

Exploring the Link between Mission Statements and Organisational Performance in Non-profit Health Care Organisations

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ABSTRACT

The interest among both academics and practitioners in the mission statement has evolved to give rise to a large body of research that has attempted to determine the core elements that a successful mission statement needs to incorporate in order to produce sounding outcomes. Such efforts have however, resulted in contradictory evidence regarding the linkage between mission statement and organisational performance. Against this backdrop, the present study attempts to examine the role of organisational commitment in explaining and clarifying the mission-performance link. Adopting a mainly quantitative approach, this article reports findings obtained from a representative sample of non-profit health care organisations operating in Portugal. The data from the present study clearly demonstrates that the relationship between mission statement and organisational performance is better understood if taken into account the influence of other intervening variables such as the organisational commitment which proved to act as a mediator variable in the aforementioned relationship. The article concludes by suggesting several avenues to further research.

INTRODUCTION

For the past decades, the mission statement has been regarded by relevant management literature as highly crucial to the overall success of an organisation. The potential power of meaningful mission statements in enhancing the organisation'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 and Hupfer, 2004), the mission statement gives a sense of purpose and direction to the organisation, legitimates its existence while providing the context for the development and implementation of a successful strategic plan (Pearce and David, 1987). In addition, a well conceived mission statement is referred to as a tool to facilitate the communication of the organisation's direction and purpose, to provide a control mechanism over the behaviour of employees, to assist the organisation to create a balance between the competing interests of various stakeholders as well as to contribute to a more focused resource allocation (Bart, 1998a; Bart and Baetz, 1998). As

sustained by Bart and Tabone (1998, 54) “mission statements have become recognized in modern management theory as one of the cornerstones of an organization.”

Yet, much of what has been written about mission statements, results in different views regarding its purpose and content. In fact, 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 (Bart, 1996a, 1998, 1999; Campbell and Yeung, 1991; Pearce and David, 1987; Hitt *et al.*, 2002). Therefore, the content of mission statements has been a topic of great interest in the past decades. This is because it is the statement’s specific content, rather than the mere existence of such a document, that makes a difference in firm performance (Bart and Hupfer, 2004). Yet, as some authors point out, further empirical evidence is needed to support the links between the content of mission statements and performance outcomes (Bart and Hupfer, 2004). In this regard, previous research accounts for inconsistent relationships between financial performance measures and the existence of a formal mission statement (Bart and Baetz, 1998). Other studies reported conflicting evidence linking mission statements to financial performance (Bart, 1997a; Bart and Baetz, 1998; Bart and Hupfer, 2004; Bart and Tabone, 1998; Coats *et al.*, 1991; Pearce and David, 1987). One possible justification for this deals with the fact that a mission’s impact on firm success/failure appears to be much more indirect than reported in earlier studies. Driven by the need to overcome these limitations, some researchers acknowledge the need to introduce other intervening variables to fully understand the mission-performance link (Bart, Bontis and Taggar, 2001: 20). This is also in line with other authors who, more recently, have emphasised that to fully understand this relationship, mediating variables need to be considered (Sheaffer, Landau and Drori, 2008).

Following this reasoning, the gap that exists between mission statement and organisational success raises important research questions which relate to factors that can either promote or inhibit the potential role of mission statements in the organisations’ success or its performance. The main purpose of this research, therefore, is to present new empirical data on the relationship between mission and organisational performance. In particular, the paper attempts to examine the role of organisational commitment in explaining and clarifying the mission-performance link. The research was guided by the following questions:

- *What is the relationship between mission and organisational performance?*
- *To what extent does the level of organisational commitment, considered as a mediating variable, influence the relationship between mission and performance?*

By attempting to answer these questions, this research warrants a potential contribution to existing knowledge as far as such endeavour can only be achieved by conceiving a model in which the various interactions among mission, performance and organisational commitment are, to our best knowledge, being empirically tested for the first time. Moreover, extant research has mainly focused on for-profit organisations while other contexts such as the non-profit health sector as been less researched (Bart, 1999; Bart and Tabone, 1998; Bart and Hupfer, 2004; Forbes and Seena, 2006). Therefore the need to empirically examine other organisational contexts justifies our focus on non-profit health care organisations.

The remainder of the article is organized as follows. First we introduce our theoretical framework, discuss the existing literature while presenting the hypotheses that guides this study. Next, the methodology section describes the sampling population, data-collection procedures and measurement of constructs. The following section reports the analytical steps taken and the results obtained. In our concluding section, we present possible future directions for further research.

