A Descriptive Study of Corporate Profitability of Companies With

And Without Explicit Mission Statements

by

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ABSTRACT

Corporate leadership is charged with efficient and effective use of corporate resources. In many cases, corporate leaders feel that the development and implementation of a mission statement is a good use of these resources. Other corporate leaders do not feel the need for these expenditures. If a mission statement could be tied to higher corporate profitability, this might impact the leaders’ decision. This descriptive quantitative study used historical public data to show that companies that had mission statements demonstrated a higher return on equity than those companies that did not have mission statements. While not claiming a causal relationship, the demonstration of a strong correlation between companies with mission statements and superior profitability can provide guidance for corporate leaders.

DEDICATION

This effort is dedicated to my wife, Phyllis Denise Levith, and my children Reuben, Levi, and Gabi. Denise, without your support and encouragement, the dream would not have been possible. It was you, more than me, that made this achievement possible. Reuben, Levi and Gabi, I thank you for your sacrifices. The hours I took from you were returned with love and understanding, and for that I thank each of you. I know it was a large price I asked you to pay. I hope it will be worth it. And finally, to my father, Judge Raymond D. Levith, whose intellect I try, unsuccessfully, to emulate.

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I must thank Dr. William G. Bentley III for attempting to impart his knowledge and wisdom in the intricacies of statistics. Biff, I promise I will leave the field to you, and never teach in this area. Thank you my friend.

Stephen Northam spent many hours listening to me over this journey. As you start your own journey now Steve, I hope I can return the favor.

Finally, I would like to thank my mentor, colleague and friend, Dr. Brent Muirhead. Brent, your enthusiasm and understanding in the final push carried me across the line. Thank you.

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CHAPTER 1: INTRODUCTION

Corporations spend millions of dollars developing mission statements as part of their strategic planning. Mission statements adorn walls and websites and are considered to be methods of gaining influence with employees and encouraging investor loyalty. Some corporate leaders question whether mission statements enhance corporate profitability or are just another management fad (Stone, 1996). Finally, some managers question whether companies with mission statements show better financial performance than those without them (Atrill, Omran, & Pointon, 2005; Bartkus, Glassman & McAfee, 2000). The information found by researching this topic helped corporate leaders determine the relationship of the mission statement to corporate profitability.

Chapter 1 presents a brief overview of the problem to be investigated in this study. The significance of the study to leadership is presented, followed by a discussion of the research question, hypothesis, methodology, theoretical framework, and assumptions contained in the study. The chapter concludes with a summary of the chapter.

Background of the Problem

The mission statement's purpose is to describe, in a clear and concise way, the purpose, identity, and direction of a business (Atrill, Omran, & Pointon, 2005). Pearce and David (1987) perceived the mission statement as "the foundation for priorities, strategies, plans, and work assignments" (p. 109), providing a solid foundation from which sound strategy and implementation may develop. Pearce and David saw the mission statement as the starting point for organizational structure and managerial job definition. Pearce and David also asserted that a mission statement provides the basis of rationale for the organization's existence.

The mission statement conveyed several purposes according to the literature. Mission statements were seen: (a) as an employee director and motivator and a method of instilling shared values; (b) as a "declaration of purpose" (Atrill et al., 2005, p. 28); and (c) as a means of communicating the aspirations of the business to outside parties (Atrill et al., 2005; Hitt, Ireland & Hoskissen, 2008; Sheaffer, Landau & Drori, 2008). The sense of direction imparted by a mission statement may motivate employees to focus their efforts in that direction, according to many researchers and practitioners (Bolton, Brunnerneier & Veldkamp, 2008; Forbes & Seena, 2006; Ireland & Hitt, 1992). An opposing view, held by researchers such as Bartkus, Glassman, and McAfee (2000), is that mission statements do not align with the employee's jobs, and are thus more annoying than motivating. A split in the literature thus exists, with some researchers holding that a mission statement may be beneficial, while others claim that mission statements can harm employee performance and, consequently, company financial performance. As a declaration of purpose, the mission statement may be an excellent tool (Atrill et al., 2005), but may not be critical. Before the advent of research into missions and mission statements, organizations existed that knew both their mission and how the organization would accomplish that mission. Without benefit of a formal statement of the mission, these companies went about structuring and aligning their military, family, or tribal organizations, to accomplish what the leaders believed were their mission and objectives All the "declaration[s] of purpose[s]" (Atrill et al., 2005, p. 28) in the world will not, in and of themselves, make the company financially successful.

If a mission statement is nothing more than a public relations piece, it might not be wise to count on it to provide financial profitability for the company (Rees &Porter, 2007). Much of the literature dissected mission statements into their individual elements. Such mission statement dissection showed that although individual elements may have value, tying the existence of a mission statement to superior financial performance was not documented (Atrill et al., 2005; Hitt, Ireland & Hoskissen, 2008; Sheaffer, Landau & Drori, 2008). Some qualitative and mixed method studies of the various components of mission statements have occurred, the most notable by Pearce and David (1987) and Atrill et al. (2005). However, little quantitative work directly tying mission statements to profitability higher than the respective industry profitability, outside the work of Rarick and Vitton (1995) and Rarick and Nickerson (2006), gathered much attention.

Statement of the Problem

Significant debate existed regarding the importance of a mission statement to corporate profitability (Morphew & Hartley, 2006). A common belief of some researchers in the literature was that mission statements contributed to solid strategic planning (David & David, 2003; Friedman, 1970). A strong strategic plan was believed to be effective in developing a superior financially performing company (David & David, 2003; Friedman, 1970). Although many studies attempted to connect parts of mission statements, or the phraseology of their content, to superior performance, little of the literature tied the existence of a mission statement to superior profitability (Peland, 2009; Vandijck, Desmidt & Buelens, 2007; Williams, 2008). The specific problem statement therefore, is that the financial value of the mission statement has not been empirically established in either the literature or corporate practice, forcing corporate leaders to decide on the expenditure of significant corporate resources with inadequate and incomplete information.

A quantitative methodology utilizing a descriptive research design with publicly available data were used in this study. A randomly selected sample of 91 Russell 3000 companies was chosen for inclusion. The sample size of 91 was a result of the calculation of the sample required to compare sample means as described in Chapter 3 (Lind, Marchal & Wathen, 2005).

Purpose of the Study

The purpose of this study was to determine empirically whether companies with explicit mission statements have better profitability than companies without explicit mission statements. The quantitative method chosen here was a natural outgrowth of the research question, which is as follows: What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement? The quantitative method was appropriate for data that are fixed in time, and thus, not subject to change (Aitchison, 1982; Mahmood & Lawrence, 1987).

A descriptive design is aimed at describing *what is* and not trying to determine or infer any causal relationships (Borg & Gall, 1989). In a descriptive study, summary data can be reported using measures like mean, median, deviance, variation and correlation between variables, as well as other empirical data (The Handbook of Research for Educational Communications and Technology, 2001). Whereas descriptive research may use multiple variables for analysis, the research method requires only one variable (Borg & Gall, 1989).This quantitative study took the profitability (Return on Equity) of 91 United States based corporations from the Russell 3000 Index, and compared those that had explicit mission statements found in their annual reports or on their company websites with those that did not have explicit mission statements to determine if a statistical difference between the two exists.

The research design was a descriptive study to compare the Return on Equity (ROE) of sample companies with mission statements to those without mission statements. The independent variable was the existence of a mission statement, and thus, it was a yes-or-no result. The dependent variable was the ROE. Because the research question requires a yes-or-no answer, a descriptive design was appropriate (Aitchison, 1982; Mahmood & Lawrence, 1987). Other variables that could have an impact on the study were CEO tenure, company capitalization, company growth rate, and industry concentration.

Significance of the Study

Corporate leaders are responsible for the allocation of corporate funds. Some of these funds could be, and are, spent on the development and dissemination of corporate mission statements. The results of this study are important to corporate leaders as they determine the value of expenditures in the development of corporate mission statements.

Significance to the Field

Although many researchers claimed that a company's mission statement was important to effective strategic planning (Bart, Bones & Tagger, 2001; David & David, 2003; Porter, 2006), few ever questioned whether the existence of a mission statement was relevant or connected to corporate profitability (Rees & Porter, 2007). This basic underlying assumption of the field was an important consideration in the fabric of mission statement criticality and strategy. There was no empirical evidence to support the proposition that companies with mission statements are more profitable than companies without mission statements (Rarick & Nikerson, 2006). If a mission statement's existence cannot be clearly shown to affect profitability, then millions of dollars of corporate resources currently spent on this exercise would be available for redeployment to other corporate efforts (Brinckerhoff, 2009).

Significance of the Study to Leadership

The function of corporate leadership is to manage the resources of the company in furtherance of company goals (Atrill et al., 2005; Kaplan, 2007; Martin, 2007; O'Gorman & Doran, 1999). Corporations devote money and manpower to develop and refine inspiring mission statements. The only acceptable reason for this or any leadership action is to enhance the profitability of the company (Friedman, 1970). If the mission statement could not demonstrate increased company profitability, then the leadership models that promoted a mission statement must undergo re-evaluation (Friedman, 1970). The results of this study are valuable to corporate leaders because the results provide information regarding the relationship between a mission statement and corporate profitability, thereby aiding the corporate leader in allocating funds to programs that will truly benefit the company.

Nature of the Study

Overview of the Research Method

This quantitative study compared the profitability of companies that have explicit mission statements with the profitability of companies that did not have mission statements. Profitability was compared based on Return on Equity (ROE). A statistical comparison of the *with* mission statement and *without* mission statement groups then determined if the populations differ at a 5% significance level. The Russell 3000 index provided the population universe for the companies used in the study. The Russell 3000 index reflects a broad range of U.S. companies, comprising approximately 98% of the tradable equities on the United States markets. Russell 3000 stocks are the top 3000 United States stocks based on market capitalization on May 31 of each year. Stocks trading below $1, mutual funds, and foreign stocks fail to meet the requirements for inclusion in the index. Finally, Russell 3000 criteria for outstanding shares are adjusted for cross ownership and privately owned shares (Russell Investments, 2009).

Several other variables also underwent examination to ensure their impact on the samples did not significantly impact the analysis. Of importance were the experience of management (modeled by the tenure of the CEOs), company capitalization, firm growth rate, and industry concentration (represented by the Herfindahl Index). Testing of these factors for correlation determined if the individual factors significantly affected the comparison of mission statement and non-mission statement companies. A correlation matrix was used for this purpose. Finally, the two resulting mission statement and non-mission statement samples underwent comparison to determine if they were statistically different. The .05 level of significance ensured a degree of confidence in the result.

Overview of the Design Appropriateness

The study was a descriptive design. A descriptive research design is focused on describing *what is* and does not attempt to determine or infer any causal relationships (Borg & Gall, 1989). In a descriptive study, summary data can be reported using measures like mean, median, deviance, variation and correlation between variables (AECT, 2001). Descriptive research, unlike many other types of research, may use multiple variables for analysis, but the research method only requires one variable for valid results (Borg & Gall, 1989).

This descriptive design, quantitative study compared the Return on Equity (ROE) profitability of companies that had explicit mission statements—self-identified on the company's websites or in their annual reports—with the ROE of companies that did not have mission statements. A statistical comparison of the *with* and *without* mission statement groups then determined if, at the 5% significance level, the populations differed. Quantitative methodology is well within the descriptive research design definition as described by the Association for Educational Communications and Technology (AECT) (2001) and the definition and explanation provided by Borg and Gall (1989) and Krathwohl (1993).

The purpose of this study was to determine, empirically, whether companies that had explicit mission statements had financial profitability in terms of ROE percentage greater than those companies without explicit mission statements. This study was not meant to determine if the existence of a mission statement was, in itself, a causal factor for the profitability. Thus, a descriptive design was appropriate to the study. The design of the study directly compared the mean ROE for those firms with and without a mission statement. The use of two subsets of the sample from the Russell 3000 population is an appropriate design if other variables do not significantly affect the analysis. The other variables underwent examination with straightforward analysis such as comparison of means and a correlation matrix (Lind, Marchal & Wathen, 2005).

Research Question

Corporate leadership finds the responsibility for the allocation of corporate resources a constant challenge. One of these challenges is in determining whether or not to spend resources on the development and dissemination of a corporate mission statement (Wiggins, Hatzenbuehler & Peterson, 2008). To make an informed judgment on this issue, management should determine first if a mission statement correlates with financial success.

The research question, therefore, was as follows:

What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement?

The research question compared two samples of companies, those that had explicit mission statements and those that do not have, and determined if a statistical difference in their financial success existed. With the use of standard statistical tests, this question found a definitive answer.

Hypotheses

This quantitative study addressed the question of whether a mission statement affected financial performance as measured by ROE. The study did not assess the quality of the mission statements or their components, but rather if the existence of a mission statement related to financial profitability. If the results of the study showed no statistically significant positive impact at the .05 level, the assumption that mission statements are critical to corporate strategy and corporate profitability was shown to be false. The directional hypotheses statements are:

H_0: The ROE measure of profitability of companies that have explicit mission statements is statistically higher than those that do not have explicit mission statements.

H_a: The ROE measure of profitability of companies that have explicit mission statements is equal to or less than those that do not have explicit mission statements.

Theoretical Framework

Numerous studies of mission statement components existed in the literature (Bart, Bones & Tagger, 2001; Biloslavo & Lynn, 2007; Pearce, 1982; Pearce & David, 1987). Each addressed the usefulness of certain characteristics of the mission statement in achieving quantitative results, inferring that they affect a company's profitability. Other researchers' studies claimed no effect of mission statements on the profitability of the firm (Atrill, Omran & Pointon, 2005; O'Gorman & Doran, 1999; Rarick & Nickerson, 2006).

A few researchers attempted to quantify the relationship of the mission statement to profitability. Rarick and Vitton (1995) claimed a significant difference in profitability existed between those companies with a mission statement, and those without a mission statement. Rarick and Vitton did not, unfortunately, publish their data, but only their results. Pearce and David (1987) claimed some results linking the two, but published data were lacking. Finally, Rarick and Nickerson (2006) conducted a Web-mining-based survey that resulted in compiled data. Rarick and Nickerson inferred from this data that the profitability of mission statement and non-mission statement companies was similar. Their study did not determine if this similarity was statistically significant.

The existence of a mission statement did not imply that the company had a higher ROE than companies that did not have mission statements. Explicit quantitative demonstration that a mission statement matters to profitability would be beneficial before a company spent considerable time and effort developing a mission statement and disseminating it to its constituents. Considering the vast sums involved (Brinckerhoff, 2009) and the alternate uses for these resources, clear evidence of statistical significance, as opposed to casual observance, should justify these expenditures.

Pearce's germinal work, "The Company Mission as a Strategic Tool" (1982), was instrumental in encouraging a group of researchers who believed that mission statements enhanced corporate profitability. Kilpatrick and Silverman (2005) and Rarick and Vinton (1995) stated that the value of mission statements included the focusing of employees and management on the goals of the company, increasing employee commitment to the company, and establishing common corporate values. Other advantages claimed for mission statements included alignment of employee behavior with structure and policy (Bart, Bontis, & Taggar, 2001), improving employee quality of life, and simply better focus for management.

An increasing number of researchers questioned the benefits of mission statements. Studies indicated that mission statements not only do not help to focus the employees but also were often irritants because they did not reflect the jobs the employees did. Rees and Porter (2007) strongly challenged the efficacy of the mission statement noting that many were more aspirational of what the company wanted to be, rather than a realistic portrayal of what the situation was or could be. Rees and Porter pointed out that these statements could unrealistically portray the outside environment and the organization's supposed control over that environment. Rees and Porter believed such organizational goals were unrealistic, and the corporate mission statement was an equally unrealistic basis for the development of a corporate strategy.

A wide range of opinion existed regarding the efficacy of a mission statement's ability to produce higher profitability for a company. Rarick and Nikerson (2006) claimed this "divergence of opinions can be largely attributed to different research questions and design" (p. 9). Others cited the increasing evolution of companies and the increase of strategic planning theory and implementation as the source of the differing opinions. What is evident was that there was a wide range of opinions among researchers regarding the impact of mission statements on corporations.

This study may further the understanding of researchers and business leadership about strategy and mission statements and add to the basis for corporate decision-maker's evaluation of the need for mission statements. Other researchers have posited the necessary composition of successful mission statements and the efficacy of their component parts (David & David, 2003; Pearce & David, 1987). This study, however, intended to determine whether companies with explicit mission statements have superior financial profitability compared to those that do not have mission statements.

Definition of Terms

Several terms required definition as general terms used in a specific way throughout the study. The first was *mission statement*, the second was *profitability*, the third was *superior*; the fourth was *ROE*; and the fifth was the *Herfindahl Index*.

Mission Statement. The mission statement is the distillation of the intent and purpose of a business and its place in the larger environment in which it must function

(Pearce & David, 1987). The study used mission statements that are defined as such by the companies themselves. Value statements, statements of belief, and vision statements, while potentially containing overlapping content areas with mission statements, contained a different focus. The assumption in the study was that the company chose not to include these in the mission statement for some reason of company recognition.

Profitability is the amount of return to investors of their investment in some monetary form (Financial Times Lexicon, 2009). For purposes in this study, Return on Equity (ROE) was chosen as the metric of profitability.

