THE STRATEGIC PLANNING PROCESS: THE LINK BETWEEN MISSION STATEMENT AND ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The strategic planning process requires development of a mission statement for the organization. The mission statement incorporates the organization's purpose and vision for the future. A nine-item mission statement evaluation scale was developed to measure the completeness and quality of an organization's mission statement. Further, the link between the completeness and quality of an organization's mission statement and the organization's financial performance was investigated. Results indicate a significant positive relationship between the completeness and quality of the mission statement and the organization's financial performance. Strategic managers can expect that the result of improving their organization's mission statement will be improved financial performance of the enterprise.
Key words: **Strategic Planning, Mission Statement, Financial Performance, Organization**

INTRODUCTION

Simply put, strategic planning determines where an organization is going over the next year or more, how it is going to get there and how it will know if it is going to get there or not. The focus of a strategic plan is usually on the entire organization, while the focus of a business plan is usually on a particular product, service or programme. Strategy is a course of action for achieving comprehensive objectives (Unyimadu, 2006).

There are variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more a technique than model) etc. Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values and then action plans to achieve the vision while adhering to those values. Some planners prefer a particular approach to planning, for example, the adoption of appreciative inquiry. Some plans are for one year, others extended to three years and some to five years or 10 years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer (Yomere and Osaze, 2003).

Strategic management has in many ways discussed the mission statements that articulate a firm's mission as critical elements of a company's over-all strategic management process. They are championed as important mechanisms to provide crucial information to internal and external stakeholders about the purpose and direction of the organization. Instuctions are provided in ways to properly develop, craft, and write mission statements. Distinctions are regularly made between quality mission statements versus those that lack quality. However, despite this focus, little, if anything is discussed concerning the impacts mission statements have on performance outcomes. This study is designed to investigatye whether the quality and completeness of a firm's mission statement has a positive influence on various organizational performance outcomes (Agbonifoh, 2008).

THEORETICAL FRAMEWORK

Empirical research on the link of strategic planning process on organizational performance was initiated by pioneering studies such as Najjar (1966); Ansoff et al (1970); Thune and House (1970) and Herold (1972). Their findings confirmed the prevailing wisdom about the usefulness of strategic planning. |Following them were numerous research efforts conducting similar analyses. Unfortunately, results were inconsistent. Some reinforced the positive impact of strategic planning (Karger and malik, 1975; Burt, 1978); others cast doubt abou8t its usefulness (Fulmer and Rue, 1974; Grinyer and Norburn, 1975); while the others (Guynes, 1969; Leontiades and Tezel, 1980) failed to establish a significant link between perceived importance of planning and organizational performance.

This inconsistent nature of results motivated some researchers to investigate these studies to obtain possible explanations for this divergence. In mathematics, a differential operator applied to a three-dimensional vector-valued function produces a result serving as a function that describes a rate of change. The divergence of a vector is given by the findings. Kudla (1980) criticized previous studies as lacking control of extraneous factors. Strategic management texts include a process of strategic management that incorporates mission as one of the vital tasks in the strategic planning process (Thompson and Strickland, 2001; Hill and Jones, 2000; Wheelen and Hunger, 2000). In addition, mission statements are presented as important tools for communicating the mission to internal and external stakeholders.

A number of definitions of mission statements exist. Bart and Tabone (1998), Rigby (1998) and Drohan (1999) all provide definitions that essentially say that mission statements should reflect an organization's purpose and the means by which that purpose will be accomplished. Pearce (1982) states that the mission statement should include the ultimate aims of the firm thus providing unity of direction for managers, shared expectations by employees and a projection to customers of what the firm provides and represents. Calefee (1993) says that mission statements answer the questions of what business the firm is into, what its objectives are, and how the company will win the competitive battle in the business environment. This will ensure that all managers understand their role in executing the mission. Research studies attempting to link mission statements to organizational performance have been conducted. Pearce and David (1987) compared mission statements of higher financial performing fortune 500 firms to those of lower financial performing companies. Higher performing organizations prepared written statements for public distribution giving special attention to their corporate philosophy on the firm's (1) basic beliefs, values, aspirations and priorities (2) desired public image, and (3) self-concept, including competitive strengths.

Mission statements are often customer-focused. Germain and Coopera (1990) found that firms that have customner service missions are more likely to seek input from customers and are also more likely to develop and maintain customer service measures. Also, customer service activities by the company are more likely to be monitored by firms with customer service mission statements. Forehand (2000) studied firms within the healthcare industry and concluded that, within this particular industry, solid mission statements can improve the performance of managers, employees and the healthcare organizations. A number of studies, however, concluded that there was no evidence to support the idea that mission statements are positively related to company performance. Bart and Baetz (1998) found no empirical evidence to support the concept that outstanding organizational performance is related to a firm's mission statement – even though they concluded that some specific characteristics of a mission statement may be selectively related to higher levels of performance. The impact of planning sophistication and implementation on firm performance was investigated by Hahn and Powers (1999). Development of a mission statement was one determinant of planning sophistication. It was determined that high levels of sophistication (of which mission statements were a part) did not have an impact on organizational performance. O'Gorman and Doran (1999) replicated Pearce and David's (1987) study using small and medium-sized Irish firms. Results do not support the findings of the earlier study. It was concluded that organizational performance was not positively correlated with mission statements.