THEORETICAL BACKGROUND

Mission Statements Components

Previous research has emphasised the benefits that an organisation can achieve by having an effective mission statement. This has led numerous researchers and writers to propose typologies addressing the core elements that should be present in a mission. Yet, the complexity of such effort is noticeable as far as a general lack of consensus exists regarding the identification of mission statements that effectively contribute to the organisation's success. Moreover, contradictory empirical evidence fails to support the link between mission statement and performance. Along these lines, the literature shows a growing consensus on the view that some elements of mission statements do have a greater impact on performance than others (Bart, 1998a), and that the exact nature of the link between mission statements and

performance remains a controversial issue (Bart, 2007). In this respect, the importance in determining the key mission statements that have a direct impact on performance has been recently highlighted (Sheaffer *et al.*, 2008). Accordingly, the authors assert that the empirical corroboration that exists regarding the association between various mission statement constructs and performance is still involved in ambiguity. Therefore, the need to undertake research to shed light on this relationship is still in the forefront.

For the purpose of the present study and deriving from relevant literature which has addressed the concept of mission statements and its measurement, mission statements are herein considered as the set of core elements associated with the main rationales or drivers for developing a mission identified by Bart (1996b; 1997a, 1998a) in previous studies.

Organisational Commitment, Mission Statement and Performance

Organisational commitment has been a frequently studied construct attracting scholars from various theoretical perspectives. While some authors have deeply examined the effects of organisational commitment on job performance and turnover (Farrell and Rusbult, 1981; Gregson, 1992, Meyer *et al.*, 1989), others have focused their analysis on the antecedents and outcomes of organisational commitment (Steers, 1977). Insofar as organisational commitment involves a) a strong belief in and acceptance of the organisation's goals and values; b) a willingness to exert considerable effort on behalf of the organisation and c) a desire to attain membership in the organisation (Porter *et al.*, 1974: 604), the members would be considered as committed to the organisation by being emotionally attached and identified with the organisations goals and values. In a similar vein, such behaviour implies, to some extent a sense of loyalty and commitment in relation to the organisation's mission. This is in line with extant research in which the link between mission and organizational member behaviour has been generally supported (Bart *et al.*, 2001). In this regard, previous studies have examined the way in which various mission-related constructs were actually related with employee behaviour (Bart, 1998a; Bart and Baetz, 1998) and with employee commitment to the mission (Bart *et al.*, 2001). Their studies not only demonstrated the association between mission commitment and employee behaviour but also corroborate the positive effect of employee behaviour on performance.

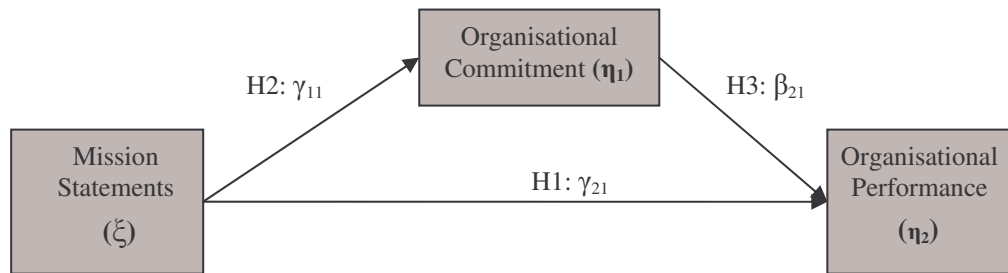
Departing from the assumption which states that mission statements define the firm's purpose and set the 'behaviour standards' for organizational members (Campbell and Yeung, 1991), it can be then expected that mission statements exert an influential role on the way members become committed to the organisational goals and values. By adhering to the values pertaining to the organisational mission, the organisation's members would likely conform to the established organisational objectives. In this respect, previous studies have posited that a significant effect of organisational commitment is that individuals tend to adhere to the organisation's norms (Salancik, 1977). Such behaviour would then lead to the achievement of employee performance (Benkhoff, 1997) which ultimately would also have an impact on organisational performance. In a nutshell, the essential virtue of any mission statement is its capacity to motivate individual and organisational behaviour (Williams *et al.*, 2005). This is in line with authors who maintain that the organisation's success will be jeopardised if its members fail to accept the firm's missions, goals and objectives (Unzicker *et al.*, 2000). In fact, several studies have generally supported the relationship between an organisation's mission and the behaviour of its members (Bart, 1996a, Bart, 1997a, Bart and Baetz, 1998). However, despite their generally recognised importance to firm success, the exact nature of the relationship between mission statements and member behaviour remains largely unexplored (Bart, 2004). Furthermore, previous studies have examined this relationship by assessing the extent to which an employee is committed to the mission, which is different from considering the degree of employee commitment to the organisation. In fact, previous studies have not clearly examined the link between mission statement and the organisational commitment of its members.