Return on Equity is the profit of a company returnable to the owners of the company. Because it is the return after all costs and investments, ROE is an excellent comparative measure of the return of profits to equity investors across industries (Financial Times Lexicon, 2009). Return on Equity is measured as a percentage of profit returned divided by the total investor equity.

The Herfindahl Index, also known as the Herfindahl-Hirschman Index (HHI), is a statistical measure of industry concentration. *Industry concentration* is the amount of market share (in percent) controlled by the largest firms. If industry market share is spread over many firms, the industry concentration's definition is: *low*. If a few industry firms have high market share, industry concentration's definition is: *high* (Hausman & Sidak, 2007).

Assumptions

One assumption under laid this study. The assumption was that the random selection of companies from the Russell 3000 fairly represented the larger population.

This assumption was based on the Central Limit Theorem (Neuman, 2003) and was met by the random sampling technique employed in the data gathering.

Scope, Limitations, and Delimitations

The scope of the study was U.S.-based Russell 3000 companies. This scope permitted a large amount of diversity among different types and structures of organizations as well as industry and size diversification. The limitation on scope based in the United States, however, permitted a common basis in tax law, regulatory employee policy, and cultural orientation.

The limits of the study were both externally and internally imposed. From an external perspective, the populations of companies *with* and *without* mission statements in the random samples needed to be large enough to permit statistical comparison. Another factor was the availability of these mission statements on company websites or in their annual reports.

An internal limitation was that the company had to identify its mission statement as a Mission Statement in the company's literature. Vision statements, value statements, and other such statements were not considered mission statements, even though these statements may overlap the intent of a mission statement. Mission statements focus more on strategy and goals, whereas vision and value statements are more idealistic and esoteric.

The data were publicly and constantly available, and of a historical nature. This study was, therefore, replicable. The sample size was such that the results could be generalized to other companies in an open-market system (Creswell, 2005). This generalizability satisfies issues of external validity.

A major delimiter of this study is the issue of causality. It was not the purpose of this study to show any causal relationship between mission statements and profitability. A descriptive design describes the relationships, but does not infer causality (Borg & Gall, 1989).

Summary

At issue in this study was whether companies with mission statements have different financial performance than those without mission statements. Brinckerhoff (2009) stated that the expenditure of significant corporate resources depends on the answer to this critical question. If no significant difference in profitability between companies that have mission statements and companies that do not have mission statements exists, these resources can find utilization in other corporate requirements (Brinckerhoff, 2009).

This descriptive, quantitative study attempted to determine empirically whether a statistically significant difference between companies with and without mission statements existed. This measurement was based on statistically comparing the means of the ROE averages of each group. The profitability of companies that have mission statements was either statistically higher than those that do not (H_0), or they were statistically equal to or lower than companies without mission statements (H_a) These results should add to the knowledge of both the academic community and the corporate world concerning the significant differences of opinion regarding the importance of mission statements to corporate profitability (Atrill et al., 2005; "Does Your Mission Statement," 2002; Pearce & David, 1987; Rarick & Nikerson, 2006; Rarick & Vitton, 1995; Sufi & Lyons, 2003).

Chapter 2 presents a review of the literature regarding mission statements. An explanation regarding how the literature review evolved from a strategic perspective is provided. Chapter 2 includes an overview of mission statements and profitability relationships from a historic perspective and presents current research and studies related to the theoretical framework.

CHAPTER 2: REVIEW OF THE LITERATURE

The issue of the contribution of the mission statement to corporate strategy and profitability was a long-standing and increasingly debated one (Morphew & Hartley, 2006). The concept of a mission relating to effective strategy has been historically applicable in numerous fields, from the military in ancient times to country building and exploration. The application to business, however, was a relatively modern concept (Kay, McKiernan & Faulkner, 2006). The identification and use of a specific statement relating to a corporation's mission, the mission statement, was introduced to business research through the germinal work of Pearce in the researcher's article "The Company Mission as a Strategic Tool" (1982).

As a result of Pearce's article, significant research has been undertaken to explain the power of mission statements on the focus of corporate strategy and success. Some of the leading researchers in corporate strategy and corporate success dynamics have examined mission statements, taken them apart and analyzed them. These researchers suggested factors for inclusion that the researchers believed would make the mission statement more effective. These same researchers even tried to relate the existence of mission statements to company profitability (Atrill et al., 2005; Pearce & David, 1987; Rarick & Nickerson, 2006; Rarick & Vitton, 1995). As time passed, however, more researchers began to question the efficacy of corporate mission statements (Bartkus, Glassman, & McAfee, 2000; "Does Your Mission Statement," 2002; Omran et al., 2002). As corporations today continue to invest heavily in these mission statements, critical analysis to determine whether or not a mission statement can make a difference to a corporation's financial success is a prudent management activity. The purpose of this study was to provide evidence showing whether or not the connection between a mission statement and a company's profitability was statistically supported.

A review of the literature in the subject area of mission statements shows major, and sometimes contradictory, themes, as presented below in Figure 1. The study of mission statements is continually evolving, and many researchers worked in many different categories of research into the topic. The author of this study has developed this figure in an attempt to clarify and categorize the literature on a thematic basis. Figure 1 starts with the sources for definitions of mission statements, and follows with researchers who discuss the devolution of the basic definition of these statements. The next level of the chart includes people who researched the concepts of mission and the use of the mission statement as a tool for management. Both those who agreed with the need for a mission statement and those who disputed that need are included in Figure 1. Major authorities on the impact of mission statements and strategy are then shown, many of whom posited that mission statements positively impact strategy, and others who did not hold this position. A final categorization focuses on researchers who believe that mission statements impact financial performance, and those that do not.

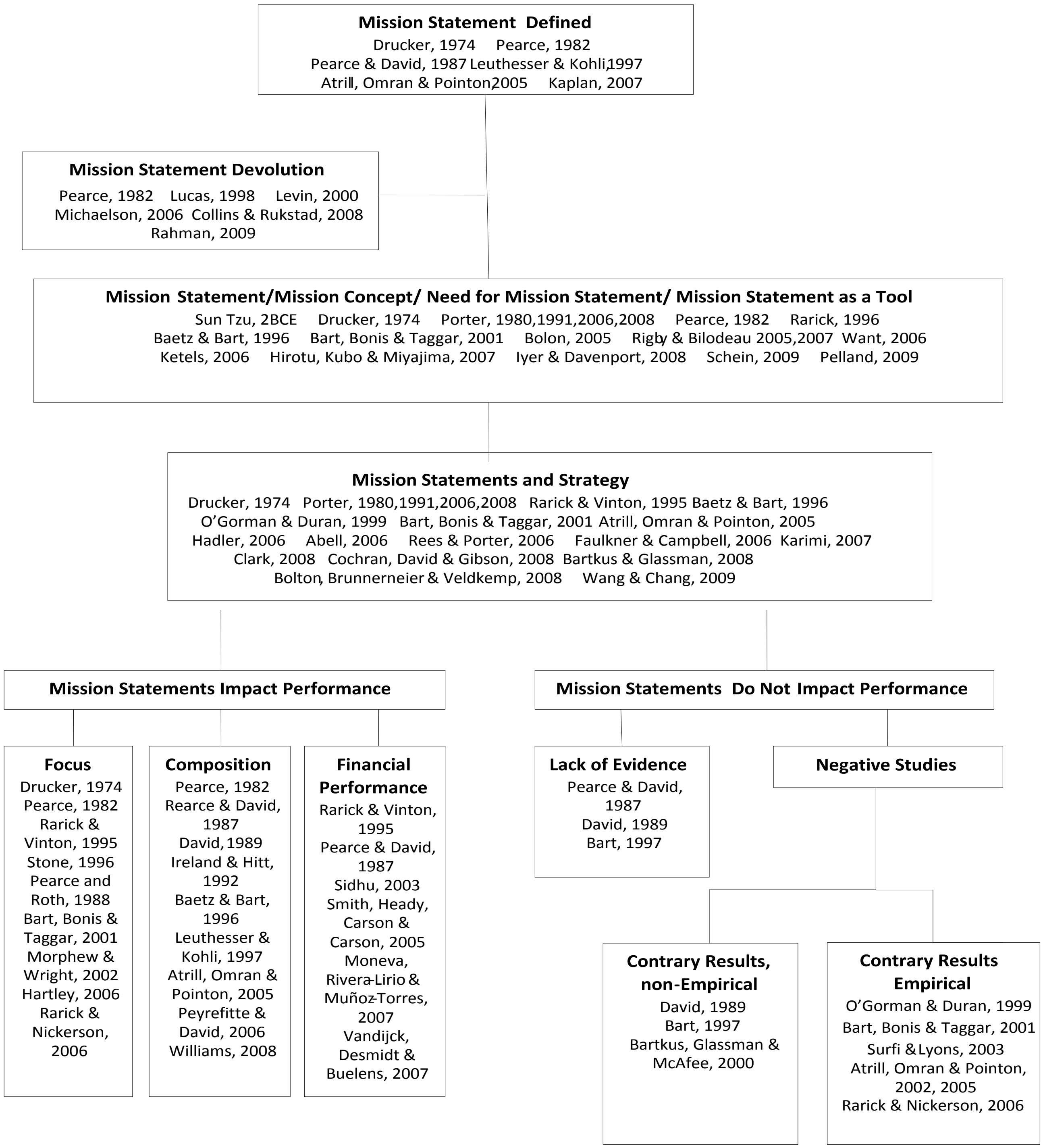

Figure 1. Development of mission statement themes within the literature review.

Literature Review

The Mission Statement, Defined

Citing Leuthesser and Kohli (1997), Atrill et al. (2005) defined a *mission statement* as an “attempt to articulate the business mission. It tries to convey the identity, purpose and direction of a business . . . in a concise and simple manner” (p. 28). Some companies mix mission statements with vision statements and value statements, whereas other researchers define mission statements narrowly (Kaplan, 2007; Pearce & David, 1987). For the purposes of the study, a mission statement was self-defined by the company. Whatever the company called a mission statement on their company website or in their annual report was taken as a mission statement. This study disregarded any other corporate statements, such as *value statements* or *purpose statements*. The study also disregarded the content in the mission statement. While mission statements, value statements, statements of corporate purpose, and other similar statements may overlap, each has a different focus (Michaelson, 2006; Schein, 2009).

The Statement of Mission and the Mission Statement

The Art of War (Tzu, 2 BCE/1963) is, according to Wittman and Reuter (2008), one of the most respected books on strategy ever written. Originally written as a military treatise, *The Art of War* is studied today for its implications and applicability to business in the modern world. Sun Tzu’s thoughts on leadership, deceit and surprise, and flexibility are all cornerstones of a zero-sum business or military environment. But perhaps the most critical teaching of Sun Tzu was his thoughts on organizational mission and alignment. "The side that has superiors and subordinates united in purpose will take the victory” (Sun Tzu, as cited in Rarick, 1996, p. 41) provided a clear statement of the value of common mission and understanding or organizational purpose, and its criticality to organizational success. Utilization of this shared purpose by all members of the organization can produce a powerful competitive advantage (Rarick, 1996).

The use of shared purpose for competitive advantage finds utilization by countries as well as companies. Jose Maria Figueres, a former president of Costa Rica, points out that competitiveness, education, and the business environment are all part of the national mission. This national mission also enters the business missions of the companies in the country (Ketels, 2006). This paper, however, restricted itself to U.S. companies.

Bain and Company, a global business strategy consulting organization, has conducted extensive research since 1996 on the role of mission statements as top tools of managers for running their companies (Rigby, 2009; Rigby & Bilodeau, 2005; Rigby & Bilodeau, 2007). Rigby and Bilodeau posit that the reason mission statements are one of the most-used tools is that managers think mission statements provide clear guidance to the organization by answering questions such as "why do we exist; what is our purpose; what are we trying to accomplish?" (Bart, Bontis & Taggar, 2001, p. 19). Even though the questions seem simple and clear, there has been little empirical research finished regarding the relationship between a mission statement and a performance model. Bart, Bontis and Taggar attempted to rectify this with a model in their research in 2001. Here, an intermediate to the model, *employee behavior* was found to be critical to transforming the mission statement content into positive company performance. Employee behavior was seen as a result of mission statement rationale, with a focus on performance, solid content, and a strong alignment of organizational values. Thus from Bart et al.'s point of view, a mission statement could improve performance, but only through adjustment and modification of employee behavior. Hirota, Kubo, and Miyajima (2007) emphatically stated that corporate culture does matter. Want (2006) also supported this corporate culture position in his work. Simply because a shared mission or purpose is potentially beneficial did not, according to these researchers, mean that a formal mission statement was a requirement, or even desirable. Buton (2005) stated that Hirota, Kubo, and Miyajima (2007) and Want (2006) questioned the need for a written mission statement. The positions held emanated from the belief that mission and purpose are the *result* of a unified set of values but are not the *cause* of these values. The actual writing of the mission statement had no effect on financial profitability in the studies, but executives with a strong understanding of the company's mission had a large and strong impact on profitability. In organizations that existed before the time of mass literacy, the written word clearly had little impact on the society. Culture, family, and political structure were much more important in focusing missions and goals.

Much of the work in organizational behavior in corporations focuses on the concept of *values* and *mission*. Schein (2009) emphasized the alignment of culture and values in achieving the mission of a corporation. The leadership's task was to ensure that cultural issues "are congruent with the organization's mission and goals" (p. 6).

Iyer and Davenport (2008) posited that a mission statement can foster a culture of innovation. This position received reinforcement from other researchers' works (Bartkus, Glassman & McAfee, 2006; Bessant & Tidd, 2007; Bose & Thomas, 2007; Harvey, 2007) who each emphasized the connection between a mission statement and the development or existence of innovation in the company. Kaplan and Norton (2008) included the development of mission and value statements into their strategy-to-operations linkage.

Bart, Bontis and Taggar (2001) asserted that a significant body of research in today's world supports the position that a written mission statement can be a significant factor in instilling a mission into an organization. Pelland (2009) agreed with them. Significant disagreements existed, though, about what the components of the mission statement should be, how the phraseology was to be considered, what audiences the mission statement should address, and even what purpose the mission statement served. The schools of research, however, united in the belief that the mission statement, to be useful, must be in written form and clearly understandable.

Pearce and David (1989) described the mission statement as the "starting point for the design of managerial jobs and structure" (p. 109). In this view, the mission statement set the organizational design and had significant influence on the culture and operational efficiencies of the organization. At the same time, their thinking continues with the concept that the mission statement must also describe the "fundamental reason why the organization exists" (p. 109). This combination of concrete operational focus combined with philosophical imperatives made the creation of a mission statement an intricate balancing of effort.

Bart, Bontis, and Taggar (2001) took a more limited approach to the purpose of a mission statement. While examining various constructs, Bart, Bontis, and Taggar saw the value of mission statements in developing well defined goals and clearly stating the means that would be used to achieve those goals. Mission statements must set the framework for the organization's actions. In their view, the ends and the means had to be clearly understood *prior* to writing the mission statement, so that the statement itself could clearly eliminate any doubts about the company's purpose or direction.

These opposing positions exemplify two basic perspectives differentiating mission statement research. In one case (Pearce and David), the mission statement existed to establish the vision, goals, and objectives of an organization, and in the other case (Bart, Bontis, and Taggar), the vision existed, and the mission statement's purpose was simply to clarify it. Although the positions are not mutually exclusive, these perspectives appeared to influence the components that each researcher viewed as critical for a well-written mission statement.

Neither the proposal of Pearce and David nor that of Bart, Bontis, and Taggar addressed the question of profitability directly. For example, there was no metric definition of profitability with which to measure empirically the effects of the mission statement on the organization. Profitability could have many metrics, such as return on sales, return on assets, return on equity, net income, net profit, or gross profit. For purposes in this study, ROE was the chosen metric and represents the amount of return stockholders receive on their investments (Financial Times Lexicon, 2009). Return on Equity's choice was an attempt to minimize the potential disparity between capital-intensive and non-capital-intensive companies. While the research methodology accounted for these differences in its data analysis, ROE was as viable a metric as any other.

Williams (2008) analyzed mission statement semantics. Using content analysis, Williams classified the mission statements of those companies exhibiting higher performance and those demonstrating lower financial performance. Williams suggested that those companies that exhibited higher performance emphasized different values and targets in their mission statements than those with lower performance. The two groups built corporate identities and images in a similar manner, but differed in their value emphasis and targeted recipients. According to the analysis, this difference in value emphasis resulted in a difference in profitability.

Pelland (2009) simply laid out the following requirements for a mission statement: a mission statement "tells the world who you are and what you stand for" (p. 8). In Pelland's view, identity, purpose and long-range vision were the critical items in a mission statement. The key questions that were required to be answered by a mission statement were "What are you trying to do? What are the goals that you're trying to accomplish? What are the ways to accomplish that?" (p. 8). The simplicity of the questions clearly defined the extent of Pelland's definition of a mission statement.