There were variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issue-based, organic, scenario model, etc. Goals-based planning is probably the most common and starts with focus on the organization's mission, vision, goals to work towards the mission, strategies to achieve the goals and action planning. Issues-based strategic planning often starts by examining issues faced by the organization, strategies to

address those issues, and action plans. Organic strategic planning might start by articulating the organization's vision and values and when action plans to achieve the vision will be put in operation while adhering to the identified values. Some planners prefer a particular approach to planning, such as, appreciative inquiry. Some plans are made as long as eight pages while others are considerably even longer.

Quite often, an organization's strategic planners already know much of what will go into a strategic plan (this is true for business planning too). However, development of the strategic plan greatly helps to clarify the organization's plans and ensures that key leaders are all on the same script. Far more important than the strategic plan document, is the strategic planning process itself. Many managers spend more of their time fighting fires in the workplace. Their time is spent realizing and reacting to problems. For these managers and probably for many of us, it can be very difficult to stand back and take a hard look at what we want to accomplish and how we want to accomplish it. We are busy doing what we think is making progress. However, one of the major differences between new and experienced managers is the skill to see the broad perspective, to take the long view on what we want to do and how we are going to do it. One of the best ways to develop this skill is through on-going experience in strategic planning. The following guidelines may help you to get the most out of your strategic planning experience (Yomere and Osaze, 2003).

(1) The real benefit of the strategic planning process is the process, not the plan document.
(2) There is no perfect plan. There is doing your best at strategic thinking and implementing and learning from what you are doing to enhance what you are doing the next time around.
(3) The strategic planning process is usually not a known or conversant experience. It is like the management process itself. It is a series of small moves that together keep the organization doing things right as it heads in the right direction.
(4) In planning, things usually are not as bad as your fear it would be nor as good as you would like.
(5) Start simple, but start! (Agbonifoh, 2008).

WAYS TO EVALUATE STRATEGIC PLANNING

McNamara (2008) interpreted major activities of strategic planning to include; (1) Strategic Analysis, (2) Setting Strategic Direction and (3) Action Planning. The three activities are discussed in detail below:

1. Strategic Analysis

This activity can include conducting some sort of scan, or review of the organization's environment (for example, of the political, social economic and technical environment).

Planners carefully consider various driving forces in the environment, for example, increasing competition, changing demographics, etc. Planners also look at the various strengths, weaknesses, opportunities and threats (an acronym for5 this activity is SWOT analysis)

regarding the organizations. (Some people take this wide look after they have identified or updated their mission statement, vision statement, values statement, etc. These statements are briefly described below. Other people conduct the analysis before reviewing the statements (Yomere and Osaze, 2003).

2. Setting Strategic Direction

Planners carefully come to conclusions about what the organization must do as a result of the major iissues and opportunities facing the organization. These conclusions include what over-all accomplishments (or strategic goals) the organization should achieve, and the over-all methods (or strategies) to achieve the accomplishments. Goals and objectives should be designed and worded as much as possible to be specific, measurable, achievable and time bound. An acronym for these criteria for goal or objective achievement is SMART.

At some point in the strategic planning process (sometimes in the activity of setting the strategic direction, planners usually identify or up-date what might be called the strategic philosophy. This includes identifying or up-dating the organization's mission, vision and values statement. Mission statements are brief written descriptions of the purpose of the organization. Mission statements vary in nature from very brief to quite comprehensive and including having a specific purpose statement that is part of the over-all mission statement. Many people consider the values statement and vision statement to be part of the mission statement. New businesses (for profit or non-profit) often work with a state agency to formally register their new business, for example, as a corporation, association, etc. This registration usually includes declaring a mission statement in their charter (or constitution, articles of incorporation, etc. (Unyimadu, 2000).

It seems that vision and values statements are increasingly used. Vision statements are usually a compelling description of how the organization will or should operate at some point in the future and of how customers or clients are benefiting from the organization's products and services. Values statements list the over-all priorities in how the organization will operate. Some people focus the values statement on moral values. Moral values are values that suggest over-all priorities in how people ought to act in the world, for example, intregr4ity, honesty, respect, etc. Other people include operational values which suggest over-all priorities for the organization, for example, to expand market share, increase efficiency, etc. (Yomere and Osaze, 2003).