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

- H1: Performance will be significantly and positively related with the degree to which mission statement is perceived to be effectively achieved by the organisation.
- H2: The degree of mission statement achievement will be significantly and positively related with the level of organisational commitment.
- H3: Organisational commitment will be significantly and positively related with the degree of performance

Figure 1 depicts the relationship between different constructs which are of supreme importance for achieving long-term sustainable competitive advantage.

Figure 1: Conceptual Model



METHODOLOGY

The present study employs a quantitative approach since it accomplishes the research aims more adequately. The main objective of the present study is to assess the mediating role of organizational commitment in the relationship between mission statement and performance in the non-profit health care sector.

A self-completion questionnaire was developed addressing the following issues: organization profile, performance and mission. Before pre-testing the questionnaire, the content and face validity of the items were assessed by three marketing professors and three practitioners in the area of non-profit health care organisations (DeVellis, 1991). This exploratory stage was undertaken as a means to assess clarity of questions, determine the length of time required for completion, and examine the appropriateness of questions asked to highlight eventual difficulties with the instrument of analysis while providing suggestions for improvement.

Next, an introductory letter and questionnaire were sent to the CEOs of a national-wide population of 250 non-profit health care organisations in Portugal. These organisations were identified from an official database obtained from the state department of health. In the first mailing, a cover letter, a questionnaire and a pre-paid reply envelope was sent to the responsible of the organization. A promise of the summary results was offered to each organization as an additional incentive. This was followed 15 days later by a second mailing that included a reminder letter and a reply envelope. Of these, 143 usable questionnaires were returned. Along this process, 31 questionnaires were discarded from analysis as they did not meet the requirements to be included in the sample. Thus, the final sample comprises 112

organisations, which corresponds to a 44% response rate. It should be noted that this response rate compares quite favourably with other studies in the field. Non-response bias was assessed by comparing the responses of early respondents with those of late respondents (Armstrong and Overton, 1977).

Measurement Scales

Mission statement rationale/ achievement: To assess the degree of mission statement achievement, managers were asked to rate (using a 5-point scale 1=not at all; 5 = to the greatest possible extent) the degree to which they felt their organisations were actually achieving the various mission statement rationales. Given the specific characteristics of the organisations under study, the mission statement rationale was measured using the 10 item scale proposed by Bart (1998a). The items that tap into this construct are the following:

1. to provide common direction / purpose
2. to define the scope of the organization's activities and operations
3. to allow the CEO to exert control over the organization
4. to create standards of performance for the organization
5. to help individuals identify with their organization its aims and its purpose (and to encourage those who do not to leave)
6. to promote shared values among organizational members
7. to promote the interests of external stakeholders
8. to motivate and/or inspire organizational members
9. to help refocus organizational members during a crisis
10. to provide a sound basis for the allocation of organizational resources.

Organisational commitment: We adopted the Jaworski and Kholi (1993) measure of organisational commitment. The items that tap into this construct are the following: 1) Employees feel as though their future is intimately linked to that of this organisation; 2) Employees would be happy to make personal sacrifices if it were important for the business unit's well-being; 3) The bonds between this organisation and its employees are weak; 4) In general, employees are proud to work for this business unit; 5) Employees often go above and

beyond the call of duty to ensure this organisation's well being; 6) Our people have little or no commitment to this organisation; 7) It is clear that employees are fond of this organisation. The proposed items were measured in a 5-point Likert scale where 1= strongly disagree, and 5= strongly agree.

Performance:

Deriving from both relevant literature and exploratory research, several measures of performance were used in the present study. A first concern was to adopt the performance measures that better apply to the specificity of non-profit organisations (*see* Palmer and Randall, 2002). Financial and non-financial measures were used. With regard to the former, the following measures were used: volume of gross income, growth in income, size of profit/surplus and financial equilibrium. With respect to the later, the following measures were considered: quality of working environment; donations; increase rate of beneficiaries/funders; increase rate of volunteers; increase rate of members, treatment abandonment rate and finally the degree of perceived social image. Respondents were asked to evaluate, reporting on the last three years, the extent to which each of the above referred measures performed very poorly (1) or excellent (5).

DATA ANALYSES AND RESULTS

The organisations represented in this sample cover different types services, which mostly includes internment care (57.7%), day health centres (40%), external medical care/counselling services (20%) and health home care (42%). In terms of organizational age, nearly 28% of organisations were founded before the nineteenth century while 16% were set up between 1901 and 1950. The remaining 54% were established from the 1950s onwards.