Mission Statement Devolution

The mission statement of today can be either a confirmation of the existing mission of the organization or a tool to align the organization to accomplish that mission. In1982, Pearce published his classic work describing the necessary components of a mission statement as *product*, *market*, and *technology*. Pearce's work began a debate among researchers over the components of a mission statement. Basu and Palazzo (2008) posited that a mission statement has lost focus because of competing stakeholder interests being included. Pearce and David (1987) added company values, location, and image to Pearce's original concepts. Researchers disagreed about what components were necessary in a mission statement and how important each component was. Researchers also differed about whether a particular component was a part of the mission, a part of the vision, a part of the core principles, or a part of some other focus. Michaelson (2006) noted that many researchers and companies broke apart the classical mission statements, and put different parts and pieces into separate statements described as Vision Statements, Statements of Purpose, Mission Statements, and even Strategy Statements. Collis and Rukstad (2008) and Rahman (2009) agreed with Michaelson that this devolution of the mission statement caused a dilution of focus in the strategic planning process, and caused some to question the value of mission statements and value statements altogether.

The mission statement components developed by Pearce, and further expanded by Pearce and David (1987) had for many years provided a basis for effective mission statement development and research. Pearce and David's clear focus on products, market, and technology remained basically constant over time, even though other researchers looked at it from different perspectives. As the market became more customer-focused and stakeholders grew from company customers to other societal groups, it was no longer sufficient to have a mission statement that included only the narrow interests of the company employees and immediate stakeholders. The stakeholders became society *en masse*, and corporate social responsibility became a driving force in both strategy and corporate success (Basu & Palazzo, 2008).

This rise of competing stakeholders in corporations caused a loss of focus in both the mission and the vision of the company (Basu & Palazzo, 2008). Goals and objectives clearly defined early mission statements. A mission statement that addressed societal issues such as social justice, diversity, and the environment, however, could result in a loss of focus in the management of the business and the direction and control of the organization. Vision statement development increased, according to Lucas (1998), and became a strong marketing tool providing *cover* from social action extortion. The vision statement's efficacy as a corporate strategy motivator was, however, questionable (Lucas, 1998).

Levin (2000) suggested that the vision statement was ineffective because of its confusion with other concepts such as mission, philosophy, strategy, and goals. Levin's clear definition separating mission and vision described a mission as "what a company is, and what it does"… and "a statement of purpose, not direction" (p. 93). A vision statement, on the other hand, described "the future world the company strives to create" (p. 94). Levin said the difference in focus between what a company was and what the company's long-term purpose should be was critical.

Long, complex vision statements, while satisfying to many constituencies, quickly became non-motivational and were largely forgotten. Lucas (1998) contended that employee involvement was the key to success. Without employee involvement, mission statements and vision statements would continue to be empty rhetoric, and would not provide motivational impact (Lucas, 1998).

Although the vision statement is the most common fragment of a mission statement, other sorts of statements appeared in the literature and corporate suites, further fragmenting the more unified and understandable concept of the mission statement. The *Statement of Core Values* or *Value Statement*, for instance, was one way that corporations tried to address the multitude of interest groups that confronted them in the social and political arena. While values were once evident in the mission statement, some corporations found that addressing values outside the mission statement was more effective when dealing with outside constituencies (Lucas, 1998).

Some companies no longer had anything called a mission statement. Many other *statements* existed, and the mission of the company intermingled with other objectives covered elsewhere. This fragmentation often resulted in a lack of clarity and lack of motivation among employees (Lucas, 1998). Unless there was some statement for employees to focus on, the vision and other statements would “lower the company’s morale and long term effectiveness” (Lucas, 1998, p. 25).

The devolution of the mission statement was not so much in the content area of the mission statement, but rather in its form. Drucker and Pearce fragmented mission statements into their constituent parts, calling them *Vision Statements*, *Statements of Core Values*, and *Purpose Statements.* Lucas (1998) and Levin (2000) both agreed that these actions diluted the clarity and unifying focus of the mission statement

The Mission Statement and Strategy

Many researchers have attempted to make the case for a positive relationship between mission statements and strategy. Some authors presumed that the existence of a strong, well-crafted strategy mission statement resulted in strong company performance (Clark, 2008; Cochran, David & Gibson, 2008; Porter, 1991). Little empirical data were found in the literature that solidified this assumed linkage between mission statement, strategy, and financial performance (Bart, Bontis, & Taggar. 2001). Studies attempting to link the mission statement to performance existed (Atrill et al., 2005; Baetz & Bart, 1996; Hader, 2006; Karami, 2007; O’Gorman & Doran, 1999), but few have attempted to show a causal linkage in an empirical way from mission statement to strategy to financial performance. At most, the research attempted to connect the mission statement to financial performance, leaving strategy out of the pathway (Clark, 2008).

Clark (2008) did attempt to provide a linkage between mission statements and financial performance. Clark's model using Critical Success Factors and Key Performance Indicators provided a framework for building a pathway to success, but did not provide sufficient research to validate the model. While promising, the model's current state becomes one of using Key Performance Indicators to measure Critical Success Factors determined in the mission statement and not developing a strategy to implement the Critical Success Factors.

Some researchers cautioned against this causal assumption. Michael Porter, after writing groundbreaking works on strategy in the 1980s lectured worldwide about the dangers of confusing mission statements and vision statements with strategy. Strategy's definition is about "what will make you unique" (Porter, as quoted in Knowledge@Wharton, 2006, Para. 6). Mission statements and vision statements have more to do with goals than with strategy. "Mission statements and vision statements should not be confused with strategy" (Knowledge@Wharton, 2006, Para. 7).

Porter's work on strategy identified Five Factors critical to an organization: *Industry Rivalry, Ease of Industry Entry, Buyer Power, Supplier Power*, and *Threat of Substitution* (Porter, 1980). In Porter's discussion of strategy, there was little linkage between the strategic performance and a mission statement, except in the Industry Rivalry Factor. Industry Rivalry could be addressed by concentrating on a firm's strategic performance within its industry group. Porter maintained that it was critical to compare a company's growth rate to the growth rate of the industry. Other important comparisons were the age of the firm versus average age of firms in the industry (survivability), management tenure (leadership), and mission statement existence. In the Industry Rivalry

Factor, a mission statement became important, though not critical, to strategy in the Porter model. Porter argued for a distinction between mission statements and strategy, but investigation of the correlation between these factors and empirical data have not yet been accomplished, although some research in this area is in progress (Levith & Bentley, 2010).

Wang and Chang (2009) suggested that Porter's Five Forces were not a viable operative model for entrepreneurs in China. Wang and Chang (2009) suggested a new *five forces* model based on Sun Tzu's philosophy. While developing this model however, it is important to note that this new model also contained a business purpose factor similar to a mission statement. Wang and Chang focused on the philosophical differences between the models, and brought to the forefront some major cultural differences in thinking.

Abell (2006) attempted to connect mission statements and strategy through the leadership relationship, by proposing six leadership tasks. One of these was "putting vision and mission ahead of strategy" (p. 310). Abell's work pressed Porter's efforts by putting a priority on mission statements over strategy. Whether this was a valid prioritization is unproved. The mission statement's criticality to profitability is an open issue, but that strategy and profitability are interrelated appeared well accepted in the literature.

Faulkner and Campbell (2006) pursued a similar line to Abell in their book. Here, Faulkner and Campbell looked at a leader's behavior, not at mission statements, as setting the tone for corporate culture, values, and strategy. Leadership behavior, rather than a mission statement, forced performance and strategy. Similar to the organizational behavioralists such as Burke and Litwin (2008), Fairhurst, Jordan and Neuwirth (1997) and Sackmann, Eggenhoffer-Rehart and Friesl (2009), Faulkner and Campbell looked to culture and leadership, not mission statements, to provide direction. Bolton, Brunnermeier, and Veldkemp (2008) also pursued this line of thinking. However, none of these studies either quantified or addressed company financial performance.

Rees and Porter (2006) questioned the efficacy of mission statements. Rees and Porter's belief emanated from the premise that mission statements were not realistic about organizational control and influence on the environment. According to Rees and Porter (2006), it was neither useful nor wise to develop a strategy based on a mission statement that assumed an unrealistic degree of control of the external environment.

Bartkus and Glassman (2008) pointed to the position that mission statements often did not reflect the strategy and actions of a company. In their 2008 research, Bartkus and Glassman found that there was no relationship between stakeholder groups mentioned in mission statements and demonstrated organizational behaviors regarding these groups. Bartkus and Glassman noted in their study (and the italics are theirs) that "Mission statements have become a public disclosure that concisely describes the firm *as executives want the firm to be perceived*" (p. 213). A disconnect between the mission statement and the strategy and actions of the organization was apparent to the researchers. This forced them to question whether the mission statement had significant impact on the company's actual financial or societal performance.

This study was grounded in a belief that considerable value existed in understanding whether mission statements and company financial performance exhibit any measureable relationship. Linear causality is a difficult relationship to show, and is beyond the scope of this study and the descriptive research design (Borg & Gall, 1989). Despite such a difficulty, a descriptive comparison *was* possible and provided valuable insights into the relationship between the mission statement and company performance.

The Case for Mission Statements

The case for the inclusion of mission statements as a part of company strategy, according to Stone (1996), included many facets. Three recurring themes found in the literature were focus (Drucker, 1974; Pearce, 1982), essential parts (Pearce, 1982; Pearce & David, 1987), and financial performance (Rarick & Vitton, 1995). *Focus* entailed providing the organization with motivation and direction. The area of *essential parts* included the description of the parts of the mission statement and their individual impacts as well as the composition of the whole from the parts. Finally, the area of actual *financial performance* and the empirical determination of whether the existence of a mission statement affected financial performance required consideration. Each of these areas was reviewed in turn.

Focus. Drucker (1974) stated, "Defining the purpose and mission of the business is difficult, painful, and risky. But it alone enables a business to set objectives, to develop strategies, to concentrate its resources, and to go to work. It alone enables a business to be managed for performance" (p. 94). In short, Drucker claimed that performance is the result of organizational focus. In his work, mission statements defined this focus and forced management to confront the basic questions of corporate existence and strategy. The concept of focus received further support from Morphew and Hartley (2006) and Melewar and Karaosmanoglu (2006).

In 1982, Pearce held that the mission statement was an important tool for strategic planning because it provided the framework for defining how a company would face the market: “The company mission is a broadly defined but enduring statement of purpose that distinguishes a business from other firms of its type and identifies the scope of its operations in product and market terms” (p. 15). Pearce went on to say that “the company mission describes the firm’s product, market, and technology in a way that reflects the values and priorities of the strategic decision makers” (p. 15). The various conflicting claims of stakeholders in the development of the mission statement were the subject of examination by Pearce. Pearce’s work is generally accepted as the foundation for future research on mission statements (Rarick & Nickerson. 2006).

Pearce and Roth further extended this mission statement concept into the international forums (Pearce & Roth, 1988). While claiming the mission statement as a major key in the “formulation, implementation, and control of strategy” (p. 39), Pearce and Roth emphasized that the risks, opportunities, and environment change radically when a company decides to become multinational. The changed environment must be addressed by the organization *before* the multinationalization to ensure that the fundamental philosophy and purpose of the organization does not change unwittingly in this new environment. The mission statement in this instance was critical to addressing and reinforcing the values and philosophy of the organization.

Biloslavo and Lynn (2007) studied the mission statement content in Slovene companies. They concluded from their study that local influences in culture had an impact on the context because of local institutional pressures. Gibson, Porath, Benson and Lawler (2007) in their study, saw mission statements as “boundaries” (p. 1469) also influenced by the culture of the organization. Both of these studies linked local culture to the efficacy of mission statement components.

Bart, Bontis and Taggar (2001) tested eighty-three large United States and Canadian companies against a model they had previously developed. What they found was that employee behavior received positive impact from mission statement organizational alignment. Bart, Bontis and Taggar concluded from this study that the positive impact on employee behavior did affect organizational performance.

Sidhu's 2003 empirical study of multimedia companies in the Netherlands emphatically claimed that mission statements could lead to superior financial performance. Both the mission statement content and the process were used to evaluate the impact on company performance with positive performance as the result. Both studies then claimed financial performance enhancements for companies that used a mission statement.

This idea that mission statements help mold the identity of the firm was also pursued by Morphew and Hartley (2006), who found that mission statements were important in describing the type of business the company really was. Melewar and Karaosmanoglu (2006) developed a theory of corporate identity from a practitioner viewpoint. The idea was that if employees knew what the mission was, they would have stronger commitment to the firm. Shared values and commitment would increase productivity and profitability, all generated by a mission statement and its ability to produce a corporate identity. Sveningsson and Larsson (2006) however, saw identity in theory, but not carried out in practice.

Bartkus and Glassman (2008) investigated the mission statement as an indicator of a firm's actions and behavior. Bartkus and Glassman reasoned that a company should match its actions with what it says about stakeholder groups in its mission statements. In their investigation, though, Bartkus and Glassman found that there was no relationship between mentioned stakeholder groups and how the firms treated these stakeholders. Bartkus and Glassman did find, however, that if there was a social issue (e.g. environment or diversity) mentioned in the mission statement, the behavior toward this issue was part of the firm's policy.

Wright (2002) also investigated the question of the mission statement as an accurate indicator of company performance. Wright found that only 40% of managers believed that their company's actions reflected their company's mission statement. Wright reported that some of the reasons for this surprisingly low number were that managers believed that the mission statements were mere public relations instruments. Managers also felt they lacked the resources to implement the policy (Wright, 2002). Although the issue of resources was a real one in the shareholder primacy theory of corporate focus, increasingly it was stakeholder primacy theory reflected in the mission statements (Fairfax, 2006). The issue of mission statement accuracy, especially related to stakeholder statements and focus, thus became increasingly important. Bartkus and Glassman (2008) explored this notion in depth as discussed above.

Other defenses and logical efforts were made to justify mission statements. Stone (1996) emphasized the need for and importance of the mission statement, stating that "If companies want to succeed . . . they need a mental focus, a vision, and a sense of direction" (p. 32). Reaching to the past, Stone quoted Barnard as describing a mission statement as “a spirit that overcomes the centrifugal forces of individual interests or motives” (Barnard, cited in Stone, 1996, p. 32). Neither Stone nor Barnard followed up, however, with any empirical study supporting this position. The motivational aspects of the mission statement were continually stressed throughout the literature (Branson, 2008; Hsu, 2006; Riketta & Nienaber, 2007). Bart et al. (2001) noted that aligning employee behavior with structure and policy was a critical function of the mission statement.

Rarick and Vinton (1995) indicated they found “a key aspect of strategic planning—getting senior executives to agree on, and put into writing, a definition of the purpose and scope of the company—can actually translate into profits” (p. 11). Rarick and Vinton went on, however, to qualify their assertion. Rarick and Vinton pointed out that although a causal assumption was impossible to verify, it “appear[ed]” (p. 12) that companies that had a mission statement and engaged in a formal strategic planning process had higher achievement of good bottom-line performance.

Kilpatrick and Silverman (2005) focused this theme on the nonprofit sector. In addressing the weaknesses of a California social action improvement organization, they pointed out that “the majority of nonprofit organizations have not taken the time to develop and update effective visions” (p. 24). Without a clear mission statement, they asserted, the funding nonprofits required would be more difficult to obtain. Kilpatrick and Silverman’s statement found reinforcement in the position of Hadler (2006) who argued that mission statements needed to provide a realistic foundation that is attainable. With this foundation, a strategic plan, goal formation, team alignments, and performance improvements can be accomplished.

Further support for the value of mission statements in the public sector came from the work of Liesink and Steign (2008), who claimed that the mission statement *attracts* employees who agree with the mission, thus reinforcing attitudes and performance. Other research in nonprofits (Bart, 2007; Brinckerhoff, 2009; Desmidt & Heene, 2008; Forbes & Seena, 2006) produced similar results. Bart and Deal (2006) pointed out in their research that in terms of corporate governance, for-profit and nonprofit were not significantly different. McDonald (2007) expanded the role of mission statements as motivation to the innovation factor in nonprofits. Research presented in the study indicated that a clear mission statement could increase motivation and innovation in a nonprofit. Any increase in innovation positively impacted performance according to the study. Finally, Epstein (2009) investigated best practices in social and environmental corporate actions and addressed the impact of mission statements on the sustainability of performance.

Drucker (1974), Hadler (2006), and Branson (2008) have all asserted that the development and existence of a mission statement may focus leadership and management thinking. These three researchers agreed that the development of a mission statement aligned employees with the company's goals. Constituents—both internal and external—would, according to Drucker, Hadler, and Branson, receive a sense of company direction and purpose, simply from the existence of a mission statement. From these assertions, some researchers have inferred that it is logical for companies that have a mission statement to be better financial performers than those without a mission statement (Williams, 2008).

Criticality of mission statement parts. A significant body of research existed regarding the possible components of a mission statement, and the impact of those components on an organization's performance. There were significant disagreements, however, about which factors in the mission statement may influence performance, and how those factors might do it. Little empirical study information linking mission components and financial performance exists in the literature (Bart, Bontis & Taggar, 2001). Despite this lack of empirical data, researchers tended to agree on the need to understand which variables are common in mission statements. To obtain a better understanding of the potential impact of those variables on performance, Bart, Bontis and Taggar posited that the rationale behind their inclusion should be considered.

