Empirical Research on Influence of Mission Statements on the Performance of Nonprofit Organization

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Abstract

A great deal of studies suggests that, mission statement can promote performance of the organization. But the empirical research on the relationship between mission statement and performance of Chinese nonprofit organization is very scarce. This paper elaborates on the relationship of mission statements and nonprofit organizational performance and describes the process of mission statements influence on the performance of nonprofit organization through the mediate variable. Data collected from 227 nonprofit organizations in China replicated and extended research findings of previous studies based on structural model equations and SPSS software. This paper takes empirical research the relationship with job satisfaction as intermediary variable. Analysis results show that the mission statements play positive role in promoting nonprofit performance, job satisfaction plays role in promoting nonprofit organization, and job satisfaction is a good intermediary variable.

Keywords: Nonprofit organization; Mission statements; Organizational performance; Job satisfaction

1. Introduction

Mission statement are said to be a critical strategic management tool in recent years[1], caused the attention of enterprises and other profit organizations. However, Theory and practice proved that mission statements play more important role in nonprofit organizations than profit organizations[2,3,4]. Get Profit is the only one highest purpose of profit organizations, the existence and development of nonprofits are based on mission[5]. Compare with corporation, the mission statements of nonprofit are more significant[6]. The most important things of nonprofit organization’s existence is create social value.

More studies are focus on how to definite the mission statement in previous study, their concern is the composition of mission statements content, what aspect content formed an effective mission statement, which critical factors or content should be in mission statements. In an other sentence, the affect of mission statements on organizational performance is based on the quality, rationality, valid of mission statements. Some researchers suggest that we should do more work on the relationship between mission statements and organizational performance, Appropriate introduction of mediate variation can better understand the mechanism between them[7]. So, this papers will mainly discuss the influence mechanism of mission statements on nonprofits performance, and empirical analysis in the Chinese context.
2. Literature review and hypotheses

2.1. Mission and mission statements

Andrew Campbell points out the mission is constituted of the purpose, strategy, a set of values, standards and behaviors of the organization \[^8\]. And he considered that the reason for organization's existence is to meet various interests of stakeholders. Organizational strategy described organizational activities and the position of organization in this field. The organization management style is based on organizational values. A mission statement is a statement of the organization’s reason for being, its purpose – what it wants to accomplish in the larger environment. Mission statement is a brief description of the characteristics different from other organizations. Mission statement is the base of organization strategy, goal, policy, planning, outcome and so on\[^9\]. Drucker maintain that a mission statement is a formal short written statement of the purpose of a company or organization. The mission statement should guide the actions of the organization. Mission statement is to answer the question of organization is being, should being and will being in the future. Mission statement is very important for organization’s survival and development and the basic function of which is setting organization direction, guiding decision-making and incentive organization members\[^10\].

However, what's the effective and high-quality mission statements? Previous empirical mission statement research has tended to focus primarily on the question of defining the mission statement. In particular, attention has been given to what constitutes a good mission and to the elements or components that indeed should be included in a mission statement. David developed the mission statements constitute a model through investigating of mission statements of large manufacturing and service firms collected from the Business Week 1000 firms. Results from this study revealed nine key components: customers, products/services, location, technology, concern for survival, philosophy, self-concept, concern for public image, and concern for employees\[^11\]. Baetz also used statistical analysis method of collecting large amounts of data and constructed the mission statement model of 10 elements through extracting way: financial goals and values, beliefs, business philosophy, define success, organizational priorities work, organization of product positioning, market orientation, competition foundation, stakeholder relations\[^12\]. Bart constructs the mission statements constitute a model containing 25 elements On the basis of previous studies. Purpose, Values/philosophy, Distinctive competence, Desired competitive position, Competitive strategy, Identify stakeholders, Behavior standards, General corporate goals, One big goal, Specific financial objectives, Non-financial objectives, Business definition, Specific markets served, Specific products offered, Self-concept, Desired public image, Location of business, Technology defined, Concern for survival, Concern for customers, Concern for employees, Concern for suppliers, Concern for society, Concern for shareholders, Vision statement\[^13\, \,14\].

