

**Bangor University**

## **DOCTOR OF PHILOSOPHY**

### **Triple bottom line mission and Financial Performance in Egyptian SMEs: The role of CSR”**

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*Award date:*  
2019

*Awarding institution:*  
Bangor University

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# **“Triple bottom line mission and Financial Performance in Egyptian SMEs: The role of CSR”**

*A thesis submitted for the degree of Doctor of Philosophy  
to Bangor Business School, Bangor University*



**By**  
**Reda Abdelkareem**

**2019**

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Yr wyf drwy hyn yn datgan mai canlyniad fy ymchwil fy hun yw'r thesis hwn, ac eithrio lle nodir yn wahanol. Caiff ffynonellau eraill eu cydnabod gan droednodiadau yn rhoi cyfeiriadau eglur. Nid yw sylwedd y gwaith hwn wedi cael ei dderbyn o'r blaen ar gyfer unrhyw radd, ac nid yw'n cael ei gyflwyno ar yr un pryd mewn ymgeisiaeth am unrhyw radd oni bai ei fod, fel y cytunwyd gan y Brifysgol, am gymwysterau deuol cymeradwy.



24-5-19

# **Dedication**

This thesis is dedicated to:

- My father's soul who wished to see this work achieved.
- My mother who devoted her life for my pleasure.
- My wife for her unconditional love and support.
- My bright future Hana, Fatma and Abdulrahman.

## **Acknowledgments**

First and foremost, I would like to thank God for everything. We can achieve nothing without his will, help and support; and peace and blessing be upon his messenger.

Throughout the duration of my PhD, there have been a number of people, without whom my learning would not have been as fruitful as I believe it has been. First, I would like to express my gratitude and appreciation to my supervisor Dr. Azhdar Karami, for his patience, guidance and professional input, and excellent relationship throughout the period of my research. He has been there since the very beginning up until the very end. Thank you Azhdar. Second, I would like to thank Professor Kostas Nikolopoulos, my co-supervisor, for his valuable advice on improving this work, supporting and keeping believing in me. Third, my gratitude goes to Dr. Siwan Mitchelmore, for her insightful comments during my annual reviews.

Special big thank you goes to Julie Boulton for her administration work. I also wish to acknowledge the support of my friends and all staff in Bangor Business School, Bangor University, UK; particularly, RSSS team and ForLab team for providing a supportive environment and encouragement. Also, I gratefully acknowledge all my friends and staff in the faculty of commerce, Kafrelshiekh University, Egypt.

I am particularly grateful to the Egyptian Ministry of higher education, Kafrelshiekh University and Egyptian cultural bureau in London for their financial support and removing all obstacles to fulfill this research.

Lastly, I need to sincerely thank my family members for their love, tolerance, encouragement and continued support. Without which, I would never have completed this thesis.

## **Abstract**

This research sought to explore the mission statement drivers and content of Egyptian SMEs. It investigated the relationship between the mission statement as a set of drivers and financial performance, and whether triple bottom line (TBL) mission statements achieve their ends in terms of financial success or not. Moreover, it examined the moderating role of CSR in the relationship between mission statement and financial performance. To achieve the research purpose, six research questions have been asked and five research hypotheses have been developed. Quantitative data has been collected to achieve this research purpose and the deductive approach has clarified the road map for the researcher. The research develops a conceptual framework depending on two important theories (competitive advantages theory and triple bottom line theory), then moves to an empirical study and tests the previous set of hypotheses. A postal questionnaire survey was the suitable choice for collecting data because of the nature of the research context (Egyptian SMEs) which is very wide and has a great many SMEs. Using structural equation modelling methodology, based on a sample of 298 manufacturing SMEs operating in food production in Egypt, the study emphasized no difference between the mission statement drivers and content demonstrated by the literature in other geographical domains. There are four main results. First, the contents of the mission statement can be seen as a consequence of mission statement drivers. Second, the effect of the mission statement as a set of drivers on the financial performance cannot be emphasized. Third, the TBL mission achieves its ends in terms of financial success. Finally, with respect of the Egyptian context, the financial success can be enhanced by the mission statement through the firm's commitment to CSR practices. This study has contributed to the theory by asserting mission statement drivers and content in a new context. None of the studies investigated the link between mission statement drivers and contents, which has been contributed by this study. Furthermore, it has introduced the term Triple bottom line mission that contributes to the financial success. Moreover, it has provided an explanation for the indirect relationship between mission statement and financial performance through the firm's commitment to CSR practices. Equally important, this study contributes to the practice. Thus firms, in order to gain and maintain an effective mission statement that enhances financial success, need to make three sequential steps. Firstly, firms have to understand why they have or should have mission statements and promote these rationales among all the organization's members. Secondly, develop their mission statement to be consistent with the purposes or rationales for developing it. Thirdly, firms have to practice what they preach in their mission statement through the commitment to CSR practices.

**Key words:** Mission statement, financial performance, CSR, TBL, SMEs, Egypt

## Contents

.....	1
<b>1. Chapter one: Introduction .....</b>	<b>2</b>
<b>1.1. Introduction: .....</b>	<b>2</b>
<b>1.2. Research Background: .....</b>	<b>2</b>
<b>1.3. Rationale of study: .....</b>	<b>4</b>
<b>1.4. Research objectives and questions: .....</b>	<b>6</b>
<b>1.5. Methodology:.....</b>	<b>9</b>
<b>1.6. Structure of thesis: .....</b>	<b>11</b>
<b>2. Chapter two: Literature review .....</b>	<b>14</b>
<b>2.1. Introduction: .....</b>	<b>14</b>
<b>2.2. Strategic Management:.....</b>	<b>14</b>
<b>2.2.1. “Strategy” origin .....</b>	<b>14</b>
<b>2.2.2. Strategic Management concept and definitions: .....</b>	<b>15</b>
<b>2.2.3. Strategic Management Process:.....</b>	<b>19</b>
<b>2.2.4. Strategic Management in SMEs: .....</b>	<b>23</b>
<b>2.3. Strategic Planning:.....</b>	<b>26</b>
<b>2.3.1. Strategic Planning Concept: .....</b>	<b>26</b>
<b>2.3.2. Strategic Planning Definition:.....</b>	<b>27</b>
<b>2.3.3. Strategic Planning Benefits: .....</b>	<b>29</b>
<b>2.3.4. Strategic Planning Versus Strategic Thinking: .....</b>	<b>31</b>
<b>2.3.5. Strategic Planning Process:.....</b>	<b>33</b>
<b>2.3.6. Strategic Planning in SMEs: .....</b>	<b>38</b>
<b>2.4. Mission statement: .....</b>	<b>41</b>
<b>2.4.1. Mission statement definitions and components:.....</b>	<b>42</b>
<b>2.4.2. Mission statement importance: .....</b>	<b>45</b>
<b>2.4.3. Mission statement drivers: .....</b>	<b>49</b>
<b>2.4.4. Mission statement and firm performance: .....</b>	<b>50</b>
<b>2.5. Corporate Social Responsibility (CSR):.....</b>	<b>53</b>
<b>2.5.1. Definitions of CSR: .....</b>	<b>53</b>
<b>2.5.2. CSR and Corporate Benefits: .....</b>	<b>55</b>
<b>2.6. Firm performance:.....</b>	<b>57</b>
<b>2.6.1. Firm performance definition: .....</b>	<b>57</b>
<b>2.6.2. Firm performance measurement:.....</b>	<b>58</b>

2.7.	Small and medium sized enterprises (SMEs): .....	59
2.7.1.	SMEs definition:.....	59
2.7.2.	SMEs characteristics: .....	60
2.7.3.	SMEs and economic prosperity:.....	62
2.7.4.	Egyptian SMEs:.....	63
2.8.	Literature gap: .....	66
2.8.1.	Mission statement drivers: .....	66
2.8.2.	Mission statement contents: .....	66
2.8.3.	Mission statement drivers and contents:.....	67
2.8.4.	The relationship between mission statement and firm performance: .....	67
2.8.5.	The moderating role of CSR: .....	69
2.9.	Chapter summary:.....	70
3.	Chapter Three: Conceptual and theoretical Framework of the study .....	74
3.1.	Introduction: .....	74
3.2.	The conceptual framework: .....	74
3.3.	Components of the conceptual framework:.....	76
3.3.1.	Mission statement drivers and contents:.....	77
3.3.2.	Mission statement and financial performance: .....	83
3.3.3.	The Moderating role of corporate social responsibility (CSR):.....	94
3.3.4.	Performance measurement: .....	98
3.4.	Chapter summary:.....	99
4.	Chapter four: Methodology .....	101
4.1.	Introduction: .....	101
4.2.	Methodology in management research: .....	101
4.2.1.	Research philosophy:.....	101
4.2.2.	Research approach: .....	104
4.2.3.	Research strategy:.....	108
4.2.4.	Research choice:.....	109
4.2.5.	Time horizon: .....	114
4.2.6.	Research onion: .....	114
4.3.	Research variables and measurements: .....	115
4.3.1.	Independent variable: .....	115
4.3.2.	Dependent variable: .....	116
4.3.3.	Moderating variable: .....	123



4.4.	Synthesis research questions, hypotheses, and variables: .....	123
4.5.	Research design:.....	127
4.5.1.	Resource of data:.....	127
4.5.2.	Data collection instruments: .....	128
4.5.3.	Pilot study: .....	133
4.6.	Reliability: .....	134
4.7.	Validity: .....	135
4.8.	Ethical considerations: .....	136
4.9.	Chapter summary:.....	138
5.	Chapter five: Data analysis .....	140
5.1.	Introduction: .....	140
5.2.	The demographic profile of the studied firms:.....	140
5.2.1.	The age of firm: .....	140
5.2.2.	Number of employees in the firm: .....	141
5.2.3.	Formal written mission statement:.....	142
5.3.	The demographic profile of the respondents:.....	143
5.3.1.	The age and the gender of the respondents: .....	143
5.3.2.	The respondents' work experience:.....	145
5.3.3.	The respondents' position in their organization: .....	146
5.3.4.	Education level: .....	147
5.4.	Descriptive statistics analysis:.....	148
5.4.1.	Descriptive statistics analysis of mission statement drivers: .....	148
5.4.2.	Descriptive statistics analysis of mission statement components:.....	150
5.4.3.	Descriptive statistics analysis of corporate social responsibility (CSR):.....	152
5.4.4.	Descriptive statistics analysis of financial performance:.....	156
5.5.	Reliability and validity: .....	157
5.5.1.	Multicollinearity test: .....	159
5.5.2.	Formative items weight: .....	160
5.5.3.	Cronbach's alpha ( $\alpha$ ): .....	161
5.5.4.	Exploratory factor analysis (EFA): .....	161
5.5.5.	Confirmatory factor analysis (CFA): .....	163
5.6.	Data analysis and hypotheses testing: .....	167
5.7.	The model fit statistics:.....	172
5.8.	Chapter summary:.....	174

<b>6. Chapter six: Discussion and conclusion</b>	<b>177</b>
<b>6.1. Introduction:</b>	<b>177</b>
<b>6.2. An overview of demographic profile of Egyptian SMEs:</b>	<b>177</b>
<b>6.3. Revisiting research questions and research hypotheses:</b>	<b>178</b>
<b>6.3.1. Mission statement drivers:</b>	<b>178</b>
<b>6.3.2. Mission statement contents:</b>	<b>181</b>
<b>6.3.3. Mission statement drivers and mission statement contents</b>	<b>183</b>
<b>6.3.4. Mission statement drivers and financial performance</b>	<b>186</b>
<b>6.3.5. Triple bottom line mission statement and financial performance</b>	<b>188</b>
<b>6.3.6. The moderating role of CSR:</b>	<b>192</b>
<b>6.4. Research contribution:</b>	<b>197</b>
<b>6.4.1. Theoretical contribution:</b>	<b>197</b>
<b>6.4.2. Practical contribution:</b>	<b>199</b>
<b>6.5. Research limitation:</b>	<b>200</b>
<b>6.6. Suggestion for further research:</b>	<b>201</b>
<b>6.7. Chapter summary:</b>	<b>203</b>
<b>7. Data Dictionary:</b>	<b>206</b>
<b>8. Questionnaire:</b>	<b>215</b>
<b>9. References:</b>	<b>222</b>

## **Table of Figures:**

<i>Figure 2. 1: Strategic management process .....</i>	<i>21</i>
<i>Figure 2. 2: Comparative strategic management framework.....</i>	<i>23</i>
<i>Figure 2. 3: Strategic planning versus strategic thinking .....</i>	<i>32</i>
<i>Figure 2. 4: Strategic planning process .....</i>	<i>34</i>
<i>Figure 2. 5: Tips to improve strategic planning.....</i>	<i>35</i>
<i>Figure 2. 6: Strategic planning process .....</i>	<i>37</i>
<i>Figure 2. 7: Various barriers to strategic planning .....</i>	<i>40</i>
<i>Figure 2. 8: How to gain superior performance.....</i>	<i>46</i>
<i>Figure 2. 9: The processes employed for enhancing performance.....</i>	<i>53</i>
<i>Figure 2. 10: SMEs distribution by capital value.....</i>	<i>64</i>
<i>Figure 2. 11: SMEs distribution by employee numbers.....</i>	<i>65</i>
<i>Figure 2. 12: SMEs distribution according to economic activity.....</i>	<i>65</i>
<i>Figure 3. 1: Mission statement influence on organizational outcomes.....</i>	<i>82</i>
<i>Figure 3. 2: Mission statement drivers and contents.....</i>	<i>83</i>
<i>Figure 3. 3: Mission statement' drivers and firm performance.....</i>	<i>87</i>
<i>Figure 3. 4: Synthesis of TBL dimensions and mission statement contents.....</i>	<i>91</i>
<i>Figure 3. 5: Mission statement contents and financial performance .....</i>	<i>94</i>
<i>Figure 3. 6: The moderating role of CSR .....</i>	<i>98</i>
<i>Figure 4. 1: The deductive approach logic.....</i>	<i>105</i>
<i>Figure 4. 2: The process of deductive research.....</i>	<i>106</i>
<i>Figure 4. 3: The process of quantitative study .....</i>	<i>111</i>
<i>Figure 4. 4: The process for qualitative research .....</i>	<i>112</i>
<i>Figure 4. 5: The tools for collecting data in qualitative research.....</i>	<i>113</i>
<i>Figure 4. 6: Research "onion".....</i>	<i>115</i>
<i>Figure 4. 7: Structured schedule for designing interview and questionnaire .....</i>	<i>128</i>
<i>Figure 4. 8: Questionnaire design principles.....</i>	<i>129</i>
<i>Figure 4. 9: Questionnaire types .....</i>	<i>131</i>
<i>Figure 4. 10: Questionnaire flowchart.....</i>	<i>134</i>

<i>Figure 4. 11: Data collection process .....</i>	<i>134</i>
<i>Figure 4. 12: The ethical issues in the research process.....</i>	<i>137</i>
<i>Figure 5. 1: The age of the studied firms.....</i>	<i>141</i>
<i>Figure 5. 2: Employee number in the studied firms.....</i>	<i>142</i>
<i>Figure 5. 3: Firms have formal mission statement.....</i>	<i>143</i>
<i>Figure 5. 4: Respondent age and gender bar chart.....</i>	<i>145</i>
<i>Figure 5. 5: The respondents' working experience.....</i>	<i>146</i>
<i>Figure 5. 6: The respondents' position bar graph.....</i>	<i>147</i>
<i>Figure 5. 7: Educational level.....</i>	<i>148</i>
<i>Figure 5. 8: Descriptive analysis for mission statement drivers .....</i>	<i>150</i>
<i>Figure 5. 9: Descriptive analysis for mission statement contents. ....</i>	<i>151</i>
<i>Figure 5. 10: Descriptive analysis for CSR.....</i>	<i>156</i>
<i>Figure 5. 11: Descriptive analysis for CSR.....</i>	<i>157</i>
<i>Figure 5. 12: First output for conformatory factor analysis .....</i>	<i>165</i>
<i>Figure 5. 13: Second output for confirmatory factor analysis .....</i>	<i>166</i>
<i>Figure 5. 14: Structural model with latent variables .....</i>	<i>169</i>
<i>Figure 5. 15: Statistical model.....</i>	<i>170</i>
<i>Figure 6. 1: The relationship between mission drivers and contents .....</i>	<i>185</i>
<i>Figure 6. 2: The relationship between mission drivers and financial performance.....</i>	<i>187</i>
<i>Figure 6. 3: The relationship between mission contents and financial performance.....</i>	<i>189</i>
<i>Figure 6. 4: The moderating role of CSR in the relationship of MD and FP.....</i>	<i>193</i>
<i>Figure 6. 5: The moderating role of CSR in the relationship of MC and FP.....</i>	<i>194</i>

## **List of Tables:**

<i>Table 2. 1: Previous endeavour to define mission statement.....</i>	<i>43</i>
<i>Table 2. 2: Corporate social responsibility aspects .....</i>	<i>55</i>
<i>Table 3. 4: Egyptian SMEs definition.....</i>	<i>60</i>
<i>Table 3. 5: SMEs' problems and opportunities .....</i>	<i>62</i>
<i>Table 3. 1: Conceptual framework benefits through research process .....</i>	<i>76</i>
<i>Table 3. 2: Overview of the studies developing mission statement rationales .....</i>	<i>79</i>
<i>Table 3. 3: Synthesis of TBL dimensions and mission statement contents .....</i>	<i>92</i>
<i>Table 4. 1: The difference between positivism and interpretivism .....</i>	<i>103</i>
<i>Table 4. 2: The differences between inductive and deductive approach .....</i>	<i>107</i>
<i>Table 4. 3: The difference between qualitative and quantitative approach .....</i>	<i>110</i>
<i>Table 4. 4: Methodological choices adopted by literature .....</i>	<i>117</i>
<i>Table 4. 5: Synthesis research questions, hypotheses, and variables.....</i>	<i>123</i>
<i>Table 4. 6: Secondary data advantages and disadvantages .....</i>	<i>127</i>
<i>Table 4. 7: Comparison between questionnaire and structured interview.....</i>	<i>130</i>
<i>Table 5. 1: The age of the studied firms.....</i>	<i>141</i>
<i>Table 5. 2: Respondent age and gender cross tabulation.....</i>	<i>144</i>
<i>Table 5. 3: Descriptive analysis for mission statement drivers .....</i>	<i>149</i>
<i>Table 5. 4: Descriptive analysis for mission statement contents. ....</i>	<i>151</i>
<i>Table 5. 5: Descriptive statistics analysis for CSR.....</i>	<i>152</i>
<i>Table 5. 6: Descriptive analysis for CSR practices .....</i>	<i>153</i>
<i>Table 5. 7: Descriptive analysis for financial performance .....</i>	<i>157</i>
<i>Table 5. 8: Mission drivers VIF.....</i>	<i>159</i>
<i>Table 5. 9: Mission drivers' weight.....</i>	<i>160</i>
<i>Table 5. 10: Cronbach's alpha analysis .....</i>	<i>161</i>
<i>Table 5. 11: KMO and Bartlett's Test.....</i>	<i>162</i>
<i>Table 5. 12: Factor loading for the research variables.....</i>	<i>162</i>
<i>Table 5. 13: Exploratory factor analysis .....</i>	<i>163</i>
<i>Table 5. 14: Scale composite reliability and AVE.....</i>	<i>167</i>
<i>Table 5. 15: Hypotheses testing result.....</i>	<i>171</i>

<i>Table 5. 16: GoF evaluation criteria.....</i>	<i>173</i>
<i>Table 6. 1: Mission statement drivers.....</i>	<i>179</i>
<i>Table 6. 2: Mission statement contents.....</i>	<i>182</i>

# **Chapter One**

## Introduction

### 1. Chapter one: Introduction

#### 1.1.Introduction:

The prior research (e.g. Ireland & Hitt, 1992; Bart et al., 2001; Bart & Hupfer, 2004; Macedo, et al, 2016) on mission statements and performance relationship was inconclusive so the main aim of this research is to explore the mission statement drivers and contents in an Egyptian small and medium sized enterprise (SME) context. Furthermore, to investigate the relationship between the mission statement (drivers and contents) and financial performance, with the moderating role of corporate social responsibility (CSR) in SMEs. The specific emphasis is on mission statement contents, including triple bottom line dimension (economic, social and environmental contents) and their effects on financial firm performance in SMEs. This chapter focuses mainly on introducing the study. The chapter starts with research background and introduces briefly the prior endeavour in this minor field of study. Then comes the rationale of the study covering a broad range of literature on mission statement and firm performance. Research objectives and questions are covered in this chapter. Furthermore, it outlines the methodology used in this study to examine the research hypotheses. Finally, the structure of the thesis is presented at the end of this chapter.

#### 1.2.Research Background:

Today, more attention is paid to small businesses from strategy scholars (Heavin and Adam, 2012; Acquaah, 2011). Interestingly, this is a natural result of the critical role of SMEs in economic prosperity and employment (Karami, 2007). Indeed, 67% of the European workforce is created by European SMEs (Avram & Kuhne, 2008), and Egyptian SMEs employ around 65% of the total employment and contribute over 80% of the economic value. “Egyptian SMEs have been long considered as the largest SME hub in the Middle East as per operating density and pure numbers, Egypt’s current economic challenge is forcing it to rebuild and reinforce this vital base” (Central bank of Egypt, 2016).



Interestingly, the biggest two challenges facing SMEs are how they are developing and strengthening their resources because if they fail to do this, they will lose their competitiveness and they still depend on the actions of others (Thompson, 2001; McDowell, et al, 2015); second, how they can promote shared understanding for all the organization (Vila & Canales, 2008; McDowell, et al, 2015). Fortunately, the most cited benefit is having a mission statement to inspire employees and allocate resources (e.g. Campbell, 1993; Collins & Porras, 1991; Daniel, 1992; Ireland & Hitt, 1992; Germain & Cooper, 1990; Klemm et al., 1991; Wilson, 1992; Bart, 1998; Bart et al., 2001; Bart & Hupfer, 2004; Karami, 2007; Dermol, 2012) while protecting the small sized enterprises from the challenges they face. Indeed, a mission statement has been recognized as an active management tool to guide the development of an organisation and to focus all changes towards the declared objectives (Drucker, 1990; Sawhill & Williamson, 2001; McDonald and Sarfraz, 2015). Furthermore, it guides the strategic planning system where it provides a common direction and transcends individual and unit needs: defining the organization's scope of business (Baetz & Bart, 1996). In addition, it has two important roles according to Klemm et al (1991); one for the external relationship between the firm and the public and the other to push the employee within the organization.

The mission statement can be used as a competitive tool to ensure higher customer service and actually realize the customer service goals where the positive effect of the mission statement on customer service is drawn (Germain & Cooper, 1990). Moreover, behavioural performance is positively correlated with the mission statement (Bart, 1998; Bart & Tabone, 2000, Bart et al., 2001). However, in terms of financial performance the results are inconsistent (Bart 1997a; Bart, 1997b; Bart & Hupfer, 2004; Bart, 2007; Macedo, et al, 2016). Hence, these unstable results lead scholars to call for developing new conceptual

models that would better explain this relationship (Bart et al., 2001; Macedo, et al, 2016).

Corporate Social Responsibility (CSR) is likely to enhance the relationships between the firms, its staff, and the different groups of a community (Rupp, et al, 2006). In addition, a firm's commitment socially has a positive influence on current and prospective employees (Increased Ability to Motivate, Attract, and Retain Employees), as well as executives and citizens (Kotler & Lee, 2005). Therefore, CSR is likely to assist mission statements to adapt the balance between internal and external stakeholders. Mission statements that find the balance between internal and external stakeholders guide top managers in a way that reflects financial success (Galpin, et al, 2015; McDonald and Sarfraz, 2015; Marimon, et al, 2016).

### **1.3.Rationale of study:**

“Walk the talk” (Marimon, et al, 2016) and “Practice what you preach” (Bartkus & Glassman, 2008) are the golden rules to let mission statements work and gain the positive outcomes from having such a statement. In modern management theory, mission statement is considered one of the cornerstones of the organizations (Bart & Tabone, 1999). It guides all employees in an organization to work together in the same direction and provides a good image about the organization to all stakeholders. Thus, strategic management books discuss the mission statement as a first step in strategic planning (e.g. Karami, 2007; Varbanova, 2013; Wheelen, 2015). Therefore, it has generated a lot of scholars' interest in the last decades but most of these researchers have focused on defining the mission statement, specifying the characteristics of a mission and describing mission contents (Campbell, 1993; Baetz & Bart, 1996; Bart, 1997a; Collins and Porras, 1991; Daniel, 1992. David, 1989; Drucker, 1974; Ireland and Hitt, 1992; Klemm et al., 1991; Pearce and David, 1987; Wilson, 1992; Bartkus,

et al, 2006; O’Gorman and Doran, 1999; Sufi & Lyons 2003; Analoui, et al., 2009).

Regarding the positive outcomes of the mission statement in performance, the results were equivocal. The main reason for this may be the neglect by prior researchers to connect specific contents in the mission statement with financial firm performance indicators (Bart, 1997a&b; Bart & Hupfer, 2004; Bart, 2007; Macedo, et al, 2016). Therefore, one of the rationales of this study is to fill this gap in the literature. Given the importance of SMEs for economic prosperity and job creation (Aragon-correa et al, 2008), it is important to develop strategic planning in these enterprises. In particular, the contents of the mission statement is considered a flag around which all organization members gather.

While the mission is of huge concern from an academic prospective, it has received insufficient concern from businesses, particularly small businesses. Thus, the importance of this study is to convince these firms to give more attention to the mission statement and allocate resources for developing it. In order to achieve this, the academic community has to provide empirical evidence for the effect of mission statement on performance. However, to gain superior performance from having such a statement, businesses have to practice what they promise in their missions. The firms not only have a desire to convince their stakeholders that the businesses are doing the right thing, but also to avoid the external pressure from the government and the community as a whole (Joyner & Payne, 2002). In addition, all actions taken by the organizations are classified by the firm’s stakeholders to be moral or not (Jones, et al, 2007; Heath, 2006), and this has an ultimate impact on final performance. No doubt, CSR practices are one of the pieces of empirical evidence that indicate firms practice what they promise, particularly with the ongoing demand for firm engagement in social responsibility (Amato & Amato, 2002). Also, research has indicated the positive effect of CSR for enhancing profitability (e.g. Luo & Bhattacharya, 2006;

Margolis et al., 2007; Roshayani, et al, 2009; Abu Bakar & Ameer, 2011; Alafi & Hasoneh, 2012; Saeidi, et al, 2015). Hence, the commitment with CSR practices could be the missing variable, which helps the mission to achieve its fundamental goals and enhance financial performance. Furthermore, including CSR in examining the relationship between performance and mission statement might be a response to the call from Bart and Hupfer (2004) to find intermediary variables to interpret this relationship; also, a response to the call from Macedo et al (2016) for developing a new conceptual framework to better explain this relationship.

#### **1.4. Research objectives and questions:**

The first objective of this research is to explore the mission statement drivers in the Egyptian SMEs. The literature introduced many rationales for creating mission statements in UK, EU, and US companies (e.g., Sufi & Lyons, 2003; Karami, 2007; Mullane, 2002; Macedo et al, 2016; Want, 1986; Campell, 1997; Klemm et al, 1991; Ireland & Hitt, 1992; Bart, 1996<sub>a,b</sub>; Bart, 1997<sub>a</sub>). However, no studies explored these rationales in the Egyptian context. Thus, the first research question is to explore the mission statement drivers in the Egyptian SMEs:

*RQ1: What are the primary rationales for developing mission statements in Egyptian SMEs?*

The second objective of this research is to explore the mission statement contents in the Egyptian SMEs. While Varbanova (2013) divides the content into four namely, customer, external stakeholders, society and people in the organization, Sufi and Lyons (2003) divide the content of the mission statement of the hospitality firms into 28 including, employees, brand values, quality, products, building on strengths and so on. However, the most cited nine contents for the mission statement are, Customer, Products, Geographic Domain, Technology, Survival, Growth & Profitability objectives, Company Philosophy,

Self-Image, Public Image, Employee (David, 1989; Analoui & Karami, 2002<sub>a</sub>; Sufi & Lyons, 2003). Hence, the second research question is to explore the mission statement contents in the Egyptian context.

*RQ2: What are the contents of the mission statement in Egyptian SMEs?*

The third objective of this research is to investigate the relationship between mission statement drivers and contents. The mission should define not only what the organization is, but also what the organization wants to be (McGinnis, 1981). However, the mission statement rationales or drivers consider the forces that motivate the firms to develop their mission statement. Thus, one would expect that mission drivers should be reflected in the mission contents. Therefore, the third research question is:

*RQ3: What is the relationship between mission statement drivers and contents?*

The fourth and fifth objectives of this research are to investigate the relationship between mission statement, the set of mission drivers and financial firm performance; and explore the role of triple bottom line mission statement in enhancing financial performance. The literature in the field (e.g. Sufi & Lyons 2003; Bart & Hupfer, 2004; Bart, 2007; Analoui, et al., 2009; Macedo, et al, 2016) holds much interest to illustrate the components that should be included in the mission and the objective of having a mission statement. However, endeavours examining the impact of the existence of the mission on firm performance have yet to establish solid empirical evidence for this relationship. While some researchers support the positive impact of the mission on performance (Analoui & Karami, 2002<sub>a</sub>; Bart, 1996<sub>a</sub>; Beatz & Kenneth, 1998; Mullane, 2002; Sidhu, 2003; Analoui, et al., 2009), other scholars deny this positive relationship (David, 1989; Pearce and David, 1987; Bartkus, et al, 2006; O’Gorman and Doran, 1999; Sufi & Lyons 2003).

Many scholars indicate that these inconclusive results are from the neglect of prior research to connect specific contents within the mission statement with firm performance (Bart 1997a; Bart, 1997b; Bart, 1997b; Bart & Hupfer, 2004; Bart, 2007; Macedo, et al, 2016). Thus, Bart and Hupfer (2004) called for further research to investigate which components anticipate performance. Then, Macedo et al (2016) called for further research to investigate mission statement firm performance relationship in other places and develop a new conceptual framework that clearly interprets this relationship. Therefore, examining the relationship between mission statement contents and financial performance one of the gaps highlighted by the literature and this research seeking to cover.

According to Galpin, et al., (2015), an organization's mission statement is considered the flag that sends signals not only to the employees but also to the external stakeholder about the firm's focus and direction. Furthermore, it is a symbol of the company (Campbell, 1997), which communicates a good public image to the audience outside the organization (Klemm, et al, 1991). However, the emphasis on triple bottom line dimension (economic, social and environmental) leads the firms to achieve and maintain the financial success (Dwyer, 2005; Fairley et al., 2011). Therefore, it is expected that the triple bottom line mission will contribute to the financial success and communicate the company's interest with social and environmental variables to its stakeholders. Hence, the fourth and fifth research questions are:

*RQ4: What is the relationship between mission statement drivers and financial firm performance?*

*RQ5: Does a triple bottom line mission statement enhance financial firm performance?*

The sixth objective of this research is to investigate the moderating role of corporate social responsibility in the relationship between mission statement and firm performance. Bart et al., (2001) argue that there is a positive effect of mission statement on firm performance but we need intermediary variables to do this. In

addition, mission statements that adapt the balance between internal and external stakeholders guide top managers in the way that reflects financial success (Galpin, et al, 2015; McDonald and Sarfraz, 2015; Marimon, et al, 2016). However, CSR is considered one of the competitive advantages (Barney, 2001; Branco & Rodrigues, 2006) that allow an organization to outperform its competitors (Porter, 1985) and today CSR is a fundamental dimension of contemporaneous business activities (Kotler & Keller 2012) and captures critical interest from the public. So one would expect that to achieve successful performance, managers must build a bridge with their stakeholders and convince them to support the organization. The engagement in CSR practices, however, may improve the image of the organization internally as well as externally. Hence, the sixth research question is:

*RQ6: Does CSR play a moderating role in the relationship between mission statement (drivers and contents) and financial firm performance?*

### **1.5.Methodology:**

The empirical part of this study has been applied in Egyptian SMEs, particularly the manufacturing small and medium sized enterprises operating in food production. Quantitative data has been collected in order to achieve this research purpose and the deductive approach has clarified the road map for the researcher. Since the research develops a conceptual framework dependent on two important theories (competitive advantages theory and triple bottom line theory) it moves to an empirical study and tests the proposed set of hypotheses. A questionnaire survey was the suitable choice for collecting data because of the nature of this research context (Egyptian SMEs) which is very wide and has many SMEs. In addition, the data has been collected at a single point in time as recommend by the cross-sectional project design.

This research measures financial performance depending on some financial measurements such as ROI, ROA, and sales growth. It has employed secondary data published by organizations about the list of small businesses operating in



Egypt and the contact details of these firms; meanwhile, primary data has been collected about the rationales of having a mission statement and its contents, moreover, to what degree these organizations commit to corporate social responsibility and financial performance indicators. Hence, this research has adopted both kinds of data sources, primary and secondary data.

A pilot study has been used to ensure that the research instruments work in a good manner and are well designed. In this study, a pilot study was conducted on some lecturers from Kafrelshiekh University, Egypt to get feedback about questionnaire design and contents. After getting the feedback, the questionnaire was revised with respect to the respondents' comments. Furthermore, since this research has been applied in the Egyptian environment where they speak a different language (Arabic), translation errors have been avoided from English to Arabic. The translation and re-translation technique has been applied. The English questionnaire has been translated to Arabic then the Arabic version has been sent to someone else to translate it to English again to compare with the original English questionnaire.

A descriptive analysis has been done and validity and reliability of measurements examined. The research hypotheses have been tested using structure equation modelling methodology. Smart PLS 3 software was used to test and analyse the relationships among variables in this research model. The reason for considering this methodology as an appropriate technique is four-fold. First, SEM-PLS explicitly defines the unobserved variables, which helps to avoid unacceptable or incorrect solutions (Fornell and Larcker, 1981). Second, the path analysis and the prediction of the endogenous variables is the focus of this research (Carrion, et al., 2016; Roldan and Sanchez-Franco, 2012). Third, the nature of this study is its use of a combination of formative and reflective variables (Macedo et al., 2016). Fourth, it works well with the small sample size



(Richter et al., 2015); however, the sample obtained for this research was not that small.

### **1.6. Structure of thesis:**

This thesis consists of seven chapters. This chapter (chapter one) is the introductory chapter which has presented the main aim of this study and the background surrounding the research variables. It also addressed the rationale of the study. It then illustrated the research objectives and questions. Then it discussed briefly the methods used to achieve the research purposes.

Chapter Two starts with the broad area of the research, which is strategic management and introduces the originality of the concept, definitions and the main theories in this area. Then it discusses the strategic planning as a first and important step in strategic management. Thereafter, the chapter presents the mission statement as a first step in strategic planning and then it moves to presenting the definitions and the previous work related to corporate social responsibility. Moreover, the chapter discusses the small and medium sized enterprises (SMEs) as a field of study and the nature of Egyptian SMEs as a research context.

Chapter Three is concerned with building the theoretical and the conceptual framework of the research. It critically discusses the previous endeavour in this minor area and demonstrates the proposed relationships between research variables. It also introduces the research hypotheses and the theories supporting these hypotheses.

Chapter Four provides the research methodology. It answers important philosophical questions such as the research philosophy and research approach. Then it illustrates the choices of research and the time horizon and moves to the adopted methodology to achieve the research objectives and the design of research. The chapter ends with data collection instruments and the method to collect and analyse the data.

Chapter Five presents the collected data. It introduces validity, reliability and descriptive analysis. Moreover, the chapter provides a detailed analysis for empirical data and testing hypotheses.

Chapter Seven presents the findings from data analysis and discusses accepting or rejecting the hypotheses. Furthermore, it connects the results from data analysis with the prior research results. The chapter presents the theoretical and empirical contributions. It also provides the limitations of the study and recommendations for future research.

# **Chapter Two**

## Literature Review

## **2. Chapter two: Literature review**

### **2.1.Introduction:**

This chapter provides an overview of the literature starting with strategic management definitions, process and how small businesses can benefit. Then, the chapter will discuss strategic planning, considered the core concept of strategic management, and distinguish between strategic planning and strategic thinking. Thereafter, it will discuss the mission statement definitions and benefits, which can be obtained by firms that develop a mission statement. Furthermore, the concept of corporate social responsibility will be introduced. Finally, the chapter will conclude with the conceptual framework for this research and chapter summary.

### **2.2.Strategic Management:**

#### **2.2.1. “Strategy” origin**

Before talking about strategic management, it is worth mentioning “strategy” as a concept. The term strategy comes from the Greek army, and refers to a military general (David, 2009). The Greek verb “stratego” means to “plan the destruction of one's enemies through effective use of resources” (Bracker, 1980). According to Cambridge dictionary, Strategy is a road map with full details to obtain success in many situations such as politics, industry, war, sports, and business or how to have the skills of planning for such situations. In this context Dixit et al., (2009; P. 28) state that “strategy is a complete plan of action”. An excellent strategy is the shortest way to fulfilling a wish by available means (Cinar & Karcioglu, 2013). However, the concept of strategy has been applied in business studies since 1960 (Ansoff, 1965; Chandler, 1962). Hakansson and Snehota (1989) stated that the definition of strategy is open to intuitive interpretation and is often still implicit, especially in business organizations, and contains a degree of opportunism. Furthermore, business strategy as well as military strategy consist of three main processes: formulation, implementation, and evaluation. The main difference between them is that business strategy works

with a competition assumption, whereas military strategy is based on conflict assumptions (David, 2009).

### **2.2.2. Strategic Management concept and definitions:**

The engagement of strategy in the business world increased after the Second World War where the environment played a critical role in moving business from a higher degree of stability into a more rapidly competitive environment (Bracker, 1980). Ansoff (1969) has attributed these environmental changes to two significant factors: Firstly, the notable change rate within firms. Second, the huge amount of science and technology application in the management process. These environmental changes spawn threats, while establishing new surprising opportunities as well (Steiner & Miner, 1982). However, creating a competitive advantage, which enables the organization to outperform its competitors by developing or acquiring some combination of good features, can be primarily attributed to the strategic management (Chen et al, 2015). The winner is the competitor with the better strategy or who has the clear strategy (Mintzberg, 1987). In addition, population rate, technology development, and income change create new needs and opportunities for organizations to employ its resources in a more profitable way, which leads to strategic growth (Chandler, 1962; Chen et al, 2015).

Cinar and Karcioğlu (2013) stated that there are two main factors in strategic management. Firstly, any organization needs three continuing processes to apply the strategic management concept: namely, analyzing, decision making, and actions. That is why strategic management is concerned with analyzing strategic directions (mission, vision, and strategic goals) in the light of environmental variables of the organization whether internal or external variables; after that, leaders have to be able to take strategic decisions. Finally, it is about sustaining advantages for a long time to define how to compete. Without

strategy, the organization is an assortment of individuals, each going her or his own way (Mintzberg, 1987).

Strategic management as a concept is used currently to refer to the process of strategy formulation and implementation in public and private organizations (Ansoff, 1965; Andrews, 1971; Porter, 1980; Steiner & Miner, 1982). Karami (2007) agrees with this view, as he argues that strategic management reveals the development and implementation of the strategy. The path of effective strategic management can be taken only after the firm formulates its strategy (Analoui & Karami, 2003).

The problem of strategy is greatly concerned with the matter of business objectives. The choice of the firm's product-market portfolio represents the core of strategy; however, the behavioural and informational variables have a strong impact on its solution, and there are great differences in strategic behaviour among firms (Ansoff, 1969). Pricop argues that the main element to achieve the modern approach of strategic management theory is adaptation according to the current trends: dynamic markets, sustainable strategy, the necessity of ensuring overall perspective in the long run for accomplishing the proposed purposes. He says "this approach must be first of all seen as a demarche founded on new strategic thinking principles and on new coordinates of understating what is happening in the world economy" (Pricop, 2012; p. 107).

Strategic management concept focuses on the creation of will (Cummings & Daellenbach, 2009). Therefore, there is a significant feature of this concept in top-level management strategic activities (Steiner & Miner, 1982; Mintzberg, 1979; Ansoff, et al, 1979). However, Andersen (2000) argues that the process of developing strategy should be recognized as a hierarchical process. In the light of company goals, the top management draw the overall strategic plan; however, the general managers outline the business strategic plan and middle managers set the functional goals and strategies. So the concept of strategic management is

influenced by leadership (Kolluru, 2015) and has independency relationships with many fields of study. Nerur, et al, (2015) mentioned that strategic management has an integrative role with many fields. It has a strong relationship with many interdisciplinary fields where the knowledge flows to and from sociology, ethics, technology, economics, innovation, finance, entrepreneurship, and international business.

Hence, to define the strategic management concept, we cannot ignore the major contribution to the strategic management field by the leading researchers (e.g. Chandler, 1962; Ansoff, 1965; Drucker, 1954; Bracker, 1980; Mintzberg, 1979), who have made continual efforts to define the term strategic management. For instance, Ansoff (1965) outlines the strategy in business as “a rule for making decisions determined by product/market scope, growth vector, competitive advantage, and synergy”; (P. 100). Stonehouse and Pemberton (2002) stated that, “Strategic Management can be conceptualized as a set of theories and framework supported by tools and techniques designed to assist managers in thinking, planning and acting strategically, in simple terms, it concerns the long term success of the whole organization and is a vehicle through which managers can plan for the future”; (P. 853). However, internal factors were the major focus in Drucker’s (1962) definition, as he states, “Strategy is analyzing the present situation and changing it if necessary. Incorporated in this is finding out what one's resources are or what they should be” (P. 17). Furthermore, Chandler (1962) agreed with this definition, as he stated that, “Strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (P. 13).

On the other hand, external factors were the main concern in Hakansson and Snehota’s (1989) definition, as they argue “Strategic management is seen as a process of adapting the pattern of activities performed by the organization to the external environmental conditions in which the organization operates” (P.

189). However, Bracker (1980) considers the internal environment as well as external, saying, “strategic management entails the analysis of internal and external environments of a firm to maximize the utilization of resources in relation to objectives” (P. 219). In this context, strategic management is defined as the process of developing corporate mission, goals, and objectives in the light of internal factors (strengths and weaknesses) and external factors (opportunities and threats) which is known by SWOT analysis (Cinar & Karcioğlu, 2013). Mintzberg (1979) refers to the importance of taking a decision to adapt to these environmental changes. “Strategy is a mediating force between the organization and its environment: consistent patterns in streams of organizational decisions to deal with the environment” (P. 25).

According to Steiner and Miner (1982) “Strategy is the forging of company missions, setting objectives for the organization in light of external and internal forces, formulating specific policies and strategies to achieve objectives and assuring their proper implementation so that the basic purpose and objectives of the organization will be achieved” (P. 18). Furthermore, Andrews’ (2012) definition includes the choice of purpose, and the choice of the essential policy-level as well. So the corporate strategy is “the pattern of major objectives, purposes, or goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be”.

However, strategic management can best be defined by examining the purpose it serves which is “to provide both directions and cohesion to the enterprise. Providing directions is the traditional objective assigned to corporate strategy: to give the company a sense of purpose and mission. Providing cohesion is an objective of corporate strategy that is often ignored. Yet it is not only important but also more essential than providing directions” (Uyterhoeven, et al., 1977; P. 7).



As mentioned above, some researchers are concerned with a firm's internal environment while others refer to the external environment. A third group includes the internal/external environment. Analoui and Karami (2003), however, conclude "Strategic management is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims and fulfilling both over time....to evaluate the external factors and internal strengths and weaknesses of the firm".

### **2.2.3. Strategic Management Process:**

Strategy, considered a common scheme in all planners' minds, is a stable glue that can orient the firms towards the greatest aim (Vila & Canales, 2008). It is essentially concerned with setting the supporting aims of the organization beside outlining the suitable goals and working to achieve both over time (Karami, 2007). However, the sequential steps such as setting goals, environmental factor analysis, strategy formulation, strategy implementation, and control are considered the fundamental processes of strategy development which strategic management builds on (Andersen, 2000). Donoso and Crittenden (2008) refer to three levels of strategy: corporate strategy, at the highest level, which includes critical decisions like business type and allocating company resources. Business strategy, in the second level, is associated with a subsidiary or business unit. The third level is functional strategy, which involves various necessary activities to gain the competitive advantages.

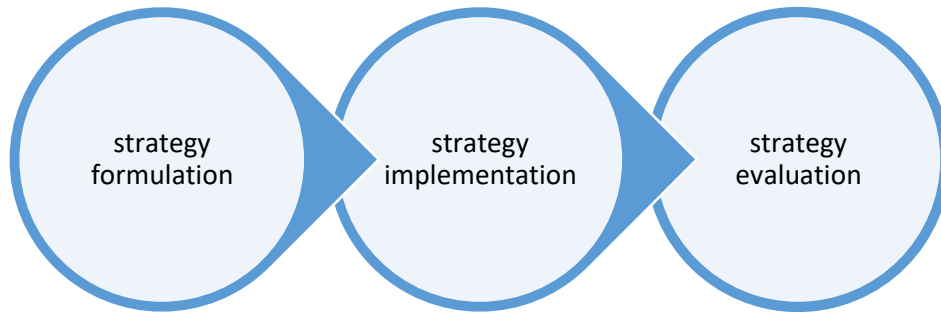
Thompson (2001) divided strategic process into three important elements: strategic awareness (understanding the real situation), ideas and strategic choice, and strategy implementation. In this context, Andrews (1971) stated that "corporate strategy has two equally important aspects, the first of these is formulation; the second is implementation". As can be seen from Thompson and Andrews's division, they ignored the evaluation stage though it is vital in assessing the success of the chosen strategy. A critical evaluation of strategy

formulation will provide useful insights and clarification for planning failure (Harris & Ogbonna, 2006). Glaister and Falshaw (1999) include control system in the strategic management process as they mentioned that, the underpinning of strategic management theory is strategic planning which starts by mission formulation and setting the financial and non-financial goals. Then, strategy implementation; finally, supported by a good control system to ensure achieving the objectives in a good manner.

Different processes have been introduced by Cinar and Karcioglu (2013); they stated that the main aim of strategic management is to create and sustain the competitive advantages, and in three stages: analysis, decisions, and actions. These stages are different to the stages mentioned by Steiner and Miner (1982), which are 1) Surveillance of the internal and external changing environment of all aspects in which the company is concerned 2) Identification of opportunities and dangers to avoid 3) Evaluation of company weaknesses and strengths. 4) Formulating mission and objectives 5) Identifying strategies to fulfill the company aims. 6) Evaluating strategies and choosing implementation strategies. 7) Establishing process to make sure that strategies were implemented.

