Bilodeau, 2011). Most of the managers also show high satisfaction levels from the effects of mission statements on the business performance (Bain and Company, 2013).

Research Methodology

The purpose of this paper was to explore and present the importance of mission statement for the competitiveness of companies, i.e. the paper examines in detail the relationship of highly comprehensive mission statement with profitability (in a given period of time). The methodology included both quantitative and qualitative methods, based on the goal to obtain complete picture of the degree to which companies in a transitional economy include mission statements in the strategic planning process. Primary data derived from structured questionnaires about attitudes on market orientation statements measured on a nominal and interval scale, and a follow-up, semi-structured interview (January – February 2012) with the managers of 38% (19) of the registered companies in the confectionery industry in Macedonia. Secondary data derived from books, journals and academic articles. Data was analyzed with IBM SPSS19. The conclusions are given on the base of descriptive and deductive statistics.

Profitability was measured on 11-degree subjective scale from 0-10, where 0 is - extremely low (disastrous), 10 - extremely high (outstanding). The subjective scale is taken as a measure due to: 1. Managers' avoidance to provide accurate data that reflect their performance; and 2. High level of convergence between subjective and objective scales for measuring business performance, including this particular scale (Dawes, 1999).

The focus of the analysis is the confectionery industry in Republic of Macedonia for several reasons (Economic Chamber of Macedonia, 2013): it is an important part of the food industry with positive impact on the external trading balance of the country, because the value of exports of finished confectionery products is almost 10 % of the value of total exports of food products; it employs a significant part of the workforce in the state, and is a major consumer of the domestic packaging industry and transportation services. Furthermore, it is a part of the consumer goods market where the activities of enterprises should be characterized by a proactive approach to

strategic planning and marketing – management activities. Regardless of these facts, the current market situation shows that Macedonian enterprises show a number of weaknesses in the strategic planning process (Jovanov, 2009).

Based on the literature review about the impact of mission statement on business performance, i.e. profitability, it is of great importance to provide sufficient knowledge on several key aspects: 1. the connection between detailed, highly comprehensive mission statement and business performance, i.e. profitability, 2. the key components and terms of a mission statement connected to performance, and 3. current practices in mission statements in companies (through the analysis of current practices of Macedonian companies).

Connection between highly comprehensive mission statements and business performance

Comprehensive mission statement can contribute significantly to high performance, hence, it provides numerous benefits that usually translate into high performance, such as: 1. Explanation of the purpose of the organization, 2. Identification of standards for allocation of resources, 3. Focus and specification of organizational purposes into objectives and goals, 4. identification of core strategic competence and market position, 5. setting priorities, values and business philosophy, etc.

Based on the literature review, it can be assumed that companies involved in the process of formal strategic planning and creation of a comprehensive mission statement are more likely to achieve good financial and business performance. In this paper, the mission statement is defined as highly comprehensive when it includes all of the proposed components of mission statement given by Campbell (1996): key intent, strategy, values and standards of behavior. In the absence of even one of the components, it is considered to be low comprehensive statement.

Descriptive statistics (Table 1) shows that all the companies (100 %) that revealed poor profit, and most of the companies (80 %) with moderately poor profit have reported low comprehensive or poorly defined mission statement. From the companies that had moderately good profit, 50 % have poorly defined statement and 50 % highly comprehensive mission statement. Most of the companies (66.7 %) who showed very good profit, and all of the companies (100 %) with extremely good profit, include highly comprehensive mission statements in the strategic business planning process. That is, the majority of companies (57.9 %) reported that they had created low

comprehensive or poorly defined mission statement, while a smaller proportion (42.1 %) have created a highly comprehensive mission statement.

Table 1. Analysis of the comprehensiveness of mission statement by companies' profit

Profit * Mission statement Cross tabulation					
		Mission statement			Total
		Low comprehensive	Highly comprehensive		
Profit	Poor	Count	3	0	3
		% within profitability	100.0%	.0%	100.0%
		% within mission statement	27.3%	.0%	15.8%
	Moderately poor	Count	4	1	5
		% within profitability	80.0%	20.0%	100.0%
		% within mission statement	36.4%	12.5%	26.3%
	Moderately good	Count	3	3	6
		% within profitability	50.0%	50.0%	100.0%
		% within mission statement	27.3%	37.5%	31.6%
	Very good	Count	1	2	3
		% within profitability	33.3%	66.7%	100.0%
		% within mission statement	9.1%	25.0%	15.8%
	Extremely good	Count	0	2	2
		% within profitability	.0%	100.0%	100.0%
		% within mission statement	.0%	25.0%	10.5%
Total		Count	11	8	19
		% within profitability	57.9%	42.1%	100.0%
		% within mission statement	100.0%	100.0%	100.0%