Pearce introduced the concept of a mission statement as a strategic tool in 1982 by introducing three components of a mission statement (*product*, *market*, and *technology*). Pearce claimed a company's present and future business activity could be defined with these three components. Along with these components, he also included three goals that were not always explicitly stated. These were *survival*, *growth*, and *profitability*. Pearce added to those six components the premise that a company will include its *philosophy* or *creed* (values). Whether the number of components is three or seven is not critical. The value here is that there was recognition of competing components and demands on an organization and that the mission statement's purpose was to reconcile these competing demands.

Clearly, Pearce (1982) was aiming at providing a framework for corporate strategic thinking. Along with the *focus* attributes of the article, Pearce also emphasized the priorities of the company's leadership in the mission statement's description of the products, markets, technology, and values. This was Pearce's initial attempt at defining the assorted pieces needed in a mission statement.

In a survey of Fortune 500 companies, Pearce and David (1987) changed Pearce's (1982) three factors for effective mission statements (product, market, and technology) into eight critical factors. These were: *customers and markets, products and services, geography, technology, commitment, philosophy, self-concept* and the *desired public image*. Although the initial concepts were still evident, the mission statement's key aspects expanded to include company values, location, and internal and external image. "A mission statement provides the foundation for priorities, strategies, plans, and work assignments . . . [and] it is a general declaration of attitude and outlook" (Pearce & David, 1987, p. 109). Significant work continued in this key-factors vein for several years, including David's study of the Business Week 1000 (David, 1989). David's work (1989) resulted in the addition of *concern for employees* as an additional factor for mission statement content.

Ireland and Hitt in 1992 published an article that that mission statements were important for all types and sizes of companies. Their assertion was that mission statements provided a focus and rationale for day-to-day decisions as well as strategic decisions. Ireland and Hitt also discussed reasons for *not* developing a mission statement, such as preventing competitors from gaining insights into the company's strategy and avoiding problems that could be created by the diversity of stakeholder's opinions. Brews and Purohit (2007) also investigated the issue of size and the desirability of mission statements. Brews and Purohit suggested that some dimensions of planning were more dependent on size than on internal or external organizational environment or stability, and that missions statements were of more value to a larger company.

The 1996 study by Baetz and Bart of Canadian companies showed essentially the same results as the Pearce and David findings (Rarick & Nickerson, 2006). Here the data seemed to support the contention that although there was no empirical reason to believe that mission statements resulted in superior firm performance, there were some specific characteristics of mission statements that were associated with higher performance. These higher correlated items appeared based on the development process of the mission statement and on the level of management involvement in the process. If management involvement was significant in developing the mission statement or if satisfaction with the mission statement process was high, the resulting financial return was significantly higher. The mission statement also correlated, in this research, with significantly higher levels of positive employee behavior. Thus, Baetz and Bart concluded that even though the mission statement's existence was not correlatable with higher company performance, some content and process components did correlate with higher employee and firm performance.

Peyrefitte and David (2006) conducted empirical research into the relationships among the content included in mission statements in specific industries. They found that there were similarities across industries in wording and constituencies addressed by the mission statements. Peyrefitte and David believe that this explained why few studies have shown a direct association between mission statement content and performance. Although the case presented was strong that the content within industries was a strong common denominator in addressing industry constituencies, this did little to explain corporate performance across industries.

While finding no significant correlation of mission statements to financial performance, Baetz and Bart (1996) and Atrill et al. (2005) did find a strong correlation in some individual mission statement factors. This association was primarily with whether the mission statement showed orientation toward shareholders, customers, stakeholders, or markets. Baetz and Bart concluded that there was some significance in some areas based on content orientation, but there was no general customer-oriented significance.

Leuthesser and Kohli (1997) examined mission statements from the Business Week 100. They attempted to define which groups received benefits from the mission statements. By breaking down the mission statements into segments, Leuthesser and Kohli showed that certain parts of the mission statements did appeal to some constituencies. In general, though, Leuthesser and Kohli discovered that not all mission statement components appealed to all constituencies. Bart (1998) also studied mission statements within innovative and non-innovative companies. Bart showed a commonality of mission statement components within the higher performing companies as opposed to the lower performing companies. Rationales behind these mission statement components were also analyzed, and results indicated that both the components and the rationale behind them were important to mission statement impact on performance. Firm performance was not found to be a factor based on mission statement quality, that quality defined by stakeholders, objectives, or specific component inclusion (Bartkus, Glassman, & McAfee, 2006). Those phrases that refer to “fundamental rules of business” (Bartkus, Glassman, & McAfee, 2006, p. 86), however, did appear to have a significant relationship with superior financial performance.

Specific component inclusions seemed to be influential in improving mission statement quality. These could be reflective of Bartkus et al.'s definition of fundamental rules. Elangovan, Selladurai, Devadasan, Goyal and Muthu (2007) linked mission statements with quality in production processes. This linkage attempted to bridge the gap between mission statements and improving financial performance by including a quality component as a key aspect in planning. Others supported this position that financial performance would improve by introducing *quality* to mission statements (Terziovski, 2006).

Ethical content is also a component discussed in the literature (Ardichvili, Mitchell & Jondle, 2009; Balmer, Fukukawa & Gray, 2007; Davis, Ruhe, Lee & Rajadhyaksha, 2007; Melé, Debeljuh & Arruda, 2006). These researchers all investigated ethics, but did not try to link them to financial performance. Friedman, Friedman, and Kass-Sharibman (2008), however, stated that "The benefits of being virtuous and socially responsible do not always manifest themselves immediately…" (p. 34) and that spiritual values generate goodwill, and thus contribute to the profitability of the company. No empirical data were included in their study to support their position.

Bratianu and Balanescu (2008) compared the vision, mission, and value statements of what they identified as the top fifty US companies. Bratianu and Balanescu went on to compare the formulation of these statements and concluded that "They [the statements] are strong integrators for the organizational intellectual capital and communicate the essence of company businesses to all stakeholders" (p. 33). No attempt was made to relate this empirically to organizational performance.

Williams (2008) investigated Fortune 1000 firms in an attempt to correlate the performance of high-performance firms versus low-performance firms with content components and rhetorical composition of the mission statement. The study showed several factors in the language of the mission statement that may have fit into higher performing companies, and a few common factors of low performing companies. Although not definitive, William's study about the choice of words used in a mission statement did raise interesting questions regarding what impact those choices might have.

Other researchers have investigated what makes a good mission statement. Bart et al. (2001), Collins and Rukstad (2008), and David and David (2003) as well as a multitude of online mission-statement consulting companies, addressed the key constituents of successful mission statements. Unfortunately, limited agreement on the critical parts of a mission statement and the mission statement's impact on financial performance can be found.

A large body of research has attempted to dissect the mission statement and identify the key components that make a mission statement effective. This deconstruction of the mission statement has given structure to some of the research, but as was shown later in this chapter, mission statement component study is not applicable in many situations. The components remain scattered and fragmented in focus, and no key set of components has shown itself to correlate significantly with strong company performance.

Mission statements and financial performance. Several studies in the literature directly address the issue of whether mission statements have an impact on financial performance. A key early work that provided the most impetus to this position was authored by Rarick and Vitton in 1995, who studied randomly selected companies listed in the Business Week 1000 at the end of 1994. Rarick and Vitton claimed that their research showed that companies with a mission statement had significantly higher ROE than those that did not have a mission statement. The ROE of the firms having mission statements was 16.1%, while the average for firms without mission statements was 9.7% (Rarick & Vitton, 1995). Unfortunately, the specific data from this study were not published, but a difference of this magnitude would appear significant. Rarick and Vitton attributed this difference in financial performance to focus, as discussed in a previous section, stating that "a key aspect of strategic planning—getting senior executives to agree on, and put into writing, a definition of the purpose and scope of the company—can actually translate into profits" (p. 11). Later in their article, Rarick and Vitton cited mission statement attributes that were prevalent in the successful companies.

Pearce and David (1987) presented a more empirical study of corporate mission statements and profitability. Pearce and David's study showed that companies that had a number of certain common factors in their mission statements were in the upper quartile of performance. Their work provided additional empirical evidence that some factors in mission statements contribute to higher corporate profitability. These findings received further confirmation in the work of Smith, Heady, Carson, and Carson (2005), who found that companies that had a sense of community involvement in their mission statements performed better over time.

Sufri and Lyons (2003), in a study of 30 top hospitality companies, reported that while there was a significant difference in sales between companies having mission statements and those not having them, there was no correlation in profitability. Sidhu (2003), on the other hand, based on his study in the Netherlands that was mentioned earlier in the *focus* section, claimed that mission statements could result in superior returns. In that study of multi-media firms, however, not only was mission statement *content* considered, but also the *process* of developing the mission statement. There were no empirical results statistically presented in this article, though.

More recent studies by Sufri and Lyons (2003) have indicated a relationship between mission statements and profitability. In a 2007 study of 52 Spanish listed firms, three researchers found a positive, but not significant relationship between these factors (Moneva, Rivera-Lirio, & Muñoz-Torres, 2007). Vandijck, Desmidt and Buelens pointed out in their 2007 study of Flemish health care executives, that the executives strongly supported the idea that their mission statements contributed performance benefits to their companies (Vandijck, Desmidt, & Buelens, 2007).

The case for mission statements affecting profitability in a company rests on the issues of *focus, mission statement parts*, and *empirical financial demonstration*. From the earliest conceptualizations of mission statements for businesses by Drucker (1974) and Pearce (1982), the concept that management focus on the business would result in superior performance was prevalent. As research into the causality for the relationship progressed, various models of what made a mission statement successful, such as Pearce and David's assertions in 1987, became important. Finally, attempts at correlating financial performance and mission statements were attempted with varying degrees of success (Rarick & Nickerson, 2006; Rarick & Vinton, 1995; Smith, Heady, Carson & Carson, 2005). Overall, however, a case for a connection between having a mission statement (however defined) and company profitability could be made and reasonably supported, as reported by Rarick and Vitton (1995), Williams (2008), and Abell (2006).

The Case against Mission Statements

As persuasive as the case in favor of mission statements contributing to corporate performance is, there has been and continues to be, an increasing body of research refuting this idea. While company focus and mission statement parts may be useful in other strategic matters, researchers such as David (1989), O'Gorman and Doran (1999) and Omran et al. (2002) declare that it has not yet been shown conclusively that inclusion of a mission statement will correlate to financial success. If they are right, there is a strong case against the value of mission statements.

As early as 1987, Pearce and David concluded that some parts of company mission statements appeared consistently in financially successful companies. Peace and David went on, though, to indicate that this was not enough to suggest that the mere inclusion of these parts would directly improve organizational performance. Moreover, their apparent frustration with unsupported claims of a connection became apparent in their comments: "it is not unreasonable to demand empirical evidence of the presumed integral role of mission statements in linking strategic planning with corporate performance" (p. 113). This frustration in the lack of empirical connection exists among other researchers as well and has not abated.

David (1989), conducting a survey of Business Week 1000 firms, received responses from 181 firms regarding their mission statements. Analyzing the financial results of businesses with and without mission statements, he concluded that "it could not be concluded from this or prior studies that a more comprehensive mission statement is related to higher performance" (David, 1989, p. 97).

Furthermore, Bart (1997) attempted to explain why mission statements do not get the results many managers expect. Bart wrote that "the power of mission statements rests in their ability to achieve two key results: (1) to inspire and motivate organizational members to exceptional performance—that is, to influence behavior; and (2) to guide the resource allocation process in a manner that produces consistency and focus" (Bart, 1997, p. 9). Bart noted with dismay, however, that in his study of 88 companies, "in any sample of mission statements, the vast majorities are not worth the paper they are written on and should not be taken with any degree of seriousness" (p. 10). Bart (1997) went on to claim that most mission statements were misrepresentative of the company's actions. Bart (1997) concluded that managers believed the published goals were unattainable and that the mission statement had little influence over the actual running of the business. Bart (1997) further asserted that managers believed that as propaganda, mission statements were interesting, but as vehicles to provide guidance in running the manager's business, mission statements were lacking (p. 10). This negative result was a clear indictment of the developers and users of the mission statements themselves.

O'Gorman and Doran (1999) examined factors in Irish businesses. Using the Pearce and David (1987) model for mission statement construction, they found that "mission statements *per se* are not correlated positively with SME [small and medium-sized enterprises] performance" (p. 59). Stone (1996) went further and condemned mission statements as creating cynicism rather than motivating employees.

Bartkus, Glassman, and McAfee (2000) investigated mission statements and attempted to define what they are by delineating the presumed benefits and the shortcomings of the mission statement. Bartkus, Glassman, and McAfee's critical position was that mission statements are routinely ignored by the organization because they are too narrowly focused to provide much guidance or direction for employee or managers. Moreover, they contended that employees saw themselves as short-term hires in the modern economy, and therefore had little interest in the mission statements of the companies for which they worked. The implications of this thinking reverberate far beyond mission statement value.

Concerning the correlation of results for companies with mission statements and those without, Omran et al. (2002) did not find any correlation between mission statements and financial performance in their study of eighty different companies. In a study published 3 years later, the same researchers (Atrill et al., 2005) found some correlation in the service sector, but "[m]ission, according to customer orientation, did not affect performance" (Atrill et al., 2005, p. 32). Sufri and Lyons (2003) studied thirty hospitality companies and found that while there was some correlation between mission statement and sales, there was no significant correlation between mission statements and profitability or return on equity.

Finally, Rarick and Nickerson, in a 2006 study that was an update of Rarick and Vitton (1995), analyzed Web-based mission statements of 424 U.S.-based companies, and concluded that "firms with mission statements on their websites had an average ROE of 18.5% while firms without a mission statement on the Web had an ROE of 18.2%" (Rarick & Nickerson, p. 10). This difference was found not to be significant, especially in light of the earlier Rarick and Vitton study (1995), which had stated that the ROE of the firms having mission statements was 16.1%, while the average for firms without mission statements was 9.7%.

Return on Equity as the Performance Metric for Financial Profitability

Evaluating company performance can be done in a multitude of ways. Profitability can have many metrics: return on sales, assets, and equity, net income and profit, or gross profit. To be actionable, though, a performance metric must be specific and measurable. Imprecise allusions to alignment of values (Rarick, 1996) or clarification of direction (Bart, Bontis, & Taggar, 2001) do not adequately measure financial performance or allow objective definition and analysis. Financial performance requires measurement with financial definitions and metrics.

ROE is the choice in the study for the financial metric, with its definition as the amount of return stockholders receive on their investments (Financial Times Lexicon, 2009). ROE's choice is an attempt to minimize the potential disparity between capital-intensive and non-capital-intensive companies. Calculation of the ROE is independent of industry and company size and is consequently a reasonable way to compare companies across varying industries.

Finally, ROE is the measurement used most often in empirical studies of profitability. Studies by Sufri and Lyons (2003), Rarick and Vinton (1995) and Rarick and Nickerson (2006) all used the metric of ROE. Sufri and Lyons (2003) found some correlation between mission statements and sales, but found none in mission statement and ROE, while Rarick and Vinton (1995) assert a direct correlation between mission statements and ROE, and later Rarick and Nickerson (2006) find no correlation.

Other Potentially Interactive Variables

CEO Tenure can impact the company performance and profitability, although researchers tend to disagree on the extent of that impact. Shen and Cannella (2002) posited that the length of a CEO's tenure and the type of successor chosen had a significant impact on the future performance of the company. Henderson, Miller, and Hambrick (2006), on the other hand, argued that the longer-sitting CEOs did not react to environmental changes as well as shorter-term CEOs, and thus, performance would decrease with CEO tenure. Walters, Kroll, and Wright (2007) seemed to split the difference in claiming that positive performance occurs at low to moderate levels of tenure, but that performance could drop off at longer term tenure. The relationship between CEO tenure and ROE requires scrutiny to ensure the maintainance of internal consistancy. The units of measure in CEO tenure would be years of tenure versus the compamy ROE. Figure 2 below is a potential example of the type of relationship possible developed by the researcher for this study.

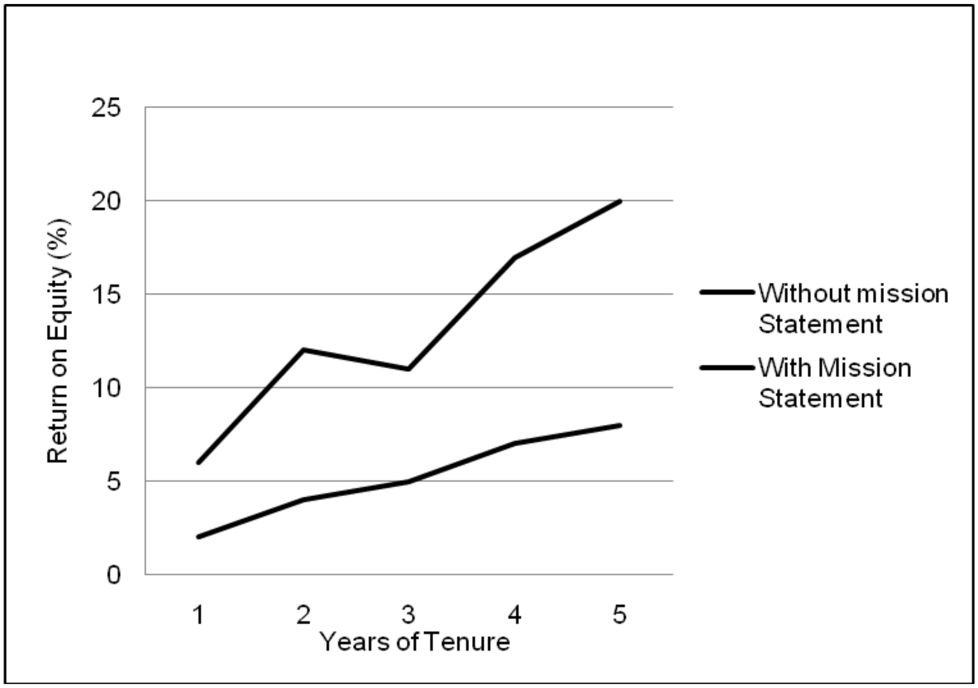

Figure 2. CEO Tenure versus Return on Equity.