2.2. Mission statements and organizational performance

Mission statements determine the organizational goals and direction, organization existence, and provide strategy plan content for the organizational development and successful implementation. Mission statements can be viewed as a communication instrument as they “are clearly written with a view not only to the expression of something fundamental about the organization, but with a view to achieving it as well. That is, the act of communicating this mission message to certain parties is assumed to further the ends expressed in it\[^15\].” Mission statements construct a information flow, which make information sender and receiver reach a consensus. This consensus make organization’s leader more confident in their subordinates, and also make employee works with freely. Mission statements of organization are the base of organization’s goal and policy making\[^16\].

Stone argued that mission statements are the starting point of the organization entire planning process. The starting point has directional and practical significance. It serves as the basis for development of goals, objectives, and strategies appropriate to the organization’s overall purpose. In turn, the mission derived goals are intended to inform operational decisions regarding resource allocation, organizational structure, and programming\[^17\]. Krug and Weinberg recommend a multidimensional framework for decision making in nonprofit organizations in the complexity of the nonprofit environment, and they consider the most important thing is expressing the mission statement distinctly\[^18\].

Weiss considers that organization mission statement has important significant in that it has incentive for employees to work hard. As an organizational knowledge structure, mission statements make Organization inside and outside member constantly examine, reflect and consider organization situation and task. Constantly thinking organization mission help organization members work within the big organization mission, also promote the formation of broad consensus and Shared values. Mission statement shows that the objectives of the organization and focus, which will help to formatted better communication with in the organizational members\[^19\]. Campbell and Yeung\[^20\] maintain that the mission statement was an important management tool in defining an organizational culture that is attractive to employees, potentially affecting employee recruitment, satisfaction, motivation, and retention. Some other researchers consider organizational attitudes were influenced by mission attachment, a suite of factors that include employee awareness, agreement, and alignment with the mission. They argued that mission attachment is a good predictor of job satisfaction, a correlate of retention. Kim and Lee found similar results in a nonprofit human services agency. They observed that in public federal agencies, employees were more likely to transfer to new jobs after radical changes to organizational mission. They attributed this phenomenon to the link between mission and job satisfaction. Mission
attachment was associated with job satisfaction\textsuperscript{[21]}. Also other researches think that organization mission statements impact non-profit organization performance from two aspects: One is the internal influence, which including impact on organizational direction, managers, employees and so on; the other is external influence, which refer to convey organizational information to external stakeholders\textsuperscript{[22]}. Balser D and McClusky\textsuperscript{[23]} stressed that organization mission statement is very vital for improving nonprofit organization’s popularity, and influencing its perceived effectiveness and legitimacy. A donor’s perception of an organization’s legitimacy and identification with its mission and values can manifest as philanthropic propensity. Nonprofits that fail to generate the support of external stakeholders may suffer substantial financial obstacles.

Chinese scholars RaoYuani and ShaoChong analyze the key points of enterprise mission statement through 46 enterprises of empirical research in Chinese situation, and Compare different mission statement characteristics among enterprises. Xunjinbao analyses the relationship between enterprise mission statement and financial performance by empirical study. He thinks different mission statement focus has different impact on organizational financial performance. The mission statement including competitive position, behavior standards, core technology and vision describe can promote enterprise profitability.

From the above discussion, we know that an effective reasonable mission statements produce certain effect on organizational performance. Not only convey organizational direction and guiding group decision, but also incentive organize employee improve organization members' satisfaction, High quality organization's mission statements affecting the strategy, goals, operation and management affects the organization performance.

2.3. Assumptions and model

Based on the above analysis, we have reason to believe: effective, high quality, reasonable organization mission statements play a significant role in conveying the organization's mission, guiding group decision-making, incentive organize employee. Conveying organization direction to inside and outside help stakeholder groups better understand and identity organization’s existence and development. This can affect the financing environment, communicate with customers and improve their satisfactions outside. Internally this can improve organization members' awareness, satisfaction, formed a habit of working consciously initiative, facilitate employee to learn and grow, target with a clear direction to form more consistent internal process, improve the organization work process. Guide organization decision-making can help organizations form a reasonable set of decision-making basis in the internal management system, resource allocation, the staff management, also can improve the quality of services, promoting staff development, comb internal management flow and so on. Efficient management is also raises the external financial management of the important means and improves financial performance. According to internal marketing view, Incentive organization members can increase employee satisfaction, facilitate the customer performance and financial performance. Employees with high satisfaction form efficient internal management system also are helpful for Optimization employees' structure.