In addition, the deductive analysis is based on the assumption of a linear dependence of phenomena, according to which it is assumed that the profit of the enterprise is a linear function of the highly comprehensive mission statement. Primary zero hypothesis of the existence of nonlinear dependence between the events ($H_0: p=0$) is set in order to be refuted, and to prove the opposite, i.e. the correlation is not zero ($H_1: p \neq 0$). Several measurements were performed using correlation and linear regression analysis, in order to examine the isolated impact of comprehensive mission statement on profitability.

Prior regression analysis, it was important that some of the underlying conditions for linear regression are met: 1. linear relationship between the dependent variable and the independent

one (confirmed by significant correlation association of phenomena and F-test), 2. there is no multicollinearity between independent variables ($VIF < 5$).

Pearson correlation analysis shows that at the 0.01 level and Sig. 0.005 (1-tailed), there is significant direct correlation (0.612) between highly comprehensive mission statement (analyzed by the use of the value of mean) and profitability. Additionally, during a one sided test ($t=3.190$; Sig. = 0.005), a simple linear regression analysis with critical value of the test $t_{df, \alpha} = 2.898$, according to the rule of decision-making: $t > t_{df, \alpha}$ (Newbold, Carlson and Thorne, 2007), confirmed the linear dependence of profitability of highly comprehensive mission statement (Table 2).

Table 2. Highly comprehensive (broadly defined) mission statement and profitability

Descriptive Statistics									
		Mean		Std. Deviation		N			
Profitability		5.63		2.033		19			
Highly comprehensive mission statement		.7237		.24853		19			
Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.612 ^a	.374	.338	1.655	.374	10.173	1	17	.005
a. Predictors: (Constant), Highly comprehensive mission statement									
Coefficients ^a									
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		
		B	Std. Error	Beta			Lower Bound	Upper Bound	
1	(Constant)	2.009	1.198		1.677	.112	-518	4.536	
	Highly comprehensive mission statement	5.006	1.569	.612	3.190	.005	1.695	8.317	
a. Dependent Variable: Profitability									

With the F test ($F=10.173$; $df_1=1$ $df_2=17$ and critical value of the test $F_{1, 17}= 8.40$) (Newbold, Carlson and Thorne, 2007) the relation between highly comprehensive mission statement and profitability is proven to be statistically significant. The relation of the level of mission statement's comprehensiveness and profitability expresses the importance of the higher level of mission statement's comprehensiveness for better performance and competitiveness of companies, hence highly comprehensive mission statement also implies higher profits, with the possibility to reinvest for growth and development of the enterprise.

Key Components and Terms of a Mission Statement

Typically, the mission statement is prepared by the owner and/or the senior management of the company. Thus, it is important to know that besides the elements that are positively correlated with the performance of the company (adopted values, social responsibility), there are elements that are found to be negatively correlated with performance, such as the presence of financial statement purposes (Bart and Baetz, 1998). For that reason the process of development of a mission statement should be approached with high attention and managers should be very careful about the certain components they incorporate into the statement. The way to identify the basic components and terms that should be included in a mission statement can be done over a model consisted of key components (Campbell, 1996) and terms (Stevens, 1994) that are connected to business performance (Table 3).