Market Capitalization. A considerable number of studies investigating the relationship between market capitalization and corporate profitability exist. Many found little relationship between the two (Jegadeesh & Karceski, 2009; Perold, 2007; Warnock, Thomas & Wongswan, 2006). Ensurance that the samples are consistant should alleviate any concerns about this factor in this study. The units of measure in capitalization was dollars of capitalization versus the compamy ROE. Figure 3 below is a potential example of the type of relationship possible developed by the researcher for this study.

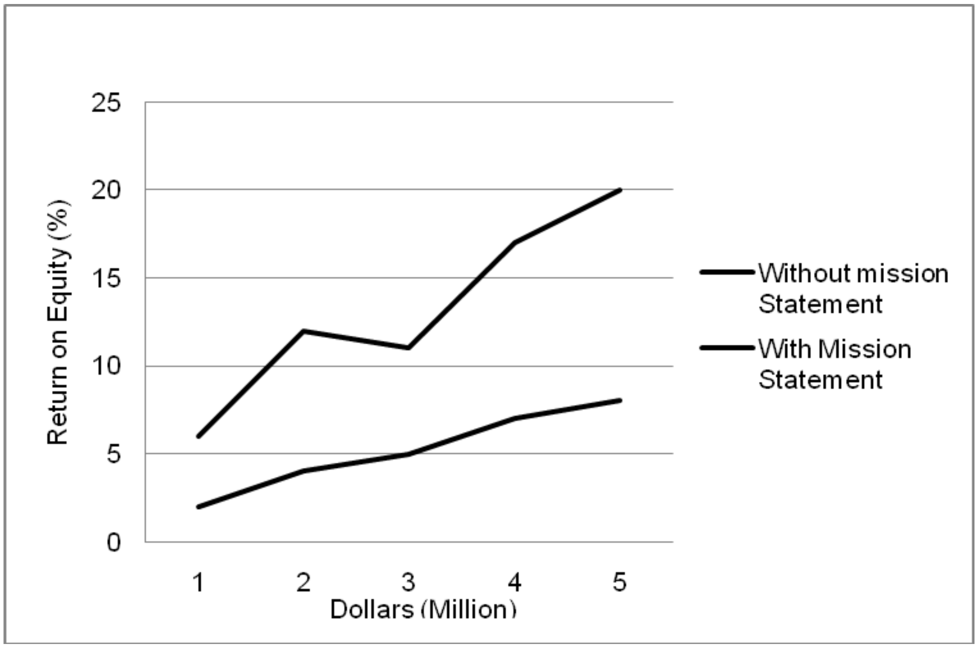

Figure 3. Capitalization versus Return on Equity.

Growth Rate. A company's rate of growth is considered a component of financial performance (Carton & Hofer, 2007). The purpose of this study is not to validate or invalidate this contention. This study's intent is to eliminate sales growth differences in the two sample populations so that they are not a factor in the variable relationship being examined. The units of measure for growth rate was yearly percentage of revenue growth versus the company ROE. Figure 4 below is a potential example of the type of relationship possible developed by the researcher for this study.

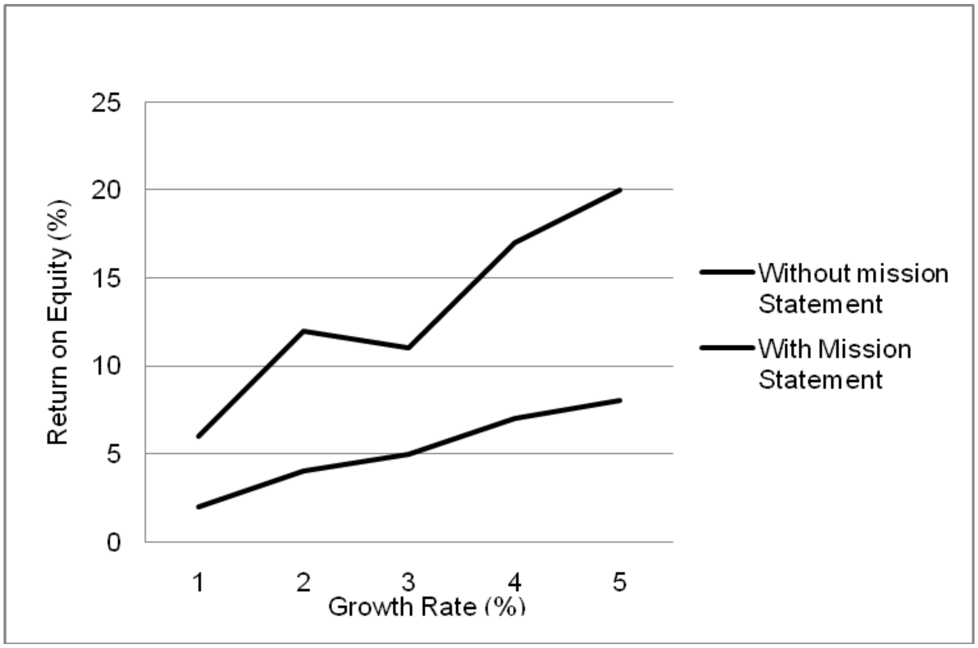

Figure 4. Growth Rate versus Return on Equity.

Industry Concentration. A detailed description of the Herfindahl Index can be found in the definitions in Chapter 1. For purposes of this study, it is sufficient only that the variable of industry concentration is minimized with relation to the sample distributions considered. Considerable issues of concentration impact exist with a large Herfindahl Index (Hausman & Sidak, 2007). The Herfindahl Index is a unitless ratio, and was charted versus ROE. Figure 5 below is a potential example of the type of relationship possible developed by the researcher for this study.

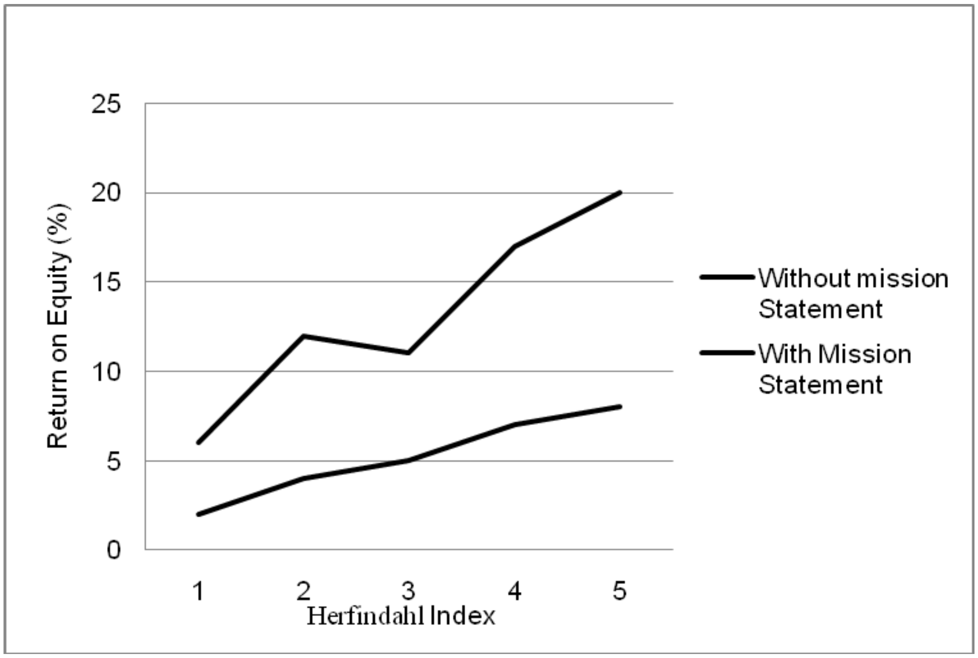

Figure 5. Herfindahl Index versus Return on Equity.

Conclusions

Significant controversy exists in the literature regarding the value of the mission statement to company profitability. This controversy exists whether a mission statement is addressed from the perspective of company focus, mission statement content, or simple mathematical calculation of ROE. Each of these perspectives has both supporters and detractors.

Drucker (1974) initiated a *focus* perspective for mission statements that was later modified and expanded by Pearce (1982). Pearce and Roth further expanded this perspective into the international sphere (1988). Other researchers followed by expanding the *focus* concept to the types of business and corporate identities (Melewar & Karaosmanoglu, 2006). The focus perspective helped create the improved strategy expectation thinking of other researchers such as Porter (1992) and Morphew and Hartley

(2006), whose efforts concentrated on the concept that focus on the company's mission would result in a clearer strategy. This clearer strategy would, according to Porter (1992) and Morphew and Hartley (2006) lead to a better operational organization.

Numerous researchers assert that the development and existence of a mission statement may focus leadership and management thinking, align employees with the company's goals, and give constituents—both internal and external—a sense of company direction and purpose. From these results, some researchers infer that it is logical for companies that have a mission statement to be better financial performers that those without a mission statement (Williams, 2008).

A significant body of research exists regarding the possible *components* of a mission statement and the impact of those components on an organization's performance. There are significant disagreements, however, about which factors in the mission statement may influence performance, and how the factors might do it. Little empirical study information linking mission components and financial performance exists in the literature (Bart, Bontis & Taggar, 2001). Many researchers have attempted to dissect the mission statement and identify the key components that make a mission statement effective Pearce (1982), Pearce and David (1987), Bart et al. (2001), Collins and Rukstad (2008), and David and David (2003). This deconstruction of the mission statement has given structure to some of the research, but mission statement component study has not proven its applicability to many situations. The arguments in favor of and opposed to various components continue scattered and fragmented in focus, and no key set of components has shown itself to correlate significantly with strong company performance. Thus, proponents of individual components' effectiveness, such as Baetz and Bart (1996) and Atrill et al. (2005) and opponents of that position, such as Collins and Rukstad (2008), and David and David (2003) continue to engage in scholarly dispute.

Finally, empirical research attempting to connect mission statements and financial performance exists in the literature, but with diametrically opposed conclusions. While some researchers claim companies with mission statements have significantly higher profitability and performance (Pearce & David, 1987; Rarick & Vitton, 1995; Sidhu, 2003), other researchers claim that their studies support just the opposite (Atrill, Omran & Pointon, 2005; O'Gorman & Doran, 1999; Rarick & Nickerson, 2006). Research with empirical focus is lacking, and the depth of what research exists is regrettably contradictory.

A time progression also appears possible in the literature (Rarick & Nickerson, 2006). Earlier studies claimed a large difference in performance (Rarick & Vitton, 1995), with more recent studies claiming a much narrower difference between the two populations (Rarick & Nickerson, 2006). Although the definition of content inclusion in a mission statement has changed over time, the definition of what constitutes ROE has not.

Summary

Chapter 2 presented a review of the research literature on mission statements and company performance and noted the wide range of thought concerning the usefulness of a mission statement in producing enhanced company performance. Chapter 2 presented three major themes in the literature with regard to the mission statement: *focus* (Drucker, 1994; Pearce, 1982; Morphew & Hartley, 2006), *components* (Collins & Rukstad, 2008; Williams, 2008), and *financial performance* (Pearce & David, 1987; Rarick & Vitton, 1995; Sidhu, 2003). An outline regarding how the literature review was structured from a strategic perspective is the subject of Figure 1. Chapter 2 included an overview of mission statements and ROE from a historic perspective and presented current findings and studies related to the theoretical framework with major variables and potentially interactive variables explained and operationalized.

Chapter 3 addresses the methodology used for this research study and is based on the literature reviewed in Chapter 2. The research design and appropriateness of design for this study, along with the research question and population studied are discussed. Chapter 3 also presents the sampling frame, geographic location, data collection, instrumentation, validity and reliability measures, and data analysis.

CHAPTER 3: METHOD

The purpose of this study was to determine whether an explicit mission statement was related to increased profitability. This expectation was not reflected or empirically supported in the literature, as noted in Chapter 2. If the existence of a clearly defined and specific mission statement could be shown to lead to superior profitability, the case for expending both time and money to develop a mission statement would be more readily evident. Conversely, if there is no definable connection between a company's mission statement and its profitability, then those resources could be put to better uses.

This study compared two population samples randomly selected from the Russell 3000 Index using the Excel RDN function, a sample of companies with mission statements and a sample of companies without mission statements. Because each sample had at least thirty companies, a *t*-test was used to compare the means of the samples. Since neither sample size was less than thirty, a stratified random sample methodology was not used. Before this comparison, individual sample evaluations to determine internal consistency occurred. The factors of experience of management, company capitalization, business sector, and industry concentration were considered. A detailed discussion of the statistical data analysis and alternatives is part of the discussion below in the Data Analysis section.

Chapter 3 addresses the research design used to examine the research question and hypotheses, and discusses the appropriateness of the design. Chapter 3 also discusses the methodology of the data collection, the composition of the populations, and the reliability and validity of the research methodology. The chapter concludes with a summary.

Research Method and Design Appropriateness

The research method was quantitative and was a comparison between the mean ROE of two groups in a sample of 91 companies from a population of the United States stocks represented in the Russell 3000 Index (Russell Investments, 2009). The companies in the study were coded based on whether they have explicit mission statements either in their annual reports or on their websites. The mission statement was required to be self-identified as the mission statement by the company.

The quantitative method chosen was a natural outgrowth of the research question, which is as follows: What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement? The quantitative method deals with data that are measurable and numbers related. Qualitative methodology is less numerically based in its data, inferring results from a small, specifically chosen sample. This study uses data from a fixed population at a fixed period of time with large numbers of datum points, attempting to describe the population rather than to understand the reasons why the results occur. The research question does not infer a causal relationship, and therefore, a descriptive design was appropriate (Aitchison, 1982; Borg & Gall, 1989; Mahmood & Lawrence, 1987).

In quantitative research, there are two research designs available, descriptive and experimental. Descriptive design attempts to describe what is, whereas experimental design usually measures the phenomenon before and after stimuli. The design was a descriptive research design to describe and compare the ROE of samples of companies with mission statements and those without mission statements. Descriptive design studies are aimed at describing *what is* and do not try to determine or infer any causal relationships (Borg & Gall, 1989). Summary data for a descriptive study can be reported using measures like mean, median, deviance, variation and correlation between variables (AECT, 2001), but multiple measures are not an absolute requirement. The research method only requires one variable (Borg & Gall, 1989). The independent variable is the existence of a mission statement.

Research Question

The research question for this study is relatively simple, but the answer can have far-reaching effects. The question goes to the heart of the issue of resource allocation to mission statements. The research question is as follows:

What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement?

Relating to this research question were the hypotheses of the study. The study concerned itself with whether there were any statistically significant differences between the profitability of those firms *with* a mission statement and those *without*. Thus, the hypotheses are as follows:

H_0: The ROE measure of profitability of companies that have explicit mission statements is statistically higher than those that do not have explicit mission statements.

H_a: The ROE measure of profitability of companies that have explicit mission statements is equal to or less than those that do not have explicit mission statements.

Both the research question and the hypotheses set the logical structure for an investigation into the efficacy of the mission statement in influencing corporate financial profitability.

Population

The Russell 3000 index provided the population universe for the companies used in the study. The Russell 3000 Index represents approximately 98% of the investable United States equity market (Russell Investments, 2009) and constituted the population for the sampling frame. Russell 3000 stocks are the top 3000 United States stocks based on market capitalization on May 31 of each year. Stocks trading below $1, mutual funds, and foreign stocks fail to meet the requirements of inclusion in the Russell 3000. Finally, Russell 3000 criteria for outstanding shares are adjusted for cross ownership and privately owned shares (Russell Investments, 2009).

Sampling Frame

The sample for the study consisted of 91 publicly traded companies selected randomly from the Russell 3000 Index. Employing a random number generator from Microsoft Excel® and selecting companies that corresponded to the first numbers generated for the appropriate sample size ensured randomness. No consideration for industries or company size occurred in selecting the companies. No sample stratification and no elimination of companies were used, other than those that published no annual report and had no currently active website. Companies that had no website or annual report were eliminated, and were replaced by the next company on the random number list. This ensured sufficient sample size.