A structural equation modelling technique called Partial Least Squares (PLS) was chosen to conduct data analysis. This technique combines principal component analysis, path analysis and regression to simultaneously evaluate theory and data (Pedhazur, 1982). The proposed PLS model is analysed and interpreted in two stages: 1) the assessment of the reliability and validity of the measurement model (outer model); 2) the assessment of the structural (or inner model).

The Measurement (or outer) model

The term measurement (or outer) model relates to the connections between each of the latent variables and their reflective or formative items. The first step in interpreting the results is to examine the reliability and validity of measurement scales. In line with previous studies we analyse the inter-construct correlations, construct to item correlations, alpha coefficients, composite reliabilities and average variance extracted (AVE). For those constructs with reflective measures (i.e. latent constructs) one examines the standardized loadings or correlations between the indicators and their respective constructs.

The following step in interpreting the results is to examine measures of reliability and validity. SPAD-PLS computes directly measures of internal consistency (Cronbach's alpha) and composite reliability (Dillon-Goldstein). Table 1 shows that the proposed constructs evidence unidimensionality. In all instances, all composite reliability values and Cronbach's alpha coefficients exceed the 0.70 guideline proposed by Nunnally and Bernstein (1994) thus evidencing a fair level of internal consistency in the responses.

Within-method convergent validity of the constructs is provided by inspection of each construct's average variance extracted (AVE). The AVE for all constructs can be considered satisfactory (AVE > 0.50). Discriminant validity indicates the extent to which a given construct is different from other latent variables. As can be seen from Table 2 most retained items present a correlation higher than > 0.46 on their respective construct, thereby providing support for a high degree of individual item reliability (Hulland, 1999).

Table 1: Measurement weights, standardised loadings and reliabilities

Construct / Variable	Bootstrap Estimation (N=500)				Standardized Loadings	Alpha (α)	(p)	AVE
	Outer Weight (Boot.)	Confidence Limits	S.D	Commu.				
Mission	0.242	[0.139-0.369]	0.55	0.33	0.58			
P7_1: to provide common direction/purpose								
P7_6: to promote shared values among organizational members	0.276	[0.202-0.341]	0.03	0.61	0.78	0.83	0.87	0.59
P7_8: to motivate and/or inspire organizational members	0.287	[0.232-0.328]	0.02	0.79	0.89			
P7_9: to help refocus organizational members during a crisis	0.245	[0.178-0.311]	0.03	0.59	0.77			
P7_10: to provide a sound basis for the allocation of organizational resources	0.240	[0.183-0.287]	0.02	0.70	0.84			
Organizational Commitment								
P5_1: Employees feel as though their future is intimately linked to that of this organisation	0.199	[0.117-0.286]	0.04	0.28	0.53			
P5_2: Employees would be happy to make personal sacrifices if it were important for the business unit's well-being;	0.249	[0.196-0.301]	0.02	0.63	0.79			
P5_4: In general, employees are proud to work for this business unit	0.307	[0.261-0.355]	0.02	0.69	0.83	0.81	0.87	0.57
P5_5: Employees often go above and beyond the call of duty to ensure this organisation's well being	0.289	[0.234-0.332]	0.02	0.73	0.86			
P5_7: It is clear that employees are fond of this organisation	0.258	[0.208-0.310]	0.02	0.57	0.76			
Performance								
P9_3: Growth in income	0.233	[0.160-0.314]	0.03	0.31	0.56			
P9_6: Financial Equilibrium	0.288	[0.187-0.353]	0.04	0.55	0.75	0.74	0.83	0.50
P9_7: Level of competence of collaborators	0.289	[0.203-0.360]	0.03	0.57	0.76			
P9_8: Volume of donations	0.339	[0.280-0.407]	0.03	0.63	0.80			
P9_9: Increase rate of volunteers	0.262	[0.165-0.352]	0.04	0.42	0.65			

Another possibility to gauge the significance of the PLS estimates is to calculate the confidence interval from the bootstrap samples (Temme, Kreis and Hildebrandt, 2006). Discriminant validity is assessed by computing the square root of the AVE for each construct. This value should be higher than the coefficient of correlation among different constructs (Barclay, Higgins and Thompson, 1995). All latent constructs satisfy this condition (see Table 2).

The structural (or inner) model

Table 2 indicates the hypotheses, weights and confidence limits, and T-values in the dependence constructs. Goodness-of-fit in a PLS estimation is demonstrated, according to Chin (1998) by strong factor loadings (or correlations), significant weights, high R-square values and statistically significant structural paths. For hypotheses testing, the bootstrapping procedure (500 sub-samples) was adopted (generating a large number of random samples from the original dataset by sampling with replacement). Most weights for the main pathways were statistically significant which is consistent with Chin (1998) recommendation.