Table 3. Mission statement model of key components and terms

Components of the mission statement by the Ashridge Mission Model (Campbell, 1996)	Key terms in the mission statement (Stevens, 1994)
<p>Intention</p> <ul style="list-style-type: none"> • Why is there a company? • What is the basic reason for existence? • For whose benefit does the company exists? 	<p>Consumers/clients/customers Investors/shareholders/owners Community/society Employees/colleagues Management Suppliers</p>
<p>Strategy</p> <ul style="list-style-type: none"> • How will the company pursue its strategic goals? • The competitive position and key competencies? • Identification of the commercial logic for the business. 	<p>Fiscal conservatism Market share Financial measures (sales, profit, return) Domination and competition Long perspective Global perspective Research and development (R&D) Technology</p>
<p>Values</p> <ul style="list-style-type: none"> • What does the company believe in? • Setting priorities and core beliefs, aspirations, philosophy. • Determining of the moral logic of business. 	<p>Awareness of cost (sense of the value of the product/service versus price) Social/civic responsibility Commitment/dedication Welfare of employees/quality of life Learning/training/development</p>
<p>Standards of conduct</p> <ul style="list-style-type: none"> • How does the company act in the community? • Policies and pattern of behavior that support core competencies and value system 	<p>Ethics/morality/honesty/fair treatment Professionalism Aggression/focus on improving Adaptation/reaction Innovation/creation Authorization (transfer of responsibility)</p>

According to this model, the management of the mission statement is a continuous process that requires constant review and change. With its use, the present deficiencies in the existing mission can be perceived, and/or these can be avoided in the formulation of the new mission statement (Campbell, 1996). For example:

- Are the values of the management/owner compatible with the values of employees (The observed differences can contribute to further development of corporate culture. Such differences may easily be perceived through interviews, group discussions and/or questionnaires, after which the management must face the need to change the mission statement or change and recruit employees with values compatible with the values defined in the existing mission statement);
- Are the values in the mission in conflict with the values of the management and/or employees;
- Are the strategy and the values mutually supporting and reinforcing or conflicting, which can be observed through the adopted standards of conduct (If clear standards of conduct can be identified in the mission statement, this indicates that there is a close link between strategy and values).

This model can be used as an analytical framework by which managers can shape the mission statement of the company.

Analysis of Mission Statements in Macedonian Enterprises

Formulation of mission statements of Macedonian companies was explored through analysis of the existing mission statements in terms of components and terms used in their creation. Additionally, a comparison is made with the aforementioned model (Table 3). The analysis showed that Macedonian companies in most cases include one to two components related to the main purpose for existence, i.e. intention and strategy, and less - components of values and standards of behavior (Table 4). To be exact, all surveyed companies (100 %) include components of intent. Most of them (94.7 %) include components of strategy. The situation changes drastically in the case of other types of components, with about half of the surveyed companies (47.4 %) which did not include a statement of values, and more than half (57.9 %) that did not include any components of standards of conduct.

Table 4. Types of components included in the mission statement (Crosstabs)

Companies total * Components of intention		
	Components of intention	Total

		yes		
Total	Count	19		19
	% within companies total	100.0%		100.0%
Companies * Components of strategy				
		Components of strategy		Total
		yes	no	
Total	Count	18	1	19
	% within companies total	94.7%	5.3%	100.0%
Companies * Components of values				
		Components of values		Total
		yes	no	
Total	Count	10	9	19
	% within companies total	52.6%	47.4%	100.0%
Companies * Components of standards of conduct				
		Components of standards of conduct		Total
		yes	no	
Total	Count	8	11	19
	% within companies total	42.1%	57.9%	100.0%

Moreover, analysis by size of enterprises showed that all of the analyzed small businesses (100%) and the majority of medium-sized enterprises (71.4%) have created low comprehensive mission statement, i.e. have created mission statement with less than the core four mission components given by Campbell (1996). On the other hand, all large enterprises (100%) and some of the medium-sized enterprises (28.6%) have created a highly comprehensive mission statements, which include all of the four key mission statement components (intention, strategy, values, standards of conduct) from the abovementioned model.

From the analysis (Table 5) it can be observed that the mission statement of Macedonian enterprises is mostly explained by using terms such as: product and/or owners as the basic purpose for existence; costs and/or financial measures as a strategy for achieving the intention. This indicates that their primary focus is on the internal aspects of business operation, without significant attention to other, external factors with influence on the market. Few of the companies have also mentioned consumer focus and commitment to improvement. Very few companies explain their mission statement by the terms: community, employees, global perspective, R & D, ethics and morality, innovation. Based on the abovementioned literature review in the field, it can be said that the terms and components that have a significant correlation with the performance of the enterprise (corporate philosophy, company values, social responsibility and consumers) are rarely used by Macedonian companies, i.e. the companies are unclear with respect to these elements of the mission statement.

