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## Trends of Corporate Mission Statements: From pursuing profit to distinctive and social value

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### Abstract

*A mission statement has a significant meaning as the initial and essential step in a company's strategic planning process. Previous studies have pointed out the necessity of monitoring and longitudinal study of corporate mission statements as they should be continuously revised against changes in companies' strategies and business environment. This study aims to shed light on what types of strategies and values are currently highlighted in companies' mission statements in comparison with the findings of a well-known previous study. Therefore, this study conducted a content analysis of 491 Fortune 500 companies' mission statements. As a result, we found that "philosophy" is mostly highlighted and "profitability" is not emphasized in contemporary companies' mission statements. Compared to the past study, these findings imply that there have been dramatic changes in the content of corporate mission statements. Besides, this study divided 491 Fortune 500 companies into two groups, high performers and low performers, according to their Fortune ranking and investigated significant differences between high and low performers using t-tests. The high performers were found to more often highlight "self-concept" and "public image" than low performers. However, the difference in mean scores between high and low performers has become smaller than in the past finding. In particular, there is no statistical difference in mission statement component numbers between high and low performers. These findings can provide further understanding about changes of companies' strategic emphasis and the nature of corporate mission statements. This study provides a comparative insight for practitioners making company mission statements.*

*Keywords: Strategic Management; Mission Statement; Fortune 500 companies; Content Analysis*

JEL Classification: M0; M1; M160

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## 1. Introduction

The main purpose of this study is to shed light on what kind of strategies and values are highlighted in contemporary companies' mission statements. Hence, this study focuses on content analyses of 491 Fortune 500 companies' mission statements.

This study's main findings demonstrate that current companies do not strategically pursue profit merely, but pursue distinctive and social value at the same time. These results imply that there are significant changes in companies' strategic emphasis compared to the past. Therefore, this study has implications for strategic planning and the understanding of the nature of corporate mission statements.

This paper consists of 5 sections. The next section will focus on discussions about studies of mission statements in strategic management before clarifying the research questions. In section 3, to fill research gaps, content analyses of 491 Fortune 500 companies' mission statements and t-tests are introduced. In chapter 4, the results of the content analyses and further statistical analyses are presented. In section 5, based on the results and discussions, theoretical and practical implications are described.

## 2. Research Background

A mission statement is defined as a general expression of a company's purpose (Kemp & Dwyer, 2003) and an ideal company's future, which defines the strategic direction (Law & Brenznik, 2018). Furthermore, a mission statement has been defined as "vision", "values, beliefs", "principles", "strategic intent", "philosophy", and so on (Lin & Ryan, 2016).

There has been an extensive discussion about the mission statement's implications for the strategic planning aspect. Ackoff (1987) noted that a company without a shared mission is like a traveller without a destination. Pearce (1987) argued that the mission statement is a company's valuable strategic tool. Pearce & David (1987) argued that the progress of developing a mission statement is an important first step in strategic planning. Besides, Kemp & Dwyer (2003) suggested that developing an organizational mission is an essential part of strategic management. Moreover, a mission statement is necessary for formulating, implementing, and evaluating a company's strategy (Law & Brenznik, 2018; Kemp & Dwyer, 2003).

There are reasons why a mission statement is related to a company's strategic planning. Firstly, a well-established and clear mission statement is essential for formulating a company's short-term and long-term goals, priorities, and future directions (Lin et al., 2018; Ingenhoff & Fuhrer, 2010; King et al., 2010; Kemp & Dwyer, 2003; Pearce & David, 1987, Pearce, 1987). Second, the mission statement plays a significant role in positioning the organization and differentiating it from others (Law & Brenznik, 2018; Lin et al., 2018; Lin & Ryan, 2016; Ingenhoff & Fuhrer, 2010; Kemp & Dwyer, 2003). Most of the companies have unique mission statements (Kemp & Dwyer, 2003), which express their corporate personalities (Lin et al., 2018).

In fact, many scholars have reported that the existence of a clear and well-organized mission statement is associated with higher levels of organizational, financial (Hirota et al., 2010; Alavi & Karami, 2009; Atrilla et al., 2005) and non-financial performance (Dermol & Širca, 2018; Lin et al., 2016; Dermol, 2012; Hirota et al., 2010), so that a comprehensive mission statement indicates a company's high-quality strategic planning endeavor and capability (Pearce & David, 1987). According to Pearce & David (1987), the high performers more often highlighted "customer", "product", and "location" than low performers. However, Bart & Baetz (1998) noted that there is no clear statistical evidence about the association between the existence of a mission statement and a company's financial performance. On the other hand, Dermol & Širca (2018) argued that there was a significant association between the existence of a company mission statement and non-financial performance such as organizational values. According to Lin et al. (2016), the customer's brand trust and brand equity are positively affected by a good mission statement. Also, Dermol (2012) noted that the existence of a mission statement is positively connected with Value Added per Employee (VAE).