Table 2: Main pathways based on bootstrap estimation of path coefficients

	Structural Relations	Weights (Intervals)	t-Value	Mean (S.D)		1-Mission	2-Org. Com.	3- Perf.
H1: γ_{21}	Mission \rightarrow Performance	0.195 [0.07-0.327]	2.96	3.91(0.79)	1	<u>0.70</u>		
H2: γ_{11}	Mission \rightarrow Org. Commitment	0.583 [0.487-0.686]	11.36	3.67(0.70)	2	0.58	<u>0.75</u>	
H3: β_{21}	Org. Commitment \rightarrow Performance	0.460 [0.330-0.598]	6.86	3.58(0.53)	3	0.46	0.57	<u>0.70</u>

Notes: Org. Com. (Organizational Commitment); Perf. (Performance); *p < 0.01 (2-tailed);

In order to assess the predictive validity of the parameter estimates, the cv-redundancy index (i.e. Stone-Geisser Q^2 test) was computed. As the Q^2 test is > 0 (0.190) it can be concluded that the model has predictive relevance.

As indicated in Table 2, the proposed research hypotheses were supported. Interestingly to note that, although the direct relationship between Mission \rightarrow Performance is significant (γ_{21} = 0.19; p < 0.05), if we consider organizational commitment as a mediating variable (Mission \rightarrow OC \rightarrow Performance) the relationship between mission and performance seems to be higher, that is 0.268 compared to 0.195. In broad terms, these results were in line with the general positive stance assumed by managers concerning the importance of mission statements in the organisational behaviour of both managers and employees. For instance, when managers were specifically asked about their degree of satisfaction with regard to some mission related issues, their answers evidenced an overall consensus regarding the crucial effect of mission statements either on the behaviour of the organisation members or on the managers (See Table 3).

Table 3: Level of satisfaction in relation to mission statements

	Mean	Standard Deviation
I am satisfied with the Mission statements in this organization	4.20	0.792
The Mission statements influence my stance as a manager	4.08	1.015
The Mission statements influence the behaviour of most collaborators	3.98	0.794
The Mission statements compromises and involves all collaborators	4.00	1.074

Likert scale: 1=very unimportant; 5= very important

Interestingly to notice that, for nearly 70% of the managers, the application of mission statements was very well implemented as far as their organisations were perceived as highly achieving their mission statements rationales.

CONCLUSION

The purpose of this study was to empirically explore the mediating role of organisational commitment in explaining and clarifying the relationship between mission statement and performance in the non-profit health care setting. In a context within which mission statements are increasingly popular, managers have made impressive efforts to keep up to date with having adequate and effective mission statements. Yet, not always these efforts have produced visible outcomes in the sense that for an organisation to be successful, simply presenting a well conceived mission statement does not suffice. Such consideration has led some authors to contend that a mission's impact of the organisation success appears to be much more indirect than previously imagined (Bart *et al.*, 2001). In a similar assertion Sheaffer *et al.* (2008) claim that to fully understand the link between mission statement and performance, the potential effect of mediating variables need to be conceptually considered. The empirical research reported in the present article provides strong support for the hypothesised model and thus lends support to the assertion made by the above referred authors.

Overall, the findings of the study suggest that organisational commitment is an important mediator on the linkage between mission and performance. In this regard, the present study adds to existing knowledge as far as the results clearly indicated that organisations in which

their employees evidence a higher degree of organisational commitment, will leverage the potential positive effects of their mission statement on performance. This is in line with current research which suggests that organisations whose mission statements are most associated with financial performance are likely to be more socially responsible (Bartkus, Glassman and McAfee, 2006). As such, managers should strive to reinforce the organisational commitment of their employees in their efforts to enhance the impact of their mission statements on organisational performance.

LIMITATIONS AND AVENUES FOR FUTURE STUDIES

A couple of limitations of this study suggest potential research opportunities. In the present study, mission statements were assessed in regard to what has been considered in the revised literature as its core components. Therefore, further research should consider other mission-related constructs. This includes but is not restricted to assessing the extent to which employees were satisfied with and commitment to the mission statement.

From a methodological standpoint, data in this study were obtained from top managers in each of the non-profit health organisations. In future studies, it would be useful to obtain a broader sample of managers. Additionally, the study should also be extended to non-managers in order to take into account the perspective of other organisational levels. In addition, further validation of the findings with other cultural settings also merits attention.

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