Furthermore, Uytterhoeven, et al (1977) divide the corporate strategy process into six steps. Firstly, strategic profile (define organization business, competitive posture, and the concept of itself). Secondly, strategic forecasting which refers to analyzing of (political, social, economics, markets, product, technology, competitive dimensions). Third, resource audit (operational, financial, and managerial). The fourth step is development of strategic alternatives. Fifth, testing consistency with external and internal dimensions. Finally, making a strategic choice. However, Analoui and Karami (2003) mention that despite variations in words and differences in details there is a three-stage model for strategic management namely: strategy formulation, implementation and evaluation. Figure (2.1) illustrates the three general stages.

*Figure 2. 1: Strategic management process*



**Source:** Analoui, F. & Karami, A. (2003), strategic management in small and medium enterprises; P. 6.

Firstly, strategy formulation consists of creating a mission statement, developing the corporate goals, and analyzing the relationship with the internal and external environment.

In the second section, the resources of the company must be mobilized to accomplish it (Andrews, 1971) usually in terms of three types: Capital, equipment, and human resources (Chandler, 1962; Thompson, 2001). Although formulating the strategy is a difficult task, putting the strategy in an implementation position is even more difficult (Steiner & Miner, 1982). Unsuccessful implementation may lead to the best-formulated strategies failing to produce higher performance (Kolluru, 2015, p.32).

Finally, strategy evaluation aims to identify the actual or optimum strategy for a business (Andrews, 1971). It is not only to measure performance but also helps to take corrective action to deal with a rapidly changing environment. While firms pay a little attention to strategy implementation and evaluation process, it will only materialize from a high degree of commitment with all aspects of strategy formulation. Firms focus on quantifying and specifying objectives at the

beginning of the planning period but pay less attention at the end of the planning to the analyzing process and objectives evaluation (Glaister & Falshaw, 1999).

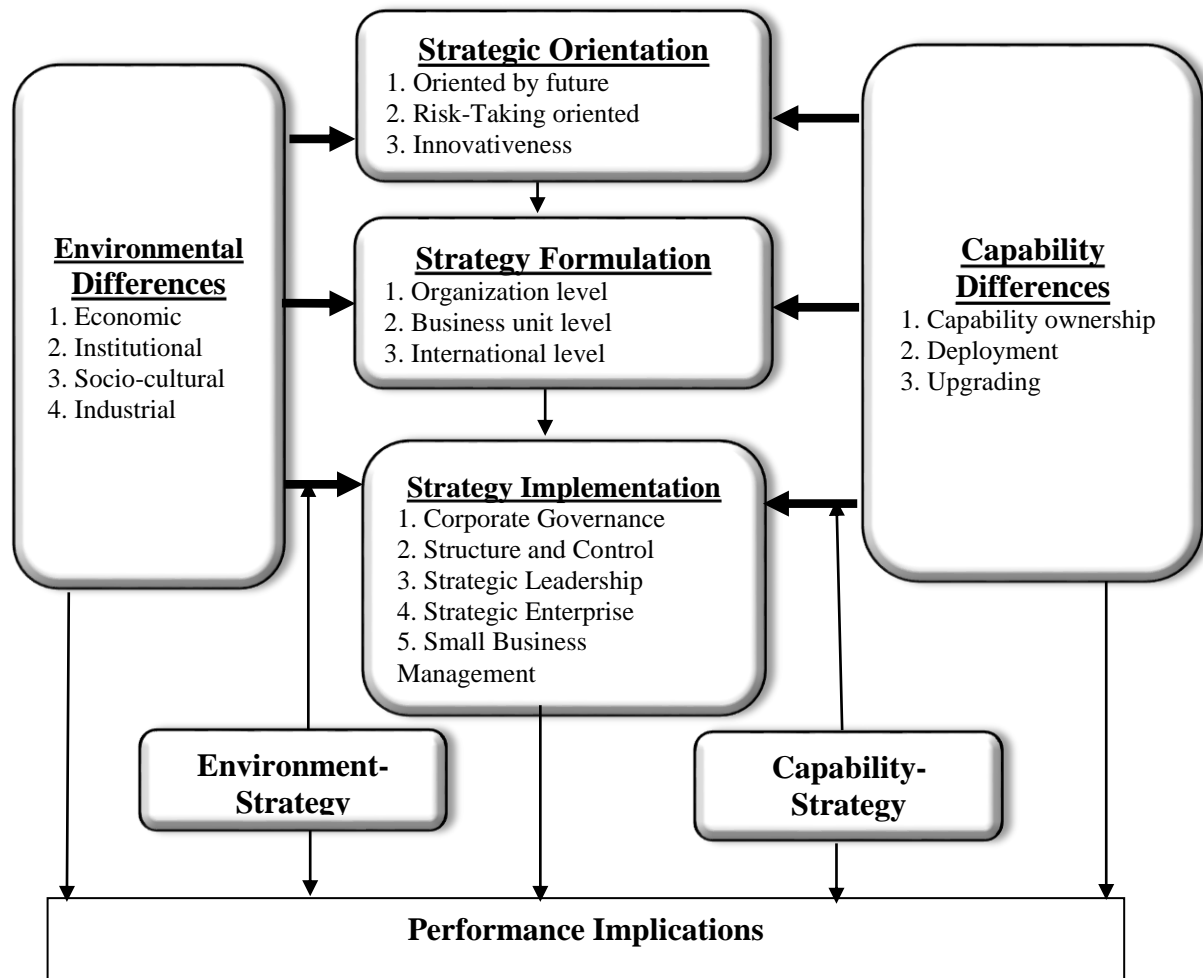
It has been argued that “strategic management is not a linear process of planning, implementation, and evaluation. Rather, it entails managing a public agency from a strategic perspective on an ongoing basis to ensure that strategic plans are kept current and that they are effectively driving other management processes” (Poister & Streib, 1999, p. 311). The previous models of strategy process are similar in phases. They start with analyzing the surrounding environment. After that, strategy development and implementation; finally evaluating implemented strategies.

Karami (2007) added a pre- stage before strategy formulation. Thus, the process of strategic management can materialize into four steps: 1) Awareness, in order to diagnose the strengths and weakness points within the firm and the external opportunities and threats of the firm, which is commonly known by SWOT analysis. 2) Strategy formulation: considered the most important stage because it contains developing the mission statement, setting the objectives in the long term as well as the short term, and determining the priority for pursuing strategies. 3) Strategy implementation: seeks to create the right circumstances within organizations. 4) Evaluation that culminates in all the activities from designing to applying the strategy; in addition to the conclusive assessment for the whole strategy. Strategic evaluation is required to introduce a guarantee for future success of the strategy.

Moreover, Luo, et al, (2011) have proposed a primal framework of comparative strategic management to clarify the major content for this framework (figure 2.2), namely: (1) differentiation between organizational, economic, and cultural environments, (2) distinguishing strategic orientation, formulation, and implementation, (3) comparison of capabilities of ownership, deployment, and

upgrading, and (4) differentiation in strategic agreements and its impact on performance.

*Figure 2. 2: Comparative strategic management framework*



**Source:** Luo, et al, (2011), Comparative strategic management: An emergent field in international management, P. 192.

#### **2.2.4. Strategic Management in SMEs:**

It would be helpful to reveal that organizations become more complex in view of the activities and supporting functional areas. Thus, strategic management is required to develop various stages from the beginning, as simple financial plans and budgets, then planning based on forecasting and externally oriented (Analoui & Karami, 2003). In this sense, Raymond and Croteau (2006) say that there are interrelated situations that pose new challenges for small and medium sized enterprises (SMEs) like globalization, deregulation, the

internationalization of markets, the knowledge economy, e-business, the liberalization of trade, and new forms of organization.

The real challenge for SMEs is developing and strengthening their resources because if they fail to do so, they will lose their competitiveness and they still depend on the actions of others (Thompson, 2001). The international literature highlights that the innovative, proactive, and risk-taking attitude of small and medium sized firms towards market opportunities is considered the sole track for SME survival and can be developed by creating and implementing strategic choices (Hagen et al, 2012). Furthermore, although there were many changes in SMEs behaviour, in both levels academic and political, little attention has been paid to the analysis of strategic management in SMEs (Hagen et al, 2012). O'Regan and Ghobadian (2002) agree with the previous view as strategy making processes or effectiveness in strategic planning is missing in the SME sector. Analoui and Karami (2003) gave the reason that strategic management as a disciplinary field of enquiry always pay a lot of attention to large companies and neglects SMEs. On the contrary, Gomes, et al, (2014) argue that SMEs have had significant attention in strategic alliance in leading journals of management over the last 22 years.

Strategic management research has addressed a range of important questions with respect to distinctiveness and the effect of strategic management on SMEs performance (Leitner & Guldenberg, 2010). SMEs, which employ strategic management processes, are capable of reducing organizational conflict and solving organizational problems besides the significant positive impact on employee satisfaction (Karami, et al., 2006). He also stated that “SMEs which employ strategic management techniques, whether formal or informal, exhibit enhanced levels of success in formulation and implementation of business strategies than those firms which do not employ such procedures” (Karami, 2007, p. 35).

SMEs have to obtain strategic orientations to gain competitive position, continue growing, and prosper (Raymond & Croteau, 2006). Statistics tells us that the failure of small and medium sized enterprise occurs at a staggering rate. O'Regan and Ghobadian (2005) attribute this failure in strategic planning to the lack of capabilities in SMEs to overcome and determine potential obstacles in strategic planning. Raymond and Croteau (2006) argue that despite the lack of capabilities in SMEs, they have many advantages such as innovation capacity, flexibility, and the ability to adapt quickly with this complex environment and the new economy. It has been argued that the SME sector as a whole has significant environmental and economic impacts (Williamson, et al., 2006).

“Different strategic management practices were associated with high performance in different environmental settings. This is most likely true for large as well as small firms. Clearly a critical analysis of environmental factors is central to the effective strategic management of firms of all sizes” (Covin & Slevin, 1989, p. 85); whereas environmental analysis has a critical role in the development of corporate strategy within SMEs (Analoui & Karami, 2002<sub>b</sub>). In this context Entrialgo, et al (2000) stated that the nature of competitive strategy and strategic management practices have a significant influence on a small firm's performance. One explanation for why strategic management delivers competitive advantages within SMEs is that management practices and modern technologies such as flexible production technologies and quality management allow firms to reduce costs beside differentiating products. Furthermore, strategy may help to maximize long-term performance and reduce market risk (Leitner & Guldenberg, 2010).

A particular state of mind and the shared understanding are the main causes of business strategy success, not the rigorous analysis (Vila & Canales, 2008). Karami et al (2006) addressed the significant relationship between establishing a strategic management system within SMEs and strategic awareness of the small



firm's managers. They illustrate that the perception of senior managers about the benefits earned from the strategic management system will lead to the success within the firm in the long term. As mentioned above, the main obstacle for developing, implementing, and preventing strategies within SMEs is their little investment in innovation and research in addition to their focus on daily activities.

### **2.3.Strategic Planning:**

“The one best way” is the statement developed by leaders since the mid-1960s when strategic planning arrives; it is the only way to formulate strategies in an empirical way to enhance the competitive position for each organization (Mintzberg, 1994). However, strategic planning suffered a decline in popularity and influence by the end of the 1970s as a result of the ineptitude of strategic tools for planning to face the expectations; however, it recaptured its fame and influence again during the 1990s (Glaister & Falshaw, 1999; P. 107)

Due to continual technology development which affects all firm aspects, strategic planning is presently perceived to be the main driver to sustain the competitive advantages and considered a critical factor for corporate growth (O'Regan & Ghobadian, 2005)

#### **2.3.1. Strategic Planning Concept:**

The concept of strategic planning is sometimes used as a synonym for Strategic Management; however, the latter term is usually used in academia with the former used in the business world (David, 2009). Anderson connected strategic planning and the process of strategic decision making as the latter concept is often used as a logical sequence from the first one that allows top managers to determine the convenient strategic way for the whole corporation (Andersen, 2000). Another group of researchers (e.g. Karami, 2003; Poister, 2010; Ocasio & Joseph, 2008; Steiner & Miner, 1982; Mintzberg, 1994) which the researcher relied on, see strategic planning as referring to the first stage only. While formulating strategy, putting it in an empirical way, and evaluating it are



the three processes of strategic management, strategic planning concerns strategy formulation only. Therefore, the term strategic planning in this research is used as strategy formulation.

Strategic planning became known after appearing as a strategic problem from the maladjustment of organizations with their rapidly changing environment (Ansoff et al, 1976). Therefore, the management theorists created the label “strategic planning” to describe the planning practices system during the mid-1960s (Ocasio & Joseph, 2008). This planning system aims to achieve the firm’s objectives in a satisfying way by running a rational analysis for the opportunities and threats offered by the external environment from one way and the internal strengths and weak points from the other way to select and match (strategy) between both (Ansoff et al, 1976). Thus, strategic planning involving continuous and developed management practice is not a management fad (Ocasio & Joseph, 2008). Strategic planning is a fundamental factor for strategic management, responsible for coping with future business activities and specifying the goals and visions (Kraus, 2007). It is concerned with how the organization affects and is affected by the business environment (Ramirez & Selsky, 2014). Therefore, strategic planning is seen as a structured problem needing a group of people rather than one person to solve it (Hendrick, 2003). In the same sense, Ketokivi and Castaner (2004) see that strategic planning should have two specific characteristics to enhance goal convergence and become an integrative mechanism, which are participatory planning, and communicating the priorities to all employees.

### **2.3.2. Strategic Planning Definition:**

Formulating strategy is the milestone of the strategic planning practice. It is the main figure in strategic planning, which differentiates it from other strategic design activities, to produce an integrated system of decisions. Ocasio & Joseph (2008) identify three elements for formalization: clarify goals and objectives of

planning; determine the responsible person(s) for doing planning activities, the implementation and control process; and establish the integrated procedures for planning.

Mintzberg (1994) has a special view of strategic planning, analyzing it in steps then automatic implementation. Therefore, he states that planning “has always been about analysis, about breaking down a goal or set of intentions into steps, formalizing those steps so that they can be implemented almost automatically and articulating the anticipated consequences or results of each step” (Mintzberg, 1994, p. 108). We can realize from Mintzberg’s definition that strategic planning is a process that refers to setting long-term business goals and providing directions for improving an organization’s activities; It helps with developing and implementing business strategy to achieve these goals (Luen, et al., 2013; Stonehouse & Pemberton, 2002; O'Regan & Ghobadian, 2005). Whittington and Cailluet (2008) define strategic planning broadly, not only to include strategic planning department responsibilities, but also formal strategy making undertaken by managers and strategic planners. The adopted definition for strategic planning reveals flexible and wide objectives that lead the firm to the future vision (Aldehayyat & Anchor, 2010).

Future is the key term in many definitions. Thus, “strategic planning takes a big picture approach that blends futuristic thinking, objective analysis, and subjective evaluation of values, goals, and priorities to chart a future direction and courses of action to ensure an organization’s vitality, effectiveness, and ability to add value” (Poister, 2010, p. 247). In the same sense, Stonehouse and Pemberton (2015) define strategic planning as developing and devising the plan at organizational level, concerned with putting fixable wide objectives, strategies, and policies that drive the organization to its future vision. Furthermore, Kraus et al., (2007) stated that strategic planning is long-term, directed toward the future, substantial and holistic, and is associated with determining the vision, mission,

and culture of the enterprise. “Strategic planning is the attempt to prepare for all eventualities by abstraction and thus to account for the complexity and the dynamics of the environment. This entails the need to build alternative future scenarios and configurations. Although no one can foresee the future, it is possible to prepare for the future and/or alternative futures and align the enterprise accordingly”. (Kraus, 2007, p. 74).

Furthermore, strategic planning is “a systems approach to manoeuvring an enterprise over time through the uncertain waters of its changing environment to achieve prescribed aims” (Steiner, 1982; p. 29). It is focused on the better understanding of the strategy practitioners’ performance at the individual level (Nordqvist & Melin, 2008). For this research purpose, we will adopt Glaister and Falshaw’s (1999) definition for strategic planning as it is a sequential process of setting the mission statement, creating goals, developing strategies and policies which lead to allocating resources to achieve organization goals. Thus, strategic planning concentrates on determining the long-run objectives and development plans designed to obtain them (Stonehouse & Pemberton, 2015).

### **2.3.3. Strategic Planning Benefits:**

Notably, there was a common agreement among researchers about the importance of strategic planning on many of the organizational variables such as performance (McKiernan & Morris, 1994; Miller & Cardinal, 1994; Glaister & Falshaw, 1999; Andersen, 2000; Delmar and Shane, 2003; O’Regan & Ghobadian, 2005; Rudd et al, 2008; Dibrell, et al, 2014; Song et al, 2015; Sirén & Kohtamäki, 2015), sustainability (Partidario & Vergragt, 2002; Lloret, 2015), profitability (Baker, 2003; Song et al, 2015) and business growth (Miller & Cardinal, 1994; Gandee, 2014). Thus, the long-run strategic goals can be linked with mid-range and short term plans by effective strategic planning (Glaister & Falshaw, 1999).

If strategic planning did nothing more than make top management aware of the changing environment, it would be invaluable to the organization (Steiner & Miner, 1982). It is designed to help firms respond effectively to the new challenges (Bryson, 1988); reduce uncertainty associated with the lack of information and ill-structured problems (Hendrick, 2003). In particular, strategic planning provides people who develop new ventures with three benefits a) make decisions faster by classifying missing information; b) help people to save time by managing the resource supply and minimizing demand bottlenecks; and c) accurately estimate action steps to gain objectives (Delmar & Shane, 2003).

Song's et al. study reported a strong positive correlation between strategic planning and innovation knowledge, which has been considered a key factor for a firm's growth and survival, especially when market conditions and technologies are speedily changing (Song, et al., 2015). However, improving the effectiveness of organization management by strategic planning leads to indirect enhancement in performance; such benefits include the ability of determining future marketing opportunity, encouraging attitudes towards favourable changes, and organizations adapting to external environment changes (Glaister & Falshaw, 1999). Hence, strategic planning is a critical driver for economic performance and firm innovation (Andersen, 2000).

Interestingly, building a common understanding and system commitment is considered the main focus of strategic planning, which leads to operational integration (Vila & Canales, 2008), enhancing co-operation, revisiting objective progress, taking market opportunities, exerting control, enhancing communication between individuals and enhancing productive attitude (Aldehayyat & Anchor, 2010). It generates a consistent set of goals, which managers can then use to communicate with different organizational levels (Ketokivi & Castaner, 2004).

In order to generate understanding and stratify with a specific issue, the management levels should work together. While top managers set strategic context, middle managers undertake strategic actions and interact around committees and discuss strategic issues with low level employees (Hoon, 2007; Mantere, 2008; Vila & Canales, 2008; Mantere & Vaara, 2008; Rouleau, 2005). Therefore, lower-level employees and middle managers are also important strategic actors (Jarzabkowski, et al, 2007). A lack of engagement and participation leads to decreased strategic planning quality and creates many kinds of problems for strategic planning implementation (Entrialgo, et al, 2000; Mantere & Vaara, 2008).

A positive relationship between environmental turbulence and strategic planning provided by Rudd et al, (2008) refers to flexible organizations accommodating quickly to environmental changes, through the convenient alternative decision options developed from their strategic plans. Many studies show that business failure is in large part due to strategic planning failure (Luen, et al., 2013). According to O'Regan & Ghobadian, (2005), the findings suggest that if low technological firms changed their planning map, leadership, and organizational culture, they would achieve similar results to high technological firms.

Bryson (1988) concludes the benefits from strategic planning are to: “think strategically; clarify future direction; make today’s decisions in light of their future consequences; develop a coherent and defensible basis for decision making; exercise maximum discretion in the areas under organizational control; solve major organizational problems; improve performance; deal effectively with rapidly changing circumstances; build teamwork and expertise” (p. 78).

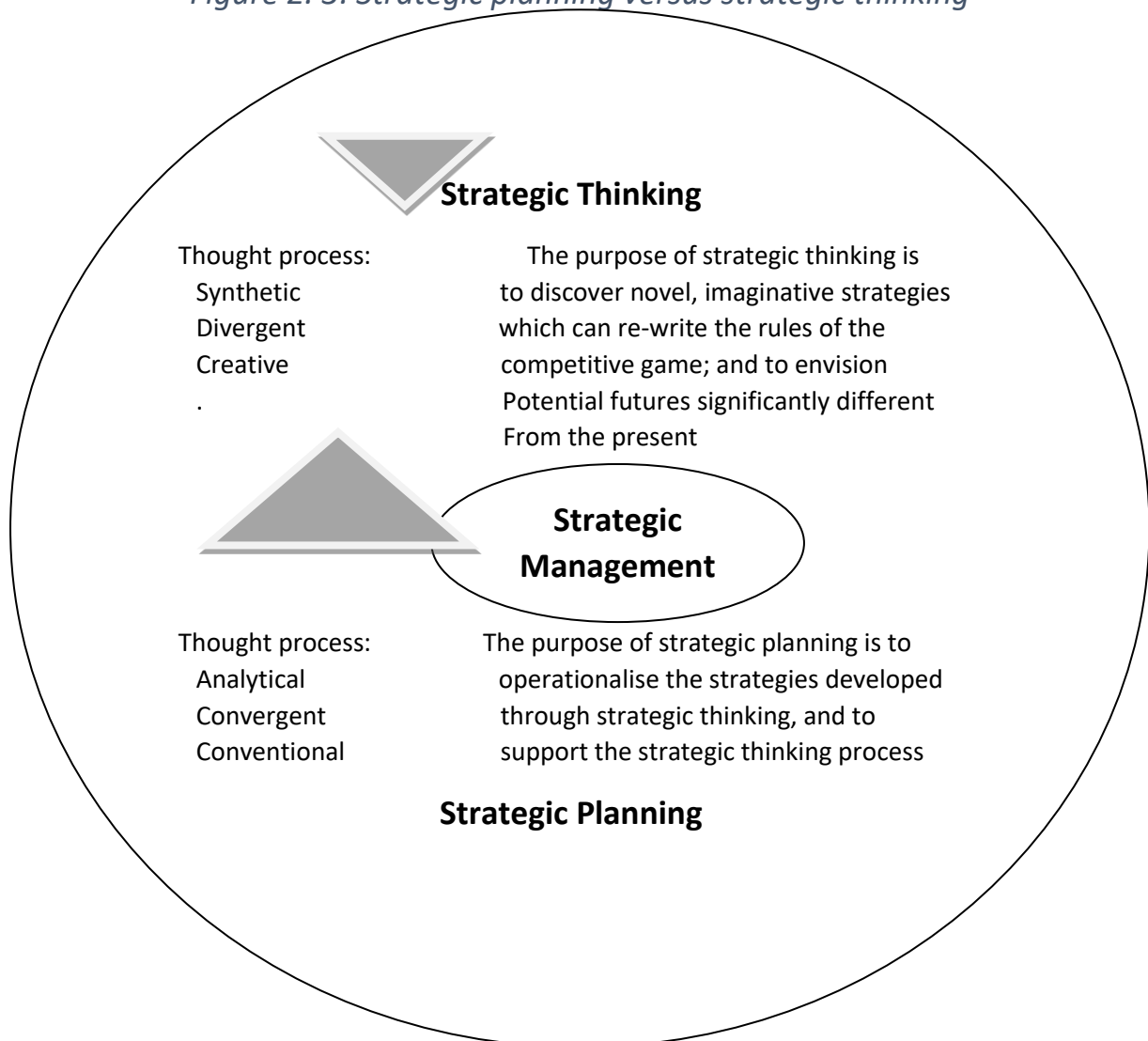
### **2.3.4. Strategic Planning Versus Strategic Thinking:**

Strategic planning is not strategic thinking. While the latter term is synthesis, the first is analysis. Strategic planning is always concerned with

expressing and preparing strategies, or a vision that is already present; therefore, it is articulated as strategic programming. Strategic thinking, in contrast, involves anticipation and innovation. The integrated prospective for the vision of the enterprise which is not too precise is the outcome of strategic thinking. (Mintzberg, 1994).

In comparison, Heracleous distinguishes between strategic planning and strategic thinking (figure 2.3), where the latter refers to innovative and divergent thinking process. The former refers to systematic analytical thought procedures (Heracleous, 1998).

*Figure 2. 3: Strategic planning versus strategic thinking*



**Source:** Heracleous, L., (1998) "Strategic Thinking or Strategic Planning?", Long Range Planning, Vol. 31, No. 3, P. 485.

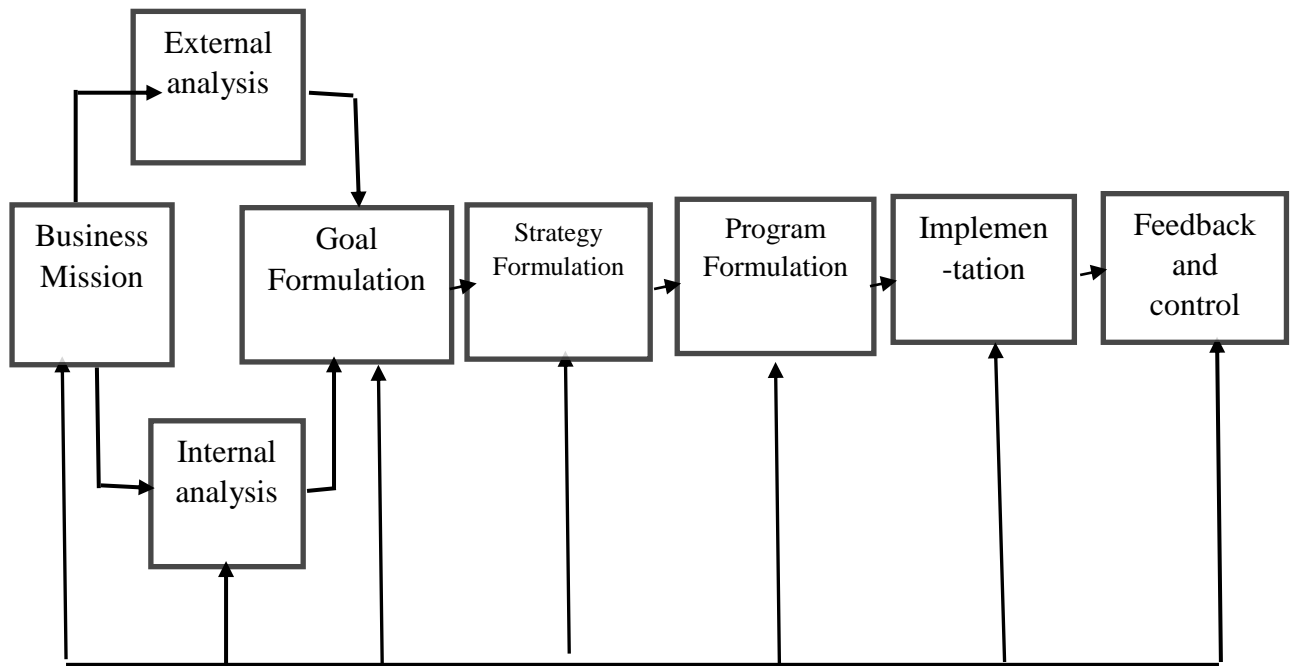
### **2.3.5. Strategic Planning Process:**

As mentioned earlier, engaging all levels of managers and employees in strategic planning process and developing a real agreement about strategies among the “power players” within and outside the organization is essential for successful planning and moving the firm towards the desirable direction (Poister, 2010). Therefore, strategic planning process should not be a one-off, but a continuous and cyclic action to adapt with environmental changes (Kraus, 2007). “Thus, strategic planning processes need to facilitate understanding of the forces driving issues, explore options in terms of their feasibility and likely consequences, and stimulate candid discussions regarding the costs and risks associated with various alternatives” (Poister, 2010; P. 248).

Strategic planning process begins with objectives development, defining policies and strategies to achieve objectives, and evolving detailed plans to achieve the objectives (Steiner & Miner, 1982). However, these simple steps do not refer to environmental variables. In a competitive strategy book by Porter (1980), it says, “formulating competitive strategy involves the consideration of four key factors that determine the limits of what a company can successfully accomplish”. The internal two factors for the company are personal value of the key implementers, and strengths / weaknesses of the company. The other two factors are external: first, industry opportunities and threats. Second, broader societal expectations.

Pollard and Hotho (2006) stated a consequence of strategy formulation is setting the mission, goals, and objectives. Then, the analysis of the internal resources and the effect of the external environment. At the end, choice of strategic alternatives. Kotler and Keller (2012) argue on this point, and include strategy implementation and feedback and control to the strategic planning process as shown in figure 2.4.

Figure 2. 4: Strategic planning process

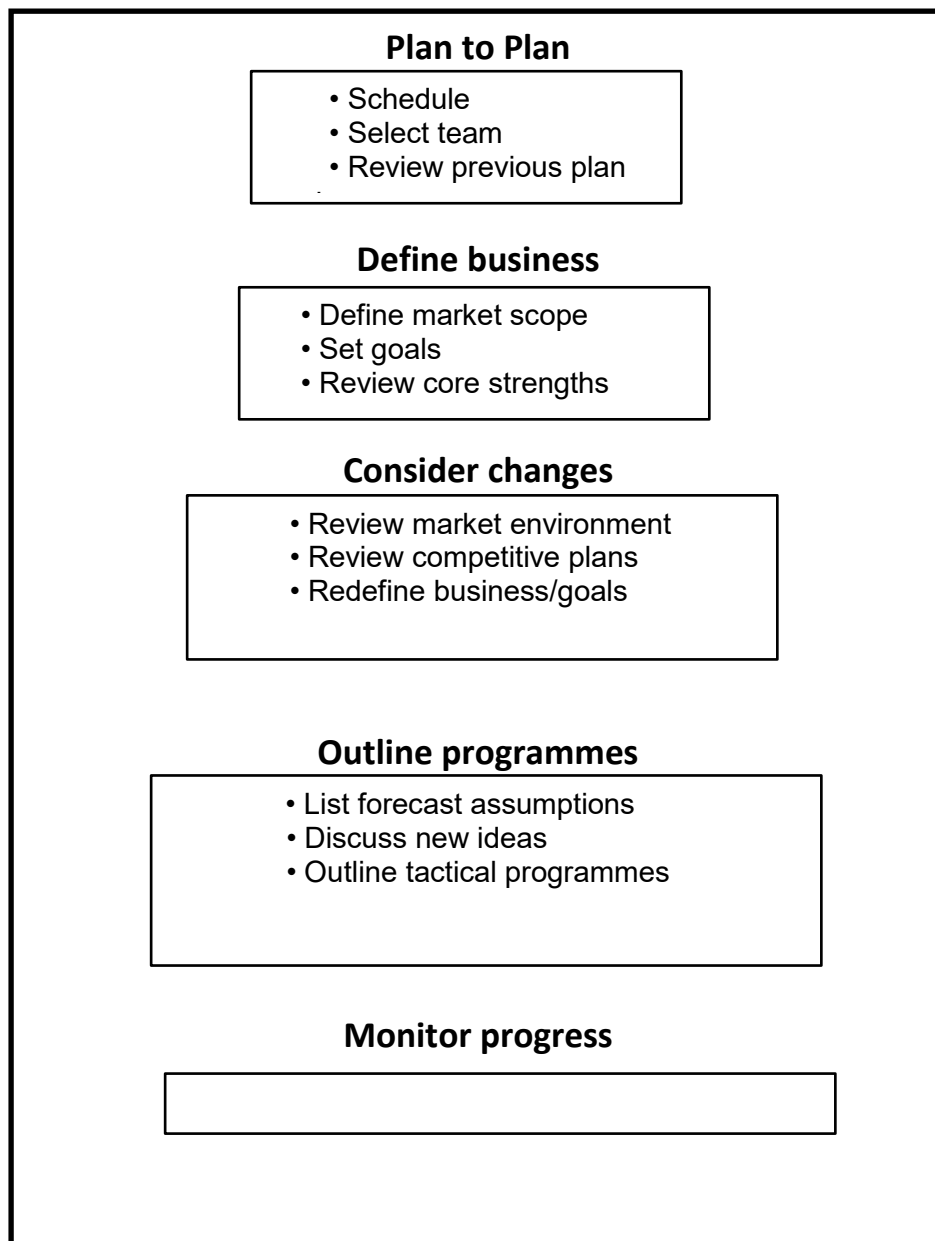


**Source:** Kotler, Ph. and Keller, K. l., (2012) “Marketing management”, 14th Ed, P. 70.

A different process was introduced by Sokol (1994), as presented in figure 2.5. He has five tips to improve planning: 1) attract attention or continue updating new variables in the business environment; 2) the engagement of a variety of practical experts; 3) review the plan document in terms of language and thinking styles; 4) enclose the core analysis in a maximum of six methods; 5) extend the plan time to complete it.



*Figure 2. 5: Tips to improve strategic planning*



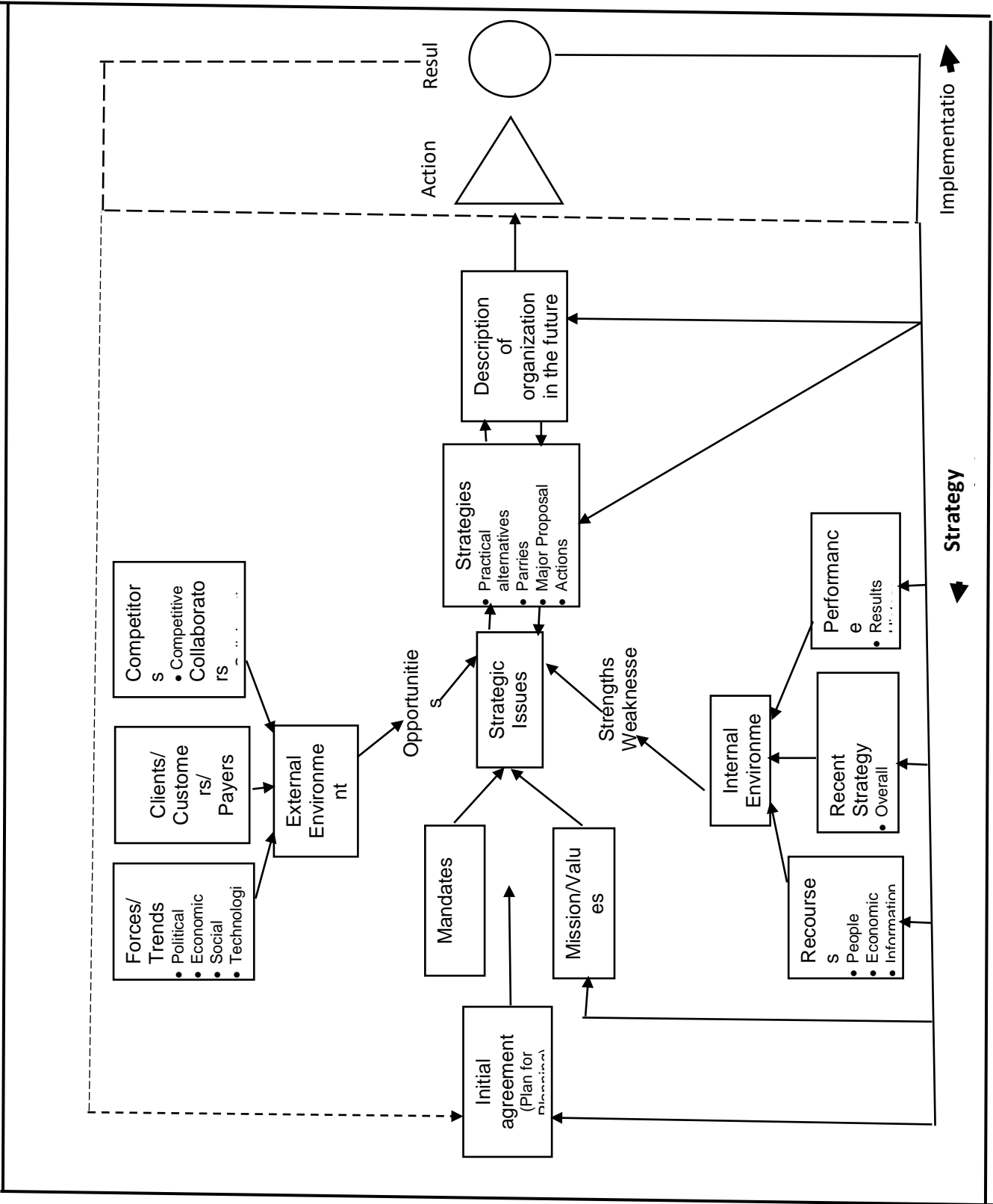
**Source:** Sokol, R.J. (1994), “Streamline Your Plan Process”, Management Decision, P. 46.

Because of today’s complex market place, the strategic planning process is considered one of the most demanding tasks managers face; it imposes a lot of cognitive, emotional and social challenges on the business managers (Eppler & Platts, 2009). Furthermore, it requires a communicative process through the recursive and iterative relation of talk and text (Spee & Jarzabkowski, 2011). In terms of creative planning, producing temporary and draft plans gives the

opportunity for debates across hierarchies (Giraudeau, 2008). Engaging employees in the process of planning may have emotional effects, such as a powerful sense towards corporation goals. This, in turn, reduces their position bias (Ketokivi & Castaner, 2004), especially in the case of clear goals and objectives (Hendrick, 2003).

Furthermore, Bryson (1988) specified eight detailed steps of the strategic planning process (figure 2.6) namely: 1) create initial approval about the effort; this should include the purpose of strategic planning, steps, roles, and necessary resources; 2) Identification and clarification of the external mandates imposed on the organization. 3) Elucidation of corporation mission and accepted values; 4) outer environment analysis; 5) inner environment analysis; 6) Identification of strategic issues; 7) developing strategy; and 8) describing the organization's future.

Figure 2. 6: Strategic planning process



**Source:** Bryson, J.M. 1988. A strategic planning process for public and non-profit organizations. *Long range planning*, P. 75

### **2.3.6. Strategic Planning in SMEs:**

Small and medium sized enterprises benefit from strategic planning as large firms do (Miller & Cardinal, 1994; McKiernan & Morris, 1994; Kraus, 2007). Strategic planning is considered a substantial element for small business performance (Kraus, 2007). It determines the essential nature of business (Analoui & Karami, 2003). Furthermore, “the success and rapid growth of many small and medium-sized businesses have been largely attributed to their strategic planning capabilities” (Karami, 2007).

The lack of resources and organizational structure are the main features of SMEs (McDowell, et al, 2015). However, SMEs must effectively allocate time and their fewer resources and make decisions appropriately (Luen, et al., 2013); and use their capabilities and unique skills to create competitive advantages (McDowell, et al, 2015). This competitive position is achieved by growth rate, return on assets, efficiency of operations, and overall financial performance and has been significantly positively related with strategic planning (Aldehayyat & Anchor, 2010).

Furthermore, many researchers have indicated that strategic planning has many benefits for SMEs. For instance, it enhances financial performance (Bracker & Pearson, 1986; McKiernan & Morris, 1994; Peel & Bridge, 1998; Wang, et al, 2007; Luen, et al., 2013; Kraus, 2007); creates and sustains competitive advantages (Analoui & Karami, 2003; Gibbons & O’Connor, 2005; Karami, 2007; Avram & Kuhne, 2008), profitability (Peel & Bridge, 1998) and helps adaptation and learning from a changed environment (Gibbons & O’Connor, 2005; Peel & Bridge, 1998).

However, SMEs that engage in strategic planning activities are able to improve the quality of objectives, employees’ working conditions, social responsibility, relationships with customers, and environment protection. They can use the net present value and other capital budgeting methods, which tends

to maximize the company value (Peel and Bridge, 1998). Bracker and Pearson (1986) indicate that a lot of studies which investigated the causes of success and failure of small businesses, had found that strategic planning plays a central role. While the successful businesses develop a strategic planning process, soundly implement, and satisfactorily control, the lack and weakness of the planning process may contribute to a firm's failure. In the same sense, Kolluru (2015) refers to ineffective applying of strategic planning as the main cause of failure to achieve projected performance in small firms.

Thus, what are the barriers in applying strategic planning in small firms to gain all these benefits? While many authors concur that strategic planning is useful for SMEs, few of them utilize it (Kraus, 2007). Indeed, Wang, et al, (2007) argue that strategic planning processes in SMEs are different from large companies. SMEs and newly established projects are interested in acclimation issues; they fight to remain alive, while large firms are more focused on integration issues like achieving higher levels of efficiency in their industries. However, the absence of economic knowledge in SME management or orientation towards solving a technical problem is the main weakness in small and medium sized firms. Many SME managers and owners plan their daily routine operations, but they do not apply strategic planning (Kraus, 2007). Harris and Ogbonna (2006) believe they have an incomplete understanding of strategic planning dynamics and absence of evaluation of a range factors that are argued to be Preliminaries to the successful initiation of formal strategic planning. The reason why firms 'do' strategic planning, while other firms "do not" is due to misunderstanding (O'Regan & Ghobadian 2002).

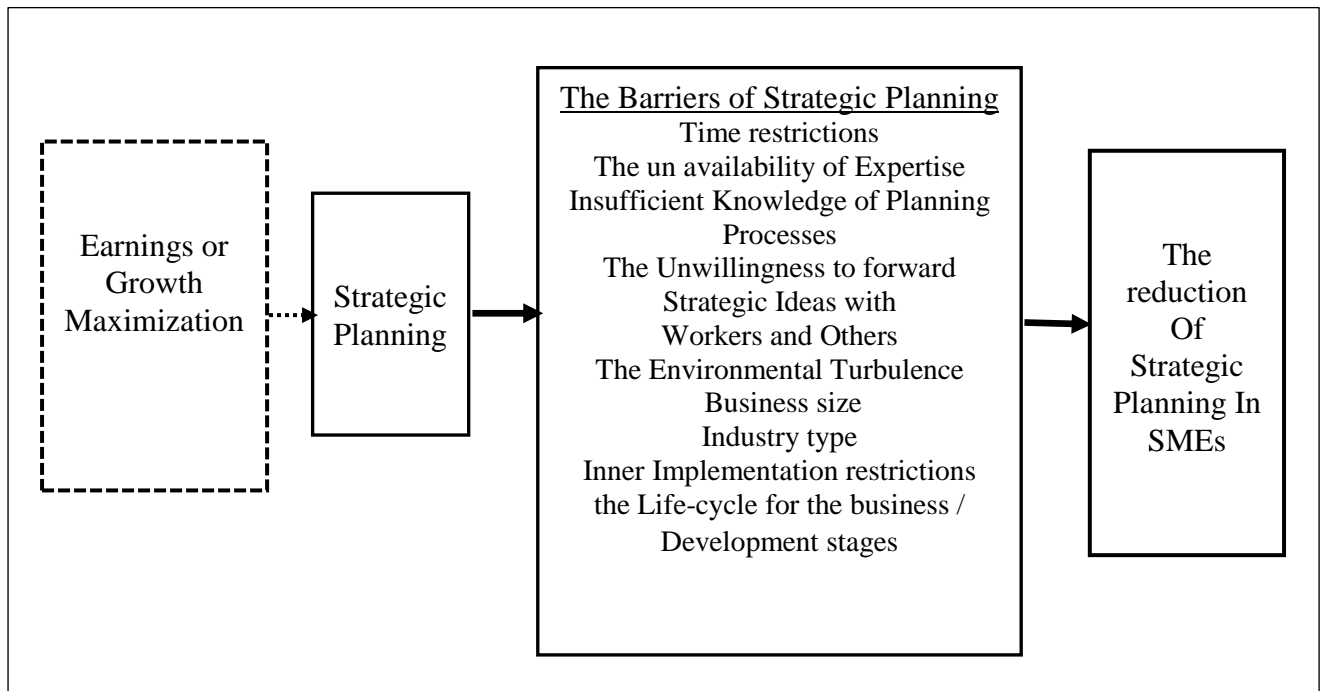
Kraus (2015) stated that the elements which inhibit using the formal process of strategic planning in SMEs from a firm owner's perspective, are that:

- 1) strategic planning measures and techniques constrain the ability of improvisation and flexibility.
- 2) Resource restrictions, which in most cases are

used for research and development or operational tasks than strategy formulation; and 3) the bureaucratic management.

Various barriers to strategic planning are shown in figure (2.7) by (Wang, et al, 2007).

*Figure 2. 7: Various barriers to strategic planning*



**Source:** adopted from: Wang, C., Walker, E. & Redmond, J. 2007. Explaining the lack of strategic planning in SMEs: The importance of owner motivation, 12(1), P5.

They say that the possession motivations are the critical factors in understanding and empowering the practices of strategic planning in SMEs. They argue, “levels of strategic planning are higher in SMEs, which have owner-managers who are growth orientated and lower in those which have owner-managers who pursue non-economic personal agendas”. (Wang, et al, 2007, P. 10)

Small and medium-sized firms should have more interest in strategic management theories because of their huge impact in all economies. Moreover, these strategies would identify suitable alternatives for each company either big size or small and should introduce better implementation of strategies (Pricop,

2012). While strategic planning is not the only driver for successful performance in SMEs, findings support greater advantages for strategic planning than firms not adopting strategic planning (Wang, et al, 2007). It helps SMEs to clarify their goals and follow them in an effective manner (Brinckmann et al., 2010). Therefore, due to a comprehensive implementation of strategic techniques in large firms and the accelerated acceptance of the concept, which suppose that all economic decisions should be made by logical insight and future view without size consideration, both academics and practitioners have recently invited the use of strategic planning within SMEs (Kraus, 2007).

#### **2.4.Mission statement:**

By the 1970s, Peter Drucker introduced the mission statement as a new tool to respond to the business' needs and define its purpose (Klemm, et al, 1991). Since then, the mission statement has captured fame and importance for businesses. For instance, the mission statement reflects the fundamental purpose of the corporation, the nature of business, why it is in existence and which customer it seeks to serve (Thompson, 2001). Besides, it differentiates the firm from its current and potential competitors (Analoui & Karami, 2003). Consequently, the mission statement identifies the aim or thrust of the firm and underlying design; it defines the competitive area and how a company allocates resources; it limits opportunities to research as well as threats and weaknesses. Also, it can introduce threats as well as opportunities, when rewritten (Steiner & Miner, 1982). Furthermore, not only do companies need to define their mission statement but also each business unit needs to clarify its mission in the context of the company mission (Kotler & Keller, 2012).

Generally speaking, "Developing and communicating a clear business mission is one of the most commonly neglected tasks in strategic management" (David, 1989; P. 95). David also mentioned that a mission statement is important to solve conflict between a firm's short-run actions and the interests in the long

run. An effective mission statement should be revised regularly to moderate the changes over time. The mission statement, however, has equal importance for small business as well as large firms (Analoui & Karami, 2003), profit and non-profit organizations, simple versus complex companies (Morris, 1996). It is a formal document for the organization vision of what it seeks to be and what it should be. All firms should have a mission statement, even if not in writing (Germain & cooper, 1990), but it should not be too far from the current situation otherwise it would be dismissed. A good mission gives clarity and arouses an emotional response (Campbell, 1997).