Sample size requirements were satisfied by a random sample of 91 companies. The purpose of calculating, a priori, a sample size required was to increase the confidence of statistically valid results (W.G. Bentley III, personal communication, November 13, 2009). The sample size of 91 was a result of the formula (calculated below) for comparing sample means (Lind, Marchal & Wathen, 2005). In comparing sample means, population size is not a factor in choosing sample size, but the factors of confidence level, variance of the population, and accuracy desired are important in making up the sample size (Neuman, 2003). In most studies, the ability to augment a sample with additional data is not present because of the changing environment. This condition was not an issue in this study. Because the population is fixed in time, the addition of data points was possible without the distortion of the environment and the loss of validity.

Besides the issue of time, there were some issues surrounding the values needed to calculate the sample size required to provide a desired accuracy and confidence. The equation required a factor describing the variability of the population data. This is usually done by referencing other surveys or a pilot study (Neuman, 2003). Few studies for this purpose can be found in the literature. For this study, Damodaran (2009) was used.

The sample size was calculated as shown below. The values required are *desired confidence level* (95% or Z Value of 1.96), *desired accuracy* (plus or minus 200 basis points), and the *standard deviation* of the ROE of stocks listed in Dun and Bradstreet (9.71%) (Damodaran, 2009). The resulting sample size was 91. This result is a result of the limited variance in the data.

$$n= ((Z*s)/E)^2$$

$$n=((1.96*.0971)/.02)^2$$

$$n=90.566 \sim 91$$

Informed Consent, Confidentiality, Geographic Location

All data were taken from publicly available statistics of United States based companies. No informed consent was required and there are no confidentiality concerns because the data were publicly available. The study contained data available in the United States and was confined to U.S.-based companies in the Russell 3000 Index.

Data Collection

A random sample of 91 companies selected from the Russell 3000 index of U.S.-traded stocks was selected and then evaluated to determine whether they fit into the category of *with* a mission statement or *without* a mission statement. A mission statement existed if, in either its annual report or on its website, the company has a statement specifically called a mission statement. Value statements, vision statements, or any combinations of other related or unrelated statements were not considered mission statements. This study is based on an assumption that companies self-identify their mission statements and that the companies are knowledgeable enough to know what a mission statement is.

The Russell 3000 Index was used as the population representing United States stocks because of its wide range of companies and coverage of United States equities (Russell Investments, 2009). A random sample was used to ensure that the population was adequately modeled and could be replicated (Creswell, 2005); while a sample size of 91 insured the desired confidence level and accuracy (Lind, Marchal & Wathen, 2005). Finally, stratified sampling was not a requirement for the *with* and *without* mission statements subsets since both subsets included at least n=30 members. If n <30, additional members could be randomly chosen, as the population was fixed both in time and composition and was historical in nature (Pedhazur & Schmelkin 1991).

In addition to the mission statement, additional items of information for collection were:

1. The ROE on the last full fiscal year prior to December 31, 2009;
2. The tenure of the CEO (in years);
3. The capitalization of the company (millions of United States Dollars);
4. The company Revenue growth rate (last 5 years); and
5. The company Herfindahl Index.

From these items, various calculations regarding sample distributions and sample internal consistency were determined.

Other Variable Potential Interaction

Ensuring that the samples were consistent in factors other than those under investigation was critical. Other variables that could have an impact on the samples were evaluated. Evaluation of the samples was done with a correlation study of the individual factors as independent variables and ROE as the dependent variable. Both *with* mission statement and *without* mission statement was graphed and statistically compared for significance.

The variables of comparison were: CEO tenure, capitalization, growth rate, and Herfindahl Index. Examples of the graphics are shown in Figures 2, 3, 4, and 5 as seen in Chapter 2. The above four factors needed to be analyzed and their significance identified before concluding resolution of the research question. To accomplish this, the sub-populations for the *with* mission statement and the *without* mission statement were compared for each variable.

Instrumentation

No instruments were used in this study. All data are historical and public. There are no interviews or questionnaires involved in the study.

Validity and Reliability

The concept of validity deals with the extent of accuracy the study displays as it describes the concept the researcher is attempting to measure. Reliability is the measure of repeatability and generalizability of the results of a study (Howell et al., 2005). These two concepts are a function of the research design for a specific study.

Internal Validity

When discussing the rigor of the research study, internal validity is the criterion. Internal validity addresses items such as the measurement's appropriateness and measurement inclusion or exclusion, within the context of the study's design. Internal validity also includes the study's consideration of alternate explanations for relationships (Howell et al., 2005). The four types of validity frequently addressed for any specific study are: face validity, criterion-related validity, construct validity, and content validity (W.G. Bentley III, personal communication, November 13, 2009).

Face validity determines whether a measure looks right and appears to be capable of measuring what it is expected to measure. Face validity is a reasonableness test and is not dependent on established theories for support (W.G. Bentley III, personal communication, November 13, 2009). This study met this face validity criterion as a review of the literature showed the measures do, in fact, measure what they appear to measure.

Criterion-related validity is also known as *instrument validity.* Criterion-related validity is used to demonstrate the accuracy of the measure based on other studies using the same measurement within the context of the same instrument. Because there are no instruments in this study, criterion-related validity was not an issue.

Construct validity compares the theoretical concept (a construct whose measure is not measurable directly) and the variable and scale used in the study's measuring process. Construct validity has two components, convergent validity, in which the theoretical measurement is in agreement with the actual measurement, and discriminant validity, in which there is a lack of relationship in which measures should not theoretically be related (Howell et al., 2005). A review of the literature suggests the measures of the independent variables in this study met discriminate validity (Meier, Brudney & Bohte, 2009; Sosik, Kahai, & Pioviso, 2009).

Finally, content validity's basis is how well the measurement represents the intended domain of the content (Carmines & Zeller, 1991; Creswell, 2008). A random sample of the actual domain was used in this study. It was logical that this random sample was representative of and generalizable to the total population of the domain (Creswell, 2005).

External Validity

The extent to which the results of a study are generalizable or transferrable is known as external validity. Usually researchers in quantitative studies focus on the generalizability for discussion of validity (Creswell, 2008; Marshall & Rossman, 2006; Onwuegbuzie & Johnson, 2006). A random sample of 91 companies from the population was chosen in this study. According to Creswell (2005), a randomly selected sample from a population is representative of the population and the results can be generalized to the population. Thus, the external validity in this study was met.

Reliability

Reliability is the extent to which a study or research experiment will reach the same result (within accuracy and confidence levels) on repeated trials. The basic types of reliability concerning researchers are equivalency reliability, stability reliability, internal consistency, and inter-rater reliability. Equivalency reliability concerns itself with correlational relationships, not causal relationships, and was, therefore, not an issue in this study (Howell et al., 2005). Stability reliability is used in scaled instruments to measure consistency over time. Because there are no scaled instruments in this study, stability reliability was not germane to this study. Internal consistency and inter-rater reliability are measures of the consistency of an observer's interpretations of the data. The data in this study were not subject to observational interpretation; that is, the data are usually ratio level data. No nominally laden terms such as *low profitability* or *weak mission statement* are used, so subjectivity in interpretation was not an issue.

Data Analysis

The data analysis was conducted as a simple comparison of the means of the sample population's ROE comparing those companies with mission statements and those without mission statements. The comparison of means was performed using either a standard statistical one tailed *t*- test at the .05 significance level. The potentially underlying interference issues in the sample were analyzed if the preliminary correlation matrix suggests colinearity using regression testing to ensure that the *with* mission statement samples and the *without* mission statement samples were internally consistent.

This comparison of the entire sample distribution determined if the samples provide valid comparable samples for decision making (W.G. Bentley III, personal communication, November 13, 2009).

The study's intent was to separate each of the independent variables into two groups to determine if they are suitable for comparison. If not, there were a multitude of options depending on the relationships. This study outlined some of the elementary tests to be conducted, the results of which will guide any potential additional analysis.

The decision to use *t*-test or *Z*-test or non-parametric criteria is one that was determined after the data were collected and analyzed. Because most business data are appropriate for parametric analysis (Aitchison, 1982; Mahmood & Lawrence, 1987), the *t*-test or *Z*-test appeared as the most likely outcome. Since the difference between the *t*-test or *Z*-test are essentially in sample size and assumptions about the variance of the samples, and these were not know before the data were collected and the analysis began, the actual test method (*t*-test or *Z*-test) was not determined *a priori.*

The use of parametric analysis is often more powerful than non-parametric, as established in the research of Siegel (1957). It was not known *a priori* whether the data were parametric or non-parametric. Included in the study was the intent to examine the data to determine if the data is parametric or non-parametric. This was accomplished using standard statistical techniques.

Summary

The research design was a descriptive study to compare the ROE of samples of companies with mission statements and those without mission statements. The independent variable was the existence of a mission statement. The quantitative method of choice here is a natural outgrowth of the research question, which was as follows: What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement? A descriptive design was appropriate for this type of research question (Aitchison, 1982; Mahmood & Lawrence, 1987).

Using standard statistical techniques, the methodology provided accurate conclusions for the research question in a simple and straightforward manner. The value in this is that both the academic and the practitioner were able to understand and recognize the value of the conclusions easily. A random sample of 91 companies was chosen using a random sampling technique generated by the Microsoft Excel program. These companies were chosen from a population containing the 3000 largest companies by market capitalization. These companies comprised 98% of the public tradable securities in the United States (Russell Investments, 2009). A sample size of 91 was based on the formula for comparison of means (Lind, Marchal & Wathen, 2005). The sample was large enough to ensure that the sample was representative of the population based on the Central Limit Theorem, as well as the subsets of the *with* mission statement and the *without* mission statements (Lind, Marchal & Wathen, 2005; Creswell, 2005). Because most business data are appropriate for parametric analysis (Aitchison, 1982; Mahmood & Lawrence, 1987) the *t*-test or *Z*-test analyses was the most likely outcome for test methodology.

Potential interactions among other variables with the research question existed. Issues involving CEO tenure and company capitalization could influence the study. Another variable that could influence the outcome of the study is the growth rate of the companies studied. A fourth variable that could affect the outcome of the study is industry concentration. By examining the potential underlying issues with the sample populations' internal consistency, these issues were addressed before making conclusions, thus strengthening the value of the conclusions.

Finally, the data in this study were publicly and constantly available and of a historical nature. The sample size was such that the results were generalizable to other companies in an open-market system (Creswell, 2005). Internal and external validity was satisfied (Creswell, 2008; Marshall & Rossman, 2006; Meier, Brudney & Bohte, 2009; Sosik, Kahai, & Pioviso, 2009).

Chapter 4 contains the results and analysis of the data collected. The chapter is divided into several sections, starting with an introduction and descriptions of the data collection and analysis. The chapter concludes with a summary highlighting the results.

CHAPTER 4: PRESENTATION AND ANALYSIS OF DATA

The purpose of this descriptive quantitative study was to determine empirically if the existence of a company mission statement had an effect on the financial results of the company as described by the company's Return on Equity. One of the challenges and responsibilities of corporate management is to utilize corporate resources effectively, and whether this includes developing and disseminating a corporate mission statement is a critical question (Wiggins, Hatzenbuehler & Peterson, 2008). The research question of this study was consequently critical to this corporate responsibility.

Chapter 4 describes the relationship between the existence of an explicit company mission statement and the Return on Equity (ROE) of the company. Historical data retrieved from publically available sources including the Russell 3000 Index, 10-K reports from the United States Securities and Exchange Commission, company Annual Reports and various financial databases were used to describe and develop potential influences on company financial performance. Chapter 4 describes and analyzes the relationships between the mission statements of companies and ROE, and considers and analyzes the potential influences of other variables on this prime relationship.

The research question provided the structure of this descriptive study. The research question, "What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement?" A descriptive design was suitable for this kind of question because it does not attempt to assign causal relationships, but only describe the situation (Borg & Gall, 1989). An analysis of the data using standard statistical techniques follows in Chapter 4.

Sample and Population Demographics

The Russell 3000 Index provides the population universe for the companies used in the study. The Russell 3000 Index represents approximately 98% of the investable United States equity market (Russell Investments, 2009) and constitutes the population for the sampling frame (Russell Investments, 2009).

A sample of 91 companies from the Russell 3000 population was randomly chosen using the Microsoft EXCEL random number generator (RDN) function. The sample size of 91 was a result of the formula for comparing sample means (Lind, Marchal & Wathen, 2005), and was described in detail in Chapter 3. With a desired confidence level of 95% (Z=1.96), a desired accuracy of 200 basis points, and a standard deviation of ROE in Dun and Bradstreet stocks of 9.71% (Damodaran, 2009), the sample size n was calculated as $n=((Z*s)/E)^2 = 90.566 \rightarrow 91$. Once the 91 companies were identified, the dependent variable of ROE, and the independent variables of existence of a mission statement, company capitalization, company revenue growth rate, years of CEO tenure, and industry concentration were collected from public sources of historical data and entered into tabular form. The resulting table is shown in Appendix A. The sample consisted of 33 companies with mission statements and 58 companies without mission statements.

Data Collection and Analysis Procedures

Data Collection

A random sample of 91 companies selected from the Russell 3000 index of U.S.-traded stocks was selected and then evaluated to determine whether they fit into the category of *with* a mission statement or *without* a mission statement. The sample is large enough to ensure that the sample is representative of the population based on the Central Limit Theorem, as well as the subsets of the *with* mission statement and the *without* mission statements (Lind, Marchal & Wathen, 2005; Creswell, 2005). A mission statement exists if, in either its annual report or on its website, the company has a statement specifically called a mission statement. Value statements, vision statements, or any combinations of other related or unrelated statements are not mission statements. This study is based on an assumption that companies will self-identify their mission statements and that they were knowledgeable enough to know what a mission statement was.

Once the companies were selected, information as described in Chapter 3 was collected, including the ROE and the company's capitalization, CEO tenure, revenue growth and Herfindahl-Hirschman Index. The majority of this data were available from public databases including Hoover's (Hoovers.com, 2010), Yahoo Financial (Yahoo.com), and the United States Securities and Exchange Commission, as well as the United States Commerce Commission. There were, however, several issues that required deviation from the planned data collection in the proposal.

The revenue growth rate was limited to 3 years from the 5-year growth rate proposed. This resulted from the fact that several companies in the sample had not commenced operations or had not been in existence for 5 years prior to the end 2009 study date. Additionally, The Herfindahl-Hirschman Index (HHI) was only available from the United States Department of Commerce for Statistical Codes (SIC) in the manufacturing range of 3111 to 3999 (US Census Bureau, 2006). The remaining SIC code HHI values were calculated based on revenue data and industry classifications from public databases.

Data Analysis

The historic data matrix (Appendix A) was initially analyzed using a comparison of means methodology as suggested in Chapter 3. The Megastat Add-in to the Microsoft EXCEL program was used to obtain descriptive statistics for all the potential independent variables. The data analysis was conducted as a simple comparison of the means of the sample's ROE comparing those companies *with* mission statements and those *without* mission statements. The comparison of means was performed using a standard statistical *t*-test at the .05 significance level. Because most business data are appropriate for parametric analysis the *t*- test was used because it was designed specifically for this type of question (Aitchison, 1982; Mahmood & Lawrence, 1987).

Following this analysis, graphical comparisons were conducted of the data. Each variable was graphed versus ROE, with the *with* and *without* mission statement companies using different symbols. The resulting graphs were then inspected for separation of sub-population groupings.

Finally, multiple regression analysis of all independent variables and the dependent variable ROE was conducted. This regression was done utilizing Microsoft EXCEL with the Megastat Add-in. The potentially underlying interference issues in the sample were analyzed with this preliminary correlation matrix to determine if colinearity existed and if the *with* mission statement samples and the *without* mission statement samples were internally consistent. The comparison of the entire sample distribution was meant to determine if the sample provided a valid comparable sample for decision making (W.G. Bentley III, personal communication, November 13, 2009). A regression analysis was then completed of the independent variable and the ROE.

Findings

The research question provided the structure of this descriptive study. The research question, "What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement?" A descriptive design was suitable for this kind of question because it does not attempt to assign causal relationships, but only describe the situation (Borg & Gall, 1989).

It followed that the hypotheses for the study were similarly direct. The hypotheses statements were:

H_0: The ROE measure of profitability of companies that have explicit mission statements is statistically higher than those that do not have explicit mission statements.

H_a: The ROE measure of profitability of companies that have explicit mission statements is equal to or less than those that do not have explicit mission statements.

In order to evaluate these hypotheses, standard statistical techniques were utilized until an answer to the research question was discovered.

Comparison of Means and Descriptive Statistics Analysis

The sample of companies was first broken down into two groups, those companies which had mission statements and those which did not. Each independent variable was then looked at in an attempt to determine if the *with* and *without* groupings were statistically different at the .05 level. These analyses are shown below in turn.

Return on Equity was the first variable investigated because, if the comparison of means produced a statistically significant difference, and the *with* group was higher than the *without* group, the H_0 hypothesis would have been proven and the study would be complete. Below in Tables 1 and 2 are the results of the descriptive statistics analysis.

Table 1

Return on Equity Descriptive Statistics Without Mission Statement

Mean	-11.053
Sample Variance	2,942.388
Sample Standard Deviation	54.244
Minimum	-285.8
Maximum	28
Range	313.8
Confidence Interval 95.% Lower	-25.445
Confidence Interval 95.% Upper	3.340

As can be seen, the *without* mission statement group ROE mean is -11.053 with a 95% confidence range of -25.445 to 3.340.