In light of the above arguments the following hypotheses are proposed:

H1: mission statements is positively related with performance of nonprofit organization
H2: mission statements is positively related with job satisfaction
H3: job satisfaction is positively related with performance of nonprofit organization

Consequently, a conceptual model linking the research hypotheses is developed, as shown in Fig.1.

![Figure 1. Conceptual Model](image-url)

3. Research methodology

3.1. Research design, sample and data collection

According to the relevant provisions of Ministry of Civil Affairs of the People's Republic of China, Chinese Nonprofit organizations are divided into four categories: foundation, social organization, private non- enterprise organizations, public institution. The organizations represented in this sample cover four different types organizations, which mostly includes Welfare homes, foundations, school, community health service. We select
353 samples, eliminate answer the questionnaire incomplete and other invalid conditions and get 227 valid questionnaires finally (effective recovery 64.31%). sample situation see chart below (table I).

3.2. Variable and measurement

I. mission statements

According to David, Baetz, Bart C. and some other previous academic research, the items that tap into this construct are the following: Purpose, Value/philosophy, General corporate goals, Location of business, Concern for survival, Concern for shareholders, Behavior standards, Concern for employees, pursuit of excellence, Concern for society.

TABLE I. Demographic characteristics (N=227)

|                          | Frequency | Percent   |
|--------------------------|-----------|-----------|
| Nonprofit Organizations  |           |           |
| Foundation               | 42        | 18.50     |
| Social Organization      | 86        | 35.46     |
| Private Non-enterprise Organizations | 38 | 23.11     |
| Public Institution       | 61        | 24.30     |
| Time of Establishment (year) |       |           |
| Less 2                   | 36        | 15.86     |
| 3 to 5                   | 37        | 13.94     |
| 6 to 10                  | 96        | 43.03     |
| More than 10             | 58        | 27.49     |
| No. of Employees         |           |           |
| Less than 20             | 34        | 14.98     |
| 21 to 50                 | 63        | 25.10     |
| 51 to 100                | 72        | 33.47     |
| More than 100            | 58        | 23.11     |

II. organization performance

Nonprofit organizations exist and develop based on their mission. Practice and theory has different discussion, and not form a common understanding in nonprofit organizational performance evaluation. Robert D. Herman and David O.Renz advances nine theses about the performance of nonprofit organizations. Kaplan& Norton put forward the balanced scorecard performance evaluation model for organizational performance appraisal, and revised according the characteristics of nonprofit organization. This model provides a comprehensive framework and established the balanced scorecard performance evaluation system. We will consider four aspects to measure organizational nonprofit performance: financial, customer, Innovation and Learning, Internal Business Processes. In view of the difficult of measure nonprofit organizational performance in this paper, we reference the idea of the balanced scorecard and design four items.

III. job satisfaction

Hoppock is one of the earliest scholars who research job satisfaction. He first put forward the concept of job satisfaction. He said that Job satisfaction is the psychological and physiological satisfaction feeling of employee to working environment and the job itself, also is subjective reaction to work situation.

Job satisfaction is divided into: satisfaction with return of work, satisfaction with working background, satisfaction with working group, satisfaction with organizational management and operation. Because of our research objects of non-profit organization, we design four questions items to measure the job satisfaction. That is: organizational goal and direction, organization operation and management, working group relationship, job content itself.

The proposed items were measured in a 5-point Likert scale where 1= strongly disagree, and 5= strongly agree.

3.3. Data analysis

Using AMOS6.0 and SPSS17.0 software, CFA was performed on the sample to check the reliability and validity of the measurement models. The properties of the measurement models are summarized in TABLE II the Cronbach alphas are 0.76, 0.72, 0.83, indicating a high internal consistency and good scale reliability. The construct validity was tested in terms of discriminant and convergent validity. The discriminant validity was tested by comparing the variance extracted (VE) of each construct to the square of correlations between this construct and others. Results are presented in Tab.2. The comparison of VE and corresponding Squared Correlations shows that there is indeed
discriminant validity for each construct.