#### **2.4.1. Mission statement definitions and components:**

“Reason for being.” It is a declaration of a mission statement concept. A pure mission statement is fundamental for the firm in order to successfully identify objectives, goals, policies, formulate strategies, motivate employees, and allocate resources; a good mission makes strategy formulation, implementation, and evaluation much easier (Cochran, et al, 2008; Germain & Cooper, 1990).

Mission statement, in its straightforward form, clarifies the nature and defines the future business of the firm; it determines the firm’s plan and audience (Morris, 1996); in addition, “The mission statement answers the question 'What is our business?' In defining the business of the firm, its basic goals, characteristics and guiding philosophies, the mission statement provides the firm with strategic focus and direction” (P. 104). Thus, Baetz and Kenneth (1998), define a mission statement as “concerned with identifying an organization's unique and enduring purpose which is both rooted in the present and lasting for some indefinite period. Thus, the mission is about satisfying stakeholder’s needs” (P. 826). While Sidhu (2003) argues that a mission statement should include four components namely: organization vision, competencies, business domain, and value. However, Khalifa (2012) stated that “a mission is a genuine and energizing purpose of business – a purpose that is both affective and effective to create a



sense of meaning and a sense of direction in the hearts and minds of the members of the organization” (P. 242).

Indeed, many researchers’ efforts (ex, David, 1989; Ireland & Hitt, 1992; Baetz & Bart, 1996; Analoui & Karami, 2003; Varbanova, 2013) have concentrated on defining and exploring the components of a mission statement. We summarize some of these endeavours in table 2.1 below:

*Table 2. 1: Previous endeavour to define mission statement*

Author	Definition	Components
David, 1989	“a mission statement reveals the long-term vision of an organization in terms of what it wants to be and who it wants to serve”	“Customers - Products Or services – Location –Technology - Concern for survival – Philosophy -Self-concept - Concern for public image - Concern for employees”.
Ireland & Hitt, 1992	“Statement describes the firm's fundamental, unique purpose. An important part of this description indicates how a firm is unique in its scope of operations and its product or service offerings”.	“what the organization intends to accomplish - identifies the market(s) - reflects the philosophical premises that are to guide actions - provide motivation - general direction - an image of the company's character - and a tone, or set of attitudes, through which actions are guided”.
Baetz & Bart, 1996	“a mission statement is potentially an invaluable tool for formulating and	“one financial objective (or none at all) - one or two non-financial objectives - one value/belief/

	implementing organization's strategy”	philosophy statement - the organization's definition of success - the organization's number one priority - a definition of the organization's strategy (i.e. a specific product, specific market and two bases for competing) - And reference to one stakeholder (typically the customer)”.
Analoui & Karami, 2003	“the mission statement promotes a sense of shared expectations among employees and conveys a public image to important stockholders in the company’s task environment”	“Long term profit - survival and growth - customer satisfaction - core technology – market - company philosophy and value - product and services quality - public image - Geographic domain - self- concept - and concern of suppliers”.
Varbanova, 2013	“A brief statement of the reason why the organization exists in terms of its uniqueness, impact, and its historical role”.	Customer and audience - external stakeholders - the society as a whole - and people in the organization

**Source:** adapted from literature by the researcher

As shown from table (2.1), despite the variety of contents and terminologies used to develop the mission statement, all definitions focus on clarifying the unique purpose of the firm, which differentiates it from other firms.

Therefore, in its simplest definition, the mission statement is a declaration of the distinctive purpose of the organization on a formal written document (Klemm, et al, 1991; David, 2009; Campbell, 1997; Germain and Cooper, 1990; Pearce and David, 1987; Want, 1986; Bart and Hupfer, 2004). Consequently, the mission statement has to answer some critical questions, for instance, what does the organization represent? Who is the customer? What is it trying to fulfil? (Bart, 1996a).

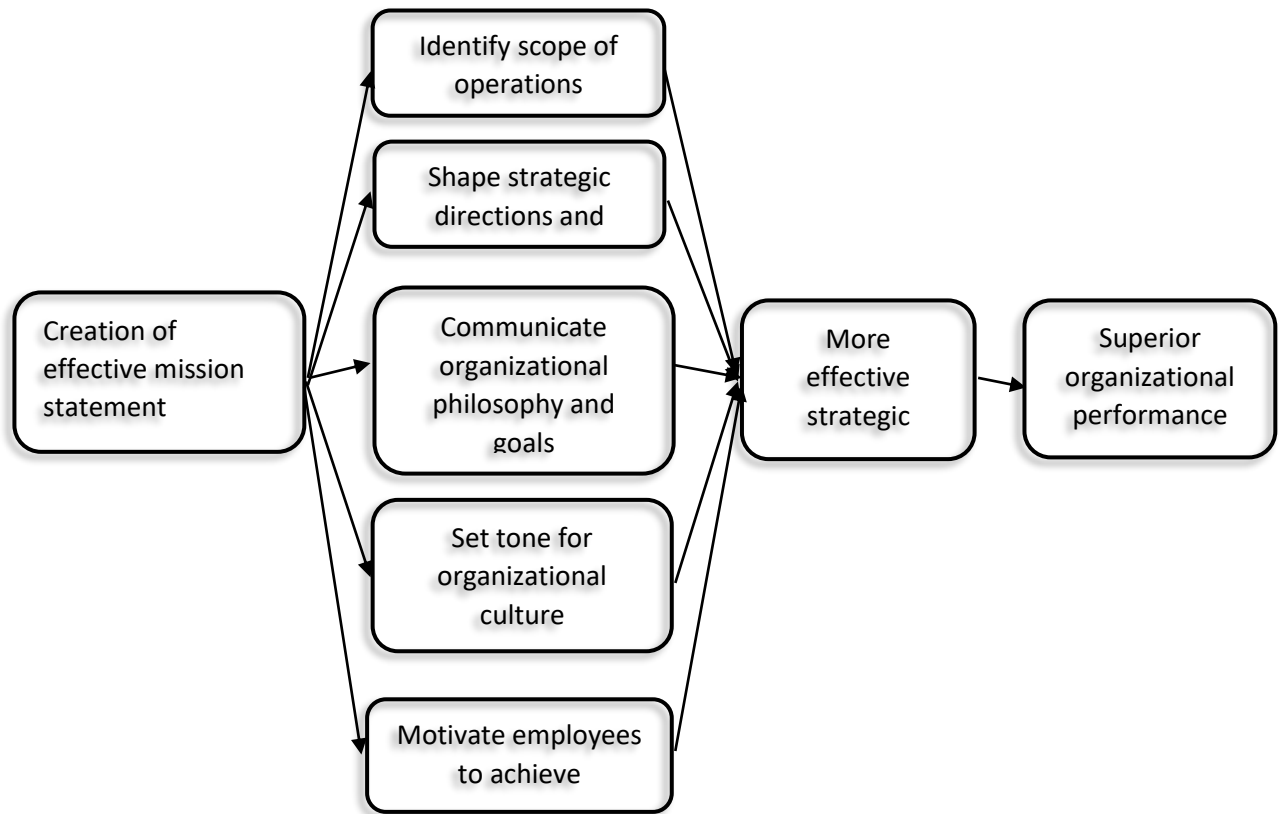
### **2.4.2. Mission statement importance:**

#### ***2.4.2.1 Mission statement as a strategic tool:***

Developing an organization's mission and vision, developing strategic objectives and developing business strategies are the three main elements the strategy formulation task includes (Analoui & Karami, 2003). However, the mission statement considers the most important part of strategic and corporate planning (Sufi & Lyons, 2003; Rey & Bastons, 2017). As Smalter and Ruggless stated, strategic planning by missions manifests in allocating limited resources, gaining planned goals and programming expenditures if the firm; 1) determines the scope of the mission, 2) analyses the environment, 3) establishes the momentum that the company is likely to achieve, 4) formulates a sales development program, 5) sets the level of technical expenditure justified, 6) defines the organizational needs, 6) determines the performance levels (Ansoff, 1969).

A mission statement is considered an efficient management tool for communication. A good mission statement provides directions and attention of customers, suppliers, workers, investors, and strategic collaborators (Sufi & Lyons, 2003). Moreover, if it provides direction for the company effectively, "it must address the unique aspects of a firm's strategic context rather than follow a 'generic' mission statement format" for more effective strategic decisions and to gain superior performance (Morris, 1996), as shown in figure (2.8):

*Figure 2. 8: How to gain superior performance*



**Source:** Morris, Rebecca J. (1996), “Developing a Mission for a Diversified Company”, Long Range Planning, 29 (1), P. 113.

The importance and the needs of the mission statement as a strategic tool have arisen from today's complex environment which has imposed many challenges on organizations, for example 1) complex decision conditions; 2) environmental turbulence; 3) global market battles; 4) the urbanization of industry technologies. 5) The need to innovate products and services and continually introduce high quality, so that the “mission statement is valuable when it is used as a constant guide for the actions of managers and workers.” (Ireland & Hitt, 1992).

Karami (2007) stated that the purpose of having a mission statement is developing business strategies, growing earnings margin and the rate of growth, gaining customer happiness, in addition to encouraging the expectation of shared value expectations among entrepreneurs and all employees. Mullane (2002) agrees with Karami and adds that using a mission statement leads to more focus

on popular goals, guides the behaviour, encourages teamwork, and creates an emotional obligation to the firm.

According to Baetz and Bart (1996), a mission statement has an important role in guiding the strategic planning system by providing a common direction and transcending individual and unit needs; and defining the organization's scope of business. Therefore, it should be revisited accordingly to remain beneficial to guarantee that the mission statement “plays a real role in strategy development and that it does not get consigned to the background” (Sidhu, 2003).

### *2.4.2.2 Mission statement as an effective leadership tool:*

“A mission statement should be more than words on a piece of paper. It should be a living, breathing document of the organization. A mission statement should provide the focus for the organizations, to get everyone pulling in the same direction in pursuit of common and well-understood goals. It should energize the organization by describing exciting future possibilities in which all can share. And it should signal the critical skills and capabilities that, once built, can serve as the foundation of marketplace success.” (Calfee, 1993; P. 54).

The mission statement guides leadership styles (Baetz & Bart, 1996). Furthermore, it has emerged as an effective leadership tool to be used in the following ways: 1) it provides managers with the common trends, specifically new CEOs, to emphasize their personality through the firm to lead to new trends. 2) The process of formulation would be used to bring new thoughts instead of the old ones (Klemm, et al, 1991). 3) It promotes the same expectations about shared values among all employees in different levels within the firm, so it is important in building a company culture (Analoui & Karami, 2002a; Analoui & Karami, 2003; Analoui, et al., 2009; Baetz & Bart, 1996). 5) It assists in managing the interests of the stakeholders (Baetz & Bart, 1996).

In their research, “Mission Statements: selling Corporate Values to Employees”, Klemm, et al, (1991) indicate two main purposes for mission

statements: one for the external relationship between the firm and the public and the other to push the employees within the organization. The results suggest that mission statements have a more important role internally in the firm than outside it. It is more believable to be promoting an organisation's values to employees inside the firm than outside it. Also, more likely to be revisited according to the change in managers than the change or turbulence in the outer environment. Finally, it is most important to motivate staff and give leadership.

“A mission statement allows the firm to articulate a strong vision for the organization and communicate that to its growing number of employees and professional managers” (Analoui & Karami, 2002), with respect to the understanding of all of the interested parties in the way it was meant to be (Analoui & Karami, 2003). Campbell (1997) argues that a mission statement can be used as a tool for getting managers to discuss their differences and thrash out a common view; so it can be used for stimulating debate.

Bart et al. (2001) have emphasized a positive correlation between mission statement and staff behaviour when the firm has an obligation and establishes inner programs/ policies, which support the mission statement. Thus, it also guides the employees' behaviour. In addition, the company will produce higher growth if the mission statement indicates an “ambition to grow” (Leitner & Guldenberg, 2010).

### *2.4.2.3 Mission statement as a marketing tool:*

Mission statement is considered a symbol of a company's culture (Campbell, 1997). It can be seen as a significant marketing tool and public relations tool (Benligiray, et al, 2012), because of its responsibility to communicate a good public image to the fundamental audience outside the organization, e.g. suppliers, clients, and all the community (Klemm, et al, 1991). Not only outside the organization but also inside the firm. It promotes a shared value between all workers, thereby establishing a strong culture within

organizations (Analoui and Karami, 2002; Baetz & Bart, 1996). Focusing on customer value, creating the culture of customer service, and increasing the level of client service are the fundamental aspects (Analoui and Karami, 2002).

The mission statement seems to be a remarkable competitive weapon which a company can use to ensure higher customer service and actually realize the customer service goals with a positive effect on customer service (Germain & Cooper, 1990). In the same sense Campbell (1997) says, while the mission statement addresses the purpose of the company and ambition, it appears as the firm's flag and a sign for all the organization's audience; therefore, it needs to be short and memorable.

### **2.4.3. Mission statement drivers:**

In addition to the three important benefits for the mission statement that have been discussed in the previous section, numerous drivers for having and developing a mission statement have been introduced by many scholars. For instance, it drives all an organization's members to deliver high value for customers and stakeholders (Macedo et al., 2016). Furthermore, it has a fundamental role in facilitating strategy formulation, implementation and providing the platform for decision making (Pearce & Robinson, 1991). Moreover, the role of the mission statement in consolidating the organization's legitimacy, is considered one of the most important mission drivers indicated by the literature (Kirk & Nolan, 2010). In addition, it has a role in employee motivation (Kim and Lee, 2007; Marimon et al., 2016; Smith, 2016; Desmidt, 2016).

The mission statement provides the organization's members with the meaning of their existence. Therefore, it creates shared understanding between them and drives all people to operate in the same direction, which is the common purpose of the organization (Baetz and Kenneth, 1998). With respect of the importance of strategic management of an organization, there are fundamental

drivers for an accurate mission statement. First, it provides a clear and straightforward description for the organization's purpose, which is the only way to guide strategy formulation, implementation and evaluation effectively (Drucker, 1974). Second, the mission statement introduces criterion for optimal allocation of corporate resources (Bart, 1997). From this criterion, the firm can estimate its long term and short term needs and can control the cost. Third, the mission statement shows the organization values and priorities to its stakeholders which helps the employees to recognize the general direction of the firm (Klemm et al. 1991; Williams, 2008). Finally, developing a comprehensive mission statement is responsive to all stakeholders internally as well as externally (David, 2001; Williams, 2008).

To demonstrate, many drivers for the mission statement have been emphasized by literature in different contexts (e.g., Macedo et al, 2016; Want, 1986; Campbell & Yeung, 1991; Klemm et al, 1991; Ireland & Hitt, 1992; Bart, 1996a, b & 1997). It seems to be different between industries and between for profit organizations and not-for profit or even from one organization to another. However, according to Bart (1996) mission statement drivers are defined as “those forces motivating the development and use of the firm's mission statement in the first place. They represent the mission statement's primary purposes or raison of being” (P. 215). Consequently, a list of ten drivers for the mission statement, which were frequently used by the literature, have been developed and used (Bart, 1996b; 1997a; 1998; Macedo et al., 2016) for this research purpose.

#### **2.4.4. Mission statement and firm performance:**

“While conceptually the relationship between mission statements and performance appears hardly controversial, it is surprising as well as embarrassing that empirical research to date has not been able to produce any solid evidence in support of this relationship.” (Sidhu, 2003; Bart, 1998; Bartkus, et al, 2006; Analoui, et al., 2009). Whereas some researchers have emphasized a correlation



between mission statement and firm performance (Analoui & Karami, 2002; Bart, 1996; Bart & Beatz, 1998; Mullane, 2002; Sidhu, 2003; Analoui, et al., 2009; Macedo, et al, 2016), others have found no link supporting a positive influence for the mission statements on performance (David, 1989; Bartkus, et al, 2006; Pearce and David, 1987; Sufi & Lyons 2003; O’Gorman and Doran, 1999; I. Williams Jr, et al, 2014).

The literature in the mission statement field and its effect on firm performance takes three dimensions. Firstly, the investigation of stakeholders included in the mission statement; secondly, analyzing mission statement components; thirdly, exploring the mission statement purposes or benefits (Bartkus, et al, 2006).

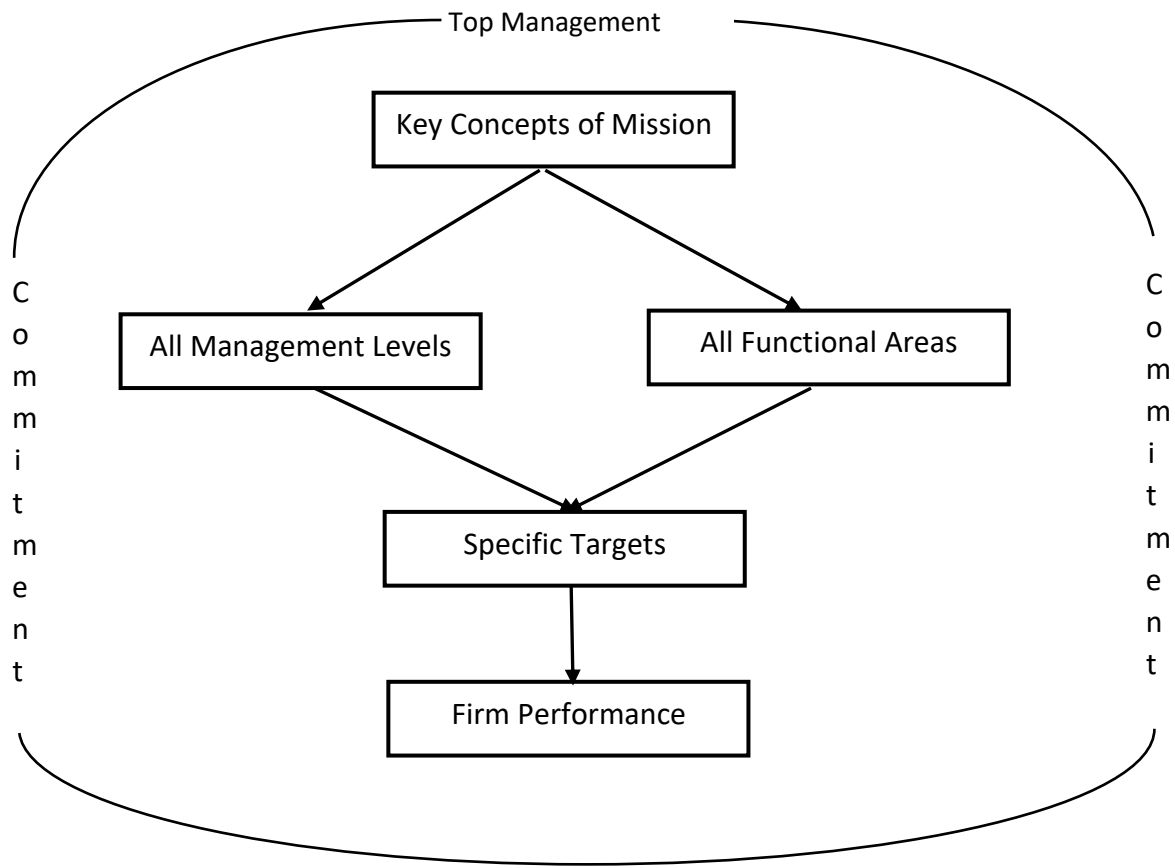
Bart (1997a) investigated several stakeholders (employees, customers, society, suppliers, shareholders) mentioned in the mission statement and found a negative impact on financial firm performance from including these stakeholder groups in the mission and financial performance; only the employees have a significant positive relationship. While O’Gorman and Doran (1999) consider that no considerable variation in SMEs performance can be attributed to including particular components in the mission statement, Bartkus, et al (2006) argue that developing a comprehensive mission statement, including all stakeholders, mentioning multiple components, and meeting specific objectives will somehow positively impact the firm’s financial performance. In the same context, Bart and Baetz (1998) draw a considerable positive relationship between mission statement and performance; moreover, the process used in formulating a mission statement has a positive impact on firm performance. The findings of their research confirmed empirically two benefits associated with the mission statement, namely, improving resource allocation and influence on organizational members' behaviour.

A significant positive association was found in the Analoui, et al., (2009) study “CEOs and development of the meaningful mission statement” between the existence of a formal written mission statement and firm performance. It has also been mentioned that the involvement of non-managerial employees in developing the mission statement process is significantly associated with firm performance. Finally, the results show that the organizational performance is affected negatively by including some financial goals in the mission statement.

“So far as business performance and effectiveness is considered, the companies with the better mission statements do not necessarily perform better. However, as the literature suggests, there is an indirect influence of the mission statement on performance.” Because of the capability of the mission to motivate staff as a result of sharing the same values (Sufi & Lyons, 2003), Bart and Baetz (1998) argued that the mission statement is correlated somehow with performance; there are many causes supporting having a mission statement; it is to motivate staff and managers towards achieving common purpose and improves allocating organizational resources.

However, Mullane (2002) has introduced (Figure 2. 9) the processes employed for enhancing performance by missions and visions. The processes highlighted the involvement of all levels of management, importance of top management commitment, putting specific objectives according to the mission, communication of key concepts, and involvement throughout the functional areas. Therefore, “the mission statement should be developed and implemented with the strategic intent in mind to create internal unity that moves the organization toward competitive success.”

*Figure 2. 9: The processes employed for enhancing performance*



**Source:** Mullane, John V., “the mission statement is a strategic tool: when used properly”, *Management Decision*, 40 (5), P. 453.

## **2.5. Corporate Social Responsibility (CSR):**

### **2.5.1. Definitions of CSR:**

The 1950s are considered the “modern era” in defining corporate social responsibility (CSR) (Carroll, 1999). For instance, prior research has examined CSR activities in many aspects including community involvement, the environment, equal employment opportunity policies, energy policies, policies toward South Africa, affirmative action programs, product safety, and social responsibility disclosure (Roberts, 1992). Therefore, Roberts (1992) defines CSR activities as policies or actions that make the organization engage with society-related issues. Rupp, et al, (2006) agree with that as they stated corporate engagement with society is used as a synonym for corporate social responsibility, which refers to social consciousness and developing corporate culture. They

conceptualized it as “activities, decisions, or policies that ‘organizations’ engage in to effect positive social change and environment sustainability”.

McWilliams et al, (2006) and McWilliams and Siegel (2001) define CSR as “actions that appear to further some social good, beyond the interests of the firm and that which is required by law”. Moreover, they stated some examples of CSR actions namely: developing non-animal testing procedures, abating pollution, adopting advanced HRM programs, recycling, and supporting local businesses. Robin and Reidenbach (1987) argue that CSR is a valuable part of the social contract. It is duties, obligations and relationships between the firm and its impact on the society; furthermore, what is accepted in one society is likely to be different in another society and it is also applicable to change in the same society over time. It is an obligation to develop society’s well-being through voluntary working practices and adding of company funds (Kotler & Lee, 2005).

Kok, et al (2001) were concerned with the internal environment as well as the external environment. Hence, “Corporate social responsibility is the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large, and improving the welfare of society at large independently of direct gains of the company”. Table (2. 2) contains aspects of social responsibility that they mentioned:

*Table 2. 2: Corporate social responsibility aspects*

Internal environment	External environment	Internally and externally
Physical environment	Social responsibility and new opportunities	Ethics awareness
Working environment	Public relationships	
Diversity/ minorities	Consumer relationships	
Organizational structure and management style	Provider relationships	
Communication and transparency	Natural environment	
Industrial relationships	Shareholders relationships	
Teaching and skills training		

**Source:** adopted from Kok, et al, (2001), A Corporate Social Responsibility Audit within a Quality Management Framework, Journal of Business Ethics Vol. 31, No. 4, P. 292.

### **2.5.2. CSR and Corporate Benefits:**

Corporate social responsibility can be seen as a form of investment. In this sense there are “resources” and “outputs” for CSR; a firm can embody its products with CSR characteristics (such as pesticide-free fruit) or emphasise it as a production process according to CSR without any effect on profit (McWilliams & Siegel, 2001). They indicate that while CSR provides higher costs in firms which apply it, both types of firms have the same ratio of profit. Moreover, corporate social responsibility has shown a positive impact on profitability (McWilliams & Siegel, 2000).

The company, the firm stakeholders, and the whole community are 'paid off' from corporate social responsibility. The value created by CSR programs for the firm has been assessed by identifying five strategy dimensions including;

proactivity, centrality, voluntarism, specificity, and visibility (Burke & Logsdon, 1996).

Organizations with a better reputation for corporate social responsibility outperform others which have a poorer reputation (Herremans, et al, 1993); they rarely encounter financial difficulties (Burke & Logsdon, 1996); and have a reduced rate of firm risk (McGuire, et al, 1988). For instance, a strong reputation can be a real asset for firms in times of crisis (Kotler & Lee, 2005).

However, CSR efforts are likely to enhance relationships between the firms, staff, and the different groups in the community, although the success of those relationships may rely on the degree of staff understanding and with the logic beyond their firm's CSR-related decisions (Rupp, et al, 2006). It has been argued that a firm's commitment to social responsibility has a positive influence on current and prospective employees (Increased Ability to Motivate, Attract, and Retain Employees), as well as executives and citizens (Kotler & Lee, 2005). "It can be a viable promotional strategy that leads to broader company benefits (company loyalty and emotional attachment to the company). A corporation's socially responsible behaviour can positively affect consumer attitudes toward the corporation" (Lichtenstein, et al., 2004; P. 29). CSR towards the consumer may also involve impalpable attributes, such as quality or reliability (McWilliams & Siegel, 2001).

The well-accepted belief is corporate social responsibility enables firms to match their stakeholder obligations (Lindgreen & Swaen, 2010). In addition, "CSR activity has the potential to increase not only CSR associations, attitudes, and identification but also the intent of stakeholders to commit personal resources (e.g., money, labour, etc.) to the benefit of the company" (Sen, et al, 2006; P. 164).

## **2.6. Firm performance:**

Firm performance is the most researched dependent variable by strategic management scholars (Nag et al., 2007). The strategic management process is likely to enhance organizational performance when it deals correctly with the surrounding environment (Andrews et al., 2008). Therefore, achieving higher performance is the main target for strategy scholars (Schendel, 1992; Burke et al., 2011). Hence, it is essential to define the firm performance clearly for this research purpose and shed light on firm performance measurement models, as it is the dependent variable in the research.

### **2.6.1. Firm performance definition:**

Performance is a very broad concept that is used in different areas by many scholars. According to Merchant and Van Der Stede (2012), it refers to the process of the evaluation results for the organizational outputs. Furthermore, it has been defined as quantifying the effectiveness and efficiency of the organization's operations (Neely, 1998). There are various definitions for firm performance in the strategy literature; all of them, however, have employed financial or non- financial indicators or both (Venkatraman & Ramanujam, 1986). While the use of financial performance refers to the use of financial indicators such as (return on investment, sales growth, profitability, return on equity, Etc.), non-financial performance refers to the use of qualitative indicators such as (products and services quality, customer satisfaction, employee satisfaction ... etc.). According to Neely (2007), firm performance can be seen as a mechanism that measures the firm's success in achieving its targets. However, it can be defined from the stakeholder's point of view; thus, it refers to the way that the organization is managed and the value added to the organization's stakeholders (Moulin, 2003).

Markedly, two important aspects should be considered with any attempt to define firm performance. First, the time frame; the duration of the measured performance interval (short, medium or long) plays a critical role in the

performance measurement outcomes. Also, it is possible to separate the past performance with future performance but there is no guarantee that the past successful performance will continue in the future (Carneiro, et al., 2007). Second, performance measurement reference; comparing firm performance with industry average will differ to comparing it with the main competitors or past performance (Carneiro, et al., 2007).

### **2.6.2. Firm performance measurement:**

The measurement of firm performance can be divided into traditional performance methods which include financial and non-financial performance indicators (Tangen, 2004), and the use of firm performance models which includes various aspects within the organizations (Moulin, 2003). The reason for developing comprehensive measurement models is that relying on the financial indicators only does not provide a complete understandable picture for the whole firm; therefore, the performance measurement models that depend on multi and different aspects have been developed (Neely, 1998).

For instance, The Balanced Scorecard (BSC) is one of the most popular comprehensive tools measuring firm performance and has been developed by Kaplan and Norton (1996). BSC evaluates firm performance in respect of four aspects namely; Customer perspective, Internal Business Processes Perspective, Learning and Growth Perspective and Financial perspective. According to Kaplan and Norton, (1996), “the balanced scorecard not only allows the monitoring of present performance, but also tries to capture information about how well the organization is positioned to perform in the future” (Neely, 2007).

Furthermore, the Performance prism model offers a wider focus for the organisation’s needs. It considers five interrelated aspects namely; Stakeholder satisfaction, Strategies, Process, Capabilities and Stakeholder contribution. Additionally, the performance pyramid also known as the smart strategic management and reporting technique was introduced by Cross and Lynch (1991).



It consists of four layers that express organizational effectiveness and internal efficiency. It starts from the individual level that combines departments and work centres moving to the top level of corporate vision (Neely, 1998).

Since the main aim of the research is to investigate the effect of mission statement drivers and contents on financial firm performance, only financial performance indicators have been adopted for this research purpose.

### **2.7. Small and medium sized enterprises (SMEs):**

#### **2.7.1. SMEs definition:**

Noticeably, the definition of SMEs differ from country to country and by sector. However, small and medium sized enterprises often depend on one or more from three famous standards namely: employee number, balance sheet size and turnover. Where European commission (2003) defines the firms which have less than 10 employees and annual turnover less than 2 million euro as micro businesses, small businesses have less than 50 employees and less than 10 million euro turn over and beyond a 10 M€ balance sheet in total. Medium businesses employ less than 250 employees, less than 50 M€ turnover and more than 43 million euro total balance sheet (Avram & Kuhne, 2008). Likewise, the Companies Act in the UK 1985 classified a firm to be small business if its turnover equalled 5.6 million pound or less, the balance sheet equal to 2.8 million pound or less and employing less than 50 employees. However, less than 22.8 million pound turnover, less than 11.4 million pound total balance sheet and 250 employees or less is a medium sized company (Lukacs, 2005). Furthermore, the EU governments and UK trade department consider firms which employ up to 9 employees as a micro firm; up to 49 employees as small business; up to 249 as a medium enterprise; over 250 employees as a large company (Lukacs, 2005).

The Egyptian ministry of industry defines the small businesses as employing more than 10 employees and less than 100 and the firm capital equal to LE 500000. While Egyptian ministry of planning classifies the firm as a small

business if it has less than 50 employees (El Mahdi, 2002). Another definition suggested by the Egyptian ministry of Foreign trade distinguishes between three main categories: (Rezk et al., 2016)

- 1) The Micro Enterprise has the number of employees between 1-4 and capital less than LE 200, 000.
- 2) The Small Enterprise has the number of employees between 5-49 and capital between LE 200, 000 - LE 5 Million
- 3) The Medium Enterprise has the number of employees between 50-99 workers and capital between LE 5 million and LE 10 million.

However, the Central Bank of Egypt (CBE) has the most used definition by ministries and banks in July (2011) with five categories as shown in table (3.2) below. Hence, this definition will be employed in this study.

*Table 2. 3: Egyptian SMEs definition*

Market sub-sector	Annual sales EGP millions	Employment	Numbers (guesstimates)
Large	More than 100	More than 200	1000 - 2000
Medium	10 – 100	50 - 200	3000 - 4000
Small	1 – 10	10 – 49	37000 - 41000
Very small	0.1 – 1	5 – 9	127000 -140000
Micro	Less than 0.1	1 - 4	2400000 - 2650000

**Source:** Central Bank of Egypt (2011), expanding Egypt’ banking Frontiers the future of SME Banking in Egypt ‘Turning ripples into waves’.

#### **2.7.2. SMEs characteristics:**

Fire-fighting, informal strategies, reactive, limited resources, local productive capabilities and flexible structure are the main characteristics of small and medium sized enterprises (Qian and Li, 2003; Raynard and Forstater, 2002; Hudson et al, 2001; Terziovski, 2010). SMEs usually start with limited resources

either tangible (land and equipment) or intangible (knowledge, training and efficient process) that could help in generating a unique value; however, the availability of these resources in the first place depends on the business owner's skills and talent (McDowell, et al, 2015). The limited financial and human resources lead small businesses to offer fewer products in limited markets and use market penetration strategies rather than development strategies; therefore, the formal strategic planning is predominantly missing (Kraus, et al., 2007) and that negatively affects SMEs' performance (Gronum et al, 2012). As a consequence, the failure rate of SMEs is higher than the failure rate of large firms. According to Wheelen and Hunger (1999) the small business administration in the United States indicates that 24% of the new SMEs failed in the first two years and 63% failed within six years. they also indicate this higher failure rate is a natural result of the absence of formal strategic planning and a process that keeps track of the performance of SMEs.

Lu and Beamish (2001) argue that while SMEs are often affected by their owners and manager's characteristics (Zahra et al, 2000) and have fewer resources, their flat structure offers them a flexible operation system and higher innovation capacity (Raynard and Forstater, 2002). Thus, McDowell et al (2015) indicate that to maintain business success, SME managers have to implement the most suitable strategies as a consequence of understanding the expectations of the marketplace and their own capabilities. SMEs have no power to affect the markets as well as have a small market share (Demick and Reilly, 2000).

However, Kraus et al (2007) argue that the specific characteristics of SMEs offer strategy development opportunities as well as it entailing problems. Table 3.3 summarizes the problems and opportunities of SMEs.

*Table 3. 1: SMEs' problems and opportunities*

Problems	Opportunities
- Fewer means, time and resources.	- Closer to customer.
- Limited knowledge	- Higher knowledge with market.
- Put more emphasis on one product or one market	- Influence strongly by the owner
- Potentially a lot of work for managers	- High employee motivation
	- Possibility of quick implementation.

**Source:** Adopted from Kraus et al (2007)

Interestingly, Egyptian SMEs have the same characteristics, however, according to Accelerate Consulting and Development report in August (2014) about micro, small and medium enterprises in Egypt, the challenges faced by SMEs are: 1) Financial limitation. 2) Supervisory and regulatory frameworks unclear. 3) Using outdated technologies for lending to SMEs by some banks. 4) Limited market experience. 5) Poor conducive business environment. 6) Poor management skills.

### **2.7.3. SMEs and economic prosperity:**

“Economics building blocks” is the accepted notion from many countries about the small and medium sized enterprises (Luen, et al., 2013). Therefore, policy makers in all countries give more attention to the role of SMEs in building the competitive position; it is commonly known as an economic growth engine and considered a vital source for innovation and job creation (Peel & Bridge, 1998; Ladzani and Seeletse, 2012). According to Lund-Thomsen, et al (2014) 90% of the world’s businesses are classified as small and medium sized enterprises and create 50% to 60% of the employment.

While in developing countries, SMEs are considered a vehicle in the war against poverty and employ more than 60% (Luetkenhorst, 2004), around 99 percent of businesses in developed countries are SMEs (Connor, 2009). Geldenhuys et al. (2009) indicate the contribution of SMEs in both developing and undeveloped countries since SMEs produce from 30% to 60% of GDP and employ more than 50% of the workforce.

In Europe 98% of business can be classified as small and medium sized enterprises and account for around 20 million enterprises and offer around 66% of the total employment (Avram and Kuhne, 2008; Luen, et al., 2013). In the UK around 5.3 million businesses, representing 99% of total firms, registered as SMEs and employ around 24.3 million employees (Ward & Rhodes, 2014). Similarly, the major contribution for most African countries economies are acknowledged to be from SMEs (Dzansi, 2004). Countries such as Malaysia, Indonesia, Vietnam, Thailand and Singapore attribute their development to SMEs improvement; even US and Canadian SMEs play an important role in job creation and economic growth (Dzansi, 2004).

#### **2.7.4. Egyptian SMEs:**

Approximately 80 percent of Egypt's GDP comes from small and medium sized enterprises and around 90% of private businesses can be classified as SMEs according to Central Bank of Egypt (CBE, 2016). 2.5 million SMEs provide almost 75% of the Egyptian workforce (El-Said et al, 2014; CBE, 2016<sup>1</sup>). Furthermore, the ministry of Industry and Trade in Egypt indicates this figure since it announced that SMEs contribute 75% of employment (El-Shobery, 2012). In addition, Egypt was considered for a long time the largest SME hub in the Middle East for pure numbers and operating density. However, the challenge facing the Egyptian economy nowadays is to reinforce this vital base. Therefore,

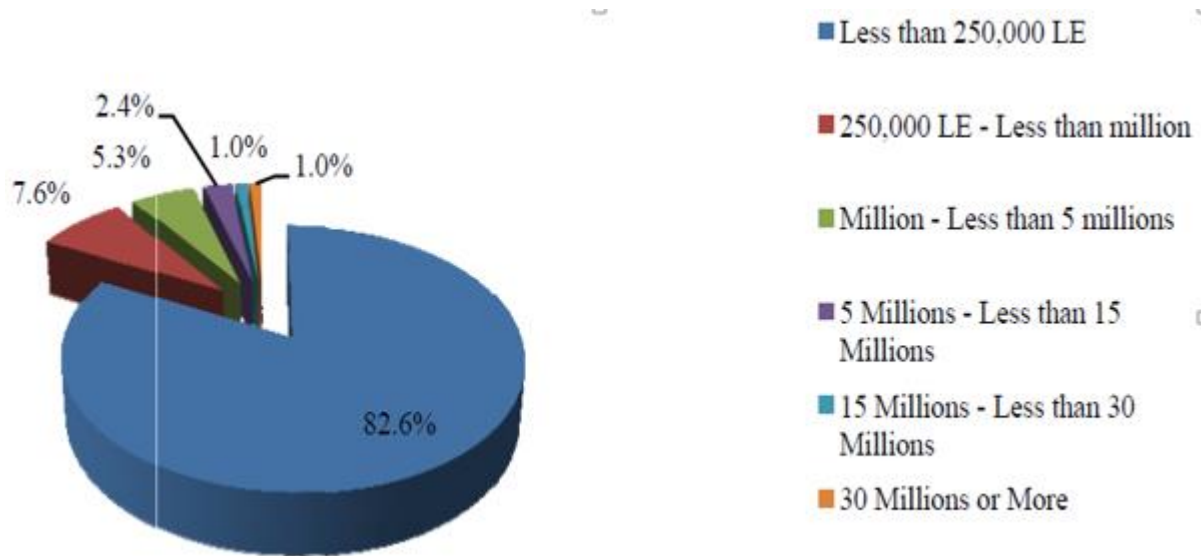
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<sup>1</sup><http://www.sis.gov.eg/Ar/Templates/Articles/tmpArticles.aspx?ArtID=120910#.Vz2W69UrLIU>

CBE plans to provide 200 billion Egyptian pounds (\$25 billion) to fund over 350,000 SMEs over the next 4 years (from 2016 to 2020) and encourage banks to increase loans offered for SMEs (CBE, 2016).

According to El-Said et al, (2014) 82.6% of Egyptian SMEs are classified as small business because their capital is less than 250000 Egyptian pound (LE) while less than 2% can be classified as large firms (figure 4.1).

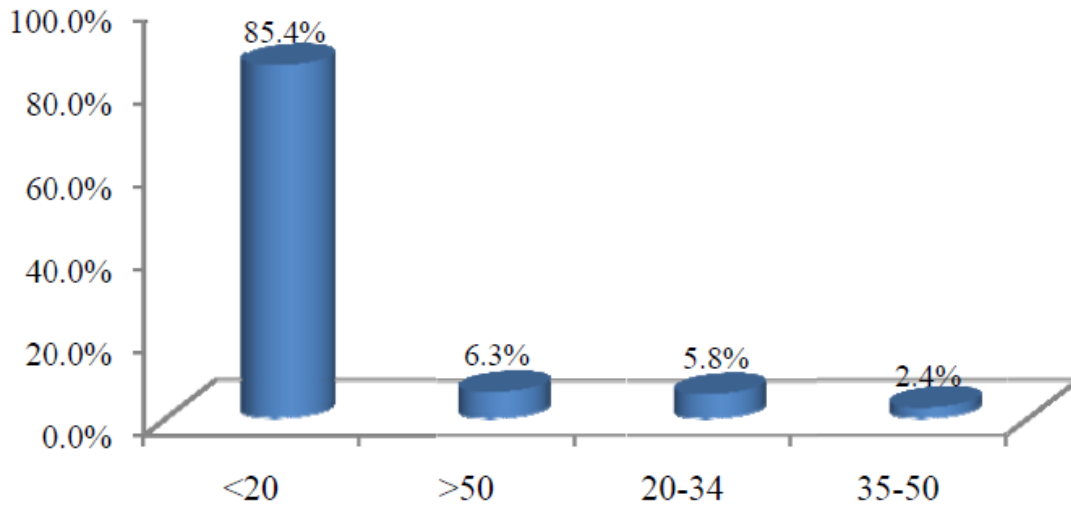
*Figure 2. 10: SMEs distribution by capital value*



**Source:** El-Said et al, (2014), Small and Medium Enterprises Landscape in Egypt: New Facts from a New Dataset, Journal of Business and Economics 5 (2), p.148.

Furthermore, most Egyptian SMEs can be classified as small and very small businesses. Therefore, around 85.4% employ less than 20 employees as shown in figure (4.2):

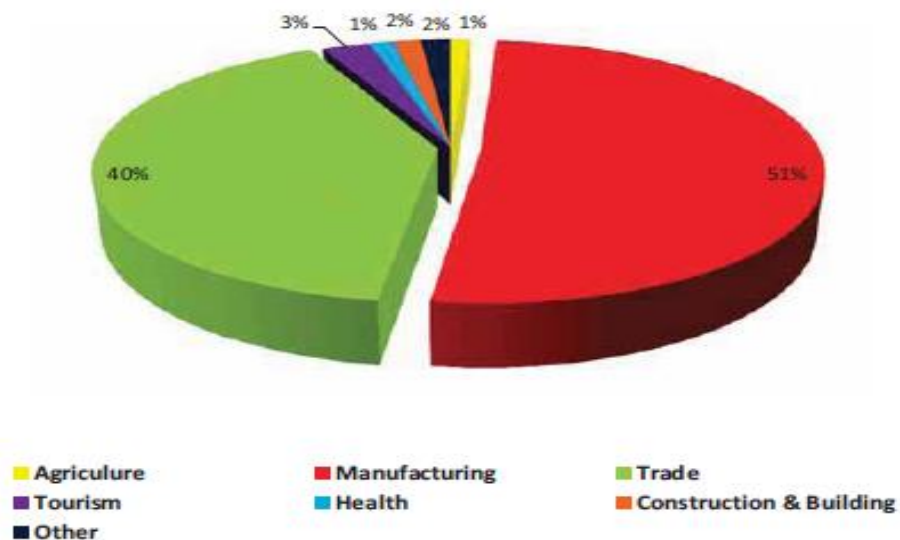
*Figure 2. 11: SMEs distribution by employee numbers*



**Source:** El-Said et al, (2014), Small and Medium Enterprises Landscape in Egypt: New Facts from a New Dataset, Journal of Business and Economics 5 (2), p.148.

Around half of Egyptian SMEs operate in the industry sector. According to the Central Bank of Egypt report (August 2014), 51% of Egyptian SMEs focus in the manufacturing sector (figure 4.3)

*Figure 2. 12: SMEs distribution according to economic activity*



**Source:** Central Bank of Egypt (2014), report submitted by accelerate consulting and development.

## **2.8.Literature gap:**

### **2.8.1. Mission statement drivers:**

Many drivers have been mentioned in the previous literature for developing and creating a mission statement. For instance, providing all organization stakeholders with the direction and focus of the firm (Sufi & Lyons, 2003); developing business strategy and promoting shared values between all employees (Karami, 2007); guiding employee behaviour and creating obligation with the firm's objectives (Mullane, 2002); exerting control, allocating resources and maintaining the balance between the different stakeholders (Bart, 1997). Furthermore, the mission statement has an important role for enhancing shared culture between organization members, creating performance standards, defining the scope of the organization's operations and activities, maintaining co-operation among employees' members during crisis and realising interest with the external stakeholders (e.g., Macedo et al, 2016; Want, 1986; Campbell & Yeung, 1991; Klemm et al, 1991; Ireland & Hitt, 1992; Bart, 1996<sub>a,b</sub> & 1997).

While the literature addresses many reasons for creating a mission statement, no studies explore these rationales in the Egyptian context. Thus, the first research question is to explore the mission statement drivers in the Egyptian SMEs:

***Question1:*** *What are the primary rationales for developing a mission statement in Egyptian SMEs?*

### **2.8.2. Mission statement contents:**

Interestingly, there is considerable debate in the literature about the number of contents to be included in the mission statement. For instance, customer, external stakeholders, society and people in the organization are the four contents stated by Varbanova (2013) to be included in the mission statement. However, Sufi and Lyons (2003) divide the contents of the mission statement of the hospitality firms into 28 including, employees, brand values, quality, products, building on strengths and so on. Furthermore, many scholars specified just nine



contents to be included in the mission statement (e.g., David, 1989; Ireland & Hitt, 1992; Analoui & Karami, 2002a; Baetz & Bart, 1996; Sufi & Lyons, 2003) as referred to earlier in table 2.1. Hence, the second research question is to explore the mission statement contents in the Egyptian SMEs:

***Question2:*** *What are the contents of the mission statement in Egyptian SMEs?*

### **2.8.3. Mission statement drivers and contents:**

While the literature has extensively documented the importance and the reasons for creating the mission statement and discussed the contents that should be included in the mission, no studies have investigated the link between mission drivers and contents. One would expect that mission drivers should be reflected in the mission contents. Furthermore, the different reasons for creating missions produce different contents. Thus, the third research question is to investigate the relationship between mission statement drivers and content:

***Question3:*** *What is the relationship between mission statement drivers and contents?*

### **2.8.4. The relationship between mission statement and firm performance:**

As mentioned before, the empirical studies of the impact of the mission statement on financial firm performance have been inconclusive. While some researchers have found an association between mission statement and the performance of the firm (Analoui & Karami, 2002a; Bart, 1996; Bart & Beatz, 1998; Mullane, 2002; Sidhu, 2003; Analoui, et al., 2009; Macedo, et al, 2016), others have found no link supporting a positive influence for the mission statement on corporation performance (David, 1989; Bartkus, et al, 2006; Pearce and David, 1987; Sufi & Lyons 2003; O’Gorman and Doran, 1999; I. Williams Jr, et al, 2014). Thus, it is worth investigating this relationship in small and medium sized enterprises with respect to mission statement drivers and contents.

Furthermore, the failure to link the mission statement with the financial performance is based on the failure to link specific contents in the mission

statement with the financial performance (Bart & Hupfer, 2004). Hence, it is worth investigating the link between mission statement contents and financial performance with respect to Triple Bottom Line (TBL) theory.

