



# Revisiting the link between mission statements and organizational performance in the non-profit sector: The mediating effect of organizational commitment



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## ABSTRACT

Although mission statements are widely adopted as an important strategic tool, their effective influence on organizational performance are not firmly established due to a lack of consistent results in relevant literature. To shed light on this relationship, the present study proposes a model to examine the mediating role of organizational commitment in explaining and clarifying the mission-performance link. Another merit of this paper is to consider mission as a formative construct.

Adopting a quantitative methodological approach, this study reports findings obtained from a representative sample of 112 non-profit health care organizations operating in Portugal. Our findings clearly demonstrate that the relationship between mission statements and organizational performance is better understood if the influence of organizational commitment, as a mediating variable of the aforementioned relationship, is taken into account. This study concludes by discussing conceptual contributions, limitations and possible future research avenues.

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## 1. Introduction

As a result of major financial and economic constraints induced by the greatest economic crisis in decades, non-profit organizations are increasingly compelled to develop strategies to improve their effectiveness and sustainability, in order to accomplish financial and performance goals (McDonald, 2007; Unerman & O'Dwyer, 2010; Weerawardena, McDonald, & Sullivan-Mort, 2010). Mainstream literature in Marketing and Strategic Management holds that the organizational mission is a powerful tool to deliver superior value to customers and other stakeholders while enhancing organizational performance. Consequently, to improve performance, organizations effectively need to make sense of their mission since it may act as a route leading to the achievement of long-term strategic objectives (Mullane, 2002; Siciliano, 2008). According to prior studies, key beneficial effects of a suitable mission on performance include, among other aspects, its role in facilitating strategy formulation and providing a framework for decision-making (Pearce & Robinson, 1991), its positive influence

on staff and volunteer motivation, and its emphasis on reinforcing the organization's legitimacy to its stakeholders (Forbes & Seena, 2006; Kirk & Nolan, 2010). However, although these widely prevailing assertions have gained an ubiquitous character, research has not firmly established a positive relationship between mission statements and performance. This is because while a positive link between mission statements and performance has been a dominant assumption in the management literature (Hirota, Kubo, Miyajima, Hong, & Park, 2010; Pearce & David, 1987), some studies have shown an inconclusive or even negative link (Bart, 2007a; Bart & Baetz, 1998; Bartkus & Glassman, 2008).

Such inconsistencies call for further research, particularly in developing new conceptual frameworks and measurement models that better explain the mission statement–performance relationship. Some authors have questioned the approach used in previous studies which have examined the direct relationship between mission statements and performance (Desmidt, Prinzie, & Decramer, 2011; Williams, Morrell, & Mullane, 2014). Accordingly, these authors claim that this relationship may be indirectly affected by other variables, so any effort to clarify the link between mission statements and performance requires assessing the potential mediating role of other key intervening variables. Therefore, the present study proposes a model in which the various interactions

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among mission, performance and organizational commitment are empirically tested. Specifically, it examines the extent to which mission statements have a direct effect on organizational performance and whether organizational commitment mediates the previous relationship.

It is worth noting that relevant research on mission statements has mainly focused on for-profit organizations (e.g. Bart, Bontis, & Taggar, 2001; Bartkus, Glassman, & McAfee, 2006; Forehand, 2000; O'Gorman & Doran, 1999; Pearce & David, 1987; Sheaffer, Landau, & Drori, 2008; Sidhu, 2003; Williams et al., 2014) while the nonprofit sector has been less researched (e.g. Bart, 1999; Bart & Hupfer, 2004; Bart & Tabone, 1998; Forbes & Seena, 2006). Therefore, the need to empirically examine other organizational contexts justifies our focus on non-profit health care organizations. Within the nonprofit context, the definition and implementation of mission statements, viewed as a core strategic management tool (Forbes & Seena, 2006; McDonald, 2007) assume an even more prominent role than in for-profit firms (Oster, 1995). Furthermore, in a nonprofit setting, the ability to attract and secure financial resources is not only critical to the organization's performance, but it is particularly important to assist an organization in becoming more resilient and achieving its purpose while accomplishing its mission (McDonald, 2007; Weerawardena et al., 2010).

The objectives of this paper are threefold. First, we intend to clarify and provide an up-to-date review on the link between mission statements and performance by focussing on the indirect effect produced by organizational commitment. Second, we propose a new measurement approach that represents mission statements as a formative construct. This measurement approach can only be possible by applying partial least squares (PLS) structural equation modelling (SEM) to the data. Third, we seek to provide insights based on reliable and accurate findings on a relevant topic within the marketing and management domain.