In past decades, a large body of literature emerged in the field of corporate mission statements. However, very little attention has been given to the current main themes of the corporate mission statement. Although King et al. (2010) and Lin et al. (2018) tried to show the trend of corporate mission statements, King et al. (2010)'s data set (50 Fortune 500 firms) and Lin et al. (2018)'s industrial background (only the airline industry) were limited. It has been pointed out that the monitoring and longitudinal study of mission statements is necessary (Lin et al., 2018; Kemp & Dwyer, 2003), as corporate mission statements should be revised gradually against changes of environment, strategy, and business practices (Lin et al., 2018; King et al., 2010; Kemp & Dwyer, 2003). This research gap can be bridged by investigating contemporary trends and themes of corporate mission statements.

Based on previous discussions, this study set two research questions:

RQ1: What kind of themes are highlighted in mission statements compared to Pearce & David (1987).

RQ2: Are there differences between high-performers and low-performers' mission statement component numbers compared to Pearce & David (1987).

### 3. Research methodology

This study adopted content analysis as the research method. “(Quantitative) content analysis is the systematic and replicable examination of symbols of communication, which have been assigned numeric values according to valid measurement rules, and the analysis of relationships involving those values using statistical methods, to describe the communication, draw inferences about its meaning, or infer from the communication to its context, both of production and consumption” (Riffe et al., 2014, pp.19).

According to Riffe et al. (2014), this method's advantage is that content analysis is a nonreactive measurement technique. That is, by adopting content analysis, researchers can avoid the bias arising from the process of identifying MS components as the textual content or communication data is separate and apart from communicators and receivers. Moreover, it makes possible longitudinal studies, because “content often has a life beyond its production and consumption” (Riffe et al., 2014, pp.30). This study aims to contribute to longitudinal mission statement studies by shedding light on the changing themes of the corporate mission statement. Therefore, we adopt content analysis as the research method.

To compare with Pearce & David (1987), the seminal work in corporate mission statement research, we used the same Fortune 500 companies' data and research model. We attempted to collect all 500 Fortune 500 companies' mission statements from their official websites manually from July 1<sup>st</sup> to July 30<sup>th</sup>, 2019, and succeeded in collecting 491 statements. Apple (Fortune ranking 3) did not disclose an official mission statement, while the following companies' mission statements could not be accessed from outside the US; Energy Transfer (Fortune ranking 60), HCA Healthcare (Fortune ranking 68), US Foods Holding (Fortune ranking 126), Advance Auto Parts (Fortune ranking 327), Constellation Brands (Fortune ranking 404), NVR (Fortune ranking 425), Ascena Retail Group (Fortune ranking 458), and Ameren (Fortune ranking 469). After that, we divided the data into two groups (high-performers and low-performers) according to their Fortune ranking, which is decided by revenue, profits, assets, and employees. In this study,

the high-performers consist of companies with Fortune ranking 1 to 250 (246 companies), while low-performers consist of those ranking 251 to 500 (245 companies).

It has been pointed out that subjectiveness is a disadvantage of content analysis. To avoid this disadvantage, Riffe et al. (2014) suggested showing a clear coding rule and inter-rater reliability. Table 1 shows the coding rule.

**Table 1. Coding rule**

<b>Components</b>	<b>Definition</b>
<b>Customer</b>	“The specification of target customer and markets” (Pearce & David, 1987, p.109)
<b>Products/Services</b>	“The identification of principal products/services” (Pearce & David, 1987, p.109)
<b>Location/Market</b>	“The specification of geographic domain” (Pearce & David, 1987, p.109)
<b>Technology</b>	“The identification of core technologies” (Pearce & David, 1987, p.109)
<b>Concern for profitability</b>	“The expression of commitment to survival, growth, and profitability” (Pearce & David, 1987, p.109)
<b>Philosophy</b>	“The specification of key elements in the company philosophy” (Pearce & David, 1987, p.109)
<b>Self-concept</b>	“The identification of the company self-concept” (Pearce & David, 1987, p.109)
<b>Concern for public image</b>	“The identification of the firm’s desired public image” (Pearce & David, 1987, p.109)

Source: Pearce & David, 1987

The coding rule includes the components and their definitions in a mission statement. When applying the coding rule, the number ‘1’ was assigned to the component if corresponding contents were present in the mission statement, and ‘0’ was assigned to the variable if corresponding contents were absent. The results were then subjected to t-tests using SPSS.

To assess inter-rater reliability, two coders were involved in this study. Each coder independently analyzed and classified the mission statements. To assess the inter-rater reliability, Cohen's Kappa was calculated by SPSS to be 0.465, which indicates moderate inter-rater agreement (Landis & Koch, 1977).

4. Results

Table 2 shows the frequency of components of 491 Fortune 500 companies' mission statements. The frequency was calculated by SPSS.

Table 2. Frequency of components compared to past findings

Component	Pearce & David (1987)			Present Research		
	Number	Percentage	Ranking	Number	Percentage	Ranking
Customer	29	48%	6	412	84%	3
Product	41	67%	5	421	86%	2
Location	25	41%	7	293	60%	6
Technology	12	20%	8	281	57%	7
Profitability	55	90%	1	198	40%	8
Philosophy	48	79%	3	427	87%	1
Self-concept	47	77%	4	351	72%	4
Public image	53	87%	2	327	67%	5

Source: Pearce & David, 1987 and Authors, 2019

This finding indicates that, compared to Pearce & David (1987), current Fortune 500 companies mostly highlight “philosophy”. On the other hand, current companies do not explicitly emphasize “profitability” in their mission statements. It is a dramatic change from Pearce & David (1987), in that companies now highlight “philosophy” instead of “profitability”.