The triple bottom line theory was introduced by John Elkington in 1994. It states that to “achieve outstanding triple bottom line performance, new types of economic, social, and environmental partnership are needed” (Elkington, 1998). The emphasis on economic factors or profitability is not enough for achieving the financial success and sustainability (Dwyer, 2005; Fairley et al., 2011). However, large companies have recognized that the consciousness of environmental and social variables besides the economic aspects are the key to sustainability and financial success (Esty & Winston, 2009). According to Yadavai and Sinha (2016) the term TBL refers to the whole set of values, processes and issues that firms must address to reduce any social, economic and environmental harm produced from their activities and operations.

The organization’s mission sends signals to its stakeholders about the direction and the focus of the company (Galpin, et al, 2015). Furthermore, as a consequence of the mission’s responsibility to communicate a good public image to a fundamental audience outside the organization, e.g. suppliers, clients, and all the community (Klemm, et al, 1991), it is considered a symbol of a company's culture (Campbell, 1997), a significant marketing tool and a public relations tool (Benligiray, et al, 2012). Therefore, it is expected that the triple bottom line mission will contribute to the financial success and communicate the company’s interest with social and environmental variables to its stakeholders. Thus, the fourth and fifth research questions are:

***Question4:*** *What is the relationship between mission statement drivers and financial firm performance?*

***Question5:*** *Does a triple bottom line mission statement enhance financial firm performance?*

### **2.8.5. The moderating role of CSR:**

In this section, we argue that the impact of a mission statement on financial firm performance may not be widely positive but rather conditional on several frontier conditions. That is, a negative or positive relationship may be perceived, depending on the levels of CSR.

Additional support for the moderating role stems from the existing networks of stakeholders within an organization. Corporate social responsibility “faces the potentially conflicting demands of these stakeholders”, and transfers it into social goals and policies (Lindgreen & Swaen, 2010). Furthermore, CSR now seems as a fundamental dimension of contemporaneous business activities (Kotler & Keller 2012). Customers, suppliers, employees, governments, some shareholders, and community groups have encouraged organizations to undertake supplemental investments in corporate social responsibility (McWilliams & Siegel, 2000).

Herremans, et al, (1993) in their research “an investigation of corporate social responsibility reputation and economic performance”, stated three main findings: 1) a strong positive relationship between firms with good reputation in holding a social role in their agenda and their profitability. 2) a good reputation for holding a social role is strongly related with lower total company risk. 3) “Investors appear to be cognizant of differences in reputations about social responsibility among companies”.

Generally, corporate social responsibility represents a continues obligation by the firm to keep the ethical position and participate in community growth, besides developing the quality of an employee’s life, the local community and society (Lindgreen & Swaen, 2010). While Roberts (1992) stated that CSR disclosure and corporation performance are strongly related, McGuire, et al (1988) argue, “It may be more fruitful to consider financial performance as a variable influencing social responsibility than the reverse.”

CSR captures critical interest from the public with respect to business and community relationships (Carroll, 1999); without a consistent and well-known profile and mission statement the organization will gain a higher conflict degree from its external environment, as well as to its managers, own stockholders, and employees (Robin & Reidenbach, 1987). We assume that to achieve successful performance managers must build bridges with their stakeholders and convince them to support the organization; hence, an increase in realized CSR may improve the image of the organization internally as well as externally.

***Question6:** Does CSR play a moderating role in the relationship between mission statement (drivers and contents) and financial firm performance?*

### **2.9. Chapter summary:**

This chapter has introduced the literature review in the subject researched. It started from the broad area of research and moved to the minor area. Furthermore, it presented the required knowledge that enabled the research to be more specified in terms of research questions and hypothesis.

The chapter started by presenting the originality of the strategy as a concept and how it has been transferred to the business world. Thereafter, it discussed the strategic management concept and process and its role in small business. Secondly, the chapter dealt with strategic planning as a first and important step in the strategic management. Therefore, it presented the concept, definitions, benefits, process and the role of strategic planning in small business as it is considered the engine of most economies. It also looked at differentiation between strategic planning and strategic thinking. Thirdly, the mission statement was discussed as a first step in strategic planning presenting its definition, benefits and its importance for small business. Fourth, the moderating variable, which is CSR, was presented. Fifth, the firm performance was discussed as a dependent

variable. Then the chapter concluded with the proposed conceptual framework and chapter summary.

The concept of strategy originally came from the Greek army and was used for military purposes. However, it engaged with businesses after World War II and the strategic management concept appeared to refer to the use of strategy in the business world. Consequently, strategic management has been divided into three main steps or processes namely; strategy formulation (strategic planning), strategy implementation and strategy evaluation. Strategic management served in the beginning the large firms. However, the importance of strategic management was realised by small firms later on and had the concern of academics and practitioners alike.

Regarding strategic planning, some practitioners have used it as a synonym of strategic management; however, the academic always distinguishes between both terms and strategic planning was recognized as the first step in the strategic management process. For this research purpose, strategic planning has been defined as a sequential process of setting the mission statement, creating goals, developing strategies and policies which lead to allocating resources to achieve organizational goals. Furthermore, the literature established a positive effect of strategic planning on performance, profitability, sustainability and other variables. Notably, strategic planning is not strategic thinking. While the latter term is synthesis, the former is analysis. To demonstrate, small and medium sized enterprises benefit from strategic planning as large firms do.

The mission statement was introduced by Peter Drucker in the 1970s; however, it can be simply defined as a declaration for the distinctive purpose of the organization on a formal written document. Many benefits have been associated with obtaining and developing mission statements. For instance, mission statement is considered an efficient management tool and strategic tool; leadership tool; and marketing tool.

Corporate Social Responsibility (CSR) can be seen as a form of investment. It refers to the firm commitment towards the society as a whole and all the organization stakeholders. However, many benefits have been gained by the firms adopting CSR practices such as higher organizational performance, profitability and lower risk.

Furthermore, the chapter moved to the research context. It provided SMEs definitions and the selected definition for this research. Notably, SMEs definition differs from country to country and one sector to another. The chapter introduced the characteristics of SMEs and the importance of small business for economic prosperity in many countries. It considered the economic engine for both developing and developed countries alike

Lastly, a brief definition and measurement models for firm performance was discussed. To conclude, six- research questions were demonstrated at the end of this chapter.

## **Chapter Three**

### Conceptual and theoretical Framework

### **3. Chapter Three:** Conceptual and theoretical Framework of the study

#### **3.1. Introduction:**

This chapter provides a detailed discussion of the components of the conceptual framework and the research context to enable a deep understanding of the research questions and research objectives. It starts by introducing the importance of developing a conceptual framework. Then, it sheds light on the previous endeavours to investigate the impact of a mission statement on firm performance. Afterwards, it highlights the role of corporate social responsibility (CSR) as a moderating variable in the correlation between mission statement and firm performance and the rationale of this. Thereafter, the chapter presents the performance measurements, the tools used by previous scholars and the selected tool for this research purpose. In the second part of this chapter, it discusses the nature of the research context where definitions, characteristics and economic impact of SMEs will be presented. Finally, the chapter concludes with a summary.

#### **3.2. The conceptual framework:**

The conceptual framework can be defined as a system of terminologies, theories, hypotheses and beliefs which support the researcher's ideas (Maxwell, 2012). It is the way to connect the empirical study with the body of literature and narrow the topic of research to determine the gap. Thus, describing and classifying the research terms and identifying the relationships between variables is the main object of the conceptual framework (Rocco and Plakhotnik, 2009). However, "The conceptual framework relates concepts, empirical research, and relevant theories to advance and systematize knowledge about related concepts or issues" (Rocco and Plakhotnik, 2009, p.9). While the literature review is important to determine whether the topic is researchable or not and to build the foundation of the study (Creswell, 2003), the conceptual framework is required to map the relationships between ideas and elucidate the importance of the study (Becker, 2008; Punch, 2000). Moreover, providing a theoretical perception of the



proposed research enables the audience to catch the aim of the research and how it will be achieved (Leshem and Trafford, 2007).

Collecting and analysing data is considered a natural consequence for developing an explicit conceptual framework because it helps the researcher to decide and select the important features and relationships for the investigation (Robson & McCartan, 2016). However, the conceptual framework plays an integrating role between theories and investigates issues to offer clear explanation; it also provides guidance for the suitable methods and strategies to fulfill the research goals; finally, it helps to shape the conclusions and how the results are conceptualized through a theoretical perspective (Leshem and Trafford, 2007).

Rocco and Plakhotnik (2009) stated five important functions for the conceptual and theoretical framework namely: 1) auditing the previous work to build the base of the current research; 2) determining the added knowledge of this study. 3) Helping to define the concepts, hypothesis, beliefs, and assumption for the proposed research; 4) providing guidance for methods and instruments chosen; 5) introducing a reference list for findings interpretation. In the same sense, Leshem and Trafford (2007) conclude the benefits of using a conceptual framework in table (3.1):

*Table 3. 1: Conceptual framework benefits through research process*

conceptual frameworks introduce explicitness with research processes through: <ul style="list-style-type: none"><li>• modelling relationships between theories;</li><li>• reducing theoretical data into statements or models;</li><li>• explicating theories that influence the research;</li><li>• providing theoretical bases to design, or interpret, research;</li><li>• creating theoretical links between extant research, current theories, research design, interpretations of findings and conceptual conclusions.</li></ul>	offer a self-audit facility to ensure cohesion and appropriate conceptualisation for research conclusions through: <ul style="list-style-type: none"><li>• unity within appropriate theories;</li><li>• direction to research design and accompanying fieldwork;</li><li>• Coherence between empirical observations and conceptual conclusions.</li></ul>
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**Source:** Adopted from Leshem S. and Trafford V. (2007) Overlooking the conceptual framework, p. 101.

### **3.3.Components of the conceptual framework:**

The conceptual framework, however, can be seen as a concept map, which represents the terms of the intended study. Concepts appear in boxes or circles and some arrows refer to the relationships between them to develop researcher understanding. Since this map depends on the researcher's understanding and view, there is no correct map or wrong map (Rowley and Slack, 2004). Figure 3.1 below refers to the conceptual framework for this study.

### **3.3.1. Mission statement drivers and contents:**

Since the 1970s when Peter Drucker introduced the term mission statement, numerous reasons for having and developing a mission statement have been introduced over the years by many scholars. The interest of a mission statement has been created among practitioners, researchers and consultants alike (Khalifa, 2012). The most compelling evidence is the number of firms that use and develop the mission statement has dramatically increased over the years (King et al., 2010). Not only for profit organizations but also for non-profit organizations (Desmidt et al., 2008; Kirk and Nolan, 2010).

To demonstrate, the mission statement provides all the organization's stakeholders with its focus and direction (Sufi & Lyons, 2003). Therefore, it addresses the organization's uniqueness, which leads to financial success (Morris, 1996); and positioning the organization in the competitive groups which highlight the similarities and differences (Kosmützky and Krücken, 2014). Other reasons mentioned by Karami (2007) include; developing business strategy and promoting shared values between all employees; guidelines for employee behaviour and emotional obligation (Mullane, 2002). The desire to achieve a firm's mission produces better control over employee behaviour and actions, allocating resources and maintaining a balance between the competing stakeholders (e.g., shareholders, employees, customers and society) (Bart, 1997).

According to Bartkus et al., (2000), the mission statement is assumed to 1) provide an organisation's purpose and direction, which facilitates the coherence within the firm. 2) Provide a control system. 3) Guide the decision-making process. 4) Inspire and motivate all the organization's members. Furthermore, it has a fundamental role in communicating and enhancing the organizational culture (Babnik et al., 2014). However, it is necessary to explain clearly all these benefits and reasons for the employees and using a logical argument that links the

mission to the accepted values (Marimon, et al., 2016). Furthermore, other drivers for developing an organization's mission cited in the literature include defining the scope of the organization's operations and activities, establishing performance standards, enhancing a shared culture between an organization's members, maintaining co-operation among employee members during crisis and realising the interest with the external stakeholders (e.g., Campell & Yeung, 1991; Ireland & Hitt, 1992; Klemm et al, 1991; Want, 1986; Bart, 1996a,b,1997; Macedo et al, 2016). Hence, the mission statement rationales or drivers are considered the forces that motivate the firms to develop their mission statement (Bart, 1996b). Table (3.2) below summarizes the most popular drivers for the mission statement highlighted by literature.

Table 3. 2: Overview of the studies developing mission statement rationales

No.	Driver	Author	Industry	Country
1	To provide common purpose of the organization	Davies and Glaister (1997); Campbell and Yeung (1991)	Business schools Manufacturers big companies	UK US & UK
2	To define organization activities and operations scope	Campbell and Yeung (1991) Ireland and Hitt (1992)	Manufacturers big companies Large firm (case study)	US & UK US
3	To allow CEOs to exert control over the organization	Klemm et al. (1991)	Large companies	UK
4	To create performance standards for the organization	Hirota et al. (2010)	Large industry firms	Japan
5	To help individuals identify the firm's aims and purpose	Campbell and Yeung (1991)	Manufacturers big companies	US & UK
6	To promote shared values among an organization's members	Williams (2008) Cochran et al. (2008)	Fortune 1000 higher-performing and lower-performing firms	US
7	To promote the organisation's interest of the external stakeholders	David et al. (2016)	Large firms	US
8	To motivate and inspire an organisation's members	Wright et al. (2012) Marimon et al. (2016) Desmidt (2016)	Governmental projects International companies public organization	US Europe and south America Belgian
9	To help refocus a firm's members during crisis	Kim and Lee (2007)	Non-profit Human Services Agency	10 counties in a southeastern state
10	To provide a sound basis to allocate a firm's resources	Ireland and Hitt (1992)	Large firm (case study)	US

**Source:** Developed by the researcher from literature.

Although the literature has extensively documented the importance and the reasons for creating and developing the mission, no studies have explored these rationales in small and medium sized enterprises, particularly in the Egyptian context. Thus, the first question for this research purpose is to explore the drivers for creating a mission statement from the Egyptian SMEs perspective.

Q1: What are the primary rationales for developing a mission statement in Egyptian SMEs?

Interestingly, mission contents likewise have gained scholars' interest, and the literature was varied on this issue. While Varbanova (2013) divides the contents into four; customers, external stakeholders, society and people in the organization, Sufi and Lyons (2003) have divided the contents of the mission statement into 28 including, employees, brand values, quality, products, building on the strengths and so on. However, the most cited nine contents of the mission statement are: (e.g. David, 1989; Analoui & Karami, 2002; Sufi & Lyons, 2003; Barr and Hupfer, 2004; Smith, 2016; David, et al., 2016)

1. Customers--Who are the firm's customers?
2. Products or services--What are the firm's major products or services?
3. Markets--Geographically, where does the firm compete?
4. Technology--Is the firm technologically current?
5. Survival, growth, and profitability--Is the firm committed to growth and financial soundness?
6. Philosophy--What are the basic beliefs, values, aspirations, and ethical priorities of the firm?
7. Self-concept (Distinctive Competence)--What is the firm's major competitive advantage?
8. Public image--Is the firm responsive to social, community, and environmental concerns?
9. Employees--Are employees a valuable asset of the firm?

According to David et al. (2016), organizational effectiveness is affected and can be enhanced by the contents of the mission statement. Furthermore, many

studies (e.g. Bart & Tabone, 1999; Bart, 2007; Vandijck, et al., 2007; Analoui, et al., 2009; Kirk & Nolan, 2010) have emphasized the importance of mission statement contents and the effect on firm performance. Hence, it is worth exploring whether Egyptian SMEs use the most popular contents of the mission statement or not. Therefore, the second research question was:

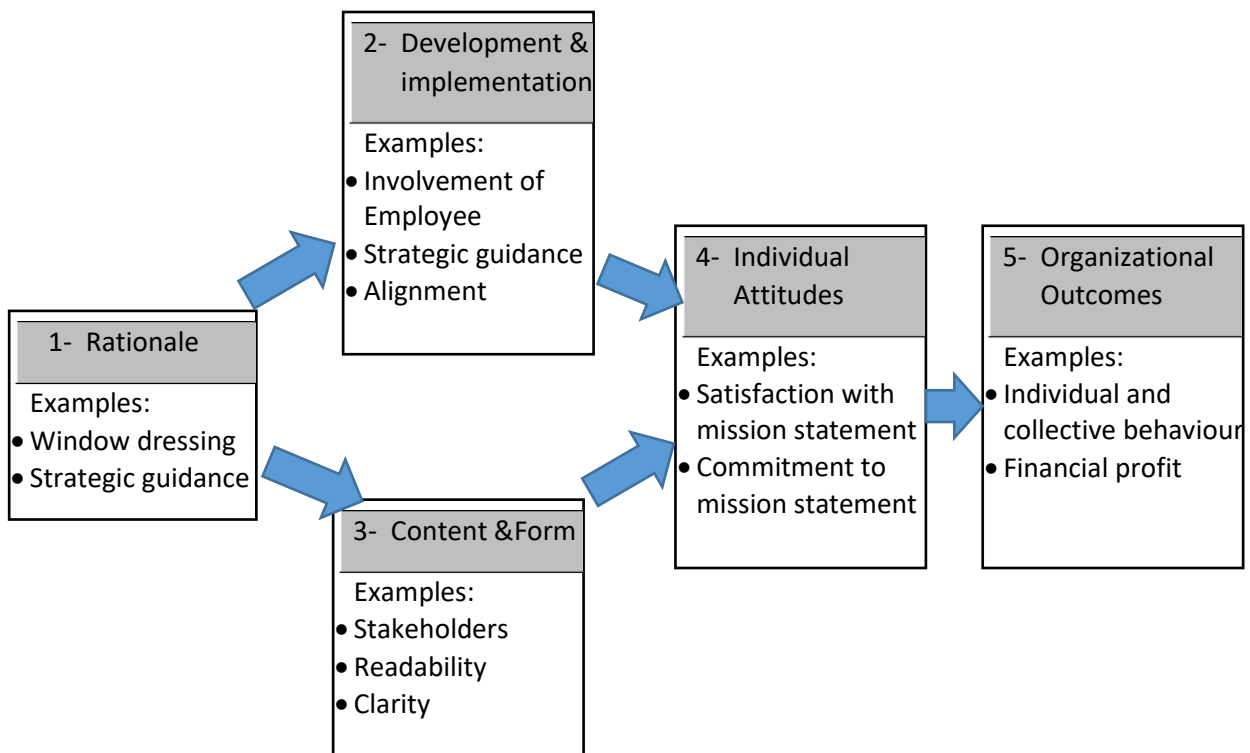
Q2: What are the contents of the mission statement in Egyptian SMEs?

The previous two research questions were to explore mission statement drivers and contents in the new context which were demonstrated by prior literature in different industries and countries. However, one contribution of this study is the attempt to link mission statement drivers with mission statement contents. The justification for that is mission statement contents should be reflective and reflected. For instance, the mission statement should reflect the firm's goals and strategies, and also should be reflected on the actual organizational practices (Blair-Loy et al., 2011). According to Campbell and Yeung (1991), the mission statement model translates an organization's purpose and objectives. Therefore, the mission statements vary in their contents according to the objective of having such a mission and the primary purpose of the organization (Blair-Loy et al., 2011; Robbins & Coulter, 2012).

Brabet and Klemm (1994), in their research "Sharing the Vision: Company Mission Statements in Britain and France", saw the divergence in French companies' mission statements to be based on whether they have more cultural or strategic objectives. Furthermore, they categorized two types of mission statement according to objectives. First, managerial statement contents, which are based on company beliefs and values. Second, strategic mission statement contents, in which the mission contents are based on long- range view and participation in strategy formulation. According to Bart et al. (2001), the formulation of an effective mission statement starts from the management's

drivers for developing and implementing it. “The underlying rationale then influences the mission statement’s content, which in turn impacts (1) attitudinal variables (e.g., satisfaction with the mission statement), and (2) structural variables (e.g., alignment with organizational reward systems). These variables influence individual behaviour, which leads to a heightened organizational performance” (Braun, et al., 2012; P. 432). Figure (3. 2) represents Braun, et al.’s (2012) model for the effective mission statement on organizational outcomes and the role of mission drivers as a starting point:

*Figure 3. 1: Mission statement influence on organizational outcomes*



**Source:** adopted from Bart et al., (2012), “Effectiveness of mission statements in organizations – A review”, P. 432.

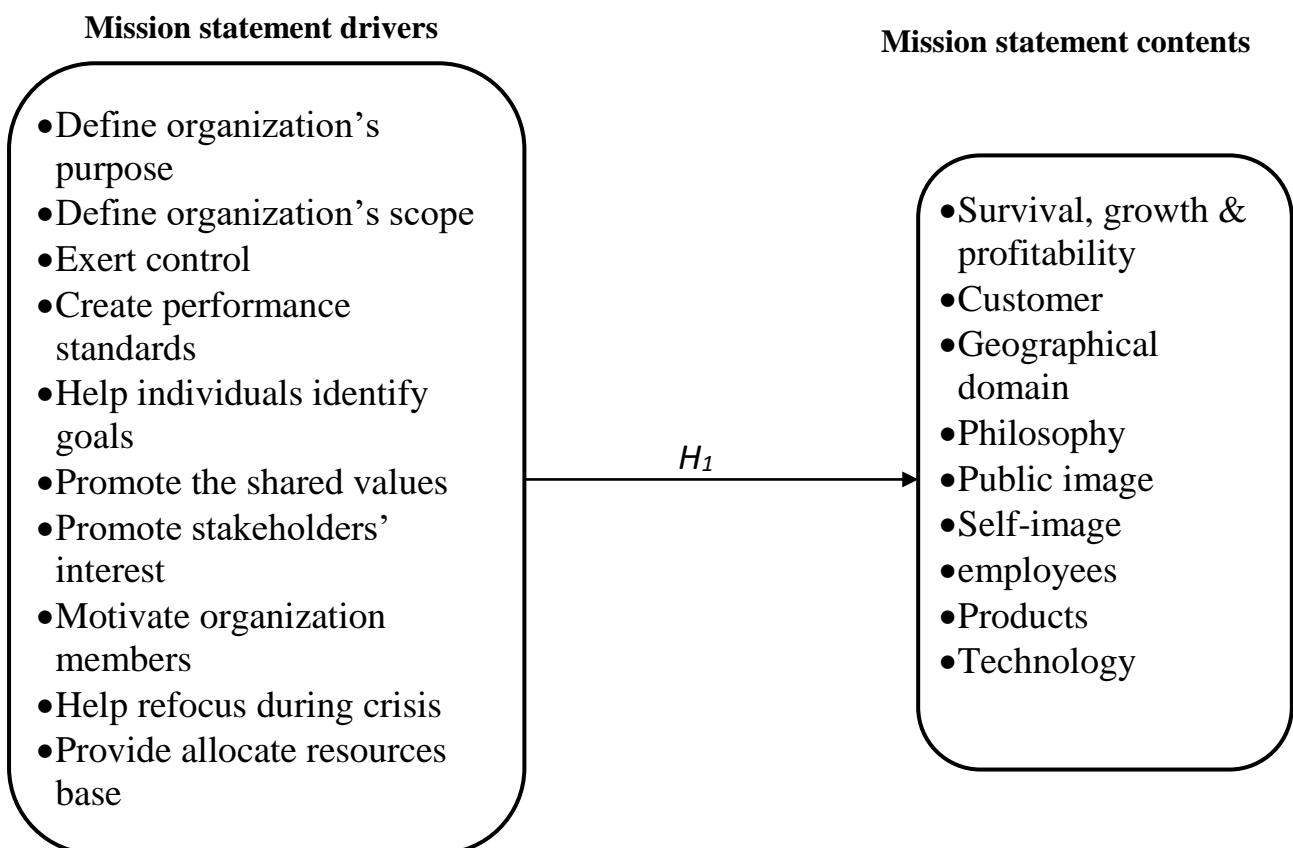
Having said that, “mission statements should be informative, inspiring, enduring, concise, clear, and conducive to both employees and customers forming an emotional bond with the firm” (David et al., 2014; P. 98). Therefore, the mission should define, not only what the organization is but also what the organization wants to be (McGinnis, 1981). Furthermore, the contents of the



mission represent the objective of the firm, which is trying to be fulfilled in the long- run (Bart, 1997b); however, the drivers of the mission are the forces that motivate the firm and guide all endeavours to achieve the firm's objectives. In addition, mission contents require practical translation from mission statement drivers (Stallworth Williams, 2008). Thus, it is postulated that:

**H<sub>1</sub>:** there is a significant relationship between mission statement drivers and contents.

*Figure 3. 2: Mission statement drivers and contents*



### **3.3.2. Mission statement and financial performance:**

#### **3.3.2.1 Mission statement drivers and financial performance:**

Not surprisingly, when you pick up a text book for strategic planning or strategic management you find it has a lot of references supporting the importance and the benefits of having a mission statement (e.g. Hill and Jones, 1992; David, 1993; Hitt et al.; 2012; Miller and Dess, 1996; Thompson and Strickland, 1996; Analoui and Karami, 2003; Karami, 2007; Andrews, 2012; Varbanova, 2013;

Wheelen, 2015). Why not? It is recognized as one of the cornerstones of management theory (Bart and Tabone, 2000; Macedo, et al, 2016). It, therefore, is often described as a unique statement of purpose (Ireland and Hitt, 1992; Bart and Hupfer, 2004; Bart and Baetz, 1998; Bart, 1997). In 1979, George Steiner argued that the mission statement not only guides the results but also provides a general direction for the employees and motivates them; furthermore, to be a tone which enables all the enterprise to play together in the same sense.

However, previous results regarding the direct effect of mission statement on firm performance were inconclusive. While the relationship has been emphasized (Analoui & Karami, 2002a; Bart, 1996; Bart & Beatz, 1998; Mullane, 2002; Sidhu, 2003; Analoui, et al., 2009; Macedo, et al, 2016), others have found no link supporting the positive influence of the mission statement on corporation performance (David, 1989; Bartkus, et al, 2006; Pearce and David, 1987; Sufi & Lyons 2003; O’Gorman and Doran, 1999; I. Williams Jr, et al, 2014). Therefore, to date there is no consistent evidence supporting the positive effect of mission statement on firm performance (I. Williams Jr, et al, 2014). Although it is widely recognized as a strategic tool and has an effective influence on organizational performance, the literature does not establish empirical evidence to support this relationship (Bart, 1997a; Bart, 1997b; Macedo, et al, 2016). However, the mission statement can have a positive effect on firm members’ behaviour (Bart, 1996b). Particularly, the agreement about firm notion at leadership level (Campbell, 1997) and enhancing organizational success drivers (Macedo, et al, 2016); all these, in turn, are supposed to have an impact on financial firm performance (Bart, 1996b).

Nevertheless, the literature persists that the power of the mission comes from its strategic value as a performance driver and a management tool (Drucker, 1990; Sawhill & Williamson, 2001; Pearce & David, 1987); besides looking after the long-term objectives and the survival of the firm (Pearce, 1982). In addition,

it can be seen as a vehicle that drives the employees towards the strategic road map (Orhan, et al, 2014; McDonald and Sarfraz, 2015). Therefore, a well-formulated mission statement helps the firm especially small firms to deal with the very dynamic environment and concentrate on its competences (Bart & Tabone, 2000). Thus, the literature indicates the use of a mission statement as a strategic tool to deliver high value for the enterprise's customers and enhance organizational performance (Macedo, et al, 2016).

Interestingly, Bartkus et al. (2006) found the characteristics of chosen mission statements are associated with corporate performance; however, Bart (1996b) in his research on high tech large firms indicated an influence for the mission statement on behavioural performance and cut the relationship between any of the characteristics or contents of the mission on the financial performance.

Expressively, the most cited benefits mentioned by previous scholars for having a well-designed mission statement to enhance financial success are a) drive employees towards the general goal of the firm (e. g. Campbell, 1997; Collins & Porras, 1991; Daniel, 1992; Ireland & Hitt, 1992; Germain & Cooper, 1990; Klemm et al., 1991; Wilson, 1992; Dermol, 2012); and b) effectively allocate resources (e. g. Ireland & Hitt 1992; Bart, 2001). Furthermore, the mission statement is generally considered a source of meaningful work (Moin et al., 2012; Michaelson et al., 2014); to enhance business policies and outcomes (Hirota et al., 2010); a source of motivation (Wright, 2007; Mirvis, et al., 2010; Carpenter and Gong, 2016; Rey & Bastons, 2017); a tool for communication (Williams, 2008; Cochran et al., 2008; Lin & Ryan, 2016); an organization's focus (Zhang, et al., 2015) and to convey transparency (Craig et al., 2016). Thus, the mission statement provides a comprehensive framework for the firm strategy and how the firm moves from its current situation to desirable future situation (Mirvis, et al., 2010). According to Hirota et al. (2010), the mission statement has an incentive to enhance firm performance and corporate value through two

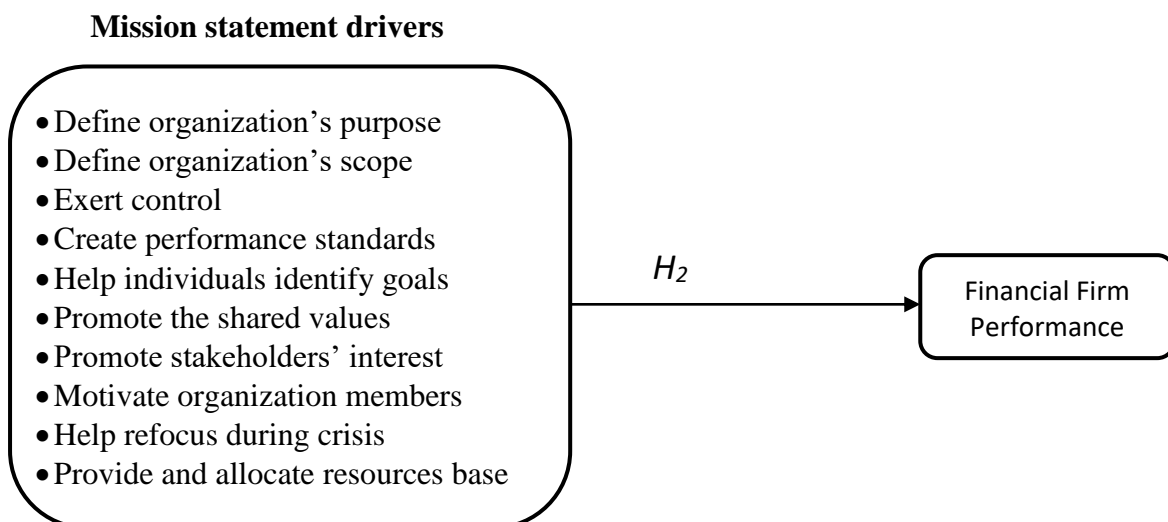
effects. “First, it raises current performance. The firm takes advantage of its accumulated organizational capabilities to operate efficiently. Second, it improves future performance. Observing that the purpose of an organization is to continue to exist, the employees are encouraged to make mission-specific investments, which facilitate further accumulation of organizational capital” (P. 1137). Furthermore, many high performing companies attribute their success to making the firm’s mission in the minds and hearts of their people (Anitsal, et al., 2013). Thus, productivity can be enhanced by matching the workers with the firm’s mission statement (Smith, 2016). Furthermore, innovative performance was strong positively associated with the mission statement (Zhang, et al., 2015).

Markedly, a huge stream of the literature postulates that a well- designed mission statement should significantly direct, motivate, inspire, focus, create shared values and enhance a firm’s ability to achieve its objectives in a way that enhances organizational and financial performance. The empirical results demonstrated strong evidence for the impact of a mission statement on behavioural performance and emphasized no strong evidence to support financial performance. There are two possible justifications for these inconsistent results. First, many studies have investigated the link between the existence of a formal written mission statement and firm performance (e.g. David, 1989; Germain & Cooper, 1990; Analoui & Karami, 2002; Sufi & Lyons, 2003; Analoui, et al., 2009). However, the existence of a mission itself cannot act as a performance driver because some firms just use it for grassing halls and walls (Marimon, et al, 2016). Second, some other efforts have examined the link between the existence of specific contents in the mission statement and firm performance and compared the high performing companies with low performing companies in terms of mission statement contents (e.g. Bart & Baetz, 1998; Amato & Amato, 2002; Bart et al., 2001; Sidhu, 2003; Sufi & Lyons, 2003; Williams, 2008). However, the results were inconsistent.

Although the drivers of the mission are the starting point for developing it (Braun, et al., 2012), no matter how the firm develop its mission, its effectiveness depends on the rationales of developing it (Blair-Loy et al., 2011; Zhang, et al., 2015). According to Braun et al. (2012), the outcomes of the effective mission statement depend on the antecedents of developing it which are the rationales underlying its development. Furthermore, many drivers for developing mission statements have been identified and are supposed to positively affect the financial performance and promote the importance of the firm's outcomes (Paarlberg & Lavigna, 2010). It seems that there are no studies regarding the effect of mission statement drivers on firm performance except Bart (1997b). Despite that (1) his research was applied on Canadian firms, which emphasized the lack of studies in the developing countries particularly Egypt; (2) his research considered large firms and ignored the SMEs. Hence, given the importance of SMEs for economic prosperity and the lack of literature investigating the impact of mission statement drivers on financial firm performance, particularly, in the Egyptian context, we decided to address this issue in the second hypothesis as seen in figure (3.3)

**H<sub>2</sub>:** There is a significant relationship between mission statement drivers and financial firm performance.

*Figure 3. 3: Mission statement' drivers and firm performance*



### ***3.3.2.2 Mission statement contents and firm performance:***

After a systematic review of literature published in high ranked journals in the field of mission statements since 1980, Alegre et al. (2018), conclude that “The overreaching conclusion is that mission statements are widely used in practice but poorly researched in theory. Most articles adopt a managerial phenomenon-based strand, lacking a deep theoretical foundation” (P. 1). Therefore, they call for further research to close this gap: “one of the main gaps this literature presents is the lack of a theoretical corpus in which to be grounded” (P. 14). In response to this call, the term triple bottom line mission has been developed.

In the mid 1990s, “Triple bottom line” was introduced as quite a new term and became more popular in 1997 when John Elkington published his British book “Cannibals with Forks: The Triple Bottom Line of 21st Century Business” (Norman and MacDonald, 2004). It refers to the importance of the social and environmental partnership with economic factors to achieve and maintain financial success and sustainability (Elkington, 1998; Dwyer, 2005; Fairley et al., 2011). Given that the importance of the three dimensions of TBL is the core of sustainable business (Elkington, 1998), the term makes organizational responsibilities much wider than those concerned only with the economic aspects (Hubbard, 2009). The idea emphasizes that firms have to address the whole set of values and processes which are fundamentally important to generate not just the economic value but also social and environmental values (Jamali, 2006; Norman and MacDonald, 2004; Karnes, 2009). Furthermore, some firms started to engage the triple bottom line according to “Dollar, People and Environment”, where the measuring of an organization’s success should include environmental factors as well as human resources objectives (Karnes, 2009). For instance, this involves being clear regarding the organization’s purpose and objectives and considering the needs of all stakeholders (Sustainability, 2003) cited from (Yadava & Sinha, 2016).

According to Elkington (1998), in the near future, the financial market world will impose on businesses triple bottom line dimensions. “If we aren't good corporate citizens as reflected in the Triple Bottom Line that takes into account social and environmental responsibilities along with financial ones - eventually our stock price, our profits and our entire business could suffer” (Norman and MacDonald, 2004; P. 245).

In research scoring Sustainability Reports Using GRI 2011 Guidelines of Leading Public and Private Indian Companies, the results show that the firms adopting environmental, and Social dimensions beside the economic dimension achieved higher sustainability and became more profitable in the long run (Yadava & Sinha, 2016). However, triple bottom line firms understand better how they can fulfill their mission statement and achieve their objectives; they redefine values to include the systematic cost of delivering services and goods not just the final product (Glavas & Mish, 2015). Moreover, firms with better social and environmental performance tend to achieve higher profitability in the long run (Yadava & Sinha, 2016).

Notably, some studies have investigated the link between mission statement economic contents and firm performance; the results however were not satisfactory. For instance, Bart (1998) aimed to examine whether the firms articulating financial goals in their mission statements gain superior performance or not. Unfortunately, the empirical results indicate a negative relationship between including financial goals in the mission statement and two performance measurements (ROS and Percentage change in sales). Furthermore, in their study “Mission Statement Content and Hospital Performance”, Bart and Tabone (1999) found including specific financial goals and specific non-financial goals has a significant positive relationship with only one measure from the seven performance measurements, which is the behavioural measurement. Baetz and Kenneth (1998) seem the only research study linking such contents in mission



statement (values, purposes, financial objectives) with financial performance measured by return on sales, percentage change in sales, return on assets, and percentage change in profits. However, a powerful positive relationship exists between mission contents and innovative behaviour (Bart, 1996a). According to Powers (2012), Lin and Ryan, (2016), the mission statement should be broad enough, directed to all the organization's stakeholders and have enough room for the organization's future. Facilitating a strong link with the society, creating good image and attracting all stakeholders are necessary functions served by the mission statement (Genç, 2012). Indeed, these objectives cannot be achieved by concentrating on the economic objectives only. The social and environmental objectives might have higher weight than the economic objectives (Biloslavo & Lynn, 2007). According to Alegre et al. (2018), the failure in the relationship between mission statement and financial performance might be attributed to giving all mission statement components the same weight. According to Bart (1997a) in "industrial firms and the power of mission", the mission statement components have a different impact on firm performance and some contents seem to matter more than others in terms of performance (Bart & Hupfer, 2004; Palmer & Short, 2008).

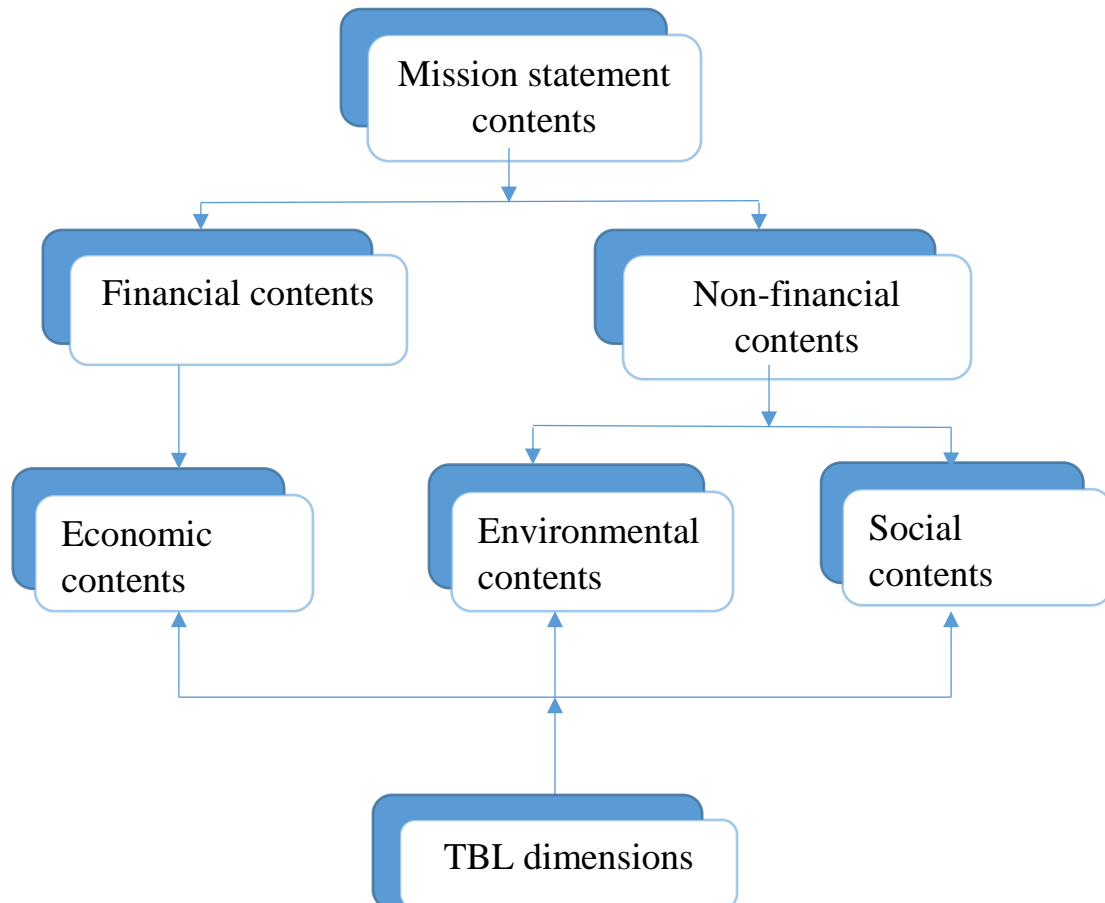
No doubt, the difference between mission contents indeed exists between different kinds of firms. However, different contents contribute to the competitive advantages (Cunningham et al., 2009; David, et al., 2014). Furthermore, organizational effectiveness is affected by different mission contents (David, et al., 2016). Therefore, missions are seen as tools that advertise a firm's concern with the society and environment (Crotts, et al., 2005; King, et al., 2013; Carpenter & Gong, 2016; Craig et al., 2016). "Mission statements are a vehicle that firms use to signal their alignment with forces in the external environment. Attentiveness to external stakeholders is important because firms depend on them for resources and legitimacy" (Blair-Loy et al., 2011; P. 430). When a mission



perceives all parties in its contents it will better influence and improve alignment with the firm's objectives (Seong-Yuen & Vui-Yee, 2017).

Interestingly, mission statement contents can be divided into financial and nonfinancial contents (Karami, 2007). While the financial objectives (contents) are the objectives that can be measured in financial terms such as sales, revenue, growth and profit, non-financial objectives are measured with nonfinancial key performance indicators such as survey scores, employee satisfaction rate and firm image (Lau & Sholihin, 2005). However, the nonfinancial contents can be divided into social and environmental contents as shown in the figure below:

*Figure 3. 4: Synthesis of TBL dimensions and mission statement contents*



**Source:** developed by the researcher

In attempting to define the three dimensions of TBL (economic, social and environmental) and matching them with the nine contents of the mission statement (customer, geographical domain, survival & growth & profitability

objectives, philosophy, public image, self-image, employees, products and technology), we developed table 3.3:

*Table 3. 3: Synthesis of TBL dimensions and mission statement contents*

Dimensions	Description	Examples	Mission contents
Economic	Maximizing financial viability. It encompasses issues such as long run profit, maximize shareholders profit, sales growth and maintain sustainability and growth	-Reducing the cost of doing business -Increasing productivity -Maintain customer loyalty and increase sales	•Survival, growth & profitability •Customer •Geographical domain
Social	Moving beyond firm's shareholders to maximize the positive impact on the broader society. It includes how the firm achieves equity and access to social resources, health and well-being, quality of life for its employees	-Employees' health, - Justice and organizational equity -Training	•Philosophy •Public image •Self-image •employees
Environmental	Considering the implications of organization's	-The implications of organization's resource	•Products •Technology

	operations on the planet and the natural resources	- Consumption of organization's products  - Energy use  -The side effects of the technology used in the production	
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**Source:** adapted by the researcher depend on Jamali, 2006; Turker, 2009 and Tarnanidis et al., 2014.

Having said that, the following hypothesis and sub- hypotheses have been developed:

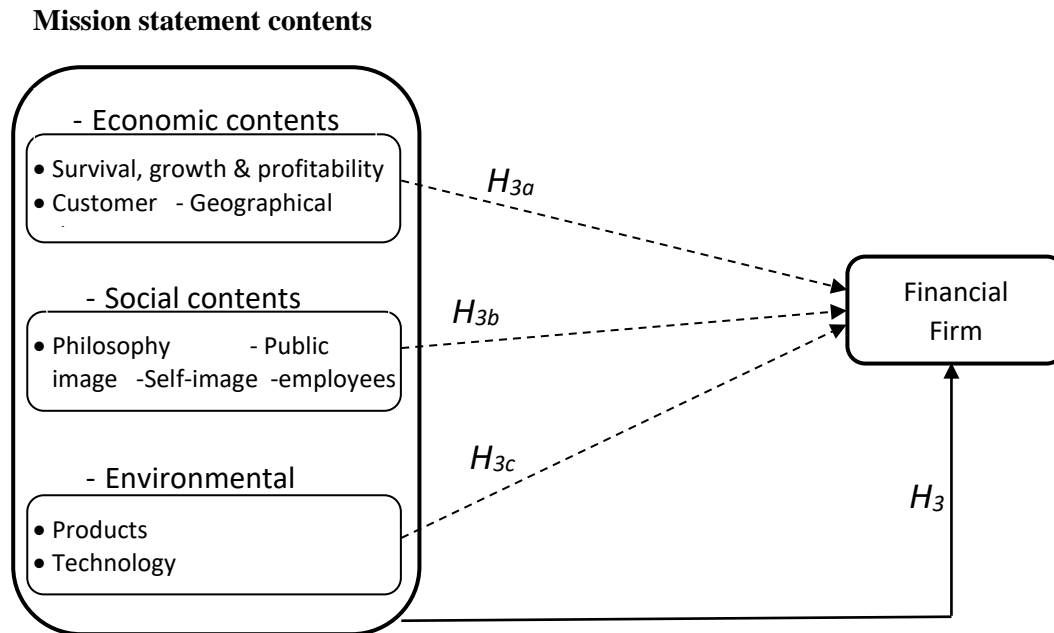
**H<sub>3</sub>:** there is a significant positive relationship between the triple bottom line mission statement and SMEs financial performance.

*H<sub>3a</sub>:* the firms putting more emphasis on economic contents in their mission statement perform better than the other firms.

*H<sub>3b</sub>:* the firms putting more emphasis on social contents in their mission statement perform better than the other firms.

*H<sub>3c</sub>:* the firms putting more emphasis on environmental contents in their mission statement perform better than the other firms.

Figure 3. 5: Mission statement contents and financial performance



### 3.3.3. The Moderating role of corporate social responsibility (CSR):

Scholars have shown that the main aim of the organizations can reach their stakeholders through a well-structured mission statement and this also leads to many positive outcomes (Bart et al., 2001; Mullane, 2002; Donker et al., 2008; Atrill et al., 2005; Desmidt et al., 2011). While its impact on firm performance is still unclear, Bart (2001) argues that the mission statement has a positive association with performance but we need intermediary variables to do this. In other words, one possible claim for the discrepancy of the mission statement and performance relationship is that it seems to be an indirect relationship determined by other variables (I. Williams et al., 2014; Desmidt et al., 2011). Furthermore, the only way to let a firm's mission statement work effectively, as shown by previous literature, is to make it present in all managers' practices as well as in developing the relationship with external stakeholders (McDonald and Sarfraz, 2015; Marimon, et al, 2016). According to Alegre, et al. (2018), researchers assume that firms correspond in reality to what they state in their mission statement which might be wrong. Firms might have a mission that is not implemented.