Table 2

Return on Equity Descriptive Statistics With Mission Statement

Mean	9.870
Sample Variance	402.863
Sample Standard Deviation	20.071
Minimum	-42.8
Maximum	65.6
Range	108.4
Confidence Interval 95.% Lower	2.753
Confidence Interval 95.% Upper	16.987

The *with* mission statement group ROE mean was 9.870 with a 95% confidence range of 2.753 to 16.987. Because the confidence levels of the two groups overlap, this comparison of means methodology cannot show a statistically significant difference between the *with* and *without* mission statement groups. Similarly the other independent variables show the same overlapping confidence intervals in their respective descriptive statistics.

The issue of the Capitalization variable was considered next. The *without* sub-group descriptive statistics are shown below in Table 3 and the *with* sub-group are shown in Table 4.

Table 3

Capitalization Descriptive Statistics Without Mission Statement

Mean	21,872.63
Sample Variance	12,829,199,097.09
Sample Standard Deviation	113,266.05
Minimum	22
Maximum	847585
Range	847563
Confidence Interval 95.% Lower	-8,180.90
Confidence Interval 95.% Upper	51,926.16

The corresponding *with* statistics was:

Table 4

Capitalization Descriptive Statistics With Mission Statement

Mean	5,102.27
Sample Variance	55,191,568.95
Sample Standard Deviation	7,429.10
Minimum	77
Maximum	25580
Range	2,468.03
Confidence Interval 95.% Lower	7,736.52
Confidence Interval 95.% Upper	2,634.25

As was clear in these statistics, the overlap in these groups was considerable and the subgroups were not shown to be statistically different.

CEO Tenure: The company's length of CEO tenure was then evaluated. The analysis proceeded in the same manner as the ROE and Capitalization analysis. The Descriptive statistics and analysis are shown below in Tables 5 and 6.

Table 5

CEO Tenure Descriptive Statistics Without Mission Statement

Mean	6.35
Sample Variance	61.30
Sample Standard Deviation	7.83
Minimum	1
Maximum	46
Range	4.27
Confidence Interval 95.% Lower	8.43
Confidence Interval 95.% Upper	2.08

Table 6 follows:

Table 6

CEO Tenure Descriptive Statistics With Mission Statement

Mean	4.61
Sample Variance	13.18
Sample Standard Deviation	3.63
Minimum	1
Maximum	18
Range	3.32
Confidence Interval 95.% Lower	5.89
Confidence Interval 95.% Upper	2.08

The significant overlap in the sub-group data points made it clear here that the tenure of the CEO subgroup populations could not be shown to be statistically different.

Revenue Growth: The company's Revenue Growth was analyzed through descriptive statistics techniques to determine if a comparison of means would show the *with* and *without* subgroups to be statistically different. The *without* subgroup descriptive statistics are shown below in Table 7. The *with* sub-group are shown in Table 8.

Table 7

Revenue Growth Descriptive Statistics Without Mission Statement

Mean	8.633
Sample Variance	1,466.168
Sample Standard Deviation	38.291
Minimum	-44
Maximum	251
Range	295
Confidence Interval 95.% Lower	-1.527
Confidence Interval 95.% Upper	18.793

Similarly,

Table 8

Revenue Growth Descriptive Statistics With Mission Statement

Mean	5.115
Sample Variance	250.241
Sample Standard Deviation	15.819
Minimum	-20.1
Maximum	75.4
Range	95.5
Confidence Interval 95.% Lower	-0.494
Confidence Interval 95.% Upper	-0.494

Overlapping subpopulation groups here were again evident, with the *without* group having a mean of 8.633 and a 95% confidence interval of -1.527 to 18.793. The *with* group had a mean of 5.115 and a 95% confidence interval of -.494 to 10.724. Significant overlap existed between these two sub-populations.

Finally, the company's Herfindahl-Hirschman Index was analyzed for statistical significance. Using the same comparison of means methodology, similar results to the other independent variables was demonstrated. The descriptive statistics tables are shown below.

Table 9

Herfindahl-Hirschman Index Descriptive Statistics Without Mission Statement

Mean	2,116.30
Sample Variance	3,371,233.11
Sample Standard Deviation	1,836.09
Minimum	40
Maximum	8732
Range	8692
Confidence Interval 95.% Lower	1,629.12
Confidence Interval 95.% Upper	2,603.48

The w*ith* mission statement group statistics were:

Table 10

Herfindahl-Hirschman Index Descriptive Statistics With Mission Statement

Mean	2,009.06
Sample Variance	2,114,134.50
Sample Standard Deviation	1,454.01
Minimum	80
Maximum	7423
Range	7343
Confidence Interval 95.% Lower	1,493.49
Confidence Interval 95.% Upper	2,524.63

Again, as with the other variables, the HHI showed significant overlap in the confidence levels of the two groups. Here the means were almost the same and the overlap in confidence intervals was almost complete.

A summary of the comparison of means and descriptive statistics analysis showed that the 95% confidence levels of the *with* and *without* mission statement subgroups overlapped for every one of the independent variables. Because of this result, different statistical techniques were required to determine an answer to the hypotheses and research question. The next set of techniques follows.

Analysis of Variables using Multiple Regression

In a further effort to determine an answer to the research question of whether companies with a mission statement have significantly different financial performance than companies without a mission statement, the statistical technique of regression analysis was employed. Regression analysis is an exacting technique. Graphical and visual analysis was initially utilized.

To establish if there was a statistically significant difference between the *with* and *without* mission statement variables, those variables were graphed and analyzed for any significant patterns. Each independent variable (Mission Statement, Capitalization, CEO Tenure, Revenue Growth Rate, HHI) was plotted against the dependent variable ROE. The *with* and *without* mission statement data points were identified with separate symbols to make analysis easier. The graphical analysis follows.

Mission Statement: Figure 6 shows the results of mission statements as an independent variable vs. the Return on Equity.

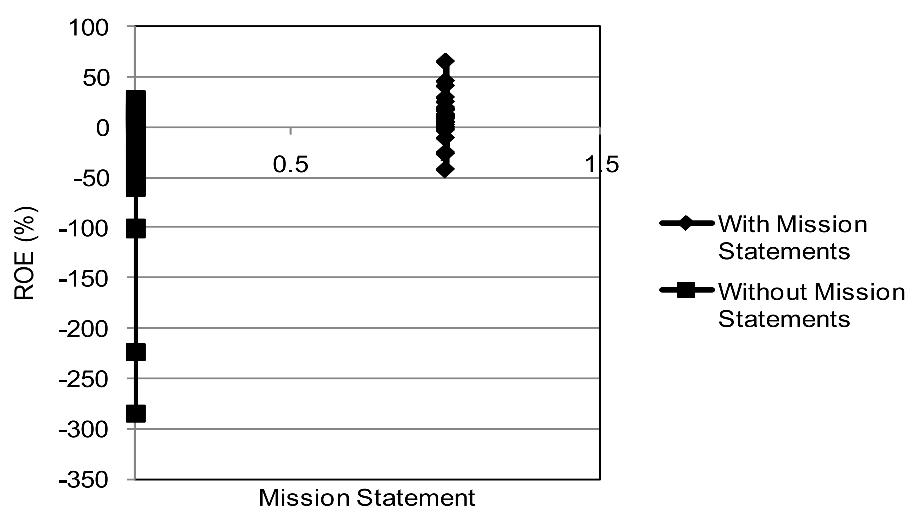

Figure 6. Mission Statement versus Return on Equity.

The graph showed two x values. This was reasonable as the subgroups either had a mission statement (1) or did not (0). The data points showed significant overlap and a clustering of data points between -50 and +50 percent ROE. No obviously significant differences were apparent graphically save two apparent outliers in the *without* mission statement group. These outliers were not significant as they did not impact the overlap of the two groups.

Capitalization was then considered graphically. Several outliers in both capitalization and ROE were evident, stretching the scale to capture all the data. There was significant overlap and clustering of the *with* and *without* data points. Figure 7 represents the Capitalization vs. ROE graph

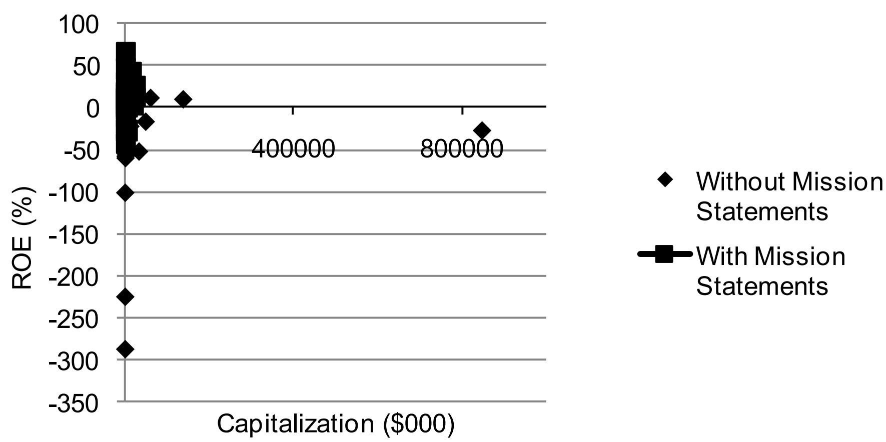

Figure 7. Capitalization versus Return on Equity.

CEO Tenure similarly showed significant overlap of the *with* and *without* mission statement sub-groups.

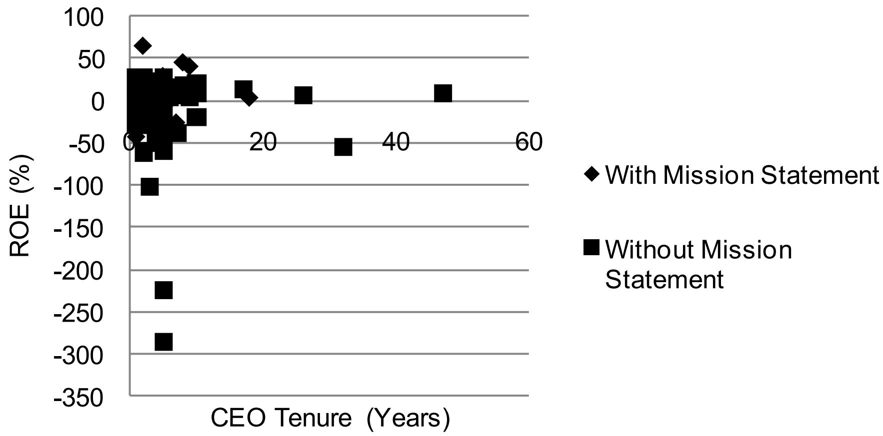

Figure 8. CEO Tenure versus Return on Equity.

Significant differences in the sub-group's data points were not readily apparent from this graph. Clustering of the data points was apparent.

Revenue Growth Rate exhibited no apparent visual differences between the *with* and *without* mission statement data sets. Figure 9 also exhibits large data overlaps and intense clustering of the data. Figure 9 follows.

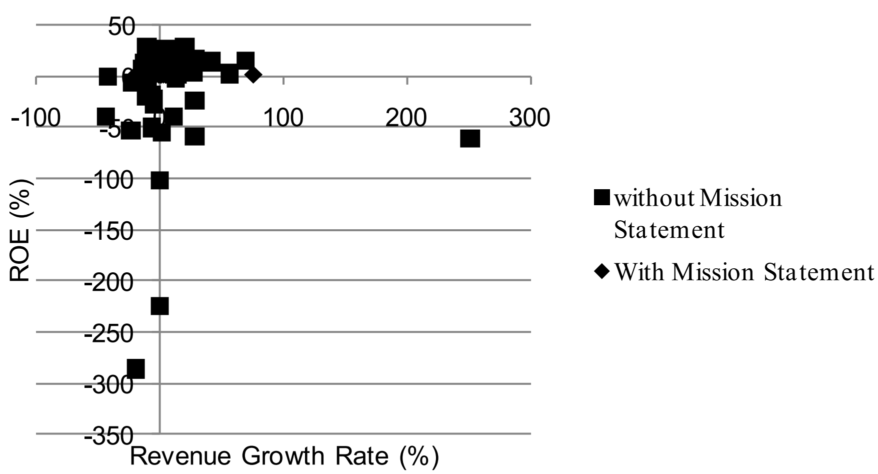

Figure 9. Revenue Growth Rate versus Return on Equity.

Finally, the company's Herfindahl-Hirschman Index was graphed and analyzed for any patterns that might show differences between the *with* and *without* mission statement subgroups. Again, no discernable differences in the populations were apparent from visual inspection. Figure 10 shows the results of the HHI vs. ROE data graphing.

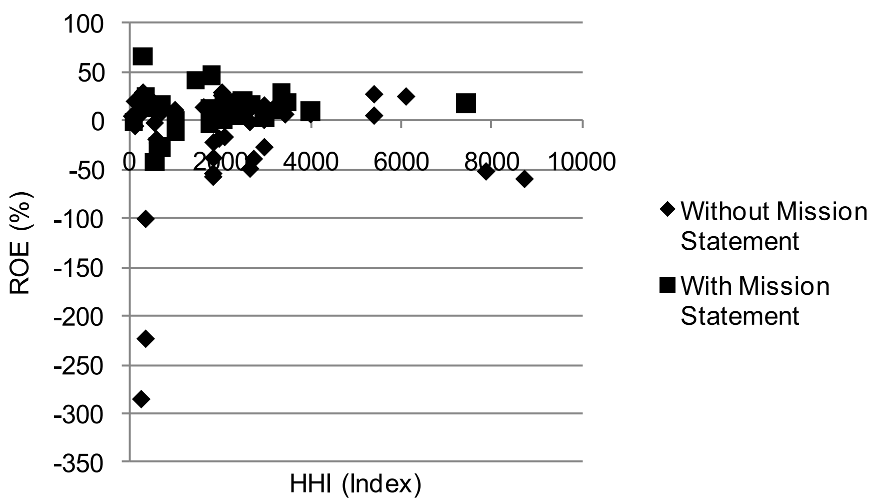

Figure 10. Herfindahl-Hirschman Index versus Return on Equity.

In summary, no discernable differences were apparent in the *with* vs. *without* mission statement sub-populations utilizing gross graphical analysis. Graphic comparison of the two groups showed considerable overlap in the group's individual data points. Additionally, both group's data clustered together, becoming indistinguishable in the graphics.

Required next for the analysis was a correlation matrix of all the variables, a regression analysis of the entire data set with all variables, and a regression analysis of the variable of interest in our research question, *mission statement*. The data matrix in Appendix A was initially analyzed in a correlation matrix. Table 11 shows the results of this effort. The purpose of this analysis was to determine if there were any potentially underlying interference issues in the sample, that is, to determine if colinearity existed.

Table 11

Regression Analysis Correlation Matrix

	ROE	Mission Statement	Capitalization	Years of CEO	Hershendahl Index	3-Year Revenue Growth Rate
ROE	1.000					
Mission Statement	.197	1.000				
Capitalization	-0.047	-0.087	1.000			
Years of CEO	-0.016	-0.121	-0.084	1.000		
Hershendahl Index	0.069	-0.028	0.075	-0.125	1.000	
3-Year Revenue Growth Rate	0.057	-0.074	-0.055	-0.127	.293	1.000

This analysis demonstrated an absence of significant colinearity because the *r*-values between all pairs of independent variables were very weak.

The data matrix was then analyzed as a whole using multiple regression analysis. The regression analysis results are shown in Table 12 below.

Table 12

Regression Table for Entire Sample Population Matrix

Regression Analysis

R^2	0.049		
Adjusted R^2	0.000	n	92
R	0.220	k	5
Std. Error	46.199	Dep. Var.	**ROE**

ANOVA table

Source	*SS*	*df*	*MS*	*F*	*p-value*
Regression	9,365.4396	5	1,873.0879	0.88	.4997
Residual	183,552.5059	86	2,134.3315		
Total	192,917.9455	91			

Regression output

					Confidence Interval	
variables	*coefficients*	*std. error*	*t (df=86)*	*p-value*	*95% lower*	*95% upper*
Intercept	-13.9234					
Mission Statement	19.3863	10.2149	1.898	.0611	-0.9202	39.6928
Capitalization	-0.00001518	0.00005502	-0.276	.7833	-0.00012456	0.00009421
Years of CEO	0.1428	0.7554	0.189	.8505	-1.3589	1.6444
Hershendahl Index	0.0017	0.0030	0.570	.5700	-0.0043	0.0077
3-Year Revenue Growth Rate	0.0750	0.1544	0.486	.6283	-0.2319	0.3818

The results of this analysis show that there was no statistically significant correlation at the 5% confidence level (the confidence intervals included 0) between any of the independent variables of company capitalization, company revenue growth rate, years of CEO tenure, and industry concentration, and the dependent variable of ROE. The regression fails the global test for significance with an $F = 0.88$.

The regression analysis had shown to this point that there was no discernable impact of the variables of capitalization, CEO tenure, revenue growth, or HHI on the mission statement-ROE relationship. Additionally, colinearity had also been eliminated as a potential interference. The relationship between mission statement and ROE was then addressed directly.