Table 3 shows the statistical difference between high and low performers' mission statement components compared with Pearce & David (1987) as shown by t-tests.

Table 3. Statistical differences between high and low performers' MS component content

Component	Pearce & David (1987)			Present Research		
	High Performers' Mean Score	Low Performers' Mean Score	Statistical Difference Between Mean Score	High Performers' Mean Score	Low Performers' Mean Score	Statistical Difference Between Mean Score
Customer	0.8947	0.6000	Yes	0.85	0.83	No
Product	0.8947	0.5333	Yes	0.88	0.84	No
Location	1.0000	0.7333	Yes	0.60	0.60	No
Technology	0.4737	0.6000	No	0.58	0.57	No
Profitability	0.5789	0.8667	No	0.40	0.40	No
Philosophy	0.4211	0.3333	No	0.88	0.86	No
Self-concept	0.1579	0.0667	No	0.76	0.67	Yes
Public image	0.9474	0.8667	No	0.74	0.60	Yes

Note: A “Yes” means a t-value statistically significant at less than 0.05.

Source: Pearce & David, 1987 and Authors, 2019

In the past finding, the three components were statistically different between high and low performers. Also, overall, the high performers’ mean scores were bigger than the low performers. In the present research, these tendencies are changed. Only two components are significantly different between high and low performers, that is, high performers more often highlight “self-concept” and “public image” than low performers. Moreover, the difference in mean scores between high and low performers is has become.

In addition to these findings, Table 4 indicates the statistical difference between high and low performers’ mission statement component numbers in the present research.

Table 4. Statistical difference between high and low performers’ MS component numbers

Component Number	Mean		Std. Deviation		t	p
	High Performers	Low Performers	High Performers	Low Performers		
	n = 246	n = 245				
	6.49	6.29	2.006	1.891	1.125	0.261

Note: \* p < 0.05

Source: Authors, 2019

As Table 4 shows, there is no significant difference in mission statement component numbers between high and low performers.

## 5. Discussion, and Conclusions

As described above, current companies mostly highlight “philosophy” in their mission statements. Moreover, the high performers more often highlight “self-concept” than low performers. “Self-concept” indicates a company’s competitive advantage and selling point. Also, according to Kemp & Dwyer (2003), “philosophy” is related to the company’s unique identity and culture. It can be inferred that “self-concept” and “philosophy” make a company’s unique personality, culture and appeal. A company’s strong culture is relevant to sustained competitive advantage (Barney, 1986). Furthermore, as many scholars have pointed out, the mission statement plays a significant role in positioning the organization and differentiating it from others (Law & Brenznik, 2018; Lin et al., 2018; Lin & Ryan, 2016; Ingenhoff & Fuhrer, 2010; Kemp & Dwyer, 2003).

Therefore, it is presumed that due to intensifying competition across industries, companies recognize well that differentiating themselves from competitors is important. Therefore, “philosophy” and “self-concept” are highlighted in contemporary corporate mission statements, while “profitability” is not emphasized. Furthermore, the high performers more often highlight “public image” than low performers. This finding is consistent with King et al. (2010), which noted that contemporary companies emphasize ethical value in mission statements. Pursuing “profitability” is still a significant strategic direction for companies, but it is presumed that the change is due to establishing the concept of Creating Shared Value (CSV). CSV indicates the link between competitive advantage and corporate social responsibility. The concept of CSV highlights value-creating through a commitment to society (Porter & Kramer, 2011). There is no doubt that current companies are embracing more responsibilities to society and communities than ever before. Contemporary companies do not pursue profit merely, but pursue social value at the same time.

Besides, the difference in mean score between high and low performers has become smaller and there is no significant difference in mission statement component numbers between high and low performers. These findings do not deny the previous finding of a positive association between a good mission statement and the company’s performance, but indicate that, compared to the past, current companies well understand the meaning of effort to manage the mission statement, so the gap is diminished. Most of the 491 Fortune 500 companies have either explicit or implicit mission statements. Also, more than half of the 491 Fortune 500 companies in this study have comprehensive mission statements. That is, 330 companies’ (67.20%) mission statements consist of from six to eight components, 147 companies’ (29.93%) mission statements consist of from three to five components, and only 14 companies’ (2.85%) mission statements consist of from zero to two components.

This study’s theoretical implication is that it sheds light on the trend of current companies’ strategic priorities and direction through analysing 491 Fortune 500 companies’ mission statements. Current companies highlight a differentiating strategy. Moreover, they do not pursue profit merely, but pursue social value at the same time. Also, this study can provide further understanding of the nature of the corporate mission statement by presenting the change of mission statement contents. As a practical implication for managers who make companies’ mission statements, these findings are beneficial for a comparative purpose. Thus, when managers decide the strategic direction and future goal of their companies by referencing current cases of excellent companies, they will find these results informative.

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