Interestingly, corporate social responsibility (CSR) could be the missing variable to explain the mission statement and firm performance relationship, particularly with the ongoing demand for firm engagement with social responsibility (Amato & Amato, 2002). As the society increasingly puts more emphasis on private business to achieve the social objectives, it could be an opportunity for firms to satisfy the public's desire and increase profit (Miller, 1995). According to Mirvis et al. (2010), business sustainability could be maintained by developing a comprehensive mission statement that adopts corporate social responsibility.

Economic, ethical, legal and discretionary responsibility are the four types of responsibilities included in Carroll's (1979) definition of CSR, and it is the most cited definition for CSR (e.g. Sheth & Babiak, 2010; Galbreath, 2008; Shum & Yam, 2011; Galbreath & Shum, 2012; Saeidi, et al, 2015). However, Turker (2009) divides CSR into four different categories, which are CSR towards social and non-social stakeholders; CSR towards customers; CSR towards the employees and CSR towards the government. Furthermore, Garay and Font (2012) define it as an active donation from the business to economic, social and environmental improvement. So all definitions of CSR refer to enterprises meeting their society's expectations when they take their decisions (Saeidi, et al, 2015).

Many benefits come from a firm's commitment to social responsibility. For instance, CSR is considered the fundamental key in wealth generation and achieving economic goals (Garriga & Mele, 2004). In addition, knowledge sharing behaviour by employees, developing employee attitudes and consumer loyalty are the natural results from embedded CSR components (Farooq, et al, 2014). However, with respect to firm performance, research indicates the positive effect of CSR (e.g. Orlitzky, et al, 2003; Luo & Bhattacharya, 2006; Shen & Chang, 2008; Margolis et al., 2007; Roshayani, et al, 2009; Abu Bakar & Ameer,

2011; Alafi & Hasonah, 2012; Galbreath & Shum, 2012; Saeidi, et al, 2015). Moreover, in a review of twenty-one studies by Pava and Krausz (1996), only one study referred to a negative association between profitability and CSR.

The more intellectual businesses, however, have to realize that attracting customer loyalty is the “Key Success Factor” for enhancing financial performance; that is why most organizations claim in their mission statement stakeholder allegiance (Bart, et al, 2009). However, is just claiming stakeholder allegiance in the mission statement enough to enhance profitability OR do the organizations have to hold their responsibility as a member in the society and perform the expected role? Indeed, the enterprises have a big challenge to assess their role in the communities in which they operate (Bart, et al, 2009). The gap too often exists between what the organisation says in its mission statement and what it actually does (Crotts, et al., 2005).

The notion of corporate social responsibility as a moderator to enhance financial performance comes from the principle of competitive advantages theory developed by Porter (1985) which refers to the attributes that make the company outperform its competitors. Since achieving higher financial level is the main goal of the business, sustaining competitive advantages is the fundamental factor to achieve this aim (Majeed, 2011; Ma, 2009). Therefore, corporate social responsibility tends to build a bridge to gain these competitive advantages; in other words, the competitive advantage is the final product for CSR (Saeidi, et al, 2015). Also, Barney (2001) and Branco and Rodrigues (2006) indicate that competitive advantages can be earned from CSR practices. Moreover, the engagement in CSR practices makes the firms avoid the higher costs, which in turn increase the competitive advantages (Williamson, 2005).

According to Garay and Font (2012), CSR has a positive effect on financial performance and it is a major source of competitive advantage at the same time. This is not a management fad, as previous studies have indicated the positive

correlation between CSR and competitiveness and in turn on performance (Ullmann, 1985; Porter & Linde, 1995; Waddock & Graves, 1997). However, because of the continual demand from all company stakeholders to allocate resources for CSR (Mitchell et al., 1997; McWilliams & Siegel, 2001; Bartkus & Glassman, 2008), it has moved beyond a simple need to dealing with competitors' efforts (Amato & Amato, 2002).

An effective mission statement tries to gain respect from others by producing something worthwhile (Pearce II & David, 1987), because shaping stakeholder perspectives is one of the mission statement functions (Palmer & Short, 2008; Bartkus & Glassman, 2008). Thereafter, it tends to convince the company stakeholders (both internal and external) that the profit is not the ultimate concern for the firm and this somehow will reflect success in financial terms as well as social terms (Galpin, et al, 2015). However, there are inconsistent results in explaining the relationship between firm performance and mission statement, which lead Macedo, et al (2016) to call for more research to develop a new conceptual framework to explain this relationship.

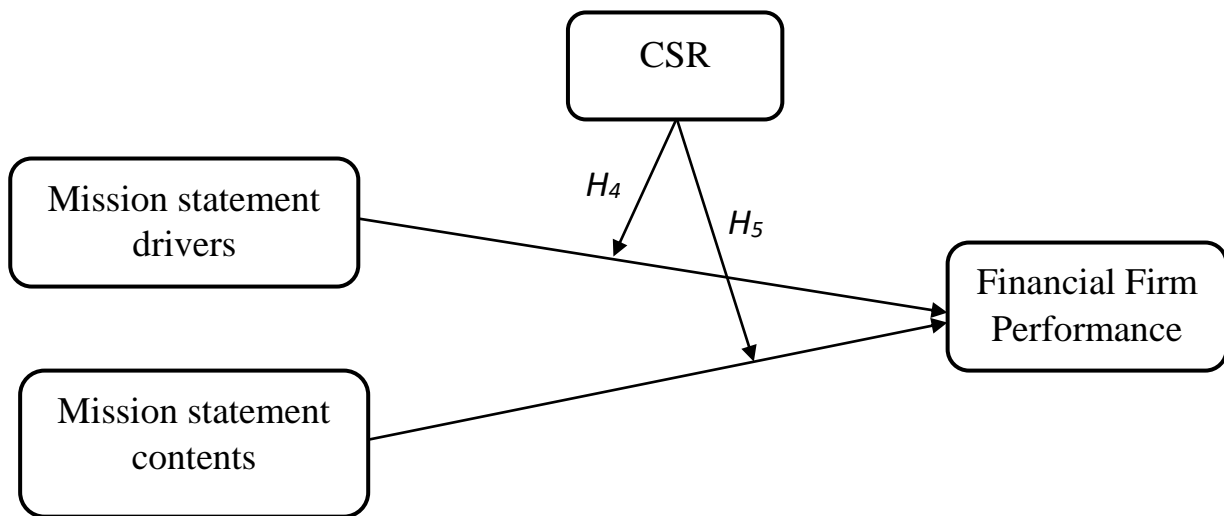
Therefore, building on the principal of competitive advantages theory, which indicates that the higher performance comes from the firm's attributes, and the recommendation from Smith (2016), the mission and practices should be aligned to gain mission statement benefits. One would expect a moderating role for corporate social responsibility (CSR). Engaging in CSR enhances firm reputation and competitiveness, which leads to financial benefits in terms of performance (Porter & Linde, 1995; McWilliams & Siegel, 2001; Branco and Rodrigues, 2006; Campbell, 2007; Saeidi, et al, 2015). Fu et al (2014) also indicate that CSR is a vital source of competitive advantages.

According to the wisdom "practice what you preach" (Bartkus & Glassman, 2008) or "walk the talk" (Marimon, et al, 2016), the following hypotheses have been developed based on reviewing the literature (figure 3.6):

**H<sub>4</sub>:** CSR moderates the relationship between mission statement drivers and SMEs financial performance.

**H<sub>5</sub>:** CSR moderates the relationship between mission statement contents and SMEs financial performance.

*Figure 3. 6: The moderating role of CSR*



#### **3.3.4. Performance measurement:**

The core interest of strategic management and strategic planning is how the firm achieves higher performance and outperforms its competitors. Furthermore, the principles of competitive advantages theory and stakeholder theory originally build on this base to enable firms to achieve higher performance. Hence, firm performance is often researched by strategy scholars as a dependent variable (ex. Ireland & Hitt, 1992; Miller and Dess, 1996; Bart, 2001; Karami, 2007; Leitner and Guldenberg, 2010; Andrews, 2012; Varbanova, 2013; Wheelen, 2015; Macedo, et al, 2016). However, many different methods can be used to measure firm performance (Chang, et al, 2015). While some researchers measure behavioural performance, others use financial performance. Moreover, comprehensive tools such as balanced scorecard are employed by other scholars. This research will focus on financial performance, which is frequently used by academics and practitioners alike (Brush and Vanderwerf, 1990; Bart, 1996b;



Leitner and Guldenberg, 2010). Hence, the Roth and Ricks (1994) scale will be employed to measure financial performance in this study which consists of three variables namely; Return On Assets (ROA), Return On Investment (ROI) and sales growth. Moreover, the respondents will be asked to rate their annual performance on intervals from less than 10% to more than 25%.

#### **3.4. Chapter summary:**

This chapter conceptualized the research framework and shed light on SMEs. The chapter concerned building the conceptual framework of this research and building the theoretical base of the study. It required mapping the relationships between ideas and elucidating the importance of the study; moreover, it has provided guidance for the suitable methods and strategies to fulfil the research goals. After that, the components of the proposed conceptual framework were summarized; furthermore, the potential effect of the mission statement drivers on the mission statement contents was introduced. The first research hypothesis was then developed. This section provided a summary about the prior endeavours to describe how the firm performance can be affected by the mission statement and then developed the second and third hypotheses. Then, it mentioned the proposed notion for the potential moderating role of corporate social responsibility, before the fourth and fifth hypotheses were developed. It moved to the dependent variable in most strategy studies which is firm performance explaining the proposed measures for this variable. Finally, the chapter concluded with a summary.

# **Chapter Four**

## Methodology

### 4. Chapter four: Methodology

#### **4.1.Introduction:**

This chapter presents the various steps, methods and techniques that will be employed for this study. It aims to clarify all aspects of the research. Firstly, an overview for the methodology used in management research, particularly in this research will be introduced; this includes research philosophy, the approach used for the study, the chosen strategy, the data chosen for this research, the time horizon, research procedures and techniques, and concludes with the research onion. second, clarifying the research variables and measurements (independent variable, dependent variable, moderating variable). Third, synthesis of the research questions, hypotheses, and variables. Fourth, specify the adapted methodology, which leads to appropriate answers of the research questions and fulfilling the research objectives. Moving to research design and data collection instruments and concluding with research reliability, validity, ethical consideration, and chapter summary.

#### **4.2.Methodology in management research:**

##### **4.2.1. Research philosophy:**

The research philosophy reflects our view or assumptions towards the surrounding world; these assumptions have a critical role in choosing research strategy and methods (Saunders, et al, 2015). Thus, the point is how well the researcher is able to adapt the relations to the alternatives according to his philosophical choice rather than inform his research philosophically (Gill and Johnson, 2010). Research philosophy is “the framework that guides how research should be conducted based on people’s philosophies and their assumptions about the world and the nature of knowledge.” (Karami, 2011, p. 48).

The researcher who is interested with facts is likely to use a very different philosophy than the researcher who is concerned with attitudes and feelings (Saunders, et al, 2015). According to Dobson (2002), philosophical considerations

have an inherent and fundamental part in social issues included in the practice as well as the research; its persistent role depends on the eventual favourable outcome of the practice or research. He argues that the understanding of various philosophical choices enables scholars and practitioners alike with the ability to choose a research approach and confidently determine research activity.

The particular philosophy adapted for research purposes will be partly determined by the assumption; also it could be affected by the predominant paradigm in the research field and the nature of research questions which are under examination (Collis & Hussey, 2013). According to the literature review in this field of study, the most common two paradigms in social science are positivism and interpretivism.

Karami (2011) highlighted that a **positivism** philosophy comes from natural science and assumes that the social reality is not affected by investigation as it is singular and objective; furthermore, the research according to the positivism approach depends on deductive process and is explanatory to clarify social phenomena. It targets theories depending on empirical research (experiment and observation); underpinning the positivist paradigm is the independence of reality from us (Collis & Hussey, 2013). Furthermore, the emphasis will be on quantitative data, which leads to analysis of the data statistically. Saunders, et al (2015, p. 114) argue that “this may not necessarily be the case since it is perfectly possible to adopt some of the characteristics of positivism in your research, for example hypothesis testing, using data originally collected in in-depth interviews”.

**Interpretivism** can be defined as “a paradigm that emerged in response to criticisms of positivism. It rests on the assumption that social reality is in our minds, and is subjective and multiple. Therefore, social reality is affected by the act of investing it. The research involves an inductive process with a view to providing

interpretive understanding of social phenomena within a particular context.” (Karami, 2011, p. 50). Underpinning interpretivism is the thought that social reality is highly subjective as our perceptions play a fundamental role in shaping it (Collis & Hussey, 2013).

To distinguish between the two paradigms (positivism and interpretivism), in his book “Management research”, Karami (2011, p. 55) stated the features of the two main paradigms (table 4.1).

*Table 4. 1: The difference between positivism and interpretivism*

Positivism	Interpretivism
<ul style="list-style-type: none"><li>•employ big samples</li><li>•use synthetic site</li><li>•interested in testing hypothesis</li><li>•Produce precise, objective, and quantitative data</li><li>•Achieve results with low validity but more reliable.</li><li>•The ability to generalize the findings in all the population.</li></ul>	<ul style="list-style-type: none"><li>•employ little samples</li><li>•use natural site</li><li>•interested in developing theories</li><li>•Produce rich, subjective, and qualitative data</li><li>•Achieve results with low reliability but more valid.</li><li>•Limited ability to generalize the findings in all the population.</li></ul>

**Source:** adopted from Karami (2011), management research, P.55.

It is worth mentioning that all research philosophies are good. There is no one better than the other. The critical factor for the chosen one is the research questions (Saunders, et al, 2015; Karami, 2011; Collis & Hussey, 2013).

The philosophy chosen for this research purpose depends on the research nature and paradigms employed in similar previous studies. Thus, a positivist paradigm is used in this research due to the research problem, questions and the

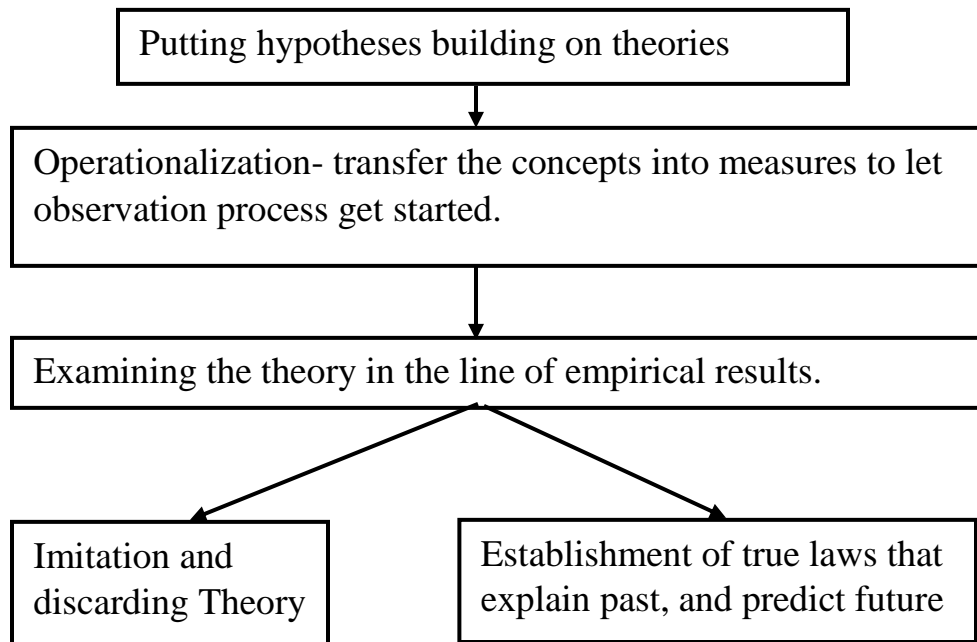
created hypotheses. It offers causality evidence that allows for examining relationships and testing hypotheses. It is also suitable for collecting (quantitative) data using a questionnaire survey. The research aims to explain and understand the existence of relationships between variables. However, reality in this study is an attempt to understand the relationships between mission statement drivers, mission statement contents, CSR and financial performance.

### 4.2.2. Research approach:

It is a critical point for a researcher to be clear at the beginning of research about the theory. The study has to involve the use of the theory that has an important role in research project design. This is whether the research project depends on the deductive approach, starting from the theory to testing hypotheses or inductive approach, developing the theory from data analysis and testing hypotheses. Karami (2011) indicates that outlining the research approach enables more informed decisions about the research design and helps the researcher decide upon the most suitable approach (question(s), preferences, resources). Hence, before specifying our research approach, it is worth explaining the two main approaches commonly used in management research:

The **deduction** approach includes testing hypotheses after building a conceptual structure and theoretical framework (Gill and Johnson, 2010). This approach is summarized in figure 4.1:

*Figure 4. 1: The deductive approach logic*

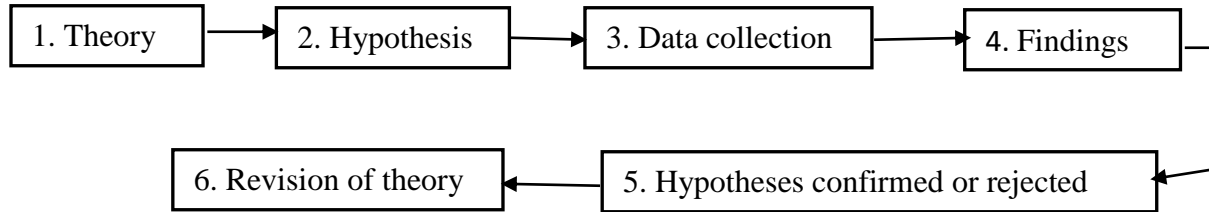


**Source:** adopted from, Gill, J. and Johnson, P. (2010), *Research Methods for managers*, 5<sup>th</sup> Ed. Saga, London P. 39.

Furthermore, Sekaran and Bougie (2016) introduce seven steps to identifying and resolving a research problem according to the deductive approach namely; 1) monitoring 2) collecting initial data 3) formulating theory/theories 4) developing hypotheses 5) gathering empirical data 6) analysing the collected data and 7) deduction, which refers to arriving at a conclusion in consequence of data analysis.

However, Bryman and Bell (2016) state that in the deductive approach, researchers need to specify how data can be collected that make up a hypothesis or hypotheses deduced from the theory, which will drive the process of data gathering. They introduce a simple sequence for the procedures of deductive research (figure 4.2)

*Figure 4. 2: the process of deductive research*



**Source:** Bryman, A. and Bell, E. (2016) business research methods, 3<sup>Ed</sup>; P. 11

Alternatively, the logical ordering of the **inductive** approach is the reverse of deductive. Theory is the output of the research; it is moving from data to create theories about the phenomenon that was observed in the empirical world (Gill and Johnson, 2010). It is “the logical process of establishing a general proposition on the basis of observation of particular facts.” (Zikmund, et al., 2013, p. 47; Bryman, 2012). Theory development is a natural sequence of analysing the collected data (Karami, 2011). According to Karami, the researcher starts by gathering the empirical data then explores theories rather than developing conceptual and theoretical frameworks and determining theories as a starting point. Moreover, he seeks to figure out theory, which depends on a sufficient number of relative cases. Bryman and Bell (2016) agree with that as inductive researchers often use grounded theory, which was first introduced by Glaser and Strauss (1967) to analyse data and generate theories. However, other researchers argue that induction research does not have the same strength of relationships between conclusion and reasons as deductive does (Cooper et al., 2006; Blumberg, et al, 2008).

In his book “Research Methods for Business Students”, Saunders et al., (2015), outlined the major differences between inductive and deductive approaches as table 4.2 illustrates:



*Table 4. 2: The differences between inductive and deductive approach*

Deduction emphasises	Induction emphasises
<ul style="list-style-type: none"><li>• Scientific principles</li><li>• Moving from theory to data</li><li>• Explain casual relation between variables</li><li>• Collect quantitative data</li><li>• Control application to ensure data validity</li><li>• The operationalisation of concepts to ensure clarity of definition</li><li>• A highly structured approach</li><li>• The independency of the researcher</li><li>• Necessity of selecting sufficient sample size</li></ul>	<ul style="list-style-type: none"><li>• Gaining an understanding of the meanings humans attach to events.</li><li>• A close understanding of the research context.</li><li>• Collect qualitative data.</li><li>• A more flexible structure.</li><li>• The researcher is part of the research process.</li><li>• Less concern with the need to generalise.</li></ul>

**Source:** Saunders, M.; Lewis, P. and Thornhill, A. (2015), Research methods for business students, 8<sup>Ed</sup>, P.127.

To conclude, while the deductive approach has conceptual and theoretical frameworks developed prior to empirical research, the theory is the output of the inductive approach. However, a deductive approach will be used for this research purpose due to the nature of the research as it seeks to find association and relationship between variables, starting from the theory to hypotheses and collecting data for testing them. Consequently, a positivist paradigm is our research philosophy, and the characteristics of positivism are associated with a deductive approach (Saunders, et al., 2015).

### 4.2.3. Research strategy:

In this section, we shed light on research strategies, which enable the researcher to find appropriate solutions to the research problem and meet the goals; it is considered the road map for the researcher. Saunders et al, (2015) classified seven categories in terms of employed strategies namely: action research, experiment, case study, survey, ethnography, grounded theory and archival research. However, the choice of a suitable research strategy depends on research questions and objectives.

A **Survey** strategy is considered the most popular strategy in social science particularly in the management field. It is a way of gathering data from a large range of respondents individually by asking them questions (Karami, 2011). According to Hair, et al, (2003, p. 130) “A survey is a procedure used to collect primary data from individuals. It used when the research project involves collecting information from a large simple of individuals.” However, the use of survey is often connected with the deductive paradigm; furthermore, collecting data using a survey outlines potential causes for specific relationships among variables and offers a model for these relationships (Gill and Johnson, 2010; Saunders, et al, 2015).

The term **Case study** is commonly associated with allocation such as an organization or community; it is considered an aim in itself and the researcher targets clarification of it (Bryman, 2015). “Yin defines a case study as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between a phenomenon and context are not clearly evident; and in which multiple resources of evidence are used” (Blumberg at el, 2008, p. 190). In the same sense, Krishnaswami and Satyaprasad (2007, p. 15) define it as “an in-depth comprehensive study of a person, a social group, an episode, a process, a situation, a programme, a community, an institution or any other social unit.” Bryman (2015)

argues that while the case study is likely to connect with qualitative research, many researchers employed both qualitative and quantitative methods in such a study.

According to Saunders, et al (2015) the researcher can use one strategy or mix more than one strategy to meet the research objectives and answer research questions. However, with this study applied in the Egyptian context, which has many SMEs, case study is not the appropriate strategy for this purpose. Furthermore, the survey strategy is more suitable for large populations and allows the researcher to collect quantitative data that can be quantitatively analysed using descriptive statistics. It is suitable for collecting data about a large number of variables particularly in large samples. Hence, the survey strategy will be used for this research.

#### **4.2.4. Research choice:**

Quantitative or qualitative research? These expressions of quantitative and qualitative are widely used to distinguish between data collection techniques and data analysis procedures in business research. The common way that distinguishes the two terms is numeric or non-numeric. While quantitative research refers to any data collection techniques or data analysis procedures that use numerical (numbers) data, qualitative research refers to any data collection techniques or data analysis procedures that use non-numerical (words) data (Saunders, et al, 2015).

“Quality is the essential character or nature of something; quantity is the amount. Quality is the what; quantity is the how much. Qualitative refers to the meaning, the definition or analogy or model or metaphor characterizing something, while quantitative assumes the meaning and refers to a measure of it.” (Maanen, et al, 1982 Cited in Blumberg, et al, 2008; p. 124). Karami (2011) distinguishes between the two methods as shown in table 4.3:

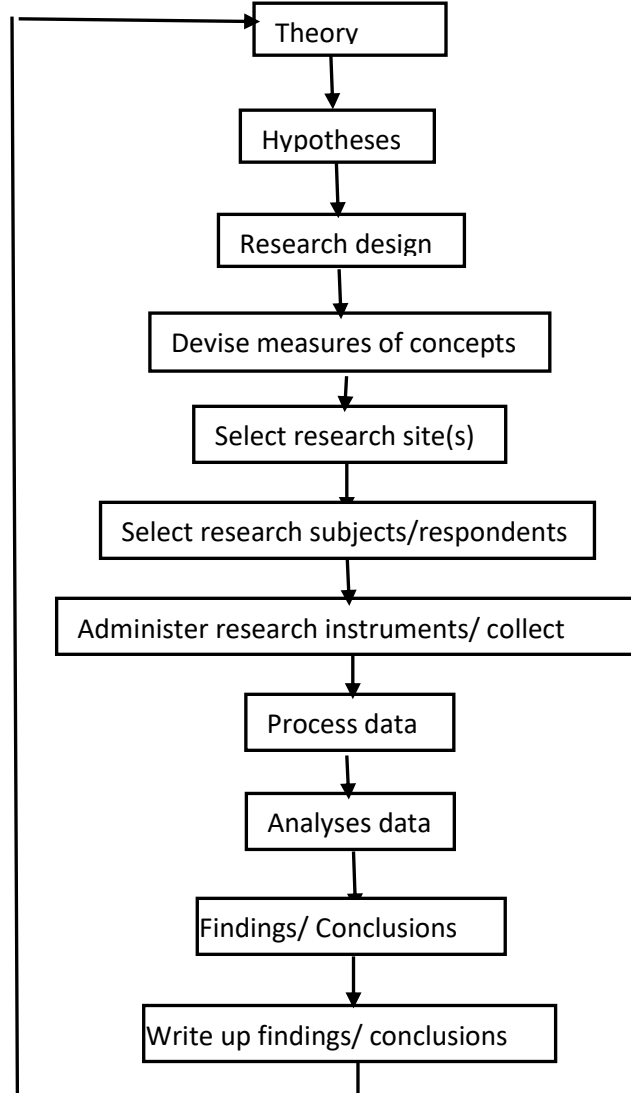
*Table 4. 3: The difference between qualitative and quantitative approach*

	Qualitative Research	Quantitative Research
Objective	<ul style="list-style-type: none"><li>• To gain a qualitative understanding of the underlying reasons and motivations</li></ul>	<ul style="list-style-type: none"><li>• To quantify the data and generalize the results from the sample to the population of interest</li></ul>
Sample	<ul style="list-style-type: none"><li>• Small number of non-representative cases</li></ul>	<ul style="list-style-type: none"><li>• Large number of representative cases</li></ul>
Data collection	<ul style="list-style-type: none"><li>• Unstructured</li></ul>	<ul style="list-style-type: none"><li>• Structured</li></ul>
Data analysis	<ul style="list-style-type: none"><li>• Non-statistical</li></ul>	<ul style="list-style-type: none"><li>• Statistical</li></ul>
Outcomes	<ul style="list-style-type: none"><li>• Develop an initial understanding</li></ul>	<ul style="list-style-type: none"><li>• Recommend a final course of action</li></ul>

**Source:** Adopted from Karami, 2011

**Quantitative** research is embedded in a deductive paradigm to connect the research with theory and entails the social reality view as external and positivist; whereas qualitative in contrast, emphasizes an inductive approach and is likely to be interpretivist (Bryman & Bell, 2016). For an in-depth understanding of the quantitative approach, Bryman (2015) outlines the main steps (process) of quantitative research in figure 4.3:

*Figure 4. 3: The process of quantitative study*

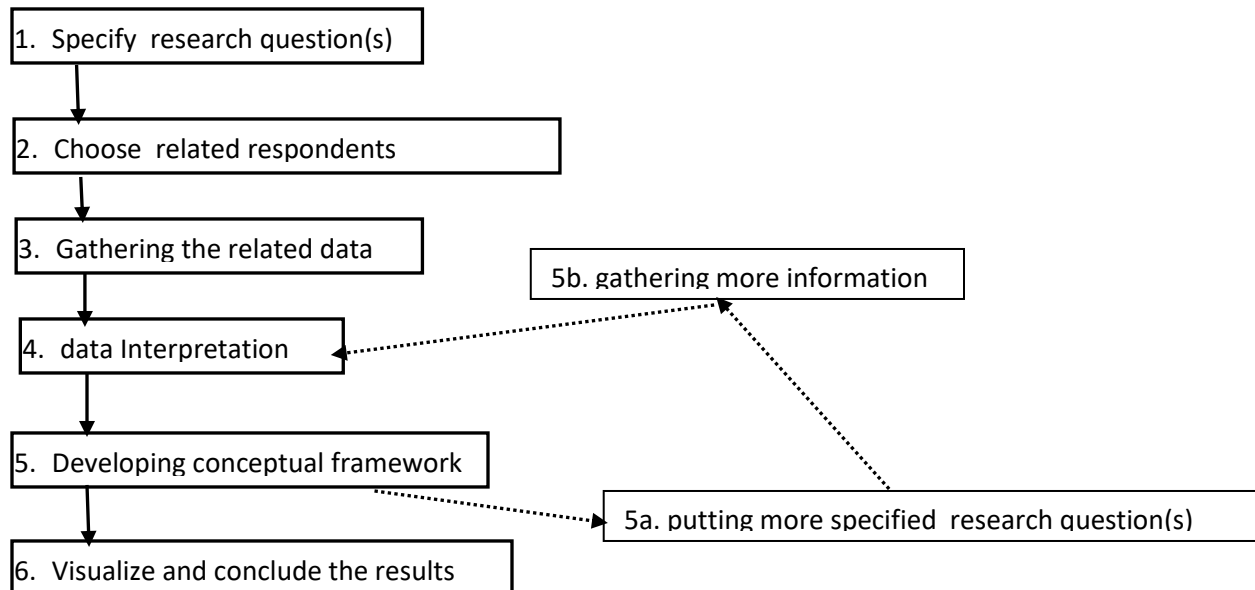


**Source:** Byman, A. (2015) social research methods, 4<sup>th</sup> Ed, P. 161.

**Qualitative** research bases on subjective assessment of opinion, behaviour, attitudes, and behaviour impressions. The generalization of research results is mainly dependent on qualitative terms, by adopting group interview, group discussion, in-depth interviews of the respondents, projective terms (Krishnaswami and Satyaprasad, 2007). It is generally known that qualitative research is interested in generating theories rather than testing them; however, there are some examples of qualitative studies employed to test theories rather than generate them (Bryman &

Bell, 2016). Bryman (2015) introduced a sequence of how the process of qualitative research can be envisioned (figure 4.4):

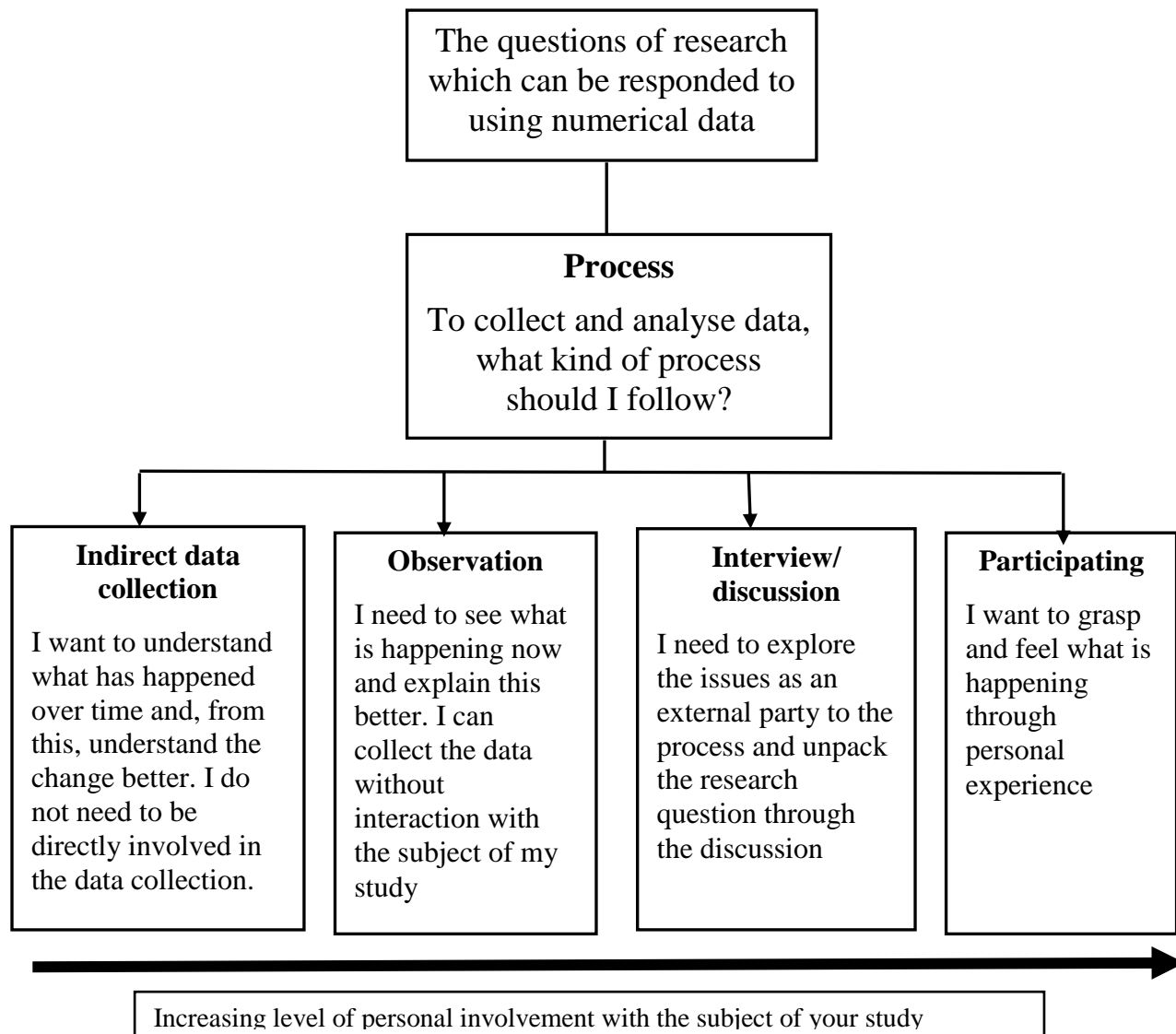
*Figure 4. 4: The process of qualitative research*



**Source:** adopted from: Bryman, A. (2012) social research methods, 4<sup>th</sup> Ed, P. 384.

Furthermore, Karami (2011) discussed the different tools and techniques which can be used as a part of qualitative research design, including indirect data collection, observation, interview/discussion, and participation. Figure 4.5 arranges the main qualitative tools according to the amount of researcher collaboration with the respondents.

*Figure 4. 5: The tools for collecting data in qualitative research*



**Source:** Karami, A. (2011) Management research, P. 150.

Generally speaking, the researcher can choose quantitative techniques and procedures or qualitative techniques and procedures or combine the two methods. In many social sciences, such as management studies, deciding on quantitative or qualitative research has no predetermination (Blumberg, et al, 2008). There is no sharp differentiation between quantitative and qualitative approach, for instance interview can be used to gather both kinds of data; similarly, a single piece of data

can be analysed in either a quantitative or a qualitative way (Easterby-smith, et al, 2012).

Building on the study nature, research questions and objective, the researcher will employ a quantitative approach, which uses numerical data and statistical analysis with quantitative techniques using SPSS and PLS-SEM.

#### **4.2.5. Time horizon:**

An important issue is to know whether the research will be a cross-sectional project or longitudinal project. The cross-sectional research employed for this research purpose can be defined as “the collection of data on more than one case (usually a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables (usually many more than two), which are then examined to detect patterns of association.” (Bryman, 2015, p. 58). Gathering data will be at a specific point in time and will be summarized statistically (Hair, et al, 2003).

Whereas longitudinal studies describe events over time, whereby research questions and hypotheses are affected over time (Hair, et al, 2003). For instance, the researcher might want to study phenomena several times. This is not cross-sectional (one shot) because data are gathered at two or more different points (Sekaran & Bougie, 2016). However, the main strength of this kind of research (longitudinal) is the ability to study change and development over time (Saunders, et al, 2015).

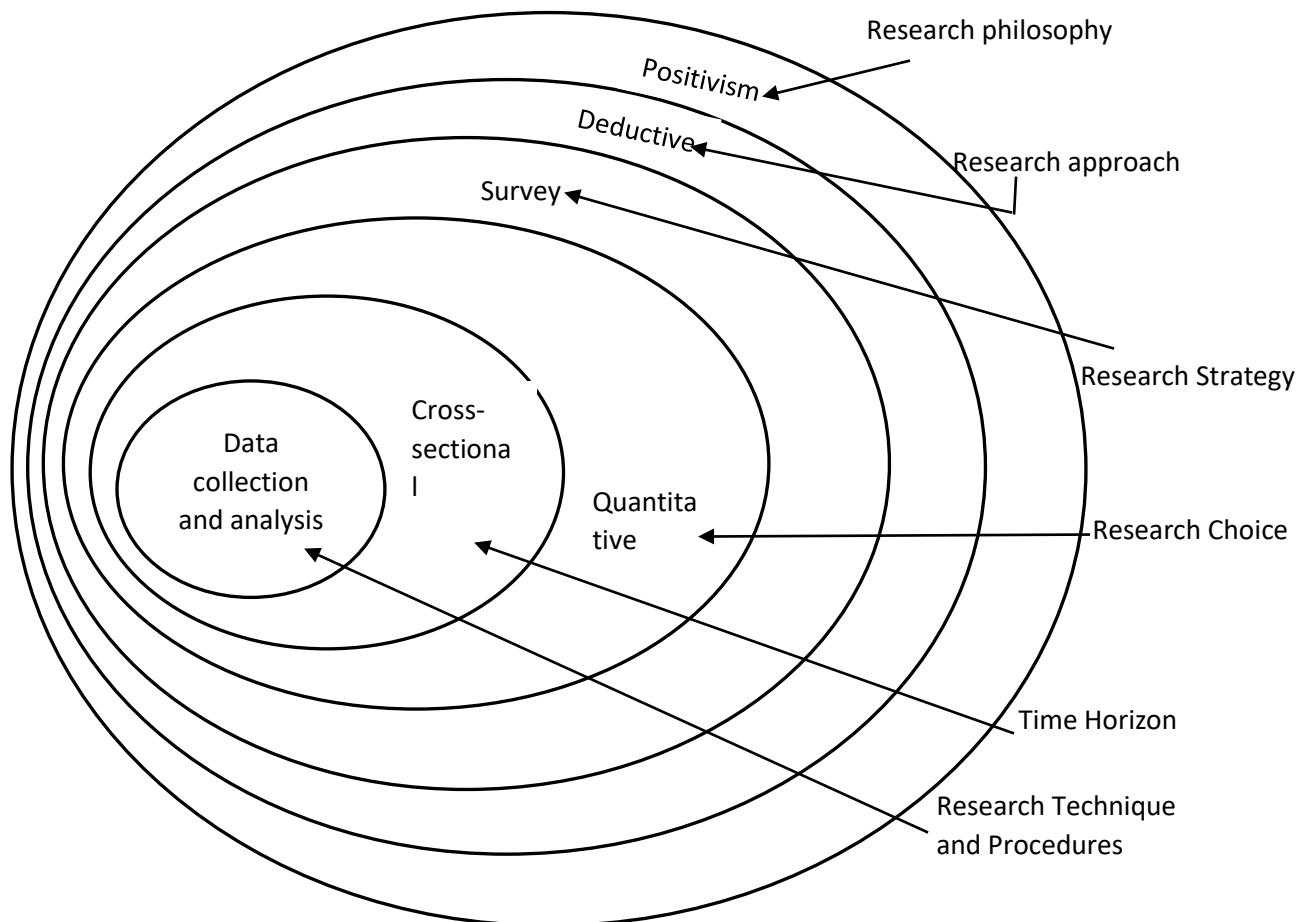
#### **4.2.6. Research onion:**

Saunders et al (2015) developed seven layers for methodological issues namely: philosophy, approach, strategy, choice, time horizon, techniques and procedure. Adopting these issues according to the research questions and objectives will make sense and guide the researcher during research procedures. The choices for this research purpose are shown in figure 4.6. It starts with a positivist philosophy



and deductive approach. A survey strategy will be the research strategy used to collect data. Quantitative approach will be the research choice during this cross-sectional study.

*Figure 4. 6: Research “onion”*



**Source:** adapted from Saunders, et al, (2015).

### **4.3. Research variables and measurements:**

#### **4.3.1. Independent variable:**

Mission statement is the independent variable. It is the first step in strategic planning and strategic management as a whole. It can be defined as a comprehensive statement that explains the ‘reason of being’ for the organization, differentiates the organization and its competitors, and clarifies organization values and main objectives (Benligiray, 2013; Bart, 1996a; Bart & Tabone, 1999).

Mission statement has many drivers and contains many contents, for instance, products, technology, location (Pearce & David, 1987), stakeholders (Bartkus, et al, 2006), concern for employee, public image concern, maintaining survival (David, 1989), and at least one or two financial objectives and one or two non-financial objectives (Baetz and Bart, 1996). However, the particular emphasis of this research is the mission statement drivers and contents. In order to achieve these purposes, ten drivers were developed from the literature review and the theoretical background (e.g., Campell & Yeung, 1991; Ireland & Hitt, 1992; Klemm et al, 1991; Want, 1986; Bart, 1996a,b,1997; Macedo et al, 2016; Sufi & Lyons, 2003); these drivers produced ten questions. Furthermore, the nine most common contents used in the literature were developed in this phase (David, 1989; Analoui & Karami, 2002a; Sufi & Lyons, 2003). Nine questions were developed to fulfill this purpose. The chief executive officers will be asked using a Likert scale to rate their rationales for developing mission statements and indicate the contents included in their missions.

#### **4.3.2. Dependent variable:**

Strategic management research aims to find strategies which enable firms to outperform their competitors. So, achieving higher organizational or financial performance is fundamental to strategic management research (Chen et al, 2015). Thus, firm performance is the dependent variable. Comprehensively, there are many types of performance for example operational performance, which focuses on organizational measurements such as inventory turnover, on time delivery, and logistics cost reduction. Financial performance, which depends on minimizing cost and measuring sales and revenue (ROI, ROS, ROE ... etc.). Thirdly, strategic performance, which implies growth long-term such as market share and growth in sales (Chang, et al, 2015). The main emphasis of this research is the financial performance; the research will focus on three financial indicators to measure financial performance frequently mentioned by previous scholars and used by Roth

& Ricks (1994) in Strategic Management Journal. Hence, the research will employ three items to measure financial performance namely; Return on Assets (ROA), Return on Investment (ROI) and growth in sales. In order to measure these items, three questions will be added to the questionnaire and the respondents will be asked to choose the best interval that describes their financial performance.

Table 4.4 below introduces some methodological choices employed by previous researchers in studying the mission statement, particularly, its relationship with firm performance:

*Table 4. 4: Methodological choices adopted by literature*



Study	Objective	Sample	Methodology	Findings	Performance measure
(Germain & Cooper, 1990)	Explore the effects of mission statement for customer service on firm performance.	2350 members of “the international customer service association” (ICSA). 1250 was the respondent rate	Annual survey run by ICSA every year was used. Besides telephone interview.	Existence of written mission is significantly connected in a positive way with the number of customers served	The sample members indicate whether they have or not quantified measures for performance.
(Bart, 1997)	Examining the impact of mission statement components on organizational performance.	44 industrial companies chosen randomly.	Questioner survey was developed and managers were asked on 3-point likert scale to indicate whether each component is a part of the organization mission or not.	Significant positive relationship was found between firm performance and some components of mission statement than other components. However, the correlation between behavioural performance and mission was more significant than financial performance.	4 financial measurements and one behavioural: - ROS - ROA - annual change in sales - annual change in profit
(Bart & Baetz, 1998)	Examining the correlation between firm performance and mission statement.	136 large Canadian companies	A postal questionnaire was sent. It was developed from literature, interviews, and pre-testing with CEOs. Quantitative and qualitative data were collected and quantitative analyse was done.	Some specific characteristics (involvement of internal stockholders, develop and use the mission statement the managers are satisfied with) significantly correlated with superior performance.	- ROS - ROA - annual change in sales - annual change in profit - the effect of mission on

					employees behaviour
(Bart, et al, 2001)	Examining the relationship between mission statement and firm performance.	83 large Canadian and US organizations.	A questionnaire survey was the choice of this study. They compared the financial performance for the selected sample with the largest company in each country reported by the financial past and future depending on quantitative approach.	There are several factors mediating the relationship between mission statement and firm performance namely: commitment to the mission, employee behaviour, and the agreement between the mission and organization structure, policies, and procedures.	- Return on sales (ROS) - Return on Assets (ROA) - Perceptual item
(Analoui & Karami, 2002a)	Explore the perceptions of CEOs about the importance of mission statement in SMEs performance.	508 manufacturing SMEs in electronic industry within UK. 132 was the response rate.	Qualitative and quantitative data were employed and the data collected by survey questionnaire. The attention was paid to existence, purpose, and contents of the mission statement.	Having a comprehensive mission statement is not critical factor for high-performed firms. However, the firm performance positively correlated with mission statement.	- Self reported ratings.
(Sufi & Lyons, 2003)	Investigate how the financial success can be affected by the existence of mission statement.	30 top hospitality enterprises from Dun and Brad Street 2000 industry book	Total of 30 mission statements collected and analysed. The mission statements for chosen sample were publicly quoted. These missions were sorted according to existence of 10 components and compared with their financial performance.	The results differentiate according to performance measurements. While the performance measured by annual turnover is significantly correlated with mission statement, there is no relation between the mission and performance measured by return on equity or net profit margin.	- Annual turnover - "net profit margin" - "Return on equity".