Table 5. Types of terms in the mission statement (Crosstabs)

Companies total * Terms of intention										
		Terms of intention						Total		
		Product	Consumers	Owners	Community	Employees	Unspecified			
Total	Count	8	4	5	1	1	0	19		
	% within companies	42.1%	21.1%	26.3%	5.3%	5.3%	0	100.0%		
Companies total * Terms of strategy										
		Terms of strategy							Total	
		Costs	Market share	Financial measures	Domination and competition	Global perspective	R&D	Technology	Unspecified	
Total	Count	4	2	6	3	1	1	1	1	19
	% within companies	21.1%	10.5%	31.6%	15.8%	5.3%	5.3%	5.3%	5.3%	100.0%
Companies total * Terms of values										
		Terms of values				Unspecified		Total		
		Social responsibility	Dedication	Learning/training/development						
Total	Count	3	4	3	9		19			
	% within companies	15.8%	21.1%	15.8%	47.4%		100.0%			
Companies total * Terms of standards of conduct										
		Terms of standards of conduct					Total			
		Ethics and morality	Professionalism	Focus on improving	Innovativeness	Unspecified				
Total	Count	1	1	4	2	11	19			
	% within companies	5.3%	5.3%	21.1%	10.5%	57.9%	100.0%			

Based on independent t-tests of means ($t = -1.987$), with P -value of approximately 0 (Carver and Nash, 2012), it was found that on average, small businesses create on average lower comprehensive mission statements in comparison to medium – sized enterprises (Table 6).

Table 6. Independent Samples Test (small vs. medium – sized enterprises)

Group Statistics					
Company by size		N	Mean	Std. Deviation	Std. Error Mean
Small		6	.5000	.00000	.00000

Highly comprehensive mission statement	Medium - sized	7	.6786	.23780	.08988					
Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
Highly comprehensive mission statement	Equal variances assumed	31.004	.000	-1.828	11	.095	-.17857	.09771	-.39363	.03648
	Equal variances not assumed			-1.987	6.000	.094	-.17857	.08988	-.39850	.04135

Additionally, with t-tests of means ($t = -3.576$), and P -value of approximately 0, it is confirmed that medium – sized enterprises create on average lower comprehensive mission statements than large enterprises (Table7).

Table 7. Independent Samples Test (medium – sized vs. large enterprises)

Group Statistics										
	Company by size	N	Mean	Std. Deviation	Std. Error Mean					
Highly comprehensive mission statement	Medium - sized	7	.6786	.23780	.08988					
	Large	6	1.0000	.00000	.00000					
Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
Highly comprehensive mission statement	Equal variances assumed	31.004	.000	-3.290	11	.007	-.32143	.09771	-.53648	-.10637
	Equal variances not assumed			-3.576	6.000	.012	-.32143	.08988	-.54135	-.10150

Based on this analysis, it can be emphasized that the formulation of highly comprehensive mission statement, which is on the other side directly related and affects companies' profit, is proportional and depends on the size of enterprises. Namely, it is more likely that large

companies would create highly comprehensive mission statements as a part of the strategic planning process, than small and medium – sized companies.

Conclusion

Results suggest that highly comprehensive mission statements have significant correlation with profitability. Additionally, the linear regression analysis indicates that broadly defined mission statement directly influences companies' profitability. The analysis has also shown that companies can easily create highly comprehensive mission statement by following a model that includes the key components and terms of a mission statement. Furthermore, it can be stated that companies that operate on transition economies market, such as Macedonia, do not attend this question with high importance, and have mostly poorly defined mission statements, with one to two components and one to two terms that explain the business. This is more evident in the case of small companies, which on average show less often detailed, highly comprehensive mission statements, than medium – sized and large companies. Also, most of the companies, especially SMEs, do not show clearly defined values and standards of behavior in the mission statement, which can lead to other risks in the strategic planning process, such as under defined business objectives and goals, weak corporate image, etc.

This paper provides a proof that the process of mission statement construction enables the management to: analyze the existing mission statement, the need of probable revision, as well as to construct a new mission statement, if necessary. It is found that the identified components, terms, causes and guidelines for creation and implementation of mission statement in the process of strategic planning, are useful for the business, i.e. are related to achievement of better business performance. The limitations of the paper arise from sample's size and the chosen industry, but the findings are useful to entrepreneurs and managers, since they provide a more accurate perspective of the significance of mission statement and the way that it affects business.

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