3. Action Planning

Action planning is carefully laying out plan on how the strategic goals will be accomplished. Action planning often includes specifying objectives, or specific results with each strategic goal. Therefore, reaching a strategic goal typically involves accomplishing a set of objectives along the way. An objective is still considered a goal but in a smaller scale. Often, each objective is associated with a tactic, which is one of the methods needed to reach an objective. Therefore, implementing a strategy typically involves implementing a set of tactics along the way and in that sense, a tactic is a strategy but in a small scale (Agbonifoh, 2008).

Action planning also includes specifying responsibilities and timeliness with each objective, or who needs to do what and when. It should also include methods to monitor and evaluate the plan, which includes knowing how the organization will know who has done what and when. It is common to develop an annual plan (sometimes called the operational plan) which includes the strategic goals, strategies, objectives, responsibilities and timeliness that should be done in the coming year. Often, organizations develop plans for each major function, division, department, etc. and call these working plans (Unyimadu, 2006).

Usually, budgets are included in the strategic and annual plan, and with work plans. Budgets specify the money needed for the resources that are necessary to implement the annual plan. Budgets also depict how the money will be spent, for example, for human resources, equipment, materials, etc. Because the results of these previous studies are conflicting, it is necessary to further investigate the link between mission and performance. This study was designed for that purpose. Generally, it is proposed that the completeness and quality of an organization's mission statement has a significant, positive relationship on an organization's financial performance (Yomere and Osaze, 2003).

METHODOLOGY

Measurement scales were developed for the purpose of scoring the quality and completeness of an organization's mission statement and its degree of organizational performance. The mission scale includes nine criteria derived from Wheelen and Hunger's (2000) discussion of mission statements. The nine criteria include; (10 purpose, (2) Services and products, (3) Competitive advantage, (4) Scope of operations, (5) Philosophy, (6) Vision, (7) Sense of share expectations, (8) Public image, and (9) Emphasis on technology, creativity and motivation. The organizational performance scale includes; eleven performance criteria derived from CNNfn.COM Evaluator summary. The eleven performance criteria include; (1) Revenue, (2) Net Income, (3) Cash Flow, (4) Return on Equity, (5) Return on Assets, (6) Return on Invested Capital, (7) Total Debt to Equity, (8) Long-term Debt to Equity, (9) Price/Earnings Ratio, (10) Price/Sales Ratio, and (11) Price/Earnings Growth Ratio. Each of the mission-related items required response to a 1 to 7 Likert scale anchored with strongly disagree (1) and Strongly disagree (7). Each of the performance-related items required response to a 1 to 5 Likert scale anchored with weaker (1) and stronger (5) than the industry average (Unyimadu, 2007).

Business students enrolled in senior level strategic management courses were trained to review organization mission statements and organizational performance using the survey form. The students were instructed to review mission-related information on the internet sites of individual companies and to assess organizational performance using information provided at a CNNfn site. The resulting data set was factor analyzed to identify the primary components of the mission and performance scales, to determine the most efficient set of items for each component and to assess the reliability of each component scale. Correlation and regression analyses were performed to identify the type and strength of the relationships among the mission and performance components. For purposes of the correlation and regression analyses scale and subscale values were computed as means of the respectively included items (Unyimadu, 2006).

RESULTS

The MISSION scale factored into two primary components each with a relatively high internal reliability. The performance scale factored into four primary components with high reliability exhibited by three of the four. Correlation of the relationship between mission and performance is significant and positive. The relationship is, however, relatively positive if there is surplus outcome. Factor analysis of the mission related variables identified low primary components – PURPOSE and VISION. The purpose component comprises four items; (1) organizational purpose, (2) organizational vision, (3) sense of shared expectations, (4) positive public image, and (5) emphasis on technology, creativity and innovation (Yomere and Osaze, 2003).

The result of the factor analyses are on the MISSION scale and for the "PURPOSE" and "VISION" components, respectively. The results of the factor analysis are done on the PERFORMANCE scale. It was necessary to exclude the items related to revenue and price earnings/growth from the PERFORMANCE scale since neither item loaded strongly on any factor nor inclusion of either item resulted in significant reduction in best values. Internal reliability for the reduced over-all PERFORMANCE scale can be looked into for the RETURN, DEBT, CASH and PRICE components respectively (Agbonifoh, 2008).

CONCLUSION

In strategic planning process, every organization works to attain a mutually agreed goal which will complement the effort of the workers usually tagged performance. Organizations that are pursuing this form of goal set out mission and acting on a framework of purpose carry out the strategic planning process. In doing this, they analyze their activities in line with the pre-determined goals and the output of this process forms the bulk of the performance margin. As an action packed process, the firms arrange the criteria to assess or evaluate the actual outcome in terms of the inputs consumed in that kind of activities. The fairness and the impact of relationship of strategic planning process and performance in any form boil down to the result of the test of the indicators listed in mission variables as in organizational purpose, products, service, market, and expectations, etc., and all these mark status of an improvement or decline in the development level of the firms.