(Sidhu, 2003)	Identify how the organizational performance can be influenced by the existence of mission statement.	150 firms from several manufactories from “the multi-media domain” in the Netherlands. 38 was the response rate.	A mailed questionnaire, which tested in advance five firms from the sample then sent to the managing directors of the sample firms. The data was analysed quantitatively.	<ul style="list-style-type: none"> <li>- The mission statement has the ability to maintain good performance.</li> <li>- More research needed to prove the link between mission statement and firm performance.</li> </ul>	<ul style="list-style-type: none"> <li>- Sales growth.</li> </ul>
(Bartkus, et al, 2006)	Investigate the correlation between the mission statement quality: (meeting the objectives, components, including stakeholders) and financial performance.	30 large Japanese, European, and US companies selected from the 2001 Fortune Global 500	Mission statements were collected from firm websites. The quality of mission statements was measured by including three dimensions: stakeholders mentioned components, and meeting the objectives.	A significant positive correlation was seen between mission statement (concerned with employee, has responsibility towards society, and communicate their value system) and financial performance.	<ul style="list-style-type: none"> <li>- “Return on sales (ROS)”</li> <li>- “Return on assets (ROA)”</li> </ul>
(Analoui et al., 2009)	Examining how the firm performance can be affected by the existence of mission statement.	150 British SMEs located in science parks.	Empirical survey was the choice to investigate this relationship. A mailed questionnaire was sent to selected sample. Qualitative and quantitative data were employed for this study purpose and data analysis.	A significant relationship between mission statement and firm performance. However, a strong correlation between non- managerial employee engagement in mission development process and performance; whereas, a negative relationship was seen between including financial goals in the mission statement and firm performance.	<ul style="list-style-type: none"> <li>- Self reported ratings for financial and behavioural performance.</li> </ul>
(David, 1989)	Examining the existence of mission statement and	Top 1000 large manufacturing and service firms in United	Personal letter sent to CEOs of the firms, asked them for a copy of the firm	41% provided a formal mission statement and 59% have no mission statement.	

	provide profiles and guidelines to help senior executives develop a corporate mission statement	States. These firms ranked according to market value. 181 was the number of respondent firms	mission statement and compared by the researcher.	There are nine key components for mission statement namely: customers, products or services, location, technology, concern for survival, philosophy, self-concept, concern for public image, and concern for employee.	
(Klemm, et al, 1991)	Investigate the causes of increasing the use of mission statement	150 large UK companies in 1989 from Times 1000 index. Small sample of 18 firms are not listed in Times 1000	Mailed survey was sent to the sample and the quoted mission statements were collected and analysed qualitatively.	The mission statement is an important tool for enhancing the relationship between managers within the organization.	



### **4.3.3. Moderating variable:**

Corporate social responsibility has been paid considerable attention over the last decades by both academics and practitioners (Saeidi, et al, 2015). Gossling and Vocht (2007) defines it as firm commitment towards society and environment to meet society expectations about its ideas and practises; in other words, taking account of all stakeholders not just financial stakeholders. So, this research will focus on four sub-variables to measure CSR commitment (CSR towards organization's stakeholders, CSR towards organization's employees, CSR towards organization's customers and CSR towards government) which have been used by Turker (2009). The questionnaire survey will contain questions to measure firm commitment towards the four contents of CSR, particularly, the respondents indicate to what degree the firm takes CSR into account on a 5 point Likert scale from (1) "Strongly disagree" to (5) "Strongly agree".

### **4.4.Synthesis research questions, hypotheses, and variables:**

*Table 4. 5: Synthesis research questions, hypotheses, and variables*



Research Questions	Research Hypotheses	Research Variables	Sub-variables
RQ <sub>1</sub>	-	Mission statement drivers	(Bart, 1997; Macedo et al, 2016) 10 drivers for having mission statement
RQ <sub>2</sub>	-	Mission statement contents	(David, 1989; Sufi & Lyons, 2003) - Economic contents (3 contents) - Social contents (4 contents) - Environmental contents (2 contents)
RQ <sub>3</sub>	H <sub>1</sub>	Mission statement contents	- Economic contents (3 contents) - Social contents (4 contents) - Environmental contents (2 contents)
		Mission statement drivers	10 drivers for having mission statement
RQ <sub>4</sub>	H <sub>2</sub>	Mission statement drivers	10 drivers for having mission statement
		financial performance	(Roth & Ricks, 1994) - ROA - ROI - Sales growth
RQ <sub>5</sub>	H <sub>3a, 3b, 3c</sub>	Mission statement contents	- Economic dimension (3 contents) - Social dimension (4 contents) - Environmental dimension (2 contents)

		financial performance	<ul style="list-style-type: none"> <li>- ROA</li> <li>- ROI</li> <li>- Sales growth</li> </ul>
RQ <sub>6</sub>	H <sub>4 &amp; 5</sub>	<ul style="list-style-type: none"> <li>- Mission statement drivers</li> <li>- Mission statement contents</li> </ul>	<ul style="list-style-type: none"> <li>- Economic contents (3 contents)</li> <li>- Social contents (4 contents)</li> <li>- Environmental contents (2 contents)</li> </ul>
		CSR	(Turker, 2009) <ul style="list-style-type: none"> <li>- CSR to social and non-social stakeholders(6 Items)</li> <li>- CSR to employees (6 Items)</li> <li>- CSR to customers (3 Items)</li> <li>- CSR to government (2 Items)</li> </ul>
		Firm performance	<ul style="list-style-type: none"> <li>- ROA</li> <li>- ROI</li> <li>- Sales growth</li> </ul>

#### **4.5. Research design:**

##### **4.5.1. Resource of data:**

The empirical part of this study has been applied in Egyptian SMEs, particularly the manufacturing small and medium sized enterprises in Egypt operating in the food industry. The primary and secondary sources are the major sources to obtain data. While primary data is collected first by the researcher for specific purposes about variables of interest, secondary data comes from published or non-published sources which contain information already gathered such as commercial database, data archives, company archives, market research association, and governmental database....etc. (Sekaran & Bougie, 2016). Karami (2011) stated the advantages and disadvantages of using secondary data as in table 4.6:

*Table 4. 6: Secondary data advantages and disadvantages*

	Advantages	Disadvantages
Effort	<ul style="list-style-type: none"><li>- Requires less money and less time in collection</li><li>- Saving time for data analysis</li></ul>	<ul style="list-style-type: none"><li>- Must familiarize yourself with data</li><li>- Require holding large and complex data set</li><li>- Sometimes could be expensive</li></ul>
Analysis	<ul style="list-style-type: none"><li>- Access to high quality data</li><li>- Comparing subgroups within the data sample</li><li>- Opportunity to analyse data longitudinally</li></ul>	<ul style="list-style-type: none"><li>- Lack of control over data quality</li><li>- Limited to data already collected</li><li>- May be collected in unobservable way</li><li>- May not be suitable for your research questions</li></ul>
Contribution	<ul style="list-style-type: none"><li>- Reinterpret original findings</li><li>- Fully exploit data set</li></ul>	<ul style="list-style-type: none"><li>- May not be a direct method.</li></ul>

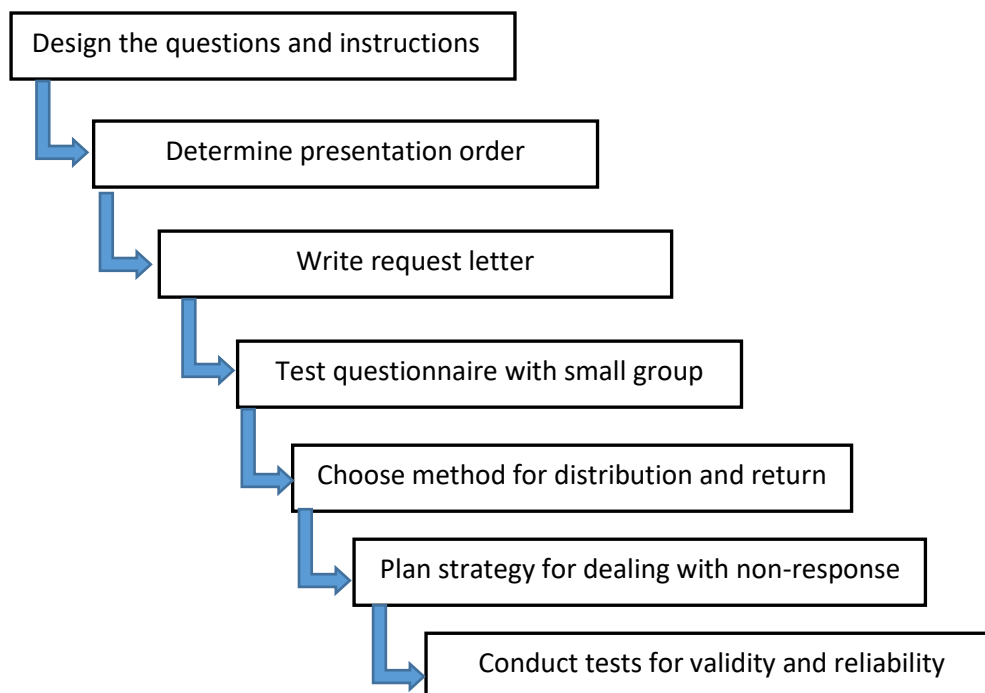
**Source:** Adopted from Karami (2011) Management research, p. 103.

This research advocates exploring the mission statement drivers and contents in the Egyptian context, the commitment of small firms with corporate social responsibility and the financial performance. It will employ secondary data published by the Egyptian ministry of Trade and Industry about the small firms; it will gather primary data about all the research variables using a questionnaire survey. Hence, this research will depend on both kinds of data sources: primary and secondary data.

#### **4.5.2. Data collection instruments:**

Questionnaire survey and interviews are the two main methods used in management research for collecting primary data, particularly in positivist studies. Therefore, for this research purpose the questionnaire will be the only tool employed in this study. In order to collect valid and reliable data, we have to follow a structured schedule in designing the questionnaire and gather opinions from a carefully selected group of experts (Karami, 2011).

*Figure 4. 7: Structured schedule for designing interview and questionnaire*

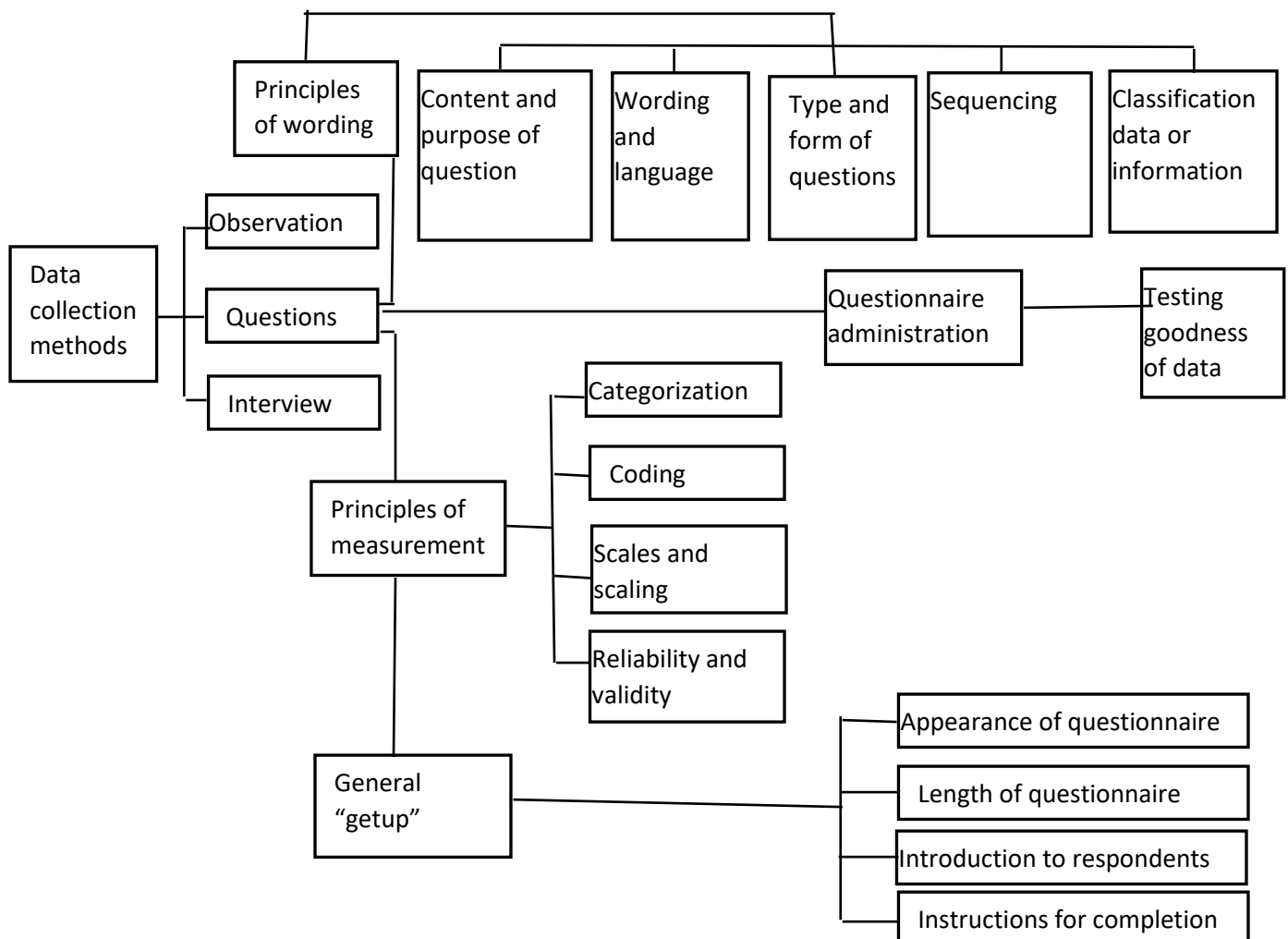


**Source:** Adopted from Karami (2011) Management research, p. 344.

#### 4.5.2.1. Questionnaire survey:

Questionnaire survey will be the major tool for collecting data. It refers to a list of questions prepared in advance to collect specific data from respondents. Designing a questionnaire properly is the only way to collect accurate data from respondents (Hair, et al, 2016). In order to develop a questionnaire to produce valid and reliable data, we have to follow systematic steps such as in figure (4.8) below that illustrates the principles of questionnaire design:

*Figure 4. 8: Questionnaire design principles*



**Source:** Sekaran, U. and Bougie, R (2016) Research methods for business: A skill building approach, P. 199.

As Hair, et al, (2016) stated, a good evaluation depends on the degree of specifying these questions in the questionnaire and following the guidelines to prepare the questionnaire in a good manner. First, using simple words. It is always better to avoid technical words. The respondents must be familiar with the used language. Secondly, being brief, as error rate increases with long questions. Third, avoiding ambiguity; it is not a good idea to use words which hold more than one meaning. Fourth, avoiding leading questions that lead respondents to specific answers.

Some researchers prefer using interview than the questionnaire. However, each tool has its own advantages and disadvantages. The table (4.7) below illustrates the merits and demerits of both tools:

*Table 4. 7: Comparison between questionnaire and structured interview*

Advantages of the questionnaire over the structured interview	Disadvantages of the questionnaire over the structured interview
<ul style="list-style-type: none"><li>- Not costly.</li><li>- Quicker.</li><li>- Absence of interviewer effect (interviewer characteristics).</li><li>- Absence of interviewer variability.</li><li>- Enables respondents to complete questionnaire when they want.</li></ul>	<ul style="list-style-type: none"><li>- could not help respondents if they have any difficulty in answering the questions</li><li>- Cannot probe in open-ended questions.</li><li>- Cannot ask questions that are not salient for respondents.</li><li>- Cannot ask many open-ended questions.</li><li>- Questionnaire can be read as a whole which loses the independence of each question.</li><li>- Might not know how to answer.</li><li>- Cannot collect additional data.</li></ul>

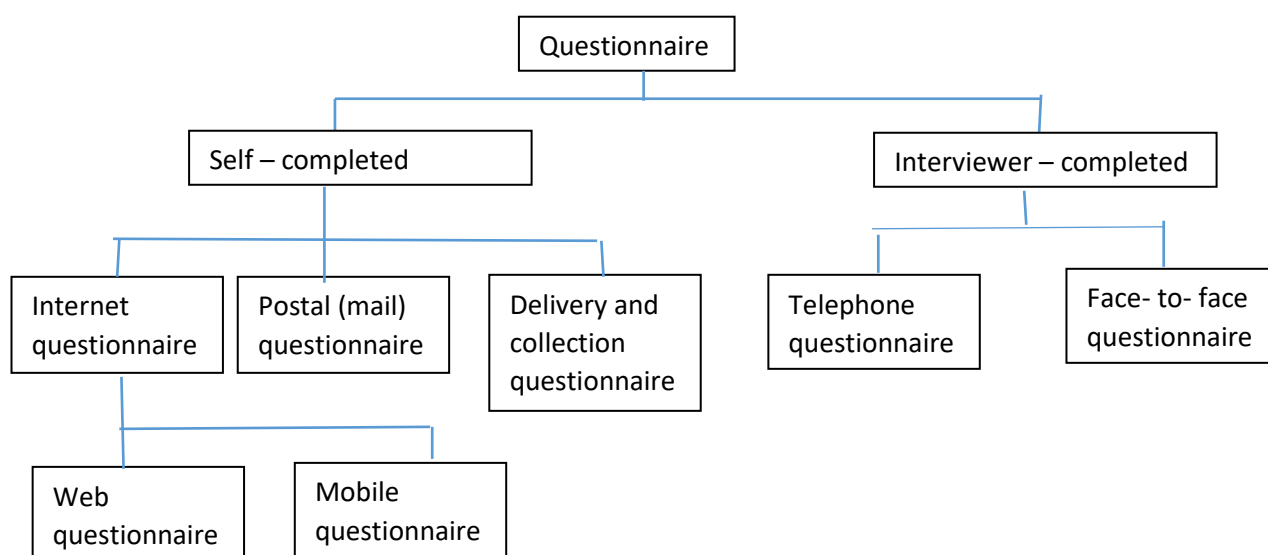


	<ul style="list-style-type: none"><li>- Difficult to ask a lot of questions.</li><li>- Not appropriate for some kinds of respondents.</li><li>- Greater risk of missing data.</li><li>- Lower response rate.</li></ul>
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**Source:** adopted from Bryman, A. (2015) Social research methods, pp. 222-224

The questionnaire type employed depends on the characteristics of the respondents, importance of research, importance of respondent answer, size of sample, questions types, number of questions, and availability of time (figure 4.9) (Saunders, et al, 2015)

*Figure 4. 9: Questionnaire types*



**Source:** Saunders, et al, (2015) Research methods for business students. P. 440.

The postal questionnaire will be employed in this research. In order to achieve a higher response rate for postal questionnaire, the following guides have been followed (Bryman, 2015):

- 1- The questionnaire has been attached with a covering letter explaining the objectives for the study and guarantee for confidentiality.
- 2- A stamped addressed envelope has been attached for easy return of the questionnaire.

- 3- A reminder is sent to non-respondents after two weeks.
- 4- A longer questionnaire tends to achieve lower response rate than shorter questionnaire.
- 5- Clear instructions have been included and the questionnaire layout has been made more attractive.

### *4.5.2.2. Sampling method and questionnaire flowchart:*

According to Egyptian Ministry of Industry and Foreign Trade, Industrial development Authority, the number of small and medium sized enterprises operating in food production in Egypt on 6 December 2016 was 2024. It was not possible to send email questionnaire to all firms. The main reasons for this were not having the email addresses for all of those firms and most of the emails provided were invalid.

To generalize the results of this study, the sample size should be enough to represent the population. Based on a confidence level of 95%, and a 5% margin of error, 323 SMEs would be enough to represent a population of 2024 SMEs according to the calculation below (Krejcie and Morgan, 1970):

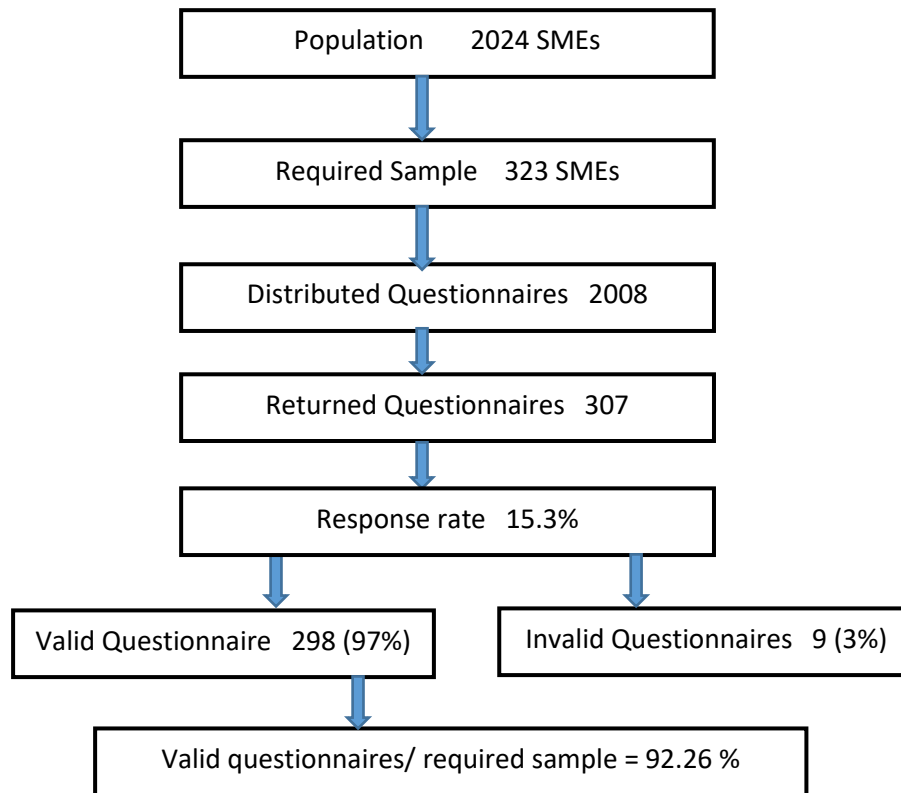
$$S = \frac{X^2 NP (1 - P)}{d^2 (N - 1) + X^2 P (1 - P)}.$$

Where:

S = the size of sample	(323 SMEs)
X <sup>2</sup> = Chi-square	(3.8416)
N = the size of population	(2024 SMEs)
P = Population proportion	(assumed to be 0.5)
d = Error margin	(0.05)

In order to obtain the required sample, 2008 postal questionnaires were sent to the population in early April 2017. By the end of June 2017, 307 completed questionnaires were returned (15.3% response rate). Out of these returned questionnaires, 298 (97%) were usable and 9 questionnaires (3%) were unusable because of essential missing data. The flowchart (4. 10) shows the questionnaire process:

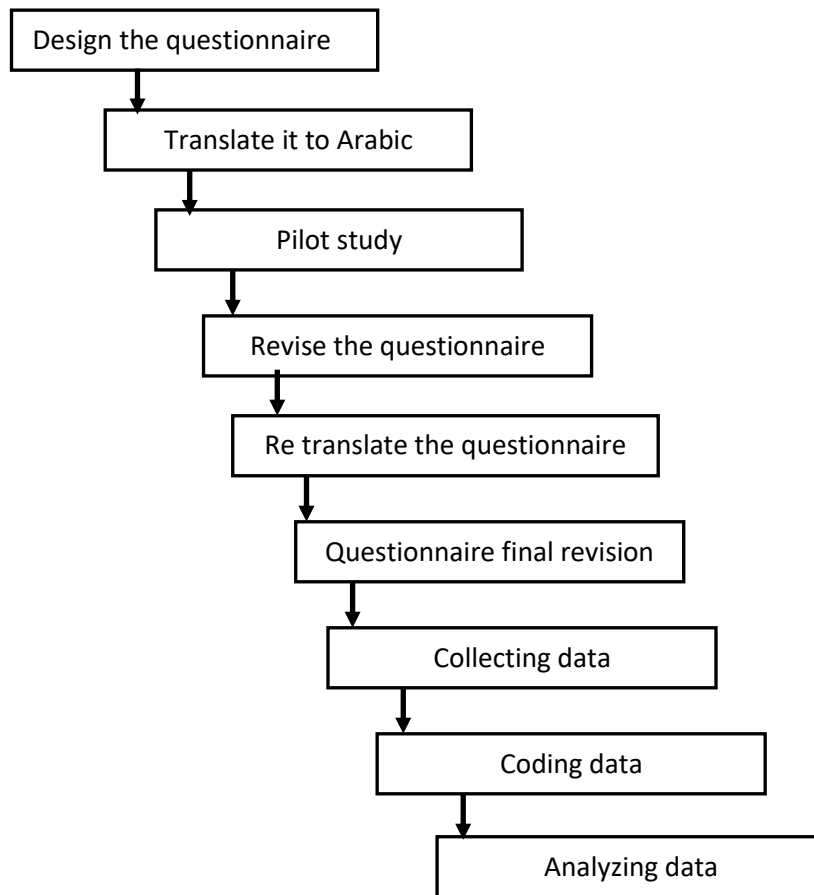
*Figure 4. 10: Questionnaire flowchart*



#### **4.5.3. Pilot study:**

Designing the questionnaire is not an easy job. Hence, the pilot study is a good way to ensure that the research instruments work in a good manner and are well designed. In this study, a pilot study has been conducted with lecturers from Kafrelshiekh University in Egypt to get feedback about questionnaire design and contents. After getting the feedback, the questionnaire has been revised with respect to the respondents' comments. Figure (4.11) illustrates the process followed to collect primary data. It starts with initial design of the questionnaire. Then, conducting the pilot study and revising the questionnaire and considering the comments from the pilot study.

*Figure 4. 11: Data collection process*



**Source:** Adapted from Karami (2011) Management research

#### **4.6.Reliability:**

The truthfulness and credibility in the research findings are the objectives which reliability seeks to achieve. Reliability is considered the central concern of all the measurements; it means that the same results will be gained if the same things are repeated under the same conditions (Neuman, 2014; P.212). “It refers to the consistency of a measure”; this consistency involves three factors to determine reliable measurement which are stability in results when we re-measure under the same conditions, internal reliability which means whether respondents’ scores are related to each other or not, and inter-rater reliability (Bryman, 2015; P.157). Cronbach’s alpha and composite reliability were computed to measure internal consistency of the scale. It is set between 0 (no internal reliability) and 1 (Perfect internal reliability). The figure 0.80 is an

acceptable score to achieve internal reliability for the scale (Bryman, 2015; P.159).

#### **4.7. Validity:**

Whether the results are really about what we seek to measure is the main concern for validity. The absence of validity refers to poor analysis between the actual social world and the ideas which we use to analyse it, It means “how well an idea fits with actual reality” (Neuman, 2014; P.212). It is related to whether we measure the right concept or not. Since this research is applied in the Egyptian environment who speak a different language (Arabic), we have to avoid the translation errors from English to Arabic. Therefore, the translation and re-translation technique has been applied. The questionnaire has been translated from English to Arabic. Then, after conducting the pilot study and considering the feedback given about the questionnaire from the experts, the Arabic version was sent to someone else to translate it into English again; compared with the original English questionnaire, it was almost the same. Moreover, we did use a Likert scale which was used by previous studies to measure an organization’s commitment to corporate social responsibility practices (ex, Abbott & Monsen, 1979; Basu & Palazzo, 2008; Zheng, et al, 2014). Also, it has been used to measure financial performance by Roth & Ricks (1994). Additionally, exploratory factor analysis and confirmatory factor analysis have been used to validate the variables’ measurements.

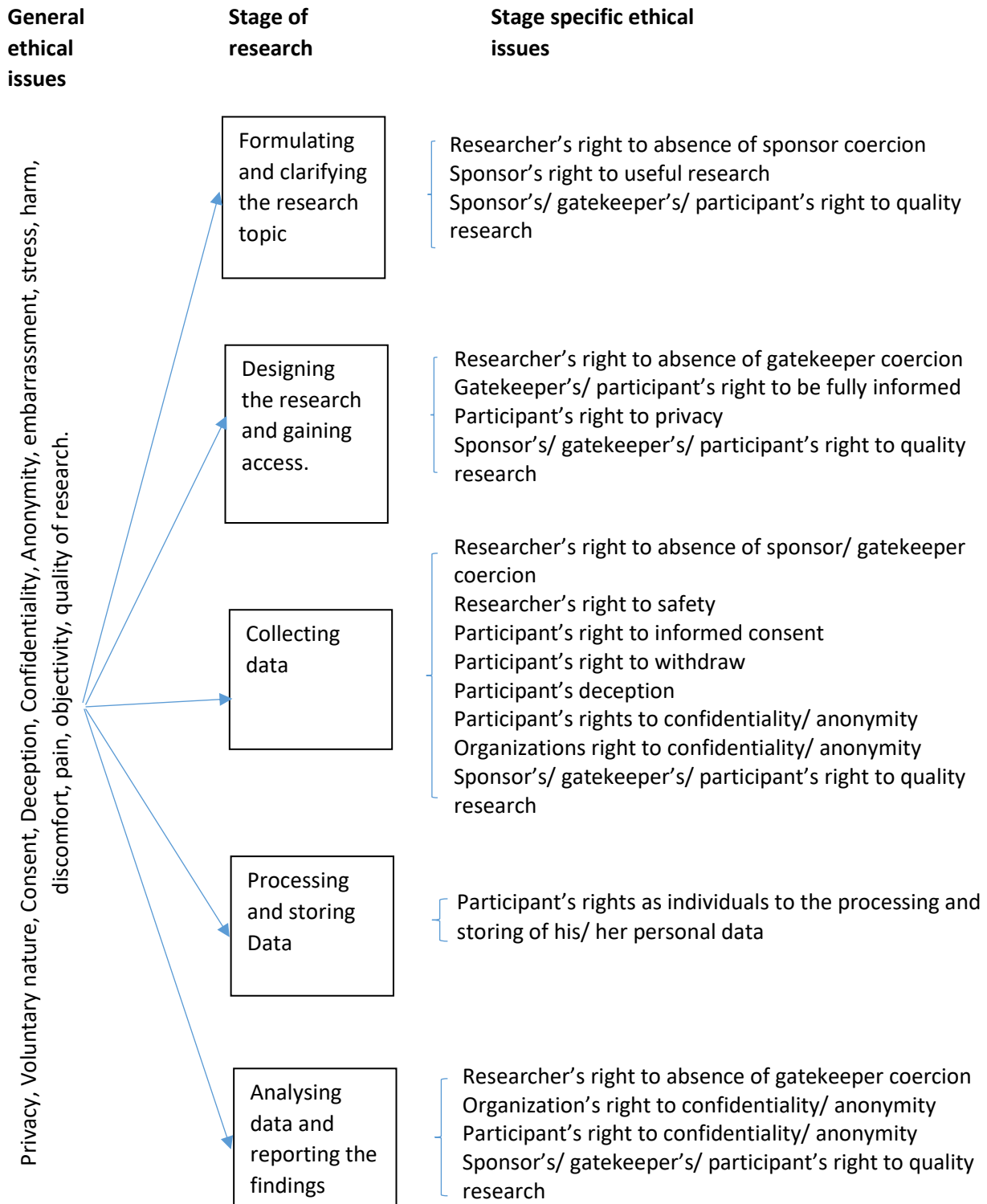
### **4.8.Ethical considerations:**

Several ethical issues have been considered in all parts of doing the research. Some of these issues are related to data collection (Sekaran & Bougie, 2016), for instance:

1. One of the primary responsibilities of the researcher is treating and guarding the privacy of information collected from the respondent.
2. Explain the research purpose for the respondent.
3. The self-respect and self-esteem for the respondents should never be violated.
4. Respect the individual's desire to respond to the survey.

Saunders, et al (2015; P.188) conclude the ethical issues that should be considered during all stages in research in figure (4. 12):

Figure 4. 12: The ethical issues in the research process



**Source:** Saunders, et al, (2015) Research methods for business students. P. 188.

### 4.9. Chapter summary:

Based on the research questions' nature and hypotheses, this chapter has discussed the adopted methodology for this study. Starting from philosophical consideration and moving to ethical considerations, a positivist deductive approach has been employed for this quantitative cross-sectional study. In order to investigate the relationship between the mission statement and financial firm performance with the moderating role for corporate social responsibility, a questionnaire survey was the major tool for collecting data. A pilot study was done before collecting data.

Several issues have been considered to obtain valid and reliable data. For instance, translation and re-translation technique has been considered. Furthermore, Cronbach's alpha and composite reliability were computed to measure internal consistency of the scale. Exploratory factor analysis and confirmatory factor analysis have been used to validate the variables' measurements. In addition, several ethical issues have been considered in all parts of doing the research.



# **Chapter Five**

## Data analysis

## 5. Chapter five: Data analysis

### 5.1. Introduction:

This chapter reports the analysis of the data to provide a clear picture of the data collected and the tested research hypotheses. In the first part, the demographic profile of the studied firms and respondents are explored. Consequently, descriptive analysis of the data regarding mission statement drivers, contents, CSR and financial performance are presented. After that, reliability and validity tests are reported (Cronbach' alpha, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA)). In the last part, research model and testing of the research hypotheses are introduced through using structure equation modelling methodology and finally the chapter is concluded by a summary.

### 5.2. The demographic profile of the studied firms:

This section provides the characteristics and the demographic information of the sample firms such as the age of firm and the number of employees in the firm; it also explains whether the firms have formal written mission statement or not, as shown in the table below:

#### 5.2.1. The age of firm:

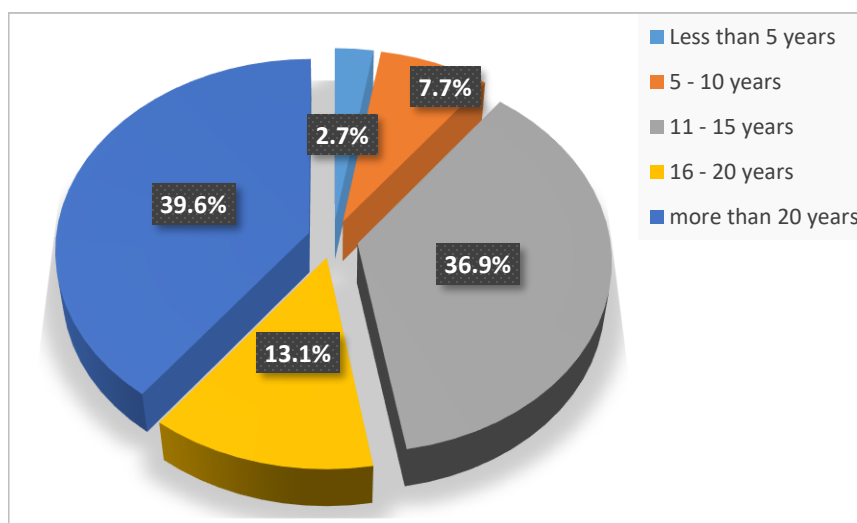
Table (5. 1) and figure (5. 1) illustrate the age of the firms surveyed; the majority are more than 20 years old (39.6%). Furthermore, 36.9% from the sample are aged between 11 and 15 years and 13.1% were more than 15 years old and less than 20 years old. However, the newly established firms less than 10 years old account for 10.4% of the studied firms.

Table 5. 1: The age of the studied firms

Age group	Frequency	Percent	Cumulative Percent
Less than 5 years	8	2.7	2.7
5 - 10 years	23	7.7	10.4
11 - 15 years	110	36.9	47.3
16 - 20 years	39	13.1	60.4
more than 20 years	118	39.6	100
Total	298	100.0	

**Source:** Data analysis result

Figure 5. 1: The age of the studied firms

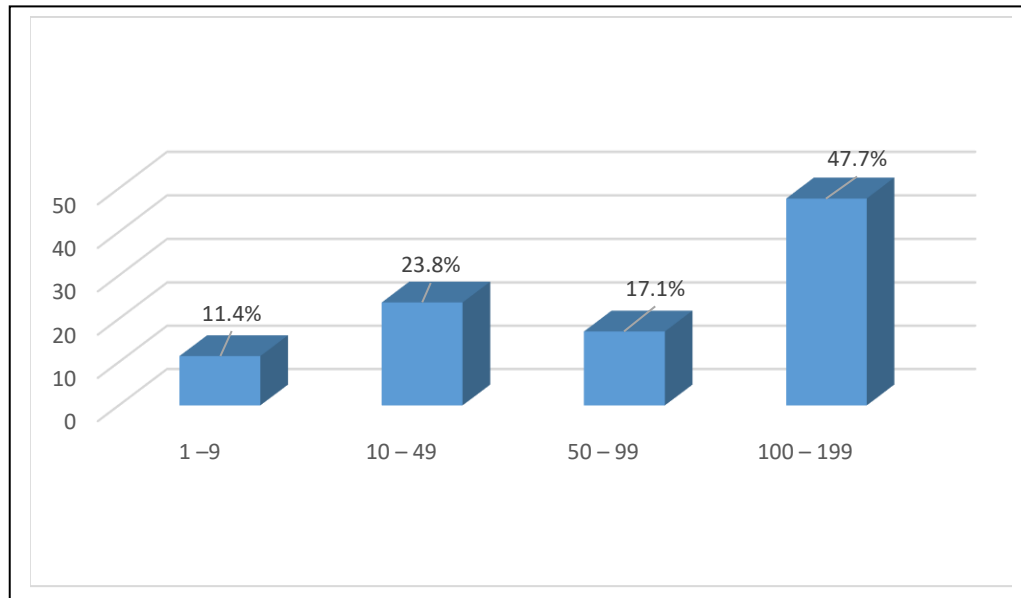


**Source:** Data analysis result

### 5.2.2. Number of employees in the firm:

The number of employees in the firm is a fundamental factor to determine the size of the firm. According to our survey analysis, 11.4% (n= 34 firm) can be classified as micro firms (number of employees from 1 to 9). 40.9% (n= 122 firm) were small firms which employ from 10 to 99 employees. And 47.7% (n= 142) can be considered Medium sized enterprises, as shown in figure (5.2)

*Figure 5. 2: Employee numbers in the studied firms*

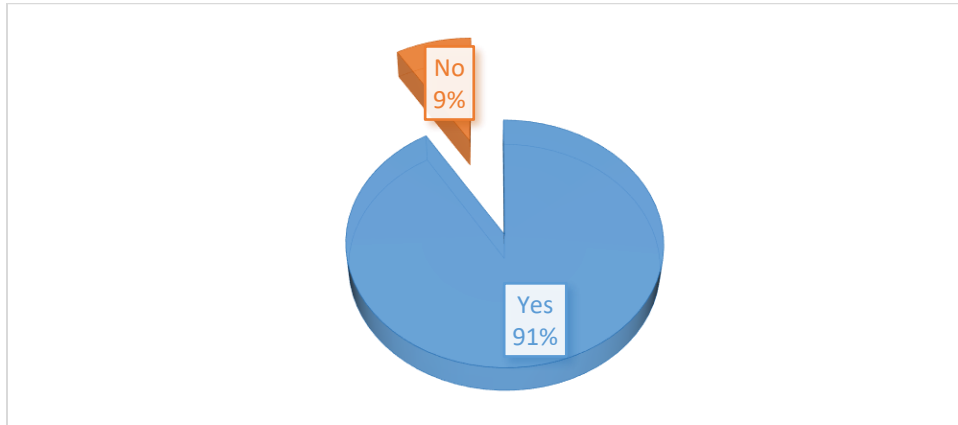


**Source:** Data analysis result

### **5.2.3. Formal written mission statement:**

Preliminary analysis of the data gathered has shown the majority of the sample (n= 272; 91.3%) had a formal written mission statement. Only 8.7% (n= 26) had no formal written mission statement (figure (5. 3)). Thus, the data appears to suggest that the small and medium sized enterprises recognize the significant role of the formal mission statement within the organization and this may be emphasized clearly in the final data analysis.

*Figure 5. 3: Firms have formal mission statement*



**Source:** Data analysis result

### **5.3.The demographic profile of the respondents:**

In this section, general managerial information about the respondents is reported. For instance, respondents' age, gender, working experience, managerial level and education level.

#### **5.3.1. The age and the gender of the respondents:**

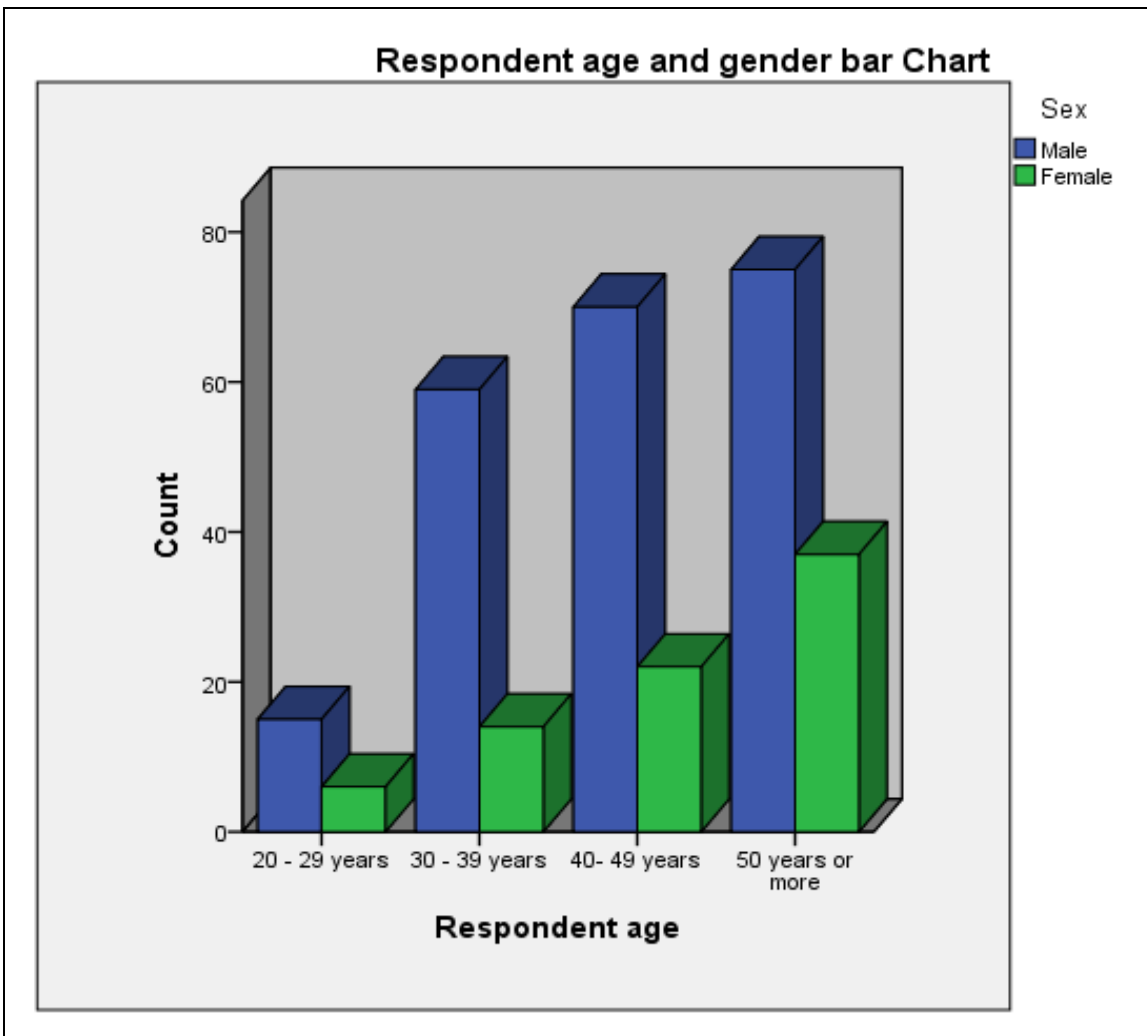
Generally speaking, asking such demographic questions in the survey assists the research in knowing the surveyors and divides the respondents into meaningful groups. Therefore, asking such questions regarding age and gender explain whether the sample represents all age categories and includes both genders. For instance, in our sample, the majority of the respondents (37.6%;  $n= 112$ ) were over 50 years old (67% were males and 33% were females) and the second highest category was from 40 to 49 years old which represents 30.9%;  $n= 92$  (76.1% males; 23.9% females) from the sample. However, 24.5% ( $n= 73$ ; 59 male & 14 female) from the sample lie in the interval age from 30 to 39 years old and the rest of the sample 7% ( $n= 15$ , 6, 21 male, female and total respectively) from age 20 to age 29. Furthermore, 73.5% ( $n= 219$ ) of the respondents were males and 26.5% ( $n= 79$ ) were females. Table (5. 2) and figure (5. 4) show the cross tabulation of the respondents' age and gender:

*Table 5. 2: Respondent age and gender cross tabulation*

		Gender				Total		
		Male		Female				
		Count	% within Respondent age	Count	% within Respondent age	Count	% from the total sample	% within Respondent age
Respondent age	Less 20 years	-		-		-	-	
	20 - 29 years	15	71.4%	6	28.6%	21	7.0%	100.0%
	30 - 39 years	59	80.8%	14	19.2%	73	24.5%	100.0%
	40- 49 years	70	76.1%	22	23.9%	92	30.9%	100.0%
	50 years or more	75	67.0%	37	33.0%	112	37.6%	100.0%
	Total	219	73.5%	79	26.5%	298	100.0%	100.0%

**Source:** Data analysis result

*Figure 5. 4: Respondent age and gender bar chart*



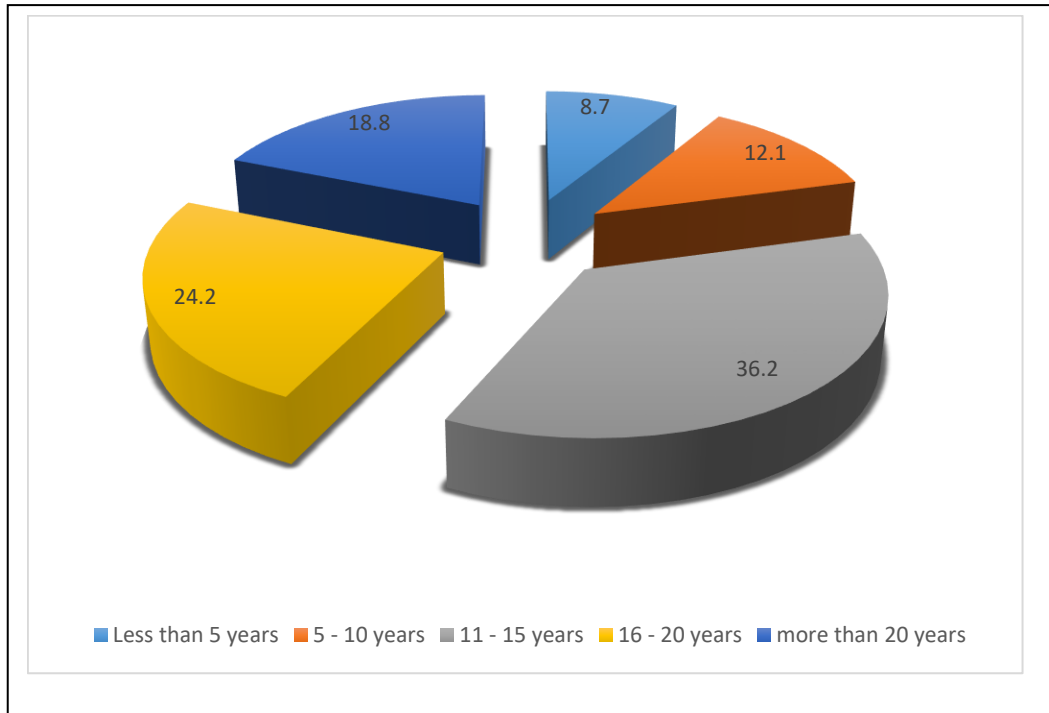
**Source:** SPSS output of the data analysis

### **5.3.2. The respondents' work experience:**

The third question in the questionnaire was related to respondents' working experience. It has been divided into five categories starting from less than 5 years' experience, from 5 to 10 years, from 11 to 15, from 16 to 20 and over 20 years' experience. The majority of the surveyors had over 11 years and less than 16 years' experience (36.2%, n= 108). 24.2% had experience of 16 to 20 years (n= 72). However, respondents who had experience of less than 5 years reported the lowest percentage (8.7%; n= 26). Twelve percent reported their working experience

between 5 and 10 years and 18.8% (n= 56) had more than twenty years working experience. The pie chart (5. 5) shows the percentage of each group:

*Figure 5. 5: The respondents' working experience*



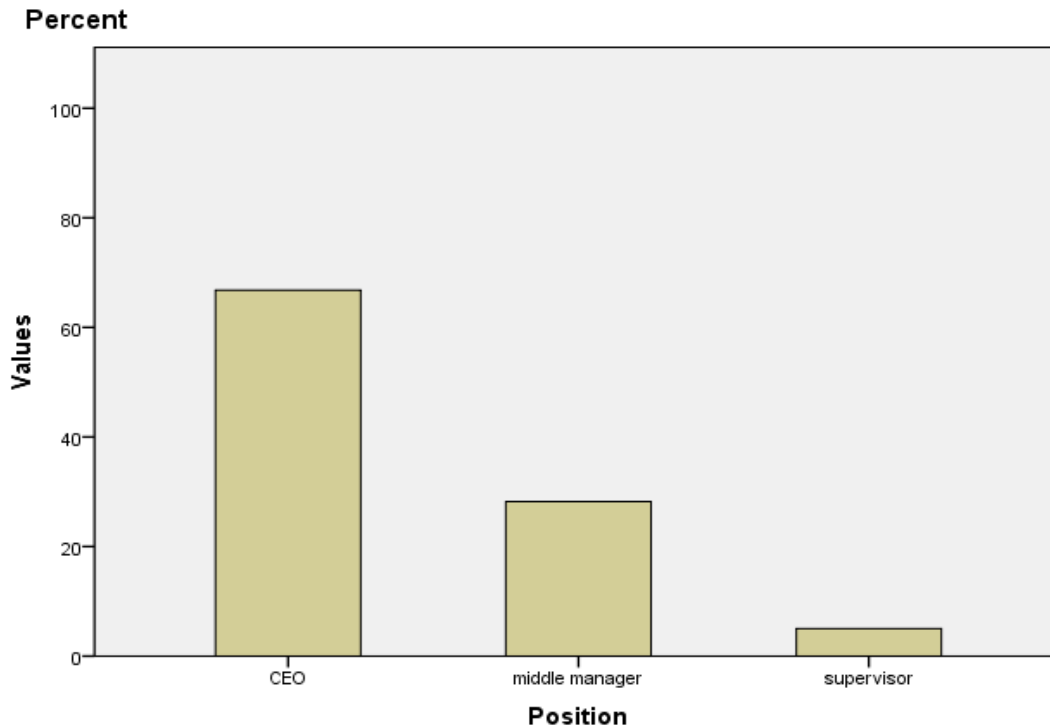
**Source:** Data analysis result

### **5.3.3. The respondents' position in their organization:**

In order to explore the respondents' positions within the organization, they were asked to choose their managerial level in the organization from these four options: CEO, Middle manager, Supervisor or other managerial position not mentioned within the available choices. Figure (5. 6) shows that 66.8% (n= 199) from the sample were CEOs, 28.2% Middle managers and the remaining 5% supervisors. Therefore, the results reflect that the majority of data is coming from the top management, which emphasizes the value of the data.



