

# WHAT CONSTITUTES AN EFFECTIVE MISSION STATEMENT: AN EMPIRICAL INVESTIGATION <sup>1</sup>

**Constantinos Markides**

London Business School,  
Sussex Place, Regent's Park,  
London NW1 4SA.  
Tel: +44 171 / 2625050  
Fax: +44 171/ 7247875  
E-mail cmarkides@lbs.ac.uk

and **Vassilis M. Papadakis,**

London Business School and  
Athens University of Economics and Business  
**London Address:**  
London Business School,  
Sussex Place, Regent's Park,  
London NW1 4SA.  
Tel: +44 171 / 2625050  
E-mail vpapadakis@lbs.ac.uk

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## WHAT CONSTITUTES AN EFFECTIVE MISSION: AN EMPIRICAL INVESTIGATION

*Does it matter what values you espouse? No one... has ever proved it does.*

Fortune, May 1, 1995, p. 87

There is general agreement in both the academic literature and managerial circles that every good company must have a clear sense of direction, preferably articulated in a mission or vision statement. A recent article in Fortune magazine (26 October 1997) argues that “top managers at the most admired companies [in the world] take their mission statements (MS) seriously and expect everyone else to do likewise”. This belief, like motherhood and apple pie, is taken at face value: surely nobody can argue against it! As proclaimed by Newman (1992, p.7)—with an obvious sense of irony: “Among the most highly prized possessions of a national or corporate leader, “vision” is quickly moving up to the number one spot. Those without it are portrayed as stumbling in the dark from crisis to crisis. Those magnificent, charismatic leaders who have it, however, galvanize their constituents for a march to utopia, or at least a better quarterly profit.”

While everybody seems to agree on the need for a good strategic objective, disagreements have arisen as to what constitutes a good or effective objective. Some researchers have argued that most company objectives (as articulated in company mission and vision statements) tend to be useless primarily because they: (1) state the obvious; (2) are too generic and thus fail to give guidance in making decisions and tradeoffs; (3) are too fantastical or unrealistic; and/or (4) are not shared by all the employees (e.g. Campbell and Yeung, 1991; Ireland and Hitt, 1992; Morris, 1996; Pearce and David, 1987).

Others have argued that developing an effective objective is a very difficult task because to be effective, the objective has to find the right balance on many parameters. Thus, for an objective to be effective it needs to be specific enough but not too constraining; it needs to be flexible and adaptable but should not be changed every year; it needs to be stretching and inspirational but not too unrealistic; it needs to be measurable but not constraining; it must be easy to understand but not simplistic; it must be based on real customer needs but mindful of the other stakeholders' needs as well; and it needs to set a time target but not compromise quality in the process (e.g. Collins and Porras, 1991 and 1995; Grossman and King, 1993; Hamel and Prahalad, 1989; Ireland and Hitt, 1992; Mather, 1994; Trapp,

1995). Needless to say, achieving the right balance on all these parameters is extremely difficult.

While the literature on mission statements (MS) is full of prescriptions on how to develop a good one (e.g. Lipton, 1996; Piercy and Morgan, 1994), there is little empirical evidence (other than anecdotal case studies) to support the assertions made. Research in the area is still at an early stage (Larwood, Falbe, Kriger and Miesing, 1995). Clearly, more research on the assumed link between a clear sense of direction and superior performance is needed. For example David (1989) concluded that there is no difference between companies having and not having a mission statement on seven dimensions of financial performance and Bart (1996) found rather weak direct links between MS and firm innovativeness.

Even the actual definition of mission “effectiveness” is disputed. Some researchers have suggested that if a mission is effective or not should be measured by the degree to which the people in the organization have a clear sense of direction as to what their organization is trying to achieve (e.g. Graham and Havlick, 1995; Pearce, 1982). Others have argued that this is not enough—over and above setting direction, a mission statement must also inspire people and generate passion and commitment for the organization's way of doing business (e.g. Collins and Porras, 1991; Hamel and Prahalad, 1989). Yet others have pointed out that effectiveness should ultimately be reflected in the firm's performance which should therefore be taken as the most accurate indicator of a mission's overall effectiveness (e.g. Bart, 1996; David, 1989).

In this paper, we attempt to address this gap in the research by using questionnaire data suitable for multivariate analysis. Building on the work of Dutton and Ashford (1993) on “issue selling” we have developed a model that takes into consideration: (1) the actual content and characteristics of the MS; (2) the process used to develop it; (3) the process used to “sell” it to the rest of the organization; (4) the credibility of the seller (i.e. top management); and (5) the commitment of the employee to the organization. We empirically test which of these factors influences the effectiveness of a company's MS.

Our paper is one of the few *empirical* studies on this topic and so addresses an important gap in the literature. In addition, our study collects data from executives working in a variety of companies from several countries. Given the rapidly rising interconnectness of the world today, our study explores whether managerial problems and