Below in Table 13 are the regression analysis results of this Mission Statement-ROE relationship.

Table 13

Regression Analysis of Mission Statement vs.ROE

Regression Analysis

r^2	0.049	n	90
r	0.221	k	1
Std. Error	44.932	Dep. Var.	**ROE**

ANOVA table

Source	*SS*	*df*	*MS*	*F*	*p-value*
Regression	9,148.8461	1	9,148.8461	4.53	.0361
Residual	177,665.3318	88	2,018.9242		
Total	186,814.1779	89			

Regression output

variables	*coefficients*	*std. error*	*t (df=88)*	*p-value*	*confidence interval* *95% lower*	*95% upper*
Intercept	-11.0526	5.9514	-1.857	.0666	-22.8799	0.7746
Mission Statement	20.9223	9.8285	2.129	.0361	1.3903	40.4544

As was seen from the ANOVA table, the *F* value of 4.53 and the p-value of .0361 were significant at the global level. This indicated that something in the data set was statistically significant. The regression output indicated that the variable *mission statement* was significant at the 95% level with a *t*-value of 2.129 and a *p*-value of .0361. Further, the coefficient of mission statement was a positive 20.92, which was not equal to 0, since 0 was not within the 95% confidence interval.

Analysis of the Findings

The research question provided the structure of this descriptive study. The research question was, "What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement?" A descriptive design was suitable for this kind of question because it does not attempt to assign causal relationships, but only describe the situation (Borg & Gall, 1989).

It followed that the hypotheses for the study were similarly direct. Using one-tailed statistical testing, the hypotheses statements were:

H_0: The ROE measure of profitability of companies that have explicit mission statements is statistically higher than those that do not have explicit mission statements.

H_a: The ROE measure of profitability of companies that have explicit mission statements is equal to or less than those that do not have explicit mission statements.

Comparison of Means and Descriptive Statistics Analysis

Several key independent variables (mission statement, capitalization, CEO tenure, revenue growth rate, HHI) were analyzed using descriptive statistics. The sample data were divided into companies with mission statements, and companies without mission statements. The results of the data, as shown in Chapter 4, was that there was overlap in the 95% confidence intervals between the *with* and *without* subsets. This overlap indicated that the *with* and *without* subsets could not be shown to be statistically different. Thus, from a comparison of means methodology, the null hypothesis had to be rejected.

Analysis of Variables using Multiple Regression

For this analysis, graphs were developed showing the data for both the *with* and the *without* subgroups. Again, each individual independent variable was analyzed for differences. What was found was that there was significant overlap of the *with* and *without* mission statement data sets. Moreover, the clustering of the data made the subgroups visually indistinguishable for every one of the independent variables. Thus, from a visual perspective, no difference between the *with* and *without* mission statement companies could be seen.

It was shown by the correlation matrix that there was no colinearity between the independent variables of capitalization, CEO tenure, revenue growth rate, and HHI and the dependent variable of Return on Equity. Further, the regression analysis of all variables failed the ANOVA test for global significance with an F=.88. The regression analysis of the independent variable mission statement vs. ROE did however, produce significant results.

The regression analysis of the existence of a company mission statement and ROE showed a statistically significant correlation. With an F= 4.53 and a p-value of 0.0361, the regression was significant. With a corresponding t-value of 2.129, the significance is higher than the 95% confidence level. Additionally, with a coefficient value of 20.92, the existence of a mission statement added 20 basis points to the regression equation and indicated that companies with mission statements had, on average, ROE's 20 percentage points higher than companies that did not have mission statements.

Findings for the Hypotheses and Research Question

Hypothesis H_0

H_0: The ROE measure of profitability of companies that have explicit mission statements is statistically higher than those that do not have explicit mission statements.

It was clear from the findings and conclusions of the analysis that the hypothesis H_0 was satisfied. The regression analysis showed that the existence of a mission statement was correlated with return on equity financial performance. The positive coefficient of 20.92 also implied that the relationship was a positive one, and that a mission statement resulted in higher ROE. Rarick and Vitton (1995) claimed a significant difference in profitability for companies with mission statements. Later studies (Omran et al., 2002; Rarick and Nikerson, 2006) show no significant differences. While more recent studies continued to raise questions about the importance of mission statements to corporate profitability, this study concluded that the connection between the two variables exists today, and is significant. Corporate leaders need to accept the necessity of the development of a corporate mission statement.

Hypothesis H_a

H_a: The ROE measure of profitability of companies that have explicit mission statements is equal to or less than those that do not have explicit mission statements.

Because H_0 was shown to be true, H_a cannot be true, as they are mutually exclusive.

Research Question

The research question is "What is the difference in profitability between companies with an explicit mission statement and those without an explicit mission statement?" The relationship has been shown to be a positive relationship, with companies that have a mission statement being shown to have higher ROE. This finding cannot be lost on corporate leaders. While the questions of what components should be addressed in a mission statement were not addressed in this study, the fact is that the existence of a corporate statement entitled “Mission Statement” does correlate with companies of higher profitability. This study does not attempt to claim causality between the mission statement and the higher ROE. There may be many reasons that the two coincided. The literature was replete with theories and studies for this relationship. This study showed only that the relationship does, indeed, exist.

Reliability and Validity

Reliability is the measure of repeatability and generalizability of the results of a study (Howell et al., 2005). Reliability is the extent to which a study or research experiment will reach the same result (within accuracy and confidence levels) on repeated trials. Equivalency reliability concerns itself with correlational relationships, and is not a factor here (Howell et al., 2005). Stability reliability is concerned with scaled instruments, and there are no instruments used in this study. Consistency and inter-rater reliability are not at issue here as the data in this study are not subject to observational interpretation.

The concept of validity deals with the extent of accuracy the proposed study displays as it describes the concept the researcher is attempting to measure. The four types of validity frequently addressed are: face validity, criterion-related validity, construct validity, and content validity. Face validity and construct validity were clearly within the scope of the literature review. Criterion validity relates to the instruments used. In the study, there were no instruments. Finally, content validity’s basis is how well the measurement represents the intended domain of the content (Carmines & Zeller, 1991; Creswell, 2008). A random sample of the actual domain was used in this proposed study. It is logical that this random sample was representative of and generalizable to the total population of the domain (Creswell, 2005). In addressing external validity, a randomly selected sample from a population was representative of the population and the results could be generalized to the population (Creswell, 2005).

Summary

Chapter 4 presented the data that were gathered from publicly available historic sources. The methodology outlined in Chapter 3, as well as some modifications and amplifications as described in Chapter 4 were applied to the data. Graphical and tabular formats were used to display the analysis results. The interactions and influences of the potentially interfering variables of company capitalization, company revenue growth rate, years of CEO tenure, and industry concentration were investigated and analyzed. The hypotheses were analyzed and a statistically significant relationship was found between the existence of a mission statement and financial performance as measured by ROE.

In Chapter 5 the study’s implications are discussed, and conclusions are drawn. The acceptance of the null hypothesis, that companies with explicit mission statements have higher ROE, is presented. And finally, recommendations for company leadership and additional research studies are proposed.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

Some corporate leaders question whether mission statements enhance corporate profitability or are just another management fad (Stone, 1996). Some managers question whether companies with mission statements show better financial performance than companies without them (Bartkus, Glassman & McAfee, 2000; Atrill, Omran, & Pointon, 2005). In the early 1990s, some research showed that companies with mission statements appeared to achieve better financial results than companies without mission statements (Rarick & Vitton, 1995). As time progressed however, more researchers questioned that position, and while debating the wording and development of the mission statement, they lost focus on the issue of financial return for the corporate effort of developing a mission statement (Atrill, Omran, & Pointon, 2005; Bartkus, Glassman & McAfee, 2000). So the issue remained an open one, with corporate management given little empirical guidance as to whether the spending of significant funds were useful in achieving superior financial performance, or whether, indeed, they made any difference at all.

The purpose of this descriptive quantitative study was to determine empirically if companies with an explicit mission statement had different financial results than companies without an explicit mission statement. The metric used for financial performance was the company's Return on Equity. The descriptive research method employed collected historic company data from publicly available sources as of December 31, 2009. The interactions and influences of the potentially interfering variables of company capitalization, company revenue growth rate, years of CEO tenure, and industry concentration were investigated and analyzed. Finally, the relationship between the existence of a company mission statement and ROE was analyzed.

Chapter 5 is divided into three parts: (1) implications of the findings, (2) the recommendations for corporate leaders, and (3) recommendations for additional research.

Implications of the Findings

It is clear from the analysis of the findings in Chapter 4 that companies that have explicit mission statements have higher profitability when measured by ROE, than companies that do not have explicit mission statements. The differential is significant, with companies that have mission statements showing an average 20 basis points higher ROE. It cannot be claimed that mission statements are the cause of this differential. Descriptive studies describe *what is*, and do not attempt to attribute causality. There may be many reasons within the mission statements themselves to explain why a company with an explicit mission statement has a higher ROE. These finding clearly point to the fact however, that companies that have a mission statement do have higher profitability. The implications to corporate leaders and those charged with expending resources in pursuit of corporate profitability are significant.

Recommendations for Corporate Leaders

This study shows that companies that have mission statements have higher profitability as represented by return on equity. The average ROE of companies with mission statements was approximately 20 basis points higher than the average of those companies that did not have mission statements. This result exceeded Rarick and Vitton's findings (1995) and Sidhu's findings in 2003. Many researchers claimed and continue to assert that mission statements add to a company's profitability, but do so from a less empirical analysis (Drucker, 1974; Morphew & Hartley, 2006; Porter, 1992, 2006, 2008; Williams, 2008).

The key finding of this study was that companies with mission statements had statistically significant higher ROEs than companies without mission statements. While this has not been shown to be a causal relationship, the relationship nonetheless is a fact. It would be in a corporation's best interest then, to investigate developing and disseminating a corporate mission statement if one does not already exist.

This study did not investigate the composition of the mission statement as done by Pearce (1987), Pearce and David (1987) and David and David (2003). However, the definition of a mission statement was restricted in the study to only those companies that identified the mission statement as a *mission statement.* Value statements, vision statements, statements of beliefs were not considered mission statements. There is extensive literature questioning the focus of a mission statement, and it may be that attempting to meld a mission statement into one of these other statements changes the audience too greatly. This study did not address this issue, but it is clear that restricting the statement to *mission* statement clearly separated the content. When developing their mission statements, corporate leaders would do well to keep this distinction of purpose in mind.

The findings of this study had clear implications that can guide corporate leaders. First, corporate leaders should develop and disseminate mission statements for their organizations. Companies that had mission statements had higher profitability. Second, the mission statement should be a *mission statement*, not a diluted statement of vision, values, or beliefs. Organizations that have mission statements that are called mission statements have higher ROE than those companies that have other types of statements but not clear mission statements. These recommendations were clearly the result of the findings and conclusions of the study.

Recommendations for Additional Research

There is a significant amount of potential research possible to expand the body of knowledge on mission statements and the utility of the mission statement to corporate leaders. One such study was the interesting finding of the apparent time relationship of mission statements and ROE. While initial studies, especially by Rarick and Vitton (1995) showed a strong difference between companies with and without mission statements, later studies in the 2000s show increasing questioning of those results. While this study showed confirmation of a link, this could be a result of the changing definition of mission statements themselves.

Another issue that warrants study is the increasing devolution of mission statements into vision statements, value statements, etc. If all companies that included one or more of these statements were included in this study, would the results of this study have been different? Many of these types of statements are written for different stakeholders. An attempt to combine these various groups, and the impact of these statements on profitability would be interesting, and could provide further guidance for corporate leadership.

Finally, a qualitative study should be done to investigate whether the mission statements in companies are more than just slogans and hype. As with any corporate program, if implementation is inadequate, no performance gains will result. Qualitative studies attempting to discern the impact of mission statements execution on employee productivity would be extremely useful to both academic and leadership constituencies.

Summary

Corporate leadership is charged with efficient and effective use of corporate resources. In many cases, corporate leaders feel that the development and implementation of a mission statement is good use of these resources. In other cases, corporate leaders do not feel the need for these expenditures. If a mission statement could be tied to higher corporate profitability, this would influence the leader's decision.

This study does not propose a causal effect for mission statements and superior profitability. This descriptive quantitative study did, however, use historical public data to show that companies that do have mission statements demonstrate a higher return on equity than those that do not have mission statements. While the actual content of the statements may vary, the mission statement's existence correlates significantly with higher ROE. These are facts that a corporate leader cannot ignore.

Chapter 5 concludes this research study. The finding produced an answer to the research question in that yes, there is a difference in return on equity between companies with explicit mission statements and those without explicit mission statements, and that the difference is positive and significant. Additional studies have been proposed to further the understanding of mission statements, and to refine the quality and content choices that the corporate leaders may have available to them. This study provides a clear recommendation, however, that a mission statement can be a successful tool.

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Appendix A: Company Sample Data Matrix

869	DPL INC DPL	23	0	3327	3	2091	4.5	1589
926	EL PASO ELECTRIC CO EE	10.2	1	2055	2	2091	0.5	828
1472	ITC HOLDINGS CORP ITC	14	0	3883	5	2091	40.6	621
1959	NORTHWESTERN CORP NWE	10.8	1	2499	2	2091	0.3	1142
694	CONNECTICUT WATER SVC CTWS	9.5	1	383	3	3992	8.2	59
1992	OFFICE DEPOT INC ODP	-49.9	0	2462	4	2653	-6.8	12145
2898	WASTE MGMT INC WM	16.8	1	18253	5	2663	-4.1	11791
959	ENERGYSOLUTIONS INC ES	2.7	0	1202	1	1833	56.1	1623
503	CARDINAL HEALTH INC CAH	9.2	1	8453	1	2490	4.3	98503
1736	MCKESSON CORP MCK	19.4	1	11177	9	2490	5.3	108702
2731	TUESDAY MORNING CORP TUES	4.4	0	250	9	5401	26.6	828
47	ADVANCE AUTO PARTS INC AAP	26.3	0	1606	2	5401	5.4	5412.6
366	BEST BUY INC BBY	24	0	9324	1	6109	11.4	49694
2068	PANERA BREAD CO PNRA	17.7	1	695	1	7423	17.8	1354
72	AIR PRODS & CHEMS INC APD	12.9	0	11247	2	1629	-2.3	9026
1344	HOME BANCSHARES INC HOMB	9.5	1	2685	5	2041	14.5	163
2952	WILSHIRE BANCORP INC WIBC	-0.3	1	3439	3	2041	15	216
1356	HUDSON CITY BANCORP HCBK	10.5	0	60267	7	2481	27.3	2975
623	CLIFTON SVGS BANCORP IN CSBK	4.4	0	1068	2	2481	12.4	46
789	DANVERS BANCORP INC DNBK	5	1	557	2	2481	16.9	102
1186	GLG PARTNERS INC GLG	0	0	248	2	2965	-42.3	301
153	AMERICAN INTL GROUP AIG	-27.9	0	847585	1	2970	-5.3	96004
804	DELPHI FINANCIAL GRP IN DFG	8.8	0	6921	3	1839	3.6	1572
156	AMERICAN NATIONAL INS C ANAT	3.8	1	20149	18	2970	-1.8	2950
163	AMERICAN SAFETY INS HLD ASI	9	1	1148	3	2970	6.1	205
1230	GREENLIGHT CAPITAL RE L GLRE	14.8	0	729	2	2970	69.4	419
2201	PROASSURANCE CORP PRA	13.1	0	4648	2	2970	-3	673
2526	STATE AUTO FINANCIAL STFC	1.8	1	2564	4	2970	4	1257
2199	PRINCIPAL FINANCIAL GRP PFG	8.9	0	137759	2	2607	-3.6	8849
2601	SYNOVUS FINANCIAL CORP SNV	-52.7	0	32831	5	7880	-24.2	1920
1886	NATIONAL RETAIL PPTYS NNN	2.8	0	1473	5	2034	13.4	232
2258	RAYONIER INC RYN	25	0	2489	2	2034	-1.7	1169
2349	SAFEGUARD SCIENTIFICS SFE	-39.9	0	275	4	2736	-44	35
473	CALIFORNIA FIRST NATL CFNB	5.7	0	454	8	3432	-1.5	35
342	BARRETT BUSINESS SERVIC BBSI	5.9	0	125	9	3995	-3	237
37	ACTUATE CORP ACTU	10.7	0	110	9	3346	-2.5	119.3
389	BLACKBAUD INC BLKB	29.5	1	116	5	3346	17.2	309
682	COMPUWARE CORP CPWR	11.2	1	1401	9	3346	-9.7	892
650	COINSTAR INC CSTR	16.1	0	848	1	3269	28.9	1145
1460	IPC THE HOSPITALIST CO IPCM	14.5	0	157	3	2427	28	311
1636	LINCOLN EDUCATIONAL SVS LINC	28	0	287	5	2034	19.8	553
2177	POWERSECURE INTL INC POWR	7.4	0	86	6	1833	-5.2	103
1127	Pharmaceutical Product Development	7.6	1	1440	1	2489	4.3	1417
1295	HECKMANN CORP HEK	-60.4	0	797	2	8732	251	36