*Figure 5. 6: The respondents' position bar graph*

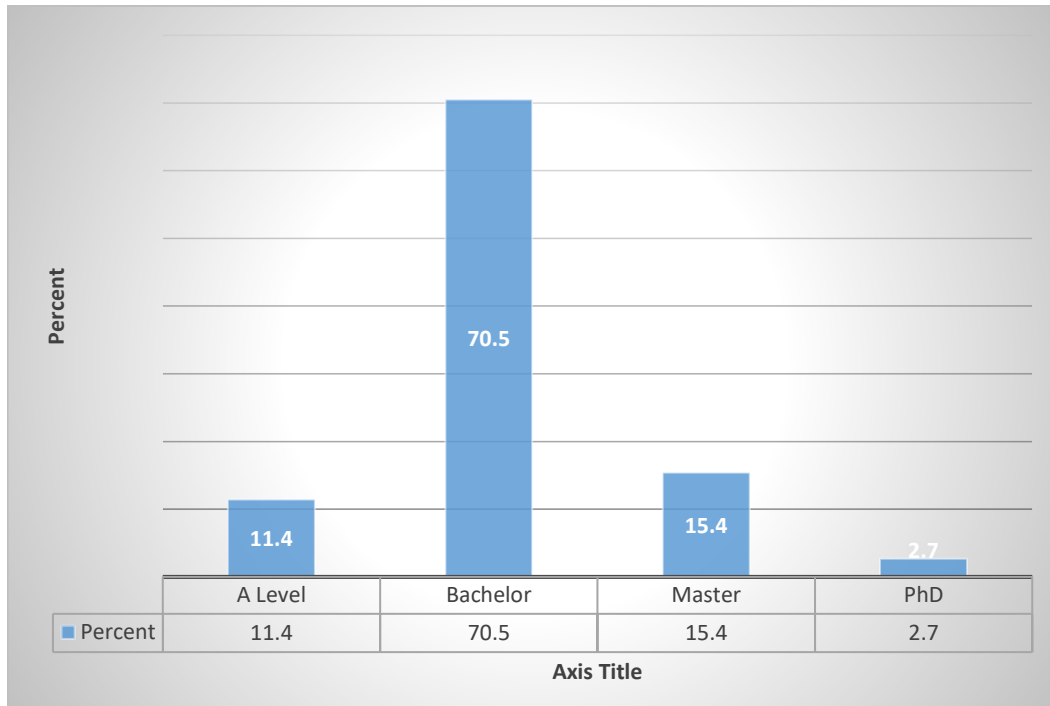


**Source:** Data analysis result

#### **5.3.4. Education level:**

Education is one of the most important characteristics of CEOs and SME managers and refers to one's skills and knowledge (Karami, 2007). To illustrate this the respondents were asked to indicate their education level, which was divided into five categories: A level, Bachelor, Master, PhD and other. Figure (5. 7) displays the data gathered regarding the five categories. The greatest number of respondents had Bachelor degree (70.5%; n= 210). However, 2.7% from the sample had the highest qualification level (PhD) which represents the lowest percentage in our sample. Furthermore, 15.4% (n= 46) had master degree and 11.4% (n= 34) A level.

Figure 5. 7: Educational level



**Source:** Data analysis result

#### 5.4.Descriptive statistics analysis:

Virtual descriptive statistical analysis is used to introduce quantitative description for the data collected and illustrates the main features of the data in the study. Furthermore, to highlight any trends of the surveyed SMEs and provide a simple summary for the sample and the measures. However, the most common ways used in descriptive analysis are frequencies, means and standard deviations. Therefore, this section presents the descriptive analysis for the main four research variables: mission statement drivers, mission statement contents, corporate social responsibility and financial firm performance.

##### 5.4.1. Descriptive statistics analysis of mission statement drivers:

To investigate the drivers (rationales) for developing a mission statement in Egyptian SMEs, ten drivers were developed from the literature review and the theoretical background (e.g., Campell, 1997; Ireland & Hitt, 1992; Klemm et al,

1991; Want, 1986; Bart, 1996a,b,1997; Macedo et al, 2016; Sufi & Lyons, 2003); however, these drivers were developed in ten questions. The respondents were asked to highlight the importance of each driver to having a formal mission statement on a five point Likert scale from 1 = “strongly disagree” to 5 = “strongly agree”. Descriptive analysis for the mission statement drivers included the frequencies, the percentage of frequencies of the total answers and the means, as presented in Table (5. 3)

*Table 5. 3: Descriptive analysis for mission statement drivers*

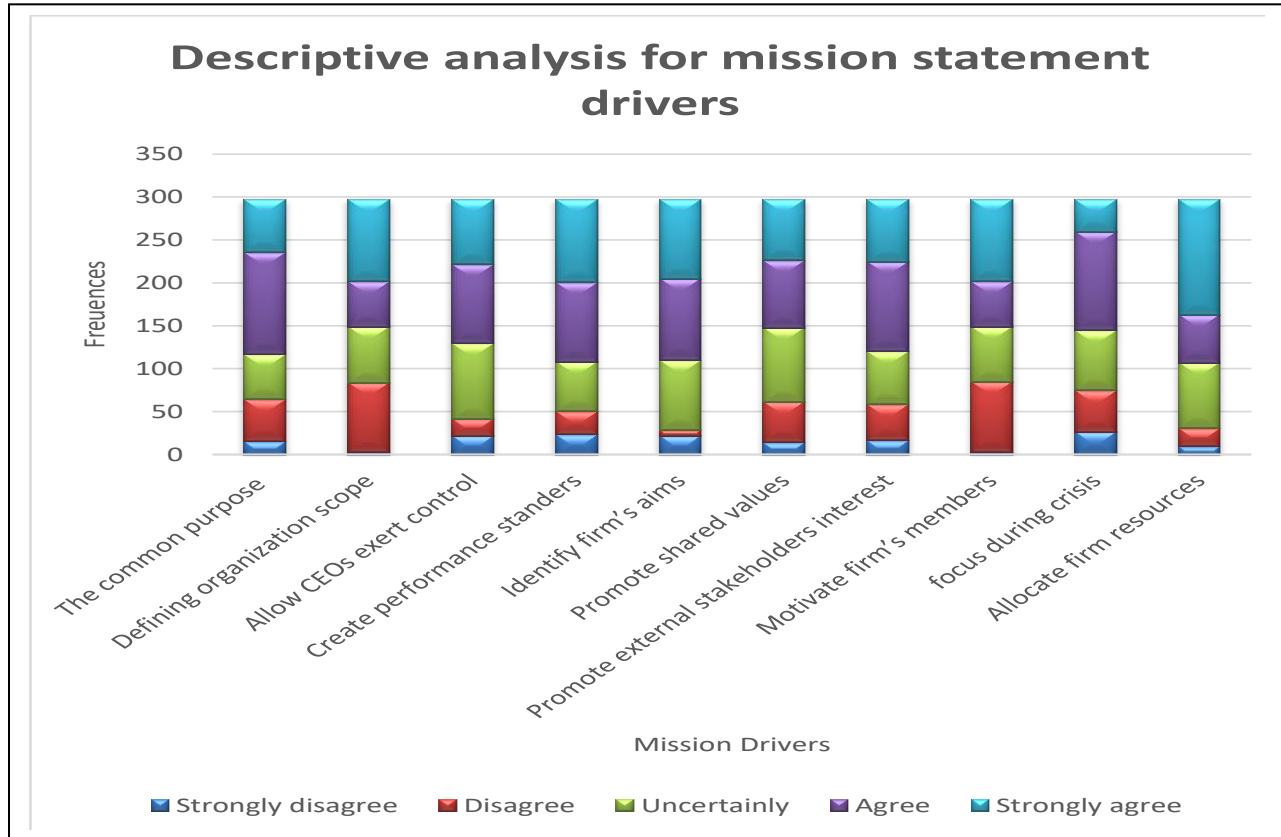
N	Mission statement drivers	Strongly disagree		Disagree		Uncertainly		Agree		Strongly agree		Total		Mean	ST.D
		f	%F	f	%F	f	%F	f	%F	f	%F	f	%F		
1	The common purpose	16	5.4	49	16.4	52	17.4	119	39.9	62	20.8	298	100	4.08	1.14
2	Defining organization scope	3	1.0	81	27.2	65	21.8	53	17.8	96	32.2	298	100	2.98	1.22
3	Allow CEOs to exert control	22	7.4	20	6.7	88	29.5	92	30.9	76	25.5	298	100	3.34	1.15
4	Create performance standards	24	8.1	27	9.1	57	19.1	93	31.2	97	32.6	298	100	4.14	1.23
5	Identify firm's aims	22	7.4	7	2.3	81	27.2	95	31.9	93	31.2	298	100	4.27	1.13
6	Promote shared values	15	5	47	15.8	86	28.9	79	26.5	71	23.8	298	100	3.95	1.16
7	Promote external stakeholders interest	17	5.7	42	14.1	62	20.8	104	34.9	73	24.5	298	100	4.08	1.16
8	Motivate firm's members	3	1	82	27.5	64	21.5	53	17.8	96	32.2	298	100	3.72	1.22
9	focus during crisis	27	9.1	48	16.1	70	23.5	115	38.6	38	12.8	298	100	3.73	1.15
10	Allocate firm resources	10	3.4	21	7.0	76	25.5	56	18.8	135	45.3	298	100	4.36	1.13

**Source:** Data analysis result

Based on the above table, the means of all Items (drivers) were higher than the average; moreover, 5 out of 10 items were over 4 (agree) as a result of most frequencies values being in the agree and strongly agree columns. Therefore, the descriptive analysis reflects the respondents' awareness of the importance of the

mission statement and its benefits for small firms. These results are illustrated in the bar chart below (figure 5. 8)

Figure 5. 8: Descriptive analysis for mission statement drivers



**Source:** Data analysis result

#### 5.4.2. Descriptive statistics analysis of mission statement components:

To explore the contents of the mission statement in Egyptian SMEs, the nine most common contents used in the literature were developed in this phase (David, 1989; Analoui & Karami, 2002a; Sufi & Lyons, 2003); there is a huge debate between scholars about the number of contents to be included in the mission statement (Varbanova, 2013; Sufi and Lyons, 2003). Nine questions were developed to fulfill this purpose and the respondents were asked to indicate whether these contents are part of their organization's mission or not on a 3 point Likert scale where 1= "Not at all", 2= "somewhat mentioned" and 3= "Clearly specified". The

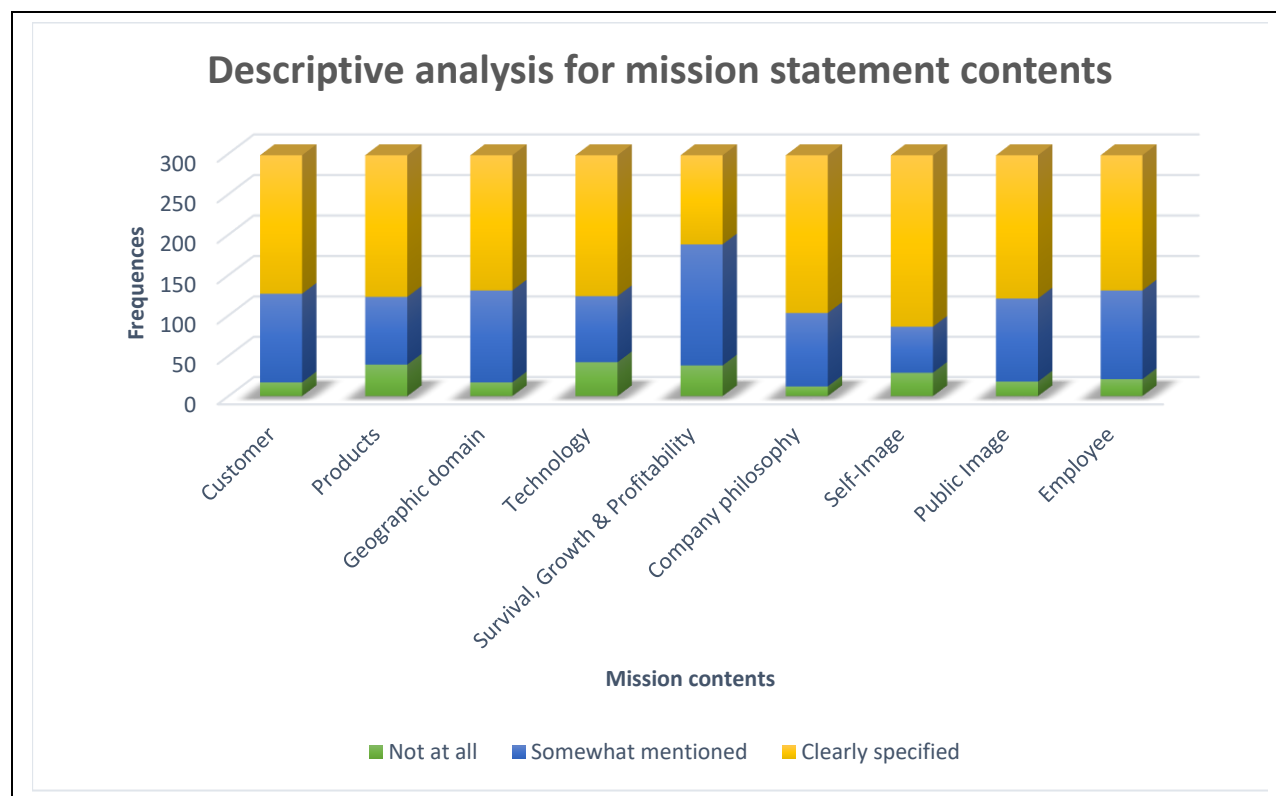
frequencies, percentages and means of responses for each content are presented in the table (5. 4) and figure (5. 9) below:

*Table 5. 4: Descriptive analysis for mission statement contents.*

N	Mission statement contents	Not at all		Somewhat mentioned		Clearly specified		Total		Mean	ST.D
		F	%F	f	%F	f	%F	f	%F		
1	Customer	17	5.7	110	36.9	171	57.4	298	100	2.90	.60
2	Products	39	13.1	84	28.2	175	58.7	298	100	2.86	.71
3	Geographic domain	17	5.7	114	38.3	167	56	298	100	2.66	.60
4	Technology	42	14.1	82	27.5	174	58.4	298	100	2.13	.72
5	Survival, Growth & Profitability	38	12.8	150	50.3	110	36.9	298	100	2.13	.66
6	Company philosophy	12	4.0	91	30.5	195	65.4	298	100	2.60	.56
7	Self-Image	29	9.7	57	19.1	212	71.1	298	100	2.61	.65
8	Public Image	18	6.0	103	34.6	177	59.4	298	100	2.47	.60
9	Employees	21	7.0	110	36.9	167	56	298	100	2.46	.62

**Source:** Data analysis result

*Figure 5. 9: Descriptive analysis for mission statement contents.*



**Source:** Data analysis result

As shown in the table (5. 4), the means of all contents above the average and close to the maximum, which refers to most of the contents, were part of the SMEs' mission statement. Although most replies indicate that self-image (71.1% n= 212), company philosophy (65.4% n= 195) and public-image (59.4% n= 177) were clearly specified in their mission statement, 14.1% (n= 42) indicate that the technology was not mentioned at all in their mission statement and 50.3% (n= 150) said the survival, growth and profitability objectives are only somewhat mentioned. Products, however, occupied the second highest frequencies for “not mentioned at all” contents in the mission statement n= 39 (13.1%). Interestingly, while survival, growth and profitability objectives occupied the highest frequencies in the “somewhat mentioned” column, it was the lowest content to be clearly specified in the firm's mission statement (33.2% n= 99).

#### **5.4.3. Descriptive statistics analysis of corporate social responsibility (CSR):**

To measure CSR practices by Egyptian SMEs, four variables (CSR towards organization's stakeholders, CSR towards organization's employees, CSR towards organization's customers and CSR towards government) have been used for this research purpose in 17 questions according to Turker (2009). The results of the descriptive analysis are presented in table (5. 5):

*Table 5. 5: Descriptive statistics analysis for CSR*

<b>Factor</b>	<b>Number of Items</b>	<b>Mean</b>	<b>Standard Deviation</b>
CSR to Stakeholders	6	3.85	.72
CSR to Employees	6	3.62	.75
CSR to Customers	3	4.62	.48
CSR to Government	2	4.40	.54

**Source:** Data analysis result.

CSR practices towards customers consist of three questions and had the highest mean (4.62) and lowest standard deviation (0.48) which reflect the concern

of the firms for their customers. CSR practices commitment towards the government had the second mean (4.40) and second lowest standard deviation (0.54) and consist of two questions. After that, CSR practices towards stakeholders consist of six questions and had the third highest mean (3.85); then six questions measured CSR practices towards employees and had the lowest mean (3.62). The table (5. 6) illustrates the frequencies, percentages and means for each single question where the respondents were asked to indicate their agreement about the firm's CSR practices on a five point Likert scale from 1= "strongly disagree" to 5= "strongly agree"

*Table 5. 6: Descriptive analysis for CSR practices*

N	CSR Practices	Strongly disagree		Disagree		Uncertainly		Agree		Strongly agree		Total		Mean	ST.D
		f	%F	f	%F	f	%F	f	%F	f	%F	f	%F		
1	improve the quality of the natural environment	0	0	0	0	20	6.7	59	19.8	219	73.5	298	100	4.68	.58
2	create a better life for the future generations	0	0	19	6.4	0	0	179	60.1	100	33.6	298	100	4.23	.73
3	minimize the negative impact on the natural environment	19	6.4	0	0	40	13.4	179	60.1	60	20.1	298	100	3.90	.93
4	considering the future generations	19	6.4	0	0	59	19.8	160	53.7	60	20.1	298	100	3.84	.95
5	supports the non-governmental organizations	19	6.4	40	13.4	80	26.8	139	46.6	20	6.7	298	100	3.36	.99

6	contributes to projects that promote well-being	59	19.8	0	0	80	26.8	139	46.6	20	6.7	298	100	3.23	1.21
7	encourages employees to do voluntarily activities	19	6.4	80	26.8	60	20.1	139	46.6	0	0	298	100	3.06	.99
8	encourage employees to develop their skills	0	0	59	19.8	20	6.7	139	46.6	80	26.8	298	100	3.83	1.04
9	primarily concerned with employees' needs and wants	19	6.4	19	6.4	40	13.4	200	67.1	20	6.7	298	100	3.64	.92
10	provide a good work and life balance for its employees	0	0	59	19.8	19	6.4	180	60.4	40	13.4	298	100	3.69	.92
11	The managerial decisions are usually fair	0	0	59	19.8	20	6.7	119	39.9	100	33.6	298	100	3.89	1.08
12	supports employees to acquire additional education	19	6.4	60	20.1	20	6.7	79	26.5	120	40.3	298	100	3.72	1.34
13	Protect consumer rights beyond the legal requirements	0	0	0	0	19	6.4	99	33.2	180	60.4	298	100	4.53	.66
14	provide full and accurate	0	0	0	0	0	0	98	32.9	200	67.1	298	100	4.23	1.02

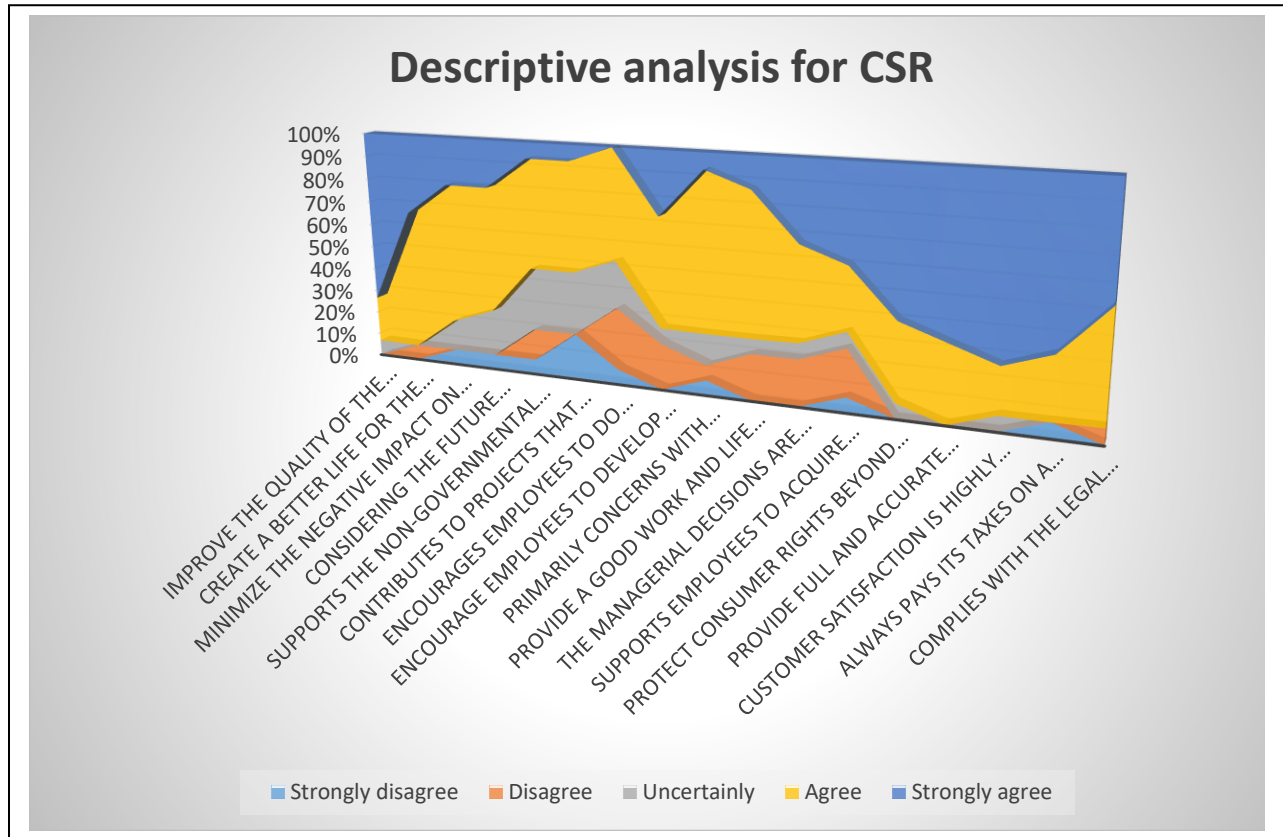


	information about its products to its customers														
15	Customer satisfaction is highly important for our company	0	0	0	0	19	6.4	59	19.8	220	73.8	298	100	4.11	1.16
16	always pays its taxes on a regular and continuing basis	19	6.4	0	0	0	0	79	26.5	200	67.1	298	100	3.96	1.23
17	complies with the legal regulations completely and promptly	0	0	20	6.7	0	0	139	46.6	139	46.6	298	100	4.32	.810

**Source:** Data analysis result.

Based on the collected data and table (5. 6), the mean value for all the items was over the average. Furthermore, most of the frequencies and percentages of replies were in the “agree” and “strongly agree” columns. Thus, it can be concluded that the corporate social responsibility practices within Egyptian SMEs are high and this can be visualized in figure (5. 10):

Figure 5. 10: Descriptive analysis for CSR practices



**Source:** Data analysis result.

#### 5.4.4. Descriptive statistics analysis of financial performance:

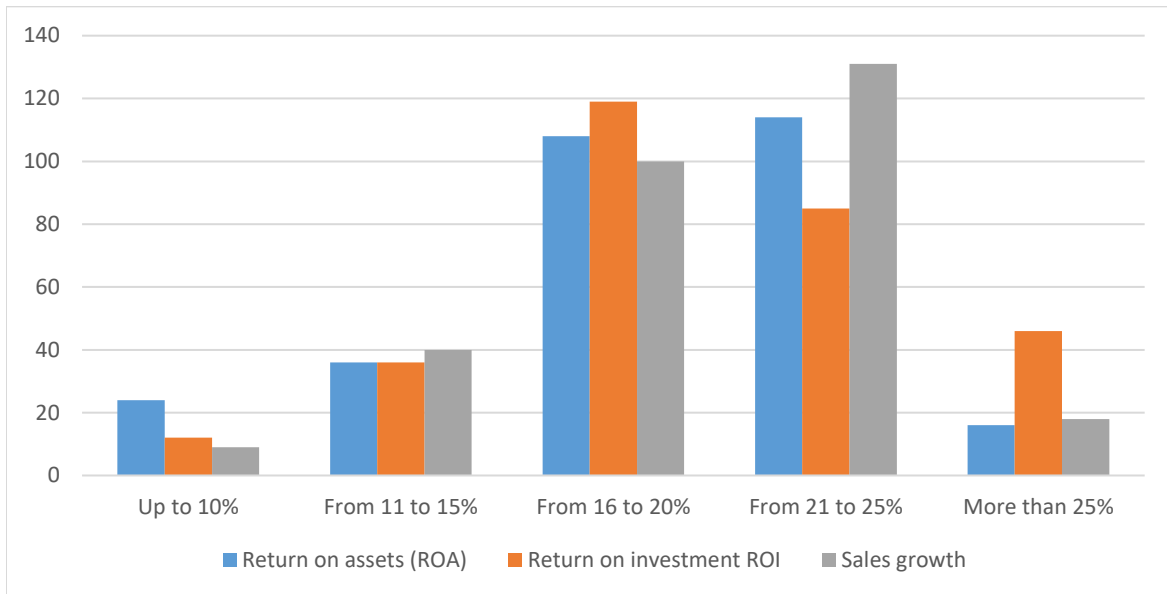
Three items in three questions were used to measure the financial performance of Egyptian SMEs. The respondents were asked to rate their return on assets (ROA), return on investment (ROI) and sales growth on a five point Likert scale where 1= Up to 10%, 2= From 11 to 15%, 3= From 16 to 20%, 4= From 21 to 25% and 5= More than 25%. The frequencies, percentages and means were presented in the table (5. 7); and visualized in the figure (5. 11):

Table 5. 7: Descriptive analysis for financial performance

N	Financial firm performance	Up to 10%		From 11 to 15%		From 16 to 20%		From 21 to 25%		More than 25%		Total		Mean	ST.D
		f	%F	f	%F	f	%F	f	%F	f	%F	f	%F		
1	Return on assets (ROA)	24	8.1	36	12.1	108	36.2	114	38.3	16	5.4	298	100	3.21	1.00
2	Return on investment (ROI)	12	4.0	36	12.1	119	39.9	85	28.5	46	15.4	298	100	3.39	1.01
3	Sales growth	9	3.0	40	13.4	100	33.6	131	44	18	6.0	298	100	3.37	.89

**Source:** Data analysis result.

Figure 5. 11: Descriptive analysis for CSR



**Source:** Data analysis result.

As shown from the above table and figure, the means of all items were over the average and most frequencies and percentages were over 28% and between 16% and 25%, which reflect that they have a good performance rate.

### 5.5. Reliability and validity:

This part outlines the measurement scale. According to Carifio and Perla (2007), the scale items are ready to perform the analysis and test hypotheses when they have undergone the reliability and validity testing and by then the results should

be interpretable. This research, however, uses a combination of formative and reflective variables. While the reflective variable is measured by items construct, each item in the formative variable plays an important part and has a specific role (Hulland, 1999). Consequently, the assessment of validity and reliability are significantly different between both kinds of variables (Macedo et al., 2016).

Mission statement drivers, however, were conceptualized as a formative variable whereas the rest of the research variables (Mission statement contents, CSR and Firm performance) have been treated as reflective variables. The main reason for operationalizing the mission drivers as a formative variable is twofold; first, the formative variable is seen as an effect rather than a cause and the items are supposed to not be correlated with each other (Coltman, et al., 2008). Second, the construct of formative variable is setup by its indicators that define the latent variable characteristics (Edwards & Bagozzi, 2000), which have been developed from the literature and expressed as a function of items (Hulland, 1999).

In this context, two tests have been used to assess the formative variable (mission statement drivers) (Jarvis, et al., 2003; Roldan, et al., 2012; Roberts & Thatcher, 2009); which are:

- 1- Multicollinearity test to examine the correlations between the scale items.
- 2- The weight of the scale items to estimate the weight of each item in the scale construct.

Three tests were involved in conducting the reliability and validity of the reflective variables (Garcla-Villaverde et al., 2018):

- 3- Cronbach's alpha to measure the internal consistency as a part of reliability analysis.

- 4- Exploratory factor analysis (EFA) to explore the underlying relationships between the items.
- 5- Confirmatory factor analysis (CFA) to validate the research scales and by then the final composite reliability will be reported.

#### **5.5.1. Multicollinearity test:**

Investigating the correlation between scale items is the main aim of the collinearity test. Smart PLS was used to examine the collinearity test. According to Roldan, et al., 2012 and Petter et al., 2007, the item reports high multicollinearity if the variance inflation factor (VIF) equals 3.3 or more. In the case of this research the VIF for the entire mission statement drivers were below 3.3 as shown in the table (5.8):

*Table 5. 8: Mission drivers VIF*

Driver	VIF
D1	2.873
D2	1.043
D3	1.090
D4	1.703
D5	1.039
D6	1.028
D7	2.343
D8	1.022
D9	1.412
D10	1.040

**Source:** Data analysis result.

**5.5.2. Formative items weight:**

Each item in the formative variable has to contribute to the latent variable construct (Roldan, et al., 2012). For instance, the weight measures how each item significantly contributes to the composite construct (Chin, 1998). Thus, we examined the weight using Smart PLS by performing bootstrapping with 5000 resamples and only the significant items were included in the analysis (Macedo, et al., 2016). (Table 5. 9)

*Table 5. 9: Mission drivers' weight*

Driver	weight	P-value
D1	0.10	0.00**
D2	0.87	0.01**
D3	0.31	0.00**
D4	0.11	0.40
D5	-0.20	0.14
D6	-0.11	0.00**
D7	0.51	0.00**
D8	0.17	0.00**
D9	0.38	0.00**
D10	0.21	0.02**

**Source:** Data analysis result

According to the table (5. 9), eight items had a significant value out of ten items. Thus, two drivers have been dropped from the analysis. The drivers removed were “to create standards of performance for the organization” and “to help individuals identify with their organization its aims and its purpose”.

### **5.5.3. Cronbach's alpha ( $\alpha$ ):**

The ability to produce consistent results is reliability; however, it can be divided into internal consistency and composite reliability (Hair et al., 2016). Cronbach's alpha is the most popular test to confirm the internal consistency. The items demonstrate internal consistency if Cronbach's alpha  $\geq 0.70$  (Nunnally, 1978). The composite reliability is reported after conducting the confirmatory factor analysis (CFA)

*Table 5. 10: Cronbach's alpha analysis*

Variables	Total No. of items	Item removed	alpha
Mission contents	9	None	0.726
CSR	17	None	0.898
Firm performance	3	None	0.834

**Source:** Data analysis result

According to the table (5. 10), all the items exceeded 0.70, which means that the scale has accepted internal consistency.

### **5.5.4. Exploratory factor analysis (EFA):**

Validity analysis underpins the conformable degree of the measurement content to the study objectives (Biedenbach and Müller, 2011). Factor analysis is the most widely used test to measure a scale's validity. Before conducting EFA it is better to perform Bartlett's sphericity and KMO's test to investigate whether these research variables are suitable to scrutinise with factor analysis (if the KMO is greater than 0.5 and significant value is less than 0.05) or not.

Table 5. 11: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.654
Bartlett's Test of Sphericity	Approx. Chi-Square
	Df
	Sig.
	7784.587
	276
	.000

**Source:** Data analysis result

According to the table (5. 11), KMO and Bartlett's Test = 0.631 and P value = 0.000 which mean the sample is enough and the research variables are suitable to conduct EFA.

Table (5. 12) presents the factor loading for all our research variables using Principal Component analysis extraction method and Promax with Kaiser Normalization rotation method. The satisfactory factor loading is 0.70 or more (Carmines and Zeller, 1979). Hence, the items achieving less than 0.70 factor loading were removed (table 5. 13) in order to maintain high validity for the study measurements

Table 5. 12: Factor loading for the research variables

Mission contents	Factor loading	CSR	Factor loading
C1	.831	CSR1	.445
C2	.742	CSR2	.841
C3	.771	CSR3	.898
C4	.788	CSR4	.891
C5	.628	CSR5	.945
C6	.524	CSR6	.929
C7	.787	CSR7	.620
C8	.723	CSR8	.926
C9	.785	CSR9	.889
Firm performance	Factor loading	CSR10	.952
ROA	.808	CSR11	.832
ROI	.724	CSR12	.672



SGROW	.743	CSR13	.581
		CSR14	.884
		CSR15	.851
		CSR16	.931
		CSR17	.650

**Source:** Data analysis result

*Table 5. 13: Exploratory factor analysis*

Variable	Total No. of items	Items removed	Total items remain
Economic M. contents	3	C5	2
Social M. contents	4	C6	3
Environ. M. contents	2	None	2
CSR to stakeholders	6	CSR1	5
CSR to employees	6	CSR7, CSR12	4
CSR to customers	3	CSR13	2
CSR to GOV.	2	CSR17	1

**Source:** Data analysis result.

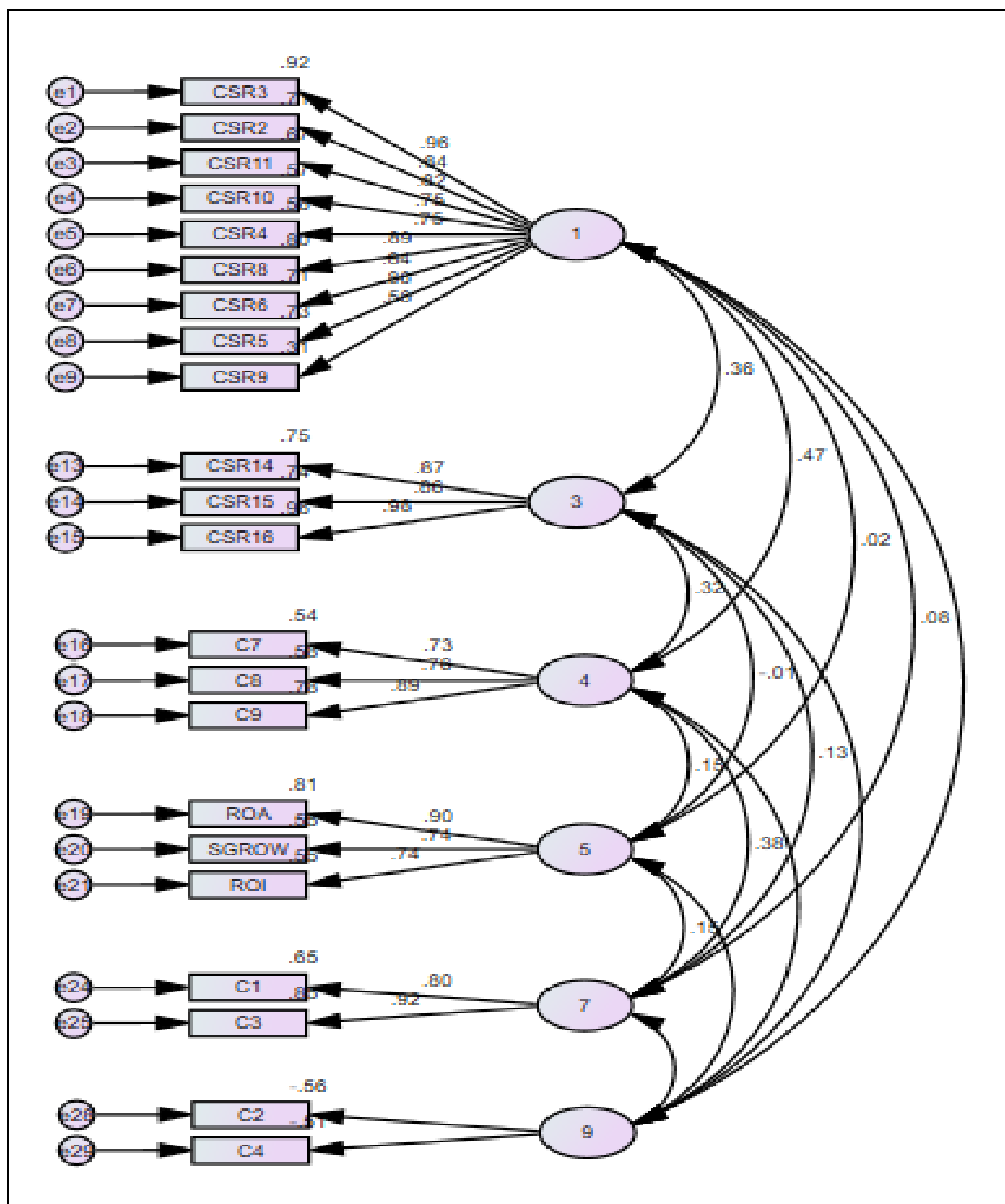
According to the table (5. 13), two items from the mission statement contents have been removed, one is economic content “survival, growth & profitability objectives” and the other was social content “company philosophy”. However, five items have been removed from the CSR measure namely: “our company participates in the activities which aim to protect and improve the quality of the natural environment”. “Our company encourages its employees to participate in the voluntary activities”. “Our company supports employees who want to acquire additional education”. “Our company protects consumer rights beyond the legal requirements”. “Our company complies with the legal regulations completely and promptly”.

#### **5.5.5. Confirmatory factor analysis (CFA):**

Confirmatory factor analysis test (CFA) was used to validate the theoretical framework and assess the composite reliability and validity of the survey used

(Brown 2014; Arbuckle, 2011). However, Kline (1998) stated that before underlying structure equation-modelling methodology, researchers should test the purity of the measurement model. The absolute fit of the proposed model is indicated by the following indicators: Chi-squared test (CMIN)  $\chi^2$ , Degree of freedom (DF), Goodness of fit index (GFI) and Comparative fit index (CFI) which should be more than 0.90 and Root mean square error of approximation (RMSEA) below 0.08 (Kline, 2010). The IBM AMOS 23.0 was used to run CFA (figure 5. 12):

Figure 5. 12: First output for confirmatory factor analysis

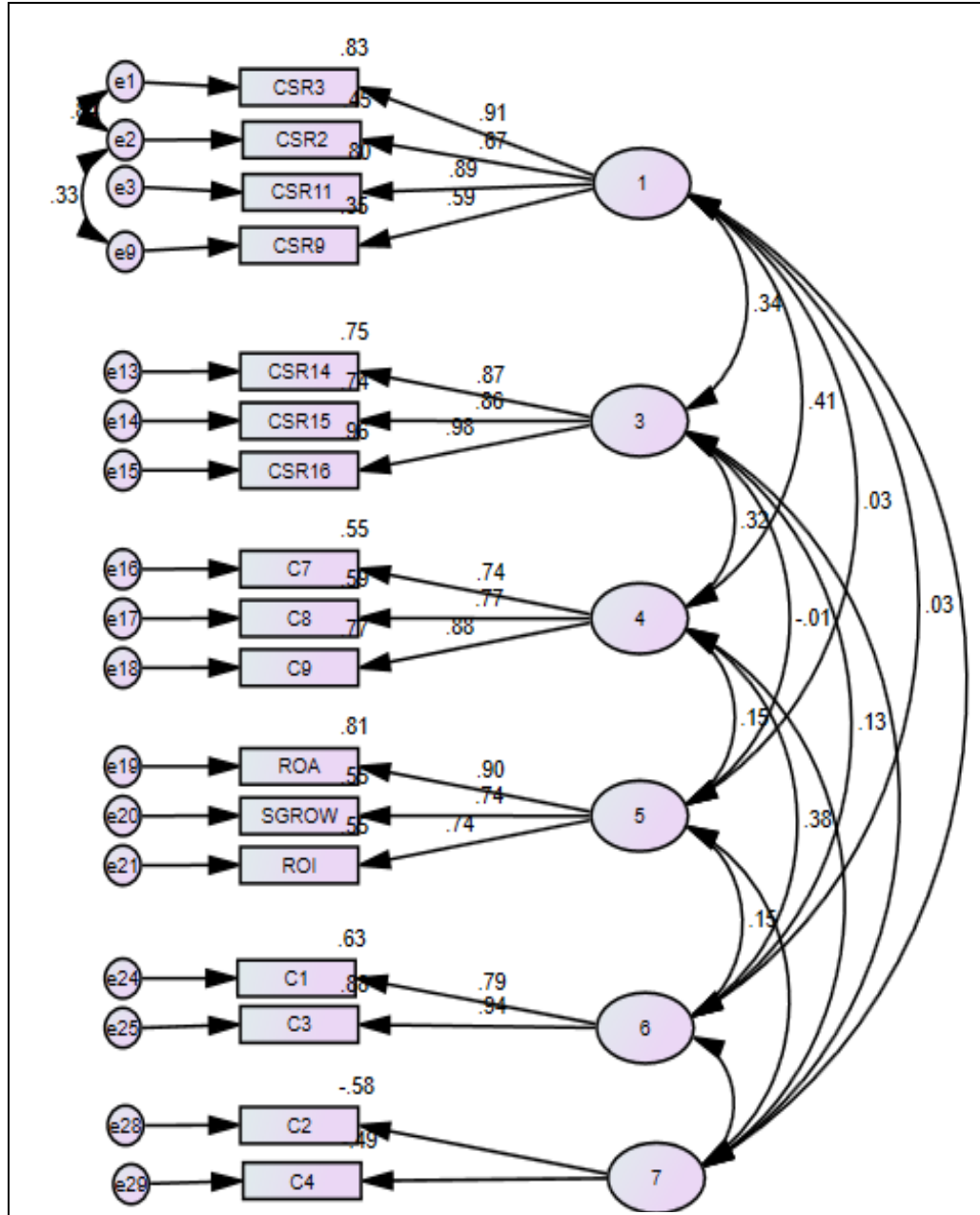


**Source:** Confirmatory factor analysis output.

Chi-square/ CMIN= 2996.101, DF= 196, P=.000, GFI= 0.608, CFI= 0.598, RMSEA= 0.219 and PCLOSE= 0.000.

The results above indicate poor fit indexes of the model. The items with across loading and high covariance were dropped off in order to improve the model fit indexes as shown in figure (5. 13):

Figure 5. 13: Second output for confirmatory factor analysis



**Source:** CFA output.

Chi-square/ CMIN= 190.282, DF= 104, P=.000, GFI= 0.931, CFI= 0.970, RMSEA= 0.053 and PCLOSE= 0.000, which mean good fitness indexes

Furthermore, table (5. 14) reports the composite reliability and average variance extracted. The four scale items achieved high composite reliability over 0.70 and satisfactory Convergent Validity (over 0.5) estimated by the average variance extract (AVE) (Fornell and Larcker, 1981).

*Table 5. 14: Scale composite reliability and AVE*

Variables	Composite reliability (SCR)	Average variance extract (AVE)
Mission contents	0.95	0.77
CSR	0.96	0.80
Firm performance	0.89	0.74

**Source:** output of data analysis.

Since the data has achieved high validity and reliability, it is ready now for running the model and performing hypotheses testing.