To achieve these objectives, the article is organized as follows. Initially, we present our theoretical framework, discussing the existing literature while presenting the hypotheses that guide the study. Next, the methodology section describes the sample, data-collection procedures and measurement of constructs. The subsequent section reports the analytical steps taken, and the results obtained. Finally, we discuss our research in terms of theoretical and practical contributions and offer suggestions for future research.

## 2. Theoretical background and hypotheses

### 2.1. Defining mission statements

The power of meaningful mission statements to enhance an organization's success derives mainly from its main premises. Defined as a formal written document intended to capture an organization's unique and enduring purpose, practices, and core values (Bart & Hupfer, 2004), the mission statement gives a sense of purpose and direction to the organization, legitimizes its existence while providing the context for the development and implementation of a successful strategic plan (Bartkus et al., 2006; Gray & Smelzer, 1985; Pearce & David, 1987). Other authors define mission as an organization's character, identity and reason for existence (Campbell & Yeung, 1991). Similarly, Bart and Tabone (1998: 54) emphasize that "mission statements have become recognized in modern management theory as one of the cornerstones of an organization". The dominant belief is that a well-conceived mission statement provides a control mechanism over the behaviour of employees, assists the organization in creating a balance between the competing interests of various stakeholders and contributes to a more focused resource allocation (Bart, 1998; Bart & Baetz, 1998;

Hitt, Ireland, Hoskisson, Rowe, & Sheppard, 2002). While these core assumptions have become highly popular among academics and practitioners, the literature in marketing and strategic management has extensively addressed mission statements and other related topics over the years (Drucker, 1974; Hitt et al., 2002). Consequently, a large body of research has given rise to an intense debate reflecting various perspectives regarding defining issues, the role and key functions associated with the development of mission statements and its use in various organizational settings. Reviewing the literature in Table 1, we acknowledge the diversity of studies undertaken in the private for-profit, public and non-profit sectors covering diverse industries. Many definitions of mission statements are available. Yet, much of what has been written about mission statements, results in different views regarding their purpose and content. Recognizing the diversity of contributions surrounding the conceptualization of the mission statement, Bartkus et al. (2006) offer a three-perspective typology to measure the quality of a mission statement. Accordingly, the first perspective focuses on the stakeholders who are implicit in the mission statements, the second perspective relates to the studies that examine the content of mission statements and the last perspective focuses on the mission statement's purpose or objectives.

Furthermore, the impact of mission statements on important managerial and strategic domains has been widely recognized in the literature. This recognition includes, but is not limited to, the influence that a mission statement has on corporate decision-making, innovation, as well as the impact of mission statements on performance.

### 2.2. The mission statement – performance link in the nonprofit context

Before addressing the mission statement–performance link, it is worth noting the idiosyncratic nature of the non-profit sector and how existing studies have (or have not) dealt with this issue. While there are many differences between non-profit and for-profit firms, the distinctive character attributed to the non-profit sector is mostly associated with the non-distribution constraint (Hansmann, 1987). This provision prevents a non-profit organization from distributing its surplus profits among its shareholders. In other words, non-profit organizations may accumulate profits, but contrary to what happens in for-profit firms, the profits must be reinvested into the basic mission of the organization, and not distributed as income to anyone with a beneficial interest in the organization such as staff, trustees and members (Anheier, 2005; Courtney, 2002). In this sense, non-profit organizations are often commonly considered to be mostly driven by a distinctive set of core values, norms and motivations which account for its predominantly societal orientation, closely linked to mission accomplishment (Liao, Foreman, & Sargeant, 2001; McDonald, 2007; Moore, 2000). This aspect differentiates non-profit organizations and private commercial firms, the latter existing primarily to generate profits. Consequently, ideas associated with the business world and the adoption of entrepreneurial practices are often viewed with suspicion in the social non-profit sector (Schlesinger, Mitchell, & Gray, 2004; Phills, 2005). According to this reasoning, key managerial issues such as those related with strategy implementation and management might be handled in a different way when comparing a non-profit organization with a for-profit business. This logic may well be applied to the development and implementation of mission statements.

An important stream of literature has emphasized the specific nature of the non-profit sector with its distinct features, in an effort to distinguish it from business firms. However, in the last decades, the lines dividing the sectors have become blurred (Kanter &

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