Through analysis, $\chi^2/df=2.186$; GFI=0.943; CFI=0.932; NFI=0.962; RMSEA=0.047; n=227, All composite reliabilities measures of constructs exceed the recommended level of 0.70, and the fit indexes, including goodness of fit index (GFI), comparative fit index (CFI) and normed fit index (NFI), are all above the cut-off level of 0.90. These results show that the measurement models have sound reliability and validity.

As indicated in TABLE III, the proposed research hypotheses were supported. Based on the above data, directly influence coefficients of mission statement to the organization performance is 0.524. Indirect impact coefficient through job satisfaction is $0.645 \times 0.281 = 0.181245$, the sum of directly affects and indirectly affects of mission statement to the organization performance is $0.524 + 0.181245 = 0.705245$. According the Intermediary function condition of Baron and Kenny, We can think that the job satisfaction is a good partial intermediary role in the relationship of mission statements and organizational performance.

TABLE II. Instrument reliability and discriminant validity (N=227)

| Latent variables | Observed variables                  | Standardization load coefficient | Cronach A | Explain variance percentage |
|------------------|-------------------------------------|----------------------------------|-----------|-----------------------------|
| Mission Statements | Purpose                          | 0.819                            |           | 0.76                        | 78.742                        |
|                  | Value/philosophy                  | 0.652                            |           |                             |                               |
|                  | General corporate goals           | 0.745                            |           |                             |                               |
|                  | Location of business              | 0.781                            |           |                             |                               |
|                  | Concern for survival              | 0.774                            |           |                             |                               |
|                  | Concern for shareholders          | 0.687                            |           |                             |                               |
|                  | Behavior standards                | 0.523                            |           |                             |                               |
|                  | Concern for employees             | 0.846                            |           |                             |                               |
|                  | Pursuit of Excellence             | 0.689                            |           |                             |                               |
|                  | Concern for society               | 0.878                            |           |                             |                               |
| Job Satisfaction | Direction and goal                | 0.765                            |           | 0.72                        | 80.354                        |
|                  | Operation and management          | 0.867                            |           |                             |                               |
|                  | Work relations                    | 0.876                            |           |                             |                               |
|                  | Work content                      | 0.913                            |           |                             |                               |
| Organization Performance | Financial              | 0.687                            |           | 0.83                        | 74.965                        |
|                  | Customer                          | 0.621                            |           |                             |                               |
|                  | Innovation and Learning           | 0.782                            |           |                             |                               |
|                  | Internal Business Processes       | 0.813                            |           |                             |                               |

TABLE III. The structure model test results

| Hypothesis | Standardization path coefficient | Std.Error | Sig. |
|------------|----------------------------------|-----------|------|
| H1         | 0.524                            | 0.083     | 0.000 * * |
| H2         | 0.645                            | 0.073     | 0.000 * * |
| H3         | 0.281                            | 0.059     | 0.007 * |

*Estimate is significant at the 0.05 level.
**Estimate is significant at the 0.01 level.

4. Discussion and conclusion

4.1. Theoretical contributions

Based on Chinese non-profit organizations research background, this paper discusses the relationship between the mission statement and organizational performance, the main findings are as follows:

A mission statement is positively related with performance of nonprofit organization. High quality mission statements have significant effects on nonprofit performance. This result is mainly basic on direction oriented and decision-making guiding function of mission statements. As the starting point of organizational stagey panning, Mission statement instructs the organizational direction, internal decision-making and resource allocation. As a knowledge platform and information transmission tool, mission statement passes the organizational value and philosophy. In addition to direct role in organizational performance, mission statements also indirect effect on organizational performance through job satisfaction. A mission statement is positively related with job satisfaction of employee. It is also proved Mission statements can effective incentive group members. Job satisfaction is positively related with performance of nonprofit. This has be proved in profit organization.
4.2. Limitations

This study has many shortcomings, below are introduced in detail.

In this paper studies, the employee's job satisfaction is intermediary variable. But other researcher argue that Organizational commitment, psychological contract may also be intermediary variable of mission-performance relationship. This assumption needs to be further research. Meanwhile, the order and correlation of Organizational commitment, job satisfaction and psychological contract also need To further research proof.

As is known to all, Compared with foreign non-profit organizations, Chinese non-profit organizations have their particularity in classification and scope. The difference of nonprofits business and services, Chinese dual social structure, and funding source of official and private nonprofit should give consideration. So in the future research, we should consider different moderator variable.

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