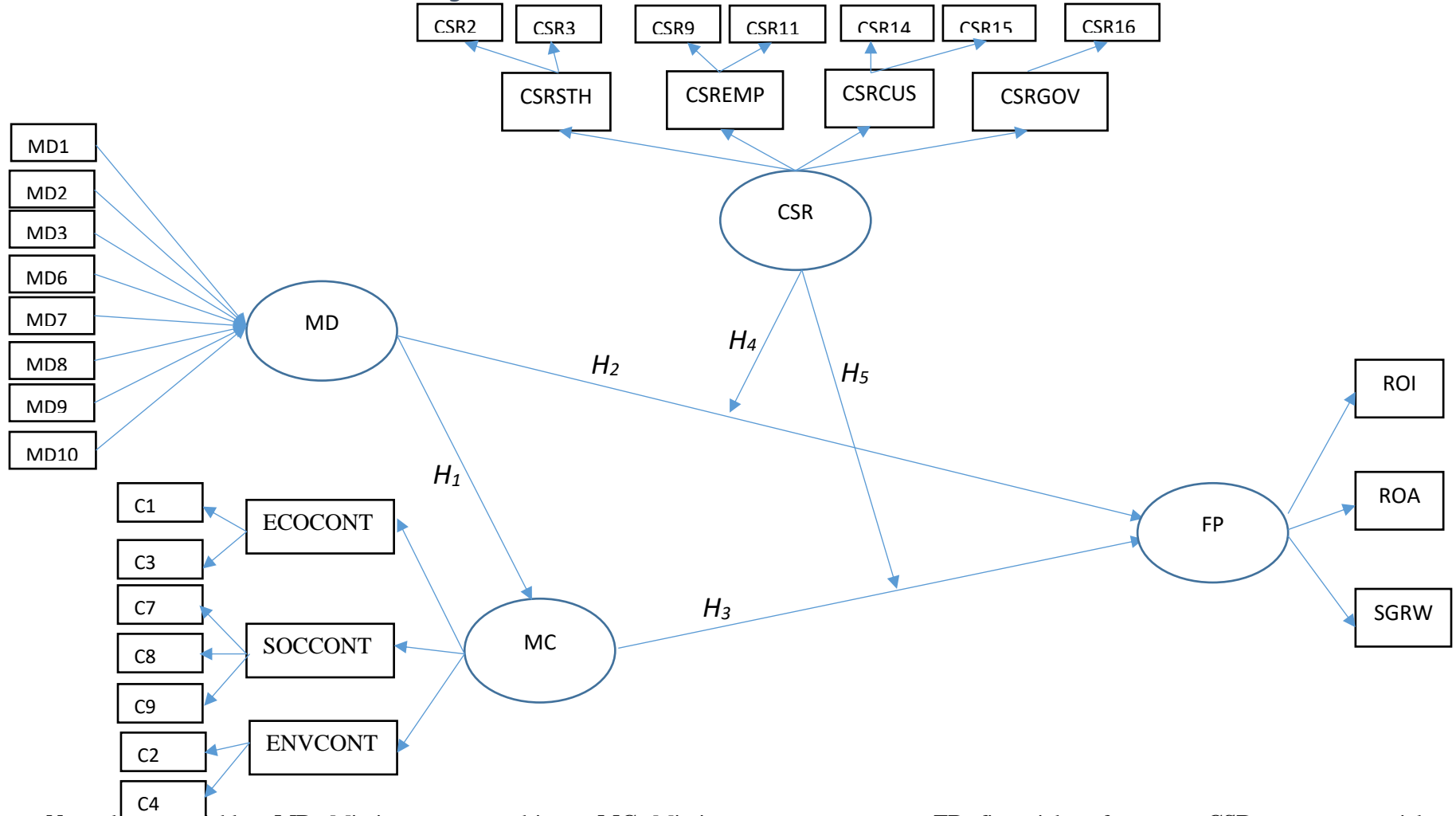
### **5.6.Data analysis and hypotheses testing:**

The main aim of this research is to investigate the relationship between mission statement contents (economic contents, social contents and environmental contents) and financial firm performance with the moderating role of corporate social responsibility, as well as the effect of mission statement drivers on developing mission statement contents and enhancing financial success. The research hypotheses have been tested using structure equation modelling methodology. The Smart PLS 3 software was used to test and analyse the relationships among variables in this research model. The reason for considering this methodology as an appropriate technique is four-fold. First, SEM-PLS explicitly defines the unobserved variables, which helps us to avoid the unacceptable or incorrect solutions (Fornell and Larcker, 1981). Second, the path analysis and the prediction of the endogenous

variables is the focus of this research (Carrion, et al., 2016; Roldan and Sanchez-Franco, 2012). Third, the nature of this study is it uses a combination of formative and reflective variables (Macedo et al., 2016). Fourth, it works well with the small sample size (Richter et al., 2015); however, the sample obtained for this research was not that small.

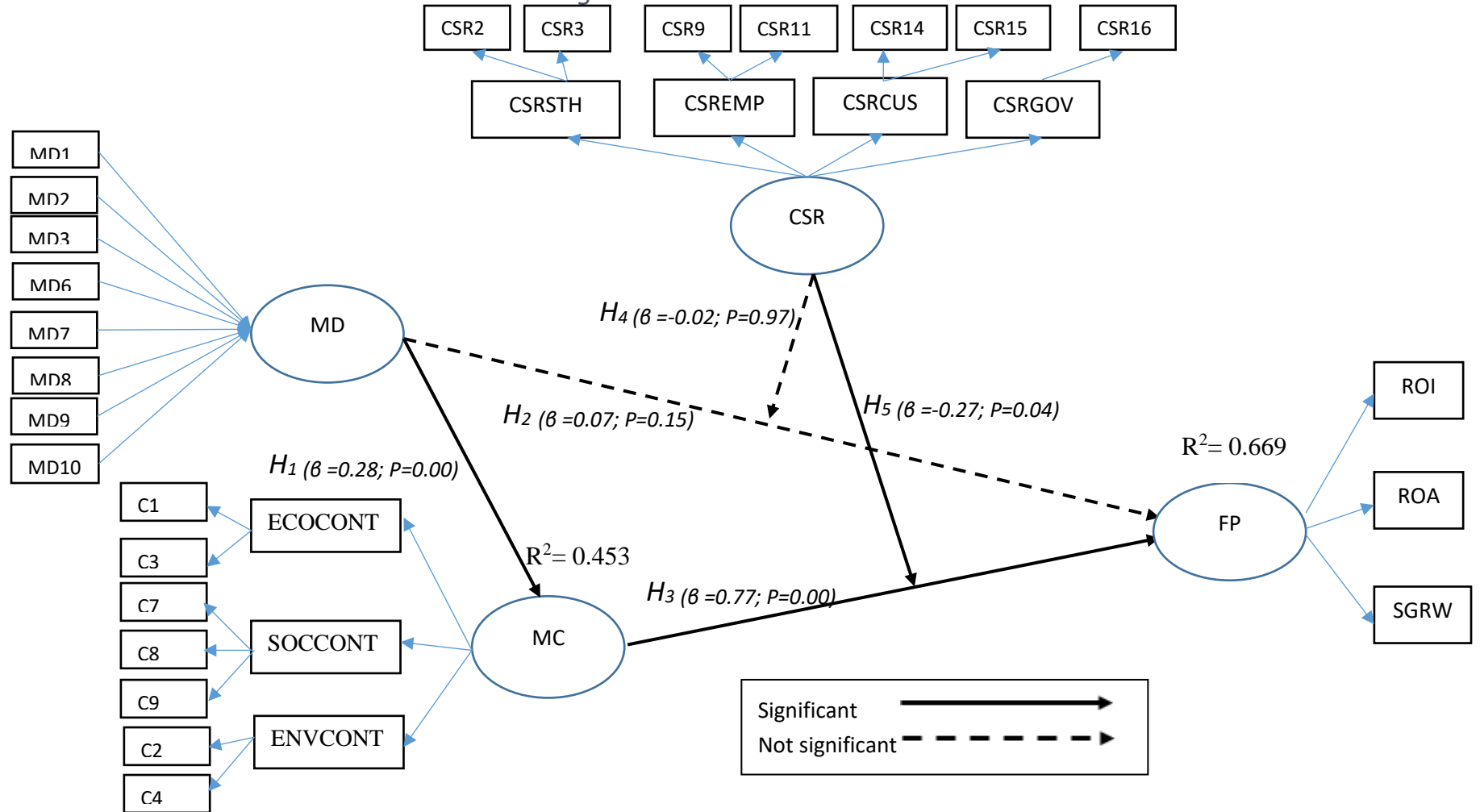
As seen from the structural model (figure 5. 14), there are four latent variables namely, mission statement drivers, mission statement contents, financial firm performance and corporate social responsibility. Twenty-five observed variables were designed to measure these latent variables

Figure 5. 14: Structural model with latent variables



**Note:** latent variables: **MD**: Mission statement drivers; **MC**: Mission statement contents; **FP**: financial performance; **CSR**: corporate social responsibility. Observed variables are; **ECOCONT**: Economic mission contents; **SOCCONT**: social mission contents; **ENVCONT**: environmental mission contents. **MD1 to MD10**: mission driver1 to 10; **C1 to C9**: Mission contents 1 to 9; **ROI**: return on investment; **ROA**: return on assets; **SGRW**: sales growth; **CSRSTH**: CSR practices to stakeholders; **CSREMP**: CSR practices to employees; **CSRCUS**: CSR practices to customers; **CSRGOV**: CSR practices to government.

Figure 5. 15: Statistical model



**Note:** latent variables: **MD**: Mission statement drivers; **MC**: Mission statement contents; **FP**: financial performance; **CSR**: corporate social responsibility; Observed variables are. **ECOCONT**: Economic mission contents; **SOCCONT**: social mission contents; **ENVCONT**: environmental mission contents; **MD1**: mission driver1; **MD3**: mission driver 3; **MD5**: mission driver 5; **MD7**: mission driver 7; **ROI**: return on investment; **ROA**: return on assets; **SGRW**: sales growth; **CSRTH**: CSR practices to stakeholders; **CSREMP**: CSR practices to employees; **CSRCUS**: CSR practices to customers; **CSRGOV**: CSR practices to government.



Table 5. 15: Hypotheses testing result

Hypotheses	Path coefficient	t-value	p-value	Test result
H <sub>1</sub> : MD → MC.	0.28	3.14	0.00	Supported
MD → ECOCONT	-0.06	0.64	0.52	
MD → SOCCONT	0.19	2.60	0.00**	
MD → ENVCONT	0.25	3.19	0.00**	
H <sub>2</sub> : MD → FP.	0.07	1.41	0.15	Not supported
H <sub>3</sub> : MC → FP.	0.77	8.97	0.00	Supported
ECOCONT → FP	0.30	2.51	0.01**	
SOCCONT → FP	0.49	12.95	0.00**	
ENVCONT → FP	0.57	19.26	0.00**	
H <sub>4</sub> : MD*CSR → FP	-0.02	0.03	0.97	Not supported
H <sub>5</sub> : MC*CSR → FP	-0.27	1.98	0.04	Supported
ECOCONT → MC	-0.22	0.77	0.43	
SOCCONT → MC	0.67	6.77	0.00**	
ENVCONT → MC	0.89	25.43	0.00**	
CSRSTH → CSR	0.96	49.02	0.00**	
CSREMP → CSR	0.79	44.32	0.00**	
CSRCUS → CSR	0.78	39.91	0.00**	
CSRGOV → CSR	0.86	46.00	0.00**	
ROA → FP	0.49	18.78	0.00**	
ROI → FP	0.51	18.24	0.00**	
SGROW → FP	0.32	8.81	0.00**	

**Source:** hypotheses testing output.

Fitness statistics for the measurement model: chi-square= 348.9, CR >0.7, AVE> 0.5 and SRMR<0.08 (Ronkko & Evermann, 2013).

The results of data analysis (figure 5. 15; table 5. 15) show that three hypotheses have been supported and two hypotheses have been rejected. Regarding the first hypothesis, (H<sub>1</sub>) there is a significant positive effect for the mission statement drivers on the mission statement contents. The path coefficient and P value was ( $\beta = 0.28$ ;  $P = 0.00$ ). So the first hypothesis has been supported. Furthermore, the path coefficients between mission statement drivers and either social mission statement contents ( $\beta = 0.19$ ;  $P = 0.00$ ) or environmental mission contents ( $\beta = 0.25$ ;  $P = 0.00$ ) were significant; however, it was non-significant between the mission drivers and the economic contents in the mission statement ( $\beta = -0.06$ ;  $P = 0.52$ ). In other words, the firms' rationales to develop their mission statement help the firms to develop the mission statement contents. On the other

hand, the effect of mission statement drivers on the financial performance ( $\beta = 0.07$ ;  $P = 0.15$ ) was non-significant, hence, the second hypothesis ( $H_2$ ) has been rejected.

The effects of the economic ( $\beta = 0.30$ ;  $P = 0.01$ ); social ( $\beta = 0.49$ ;  $P = 0.00$ ); and environmental ( $\beta = 0.25$ ;  $P = 0.00$ ) contents in the mission statement on financial performance in small and medium sized enterprises were significant. Consequently, the third hypothesis ( $H_3$ ), there is a significant positive effect for the mission statement contents on the financial performance ( $\beta = 0.77$ ;  $P = 0.00$ ) has been confirmed. The statistical analysis results indicate that firms developing economic, social, environmental contents in their mission statements perform better than other firms. In other words, firms developing a triple bottom line dimension in their mission statement achieve their ends in terms of financial success.

The results also indicate that corporate social responsibility does not moderate the relationship between mission statement drivers and financial performance ( $\beta = -0.02$ ;  $P > 0.05$ ), thus the fourth hypothesis ( $H_4$ ) was not supported. However, the fifth hypothesis ( $H_5$ ) has been supported ( $\beta = -0.27$ ;  $P < 0.05$ ) where the CSR moderates the relationship between mission statement contents and financial performance.

### **5.7. The model fit statistics:**

Developing a conceptual model or statistical model is not the point. The important thing is about the fitness of the model. According to Hair et al. (2016), using smart PLS involves two types of assessment. First, the assessment of the measurement model (outer model) which contains the convergent validity and discriminate validity. Second, the assessment of the structural model (inner model).

Regarding the measurement model, the assessment indicators were calculated before running the model and achieved high reliability and validity.

For instance, all the items achieved above 0.7 for Cronbach's alpha, composite reliability (CR) above 0.7, Average variance extract (AVE) above 0.5 and all factor loading was 0.7 or more.

To assess the structural model, there are some indicators that refer to the goodness of any model. For instance, Predictive validity  $Q^2$  (or Stone-Geisser indicator) evaluates the accuracy of the adjusted model. The model should achieve above zero to be assessed (Hair et al., 2016); however, in the proposed model  $Q^2 = 0.328$ . Furthermore, the Goodness of Fit model (GoF) refers to the geometric mean of average variance extracted (AVE) and the average of  $R^2$  (Tenenhaus et al., 2005). Hence, it can be calculated simply as follows:

$$GoF = \sqrt{\left(\overline{R^2} + \overline{AVE}\right)}$$

The aim of GoF index is to measure the accountability of the study model (Chin, 2010). The criteria of evaluating the GoF index have been offered by Wetzels, et al. (2009) according to the table below:

*Table 5. 16: GoF evaluation criteria*

GoF less than 0.1	No fit
GoF between 0.1 to 0.25	Small fit
GoF between 0.25 to 0.36	Medium fit
GoF greater than 0.36	Large fit

**Source:** Wetzels, et al., (2009). Using PLS path modelling for assessing hierarchical construct models, pp. 177-195.

According to the value of GoF for this research model (0.533) and the table (6. 18), it can be concluded that the goodness of fit indexes for this model are large enough to consider the model validity.

Additionally, the standardized root of the mean square residual (SRMR) was proposed by Lohmoller (1989) to approximate the model fit implemented by

PLS path modelling. A value of zero refers to a perfect model fit, however, 0.08 represents a cut-off value between a fit model and unfit model. Since the SRMR value for this model equals 0.049, it can be seen that this research model is fit enough.

### **5.8.Chapter summary:**

In this chapter the demographic profile (firm age, number of employees within the firm and whether they have a formal mission statement or not) of the studied firms were reported. After that, the demographic profile of the respondents was presented. For instance, respondent age, gender, experience, position and education level were reported. The next part presented the research variable descriptive statistics; where the frequencies, standard deviation, tables and graphs have been provided. Reliability and validity tests were reported in the sixth section, testing hypotheses using SEM methodology. Last, model fit statistics were presented and the chapter concluded with a summary.

Notably, the descriptive analysis of mission statement drivers reflects the respondents' awareness of the importance of the mission statement and its benefits for the small firms. The means of all mission statement contents above the average and close to the maximum, which refers to most of the contents, were part of the SMEs' mission statement. Furthermore, the descriptive analysis of corporate social responsibility practices within Egyptian SMEs were high because the mean values for all the items were above average. Moreover, the means of all performance items were above the average and most frequencies and percentages were over 28%, between 16% and 25%, which reflect that they have a good performance rate.

Two tests have been used to test reliability and validity for mission statement drivers. For instance, all mission drivers have reported low multicollinearity because the variance inflation factor was within the acceptable

limit. However, eight mission statement drivers had a significant weight out of ten items. Thus, two drivers were dropped from the analysis.

Regarding the reflective variables (mission statement contents, CSR and Financial performance), four tests were performed in order to assess the reliability and validity. All the items achieved above 0.7 for Cronbach's alpha, composite reliability (CR) above 0.7, Average variance extract (AVE) above 0.5 and factor loading was 0.7 or more.

The research hypotheses have been tested using structure equation modelling methodology. The Smart PLS 3 software was used to test and analyse the relationships among variables. The result of data analysis showed that three hypotheses have been supported and two hypotheses have been rejected. However, the goodness of fit indexes for this model were large enough to consider the model's validity and assess the structural model.

# **Chapter Six**

## Discussion and conclusion

## **6. Chapter six: Discussion and conclusion**

### **6.1.Introduction:**

This chapter revisits the research questions, hypotheses and discusses the results presented in chapter six. The first part starts with the demographic profile of the sample firms and respondents to shed light on the Egyptian SMEs characteristics. Then, it answers two important research questions presented in the first chapter which are; what are the drivers of developing mission statements in Egyptian SMEs?; and What are the mission statement contents in Egyptian SMEs?

In the second part of this chapter, the research hypotheses are revisited to present the results and the conclusion of data analysis and testing hypotheses. It starts with reporting the effect of mission drivers on mission statement contents, then the effect of mission contents on the financial performance and reporting the moderating effect of CSR on the relationship between mission statement drivers and financial performance as well as mission statement contents and financial performance. Finally the chapter concludes by summary.

### **6.2.An overview of demographic profile of Egyptian SMEs:**

In this survey, 89.5% of the surveyed firms were more than 10 years old; however, 2.7% were newly established firms (less than 5 years old). 47.7% have employees of more than 100 workers, which reflect that nearly half of our sample can be classified as medium-sized enterprises and the rest considered small firms.

91.3% of the firms in our sample have formal written mission statements. Therefore, the results emphasise (Analoui and Karami, 2002a; O’Gorman and Doran’s, 1999) that most small businesses have a formal mission statement. Furthermore, 3 to 1 was the ratio of males to females and this reflects that the majority of manager positions are occupied by males. It could be a culture orientation in the Egyptian context that the managerial position is suitable for

men rather than women. For instance, these results stand in line with gender essentialism theory (Kim, et al., 2007; Cohen, 2004).

Based on the respondent's age band, 31.5% were less than 40 years old, with 30.9% between 40 and 50 years old. Therefore, the majority of the SME managers are youths or middle-aged. Moreover, around 30% had less than 10 years' experience and 19% had more than 20 years' experience. In addition, 66% were CEOs, which reflects more confidence with the survey results. According to Analoui and Karami (2002), all the employees should engage with the strategic issues, however, the "CEOs are the prime candidate for developing the mission statement".

The data gathered showed that 70.5% of the respondents have Bachelor degree. 15.4% and 2.7% have a higher university degree (Master and PhD respectively). Thus, the collected data proves the contrary notion that the small firms in many of the developing countries are owned and managed by less educated managers compared with large companies (Soderbom and Teal, 2001).

### **6.3.Revisiting research questions and research hypotheses:**

#### **6.3.1. Mission statement drivers:**

The first research question in this research was to explore the drivers (rationales) of having a mission statement in Egyptian SMEs:

**Research Question 1:** What are the mission statement drivers in Egyptian SMEs?

To answer this research question, the respondents were asked to indicate their reasons for developing such a mission statement on a five point Likert scale. Our list was developed from various previous studies (e.g. Bart, 1997a; Bartkus & Glassman, 2004; Bartkus, et al., 2006; Macedo et al., 2016; Sattari et al., 2011; Verma, 2009; Desmidt, 2016; Davis et al., 2007; Williams et al., 2005).



To clarify the results, however, I combined the “agree” column and “strongly agree” column to be one column labelled “Primary rationale”. Similarly, “disagree” and “strongly disagree” columns were combined and labelled “not rationale”, as seen from table (6. 1):

*Table 6. 1: Mission statement drivers*

N	Mission drivers	Not rationale %	Medium rationale %	Primary rationale %	Mean
1	To provide common purpose	10.8	13.4	75.8	4.08
2	To define organization activities scope	43.6	14.8	41.6	2.98
3	To allow CEOs to exert control	25.2	19.8	55.1	3.34
4	To create performance standards	22.1	14.8	77.1	4.14
5	To help individuals identify firm’s aims	3.4	15.8	80.9	4.27
6	To promote shared values	9.7	21.8	68.5	3.95
7	To promote external stakeholders interest	9.1	16.4	74.5	4.08
8	To motivate firm’s members	25.8	15.1	59.1	3.72
9	To help refocus firm’s members during crisis	16.1	19.1	64.8	3.73
10	To provide sound basis to allocate firm resources	1.7	16.4	81.8	4.36

**Source:** descriptive analysis output.

As seen from the table (7. 1), the frequency analysis results show that all ten drivers are used for developing a mission statement. However, 7 out of 10 drivers have a combined frequency score of over 60% as primary rationales. However, highest frequency drivers to develop the mission statement were seen to be dominant rationales namely; “To provide sound basis to allocate firm resources”; “To help individuals identify firm’s aims”; “To create performance standards”; “To provide common purpose”; “To promote external stakeholders interest” (81.8%; 4.36), (80.9%; 4.27), (77.1%; 4.14); (75.8%; 4.08), (74.5%; 4.08) respectively. Notably, these results equal Bart’s (1997a) as the same drivers have been used to develop the mission in industrial firms; moreover, he found 6 out of these ten have a positive impact on firm performance. However, Bart (1997) found the lowest rationale for developing a mission statement was to allow

CEOs to exert control and this is similar to our results. Correspondingly, “to define organization activities scope” achieved the lowest frequency and lowest mean (41.6%; 2.98) in our results; however, it has been considered a primary rationale in Bart’s result which could be attributed to the different nature between the scope in activities in big and small firms. According to Macedo et al, (2016), the meaningful mission statement with clear objective and premises enhances the organization’s success; however, our results indicate the Egyptian SME awareness with the importance of the mission statement and the reasons should be adopted to develop it. Identically, these results were emphasized by Barkus et al, (2006), where the mission statement provides a sense of common purpose and help individuals identify the organization’s aims (Campbell, 1997; Collins & Porras, 1991; Ireland & Hitt, 1992; Klemm et al., 1991; Wilson, 1992; Dermol, 2012), while providing a sound base to allocate resources effectively (Ireland & Hitt 1992; Bart, et al., 2001). According to Butcher (1994), in order to make the mission statement operationally work, employees have to not just know their firm’s mission statement but to understand why they have a mission statement and how this mission statement affects their jobs and its relationship with the organization’s purpose. Thus, mission statement has been appointed as an important management gadget in modern organizations (Desmidt, et al., 2008). Furthermore, these empirical results stand in line with Williams et al. (2005) that the essential role of any mission statement is to motivate an individual’s behaviour and organizational behaviour; however, to constitute this fundamental role, all organization members should clearly be aware of the purpose, direction and core values of such a statement.

To conclude, the first research objective was to explore the mission statement rationales in Egyptian SMEs. Correspondingly, ten drivers were reported by the respondents, which are:

- 1- To provide common purpose of the organization
- 2- To define organization activities and operations scope
- 3- To allow CEOs to exert control over the organization
- 4- To create performance standards for the organization
- 5- To help individuals identify a firm's aims and purpose
- 6- To promote shared values among organization's members
- 7- To promote the organisation's interest of the external stakeholders
- 8- To motivate and inspire organisation's members
- 9- To help refocus a firm's members during crisis
- 10- To provide a sound basis to allocate a firm's resources

### **6.3.2. Mission statement contents:**

The second research question in this research was to explore the contents of the mission statement in Egyptian SMEs:

**Research Question 2:** What are the contents of the mission statement in Egyptian SMEs?

Previous studies (e.g. David, 1989; Analoui & Karami, 2002; Sufi & Lyons, 2003; Bart, 1997; 1998; Varbanova, 2013) have been focused on varied numbers of contents to be included in the mission statement. For this reason, it is worthwhile to explore the mission statement contents in an Egyptian SEMs context.

To answer this research question, the nine most frequent contents of the mission statement cited by previous scholars (David, 1989; Analoui & Karami, 2002; Sufi & Lyons, 2003) have been used. The respondents were asked to indicate whether these contents are part of their organization's mission or not on a 3 point Likert scale, 1= "Not at all", 2= "somewhat mentioned" and 3= "Clearly specified". The frequency analysis is shown in table (6. 2):

*Table 6. 2: Mission statement contents.*

	<b>Mission statement contents</b>	<b>Not in mission %</b>	<b>Somewhat mentioned %</b>	<b>Clearly specified %</b>	<b>Mean</b>
1	Customer	5.7	36.9	57.4	2.90
2	Products	13.1	28.2	58.7	2.86
3	Geographic domain	5.7	38.3	56	2.66
4	Technology	14.1	27.5	58.4	2.13
5	Survival, Growth & Profitability	12.8	50.3	36.9	2.13
6	Company philosophy	4.0	30.5	65.4	2.60
7	Self-Image	9.7	19.1	71.1	2.61
8	Public Image	6.0	34.6	59.4	2.47
9	Employees	7.0	36.9	56	2.46

**Source:** descriptive analysis output.

As has been noted, 8 out of 9 contents were found to be clearly specified in the mission statement namely; Customer, Products, Geographical domain, Technology, Philosophy, Self-image, Public image and Employees. Of these, five contents had a mean score of 2.60 or more. In a like manner, the “somewhat mentioned” column had the second highest frequency percentage. So combining both columns, the frequency percentage for the nine contents will be over 85%. As a matter of fact, the Egyptian SMEs’ mission statement’ contents were quite similar to the other contexts. Therefore, the nine popular contents emphasized by the majority of literature (e.g. David, 2011; Robbins & Coulter, 2012) are still found in the current Egyptian SMEs mission statement. To put it another way, Analoui and Karami (2002), emphasize the same nine contents in the UK SMEs context. By the same token David (1989); Ireland and Hitt (1992); Baetz and Bart (1996); Sufi and Lyons (2003), likewise indicate the same results. However, Bart (1997a) found two more contents were an essential part of Canadian industrial companies’ missions namely, distinctive competences and competitive position. Furthermore, the nine contents have been emphasized by Craig, et al., (2016) in top 100 and bottom 100 Fortune 500. Similarly, in research assessing the mission statement of fortune 1000 higher performing and lower performing firms, the results demonstrated that the mission statement of the

higher performing firms included at least eight out of the nine recommended contents (Stallworth Williams, 2008).

Notably, self-image had the highest frequency (71.1%) to be clearly specified in the mission statement, which is not a surprise. According to Klemm, et al, (1991), the mission statement is an effective management and marketing tool responsible for enhancing self-image and public image. In contrast, the survival, growth and profitability objectives had the lowest frequency (36.9%) to be clearly specified in the mission statement.

To conclude, the second research objective was to explore the mission statement contents in Egyptian SMEs. Correspondingly, nine popular contents emphasized by the majority of literature (e.g. David, 1989; Analoui & Karami, 2002; Sufi & Lyons, 2003; David, 2011; Robbins & Coulter, 2012) are still found in current Egyptian SMEs mission statements namely:

- 1- Customer
- 2- Products
- 3- Geographic domain
- 4- Technology
- 5- Survival, Growth & Profitability
- 6- Company philosophy
- 7- Self-Image
- 8- Public Image
- 9- Employees

### **6.3.3. Mission statement drivers and mission statement contents**

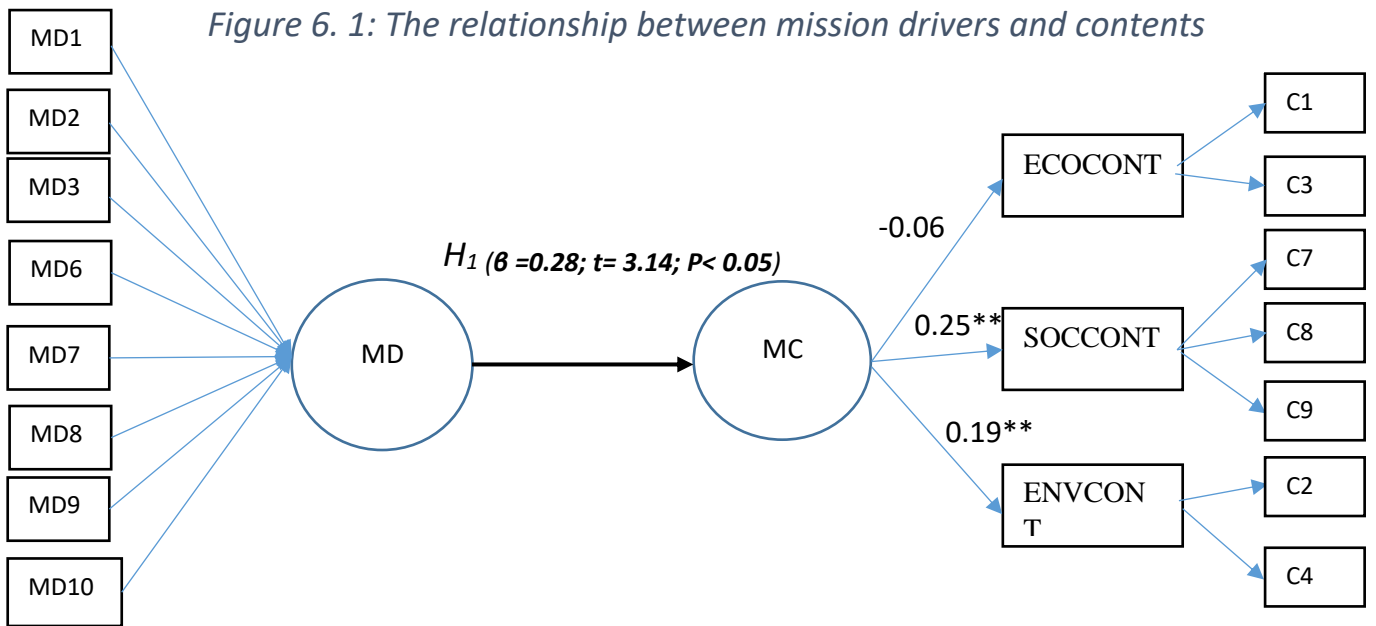
The third research question in this research was to explore the effect of mission statement drivers on mission statement contents in Egyptian SMEs. Identically, to investigate the effect of mission statement's rationales in shaping (phrasing) mission statement contents.

**Research Question 3:** What is the effect of mission statement drivers on mission statement contents?

To answer this research question, the following hypothesis was conceptualized:

**H<sub>1</sub>:** *There is a significant positive effect for mission statement drivers on mission statement contents.*

The results of this hypothesis testing emphasized a significant positive effect of the mission statement drivers on the mission statement contents ( $\beta = 0.28$ ;  $P < 0.05$ ). The data analysis results supported the main hypothesis and there is a positive relationship between mission statement drivers and mission statement contents. Hence, the first hypothesis has been confirmed. However, in this study, mission statement contents have been divided into three types namely; economic contents, social contents and environmental contents according to triple bottom-line theory (Elkington, 1998). While the results of data analysis indicate a significant positive effect for mission statement drivers on the social contents ( $\beta = 0.25$ ;  $P < 0.05$ ) and the environmental contents ( $\beta = 0.19$ ;  $P < 0.05$ ), the results related to the economic contents were not significant ( $\beta = -0.06$ ;  $P > 0.05$ ) as illustrated in figure 6.1



**Note:** latent variables: **MD**: Mission statement drivers; **MC**: mission statement contents; **ECOCONT**: Economic mission contents; **SOCCONT**: social mission contents; **ENVCON T**: environmental mission contents. *Observed variables* are; **MD1** to **MD10**: from mission driver1to mission driver 10; **C1** to **C9**: from mission content 1 to Mission content 9

According to these results, it can be suggested that the drivers of the mission statement drive the contents included in the small firm's mission. Of course, the mission statement contents should define not only what the organization is but also what the organization wants to be (McGinnis, 1981). These results are consistent with Bart (1996<sub>b</sub>) and Macedo, et al., (2016), as the mission drivers considered the forces that motivate firms to develop their mission statements. According to Stallworth Williams (2008), despite the variety of mission statement contents among studies, related to the different terminologies and definitions, there are always drivers for each content introduced as part of the mission statement. In a like manner, Swales and Rogers (1995) emphasized that the differences in mission statement context and rhetoric are a consequence of differences in purposes of developing such a mission statement. By the same token, this result supports the argument of Abell (2006), that enterprises without expressing a clear mission statement are likely to lose their correct path in a very changing environment. Likewise, the result of a healthcare study showed that the nurses who do not know the objective of having a mission statement rarely know

the information provided by the mission statement (Desmidt, et al., 2008). In other words, firms have to understand why they have a mission. In doing so, they can shape or develop the contents of their mission according to the answer of the previous question.

To conclude, the third research objective sought to investigate the effect of mission statement drivers on mission statement content. Therefore, the first hypothesis was developed to achieve this aim that “*there is a significant positive effect for mission statement drivers on mission statement contents*”. This hypothesis has been supported. The empirical findings demonstrated a significant effect for mission statement drivers on mission statement contents. According to Craig et al. (2016), the mission drivers consider the forces that motivate the firms to develop their mission statement.

#### **6.3.4. Mission statement drivers and financial performance**

The fourth research question in this research was to explore the effect of mission statement drivers on financial performance in Egyptian SMEs.

**Research Question 4:** What is the relationship between mission statement drivers and financial performance?

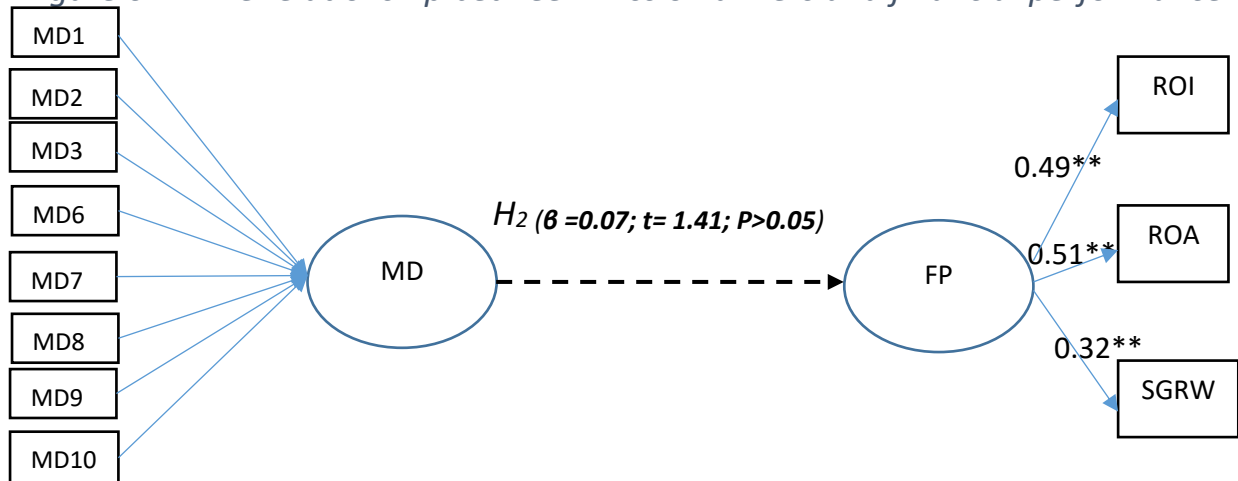
To answer this research question, the following hypothesis was conceptualized:

**H<sub>2</sub>:** *There is a significant positive relationship between mission statement drivers and financial performance.*

The result of testing this hypothesis has shown a weak non-significant relationship between mission statement drivers and financial performance ( $\beta = 0.07$ ;  $P > 0.05$ ) as seen from figure (6.2). That is why the second hypothesis has been rejected.



Figure 6. 2: The relationship between mission drivers and financial performance



**Note:** latent variables: **MD**: Mission statement drivers; **FP**: Financial Performance. *Observed variables* are; **MD1** to **MD10**: from mission driver 1 to mission driver 10; **ROI**: return on investment; **ROA**: return on assets; **SGRW**: sales growth

It can be concluded that the rationales of developing a mission statement have no direct effect on the financial success. Firms need to effectively act with their mission statement as a route leading to achieving the long run objective and to improve their performance (Siciliano, 2008; Mullane, 2002). Notably, these results support Bart (1997b). While he found a significant positive relationship for 6 out of 10 mission statement drivers on behavioural performance, he found no relationship between any of the mission statement drivers and the financial performance. Hence, the rationales of developing a mission statement have other benefits rather than being just a direct driver for enhancing financial success.

According to Craig, et al, (2016), there are many benefits to developing such a mission statement. For instance, developing business strategies, promoting shared values between employees and entrepreneurs and gaining consumer happiness. Furthermore, using a mission statement leads to being more focused on popular goals, the guidelines of behaviour, teamwork, and emotional obligation to the firm (Mullane, 2002). In contrast, Macedo, et al., (2016) empirically conceptualized a significant positive link between mission statement drivers and firm performance. Indeed, these results sit against our results; however, this conflict could be attributed to the dependent variable. While this

research considered only the financial performance, Macedo, et al., (2016) considered firm performance including both organizational and financial performance. To demonstrate, being aware of mission statement drivers and spreading these drivers among employees is not enough to directly enhance the financial success. According to Williams et al. (2005), “the effectiveness of mission statements is contingent upon the extent to which they are relevant to the daily practice of all staff members”.

To conclude, the fourth research objective sought to examine the relationship between mission statement (as a set of drivers) and the financial performance. Accordingly, the second hypothesis was developed to achieve this aim “*there is a significant positive relationship between mission statement drivers and financial performance*”. However, the empirical findings did not support this hypothesis. There is a non-significant relationship between mission statement drivers and financial performance. According to Hayes (2014), while the mission statement drivers have a significant effect on the behavioural performance, the mission drivers do not affect the financial performance.

#### **6.3.5. Triple bottom line mission statement and financial performance**

The fifth research question sought to explore the relationship between triple bottom line mission statement and financial performance. Identically, to investigate the effect of the economic, social and environmental contents in the mission statement on the financial success.

**Research Question 5:** Does triple bottom line mission statement enhance financial firm performance?

To answer this research question, the following main hypothesis has been conceptualized:

**H<sub>3</sub>:** *There is a significant positive relationship between the triple bottom line mission statement and SMEs financial performance.*

Moreover, this research hypothesis has been divided into three sub-hypotheses:

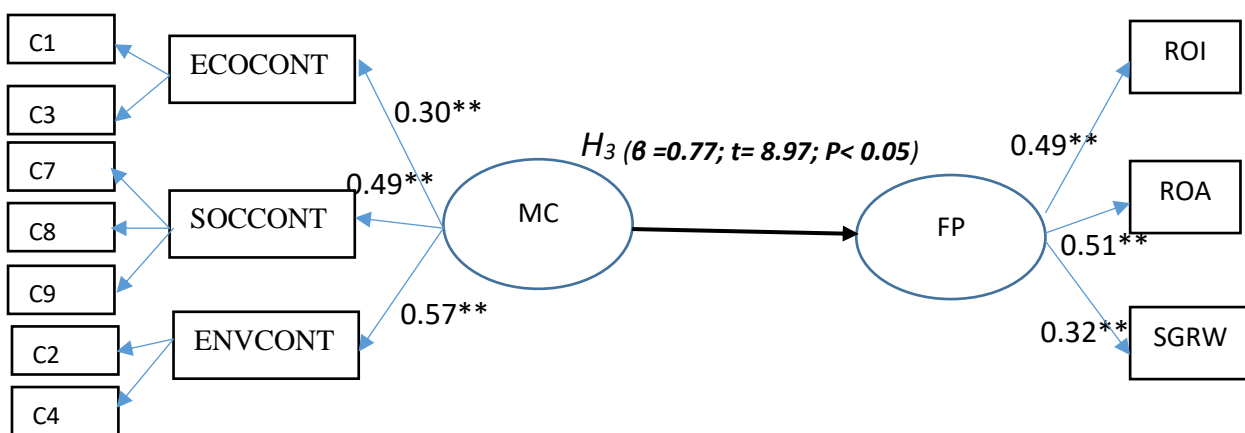
**H<sub>3a</sub>:** *Firms that put more emphasis on economic contents in their mission statement perform better than the other firms.*

**H<sub>3b</sub>:** *Firms that put more emphasis on social contents in their mission statement perform better than the other firms.*

**H<sub>3c</sub>:** *Firms that put more emphasis on environmental contents in their mission statement perform better than the other firms.*

The empirical results have supported the main research hypothesis as well as the three sub hypotheses. The results of the hypotheses testing have emphasized a significant positive effect for the mission statement contents on the financial performance ( $\beta = 0.77$ ;  $P < 0.05$ ). Hence, the main hypothesis has been accepted. Furthermore, the path coefficient of the economic, social and environmental contents on the financial performance were ( $\beta = 0.30$ ;  $P < 0.05$ ), ( $\beta = 0.49$ ;  $P < 0.05$ ) and ( $\beta = 0.57$ ;  $P < 0.05$ ) respectively. Thus, the three sub hypotheses have been supported, as shown in figure (6.3):

Figure 6. 3: The relationship between mission contents and financial performance



**Note:** latent variables: **MC**: mission statement contents; **ECOCONT**: Economic mission contents; **SOCCONT**: social mission contents; **ENVCONT**: environmental mission contents; **FP**: Financial Performance. Observed variables are; **C1** to **C9**: from mission content 1 to Mission content 9; **ROI**: return on investment; **ROA**: return on assets; **SGRW**: sales growth

According to the hypotheses testing and the empirical result above, it can be concluded that the mission statement contents significantly enhance SMEs financial performance. More specifically, the triple bottom line mission has the ability to enhance a firm's financial success. These results are consistent with Yadava & Sinha (2016), that firms adopting economic, environmental and social dimensions achieve higher profitability than firms that do not. Triple bottom line firms understand better how they can fulfill their mission statement and achieve their objectives (Glavas & Mish, 2015) whether financial or non-financial objectives. Thus, our findings contrast with the unstable results in the literature about the effectiveness of a mission statement and how it contributes to the financial success; however, it responds to the call of Bart et al. (2001) and Macedo, et al. (2016). Economic, social and environmental contents are the three dimensions that should be included in the mission statement which effectively contribute to the financial success. These findings, however, have been demonstrated by many scholars (e.g. Elkington, 1998; Dwyer, 2005; Fairley et al., 2011), where firms that obtain and adopt economic, social and environmental contents (TBL dimensions) are able to enhance and maintain the financial success. Certainly, firms not only need to adapt these core values (economic, social and environmental) but also need to address the whole set of values which are fundamentally important to enhance the financial performance (Jamali, 2006; Norman and MacDonald, 2004; Karnes, 2009). Mission statement, however, is the best place to address such valuable values for the organization and its stakeholders. This indicates that a meaningful mission statement can be seen as a marketing tool (Klemm, et al, 1991; Campbell, 1997; Analoui and Karami, 2002; Benligiray, et al, 2013) and an effective strategic tool (Sufi & Lyons, 2003).

Of course, mission statement has a significant effect on performance not only in profit organizations but also in not-for-profit organizations (Bart, 2007). According to Yazhou & Jian, (2011), a mission statement plays a vital role in

enhancing performance. Furthermore, the mission statement provides a framework for decision-making and strategy formulation (Pearce & Robinson, 1991), as well as staff motivation and stakeholder loyalty (Kirk & Nolan, 2010), which enhance the financial performance. Moreover, a study of eighteen-mission statements of profit and not-for-profit healthcare organizations as performance drivers found the effect of mission statement on performance was higher in non-profit organizations than profit organizations (Forehand, 2000). In addition, Bartkus et al, (2006) argue that developing a comprehensive mission statement that includes multiple contents enhances the financial performance. According to Pearce and David (1987) comparing fortune 500 firms, they found a significant difference between higher and lower performing firms in terms of mission statement contents. Thus, we can conclude that highlighting the economic, social and environmental values in the mission statement is fundamental to enhance financial performance and achieve mission statement's ends.

To conclude, the fifth research objective endeavoured to investigate the relationship between mission statement contents and financial performance. Put differently, whether triple bottom line missions that contain economic, social and environmental contents enhance the financial success or not. Consequently, the third research hypothesis was developed to achieve this aim *“there is a significant positive relationship between triple bottom line mission statement and SMEs financial performance”*. This research hypothesis was divided into three sub-hypotheses. *“Firms putting more emphasis on economic contents in their mission statement perform better than the other firms”*. *“Firms putting more emphasis on social contents in their mission statement perform better than the other firms”*. *“Firms putting more emphasis on environmental contents in their mission statement perform better than the other firms”*. The main hypothesis and the three sub-hypotheses have been supported. According to the empirical findings, there is a significant relationship between mission statement contents (economic, social

and environmental) and the financial performance. To demonstrate, the triple bottom line mission has the ability to enhance a firm's financial success. According to many scholars (e.g. Elkington, 1998; Norman and MacDonald, 2004; Dwyer, 2005; Jamali, 2006; Karnes, 2009; Fairley et al., 2011), firms that obtain and adopt economic, social and environmental contents (TBL dimensions) are able to enhance and maintain the financial success.

#### **6.3.6. The moderating role of CSR:**

The sixth research question in this research was to investigate the moderating role of CSR in the relationship between mission statement and financial performance. Identically, to explore the moderating effect of CSR in the mission statement drivers financial performance relationship in SMEs. Furthermore, to investigate how CSR moderates the relationship between mission statement contents and financial performance in SMEs.

**Research Question 6:** Does CSR moderate the relationship between mission statement (drivers and contents) and financial performance?

To answer this research question, the following two hypotheses were conceptualized:

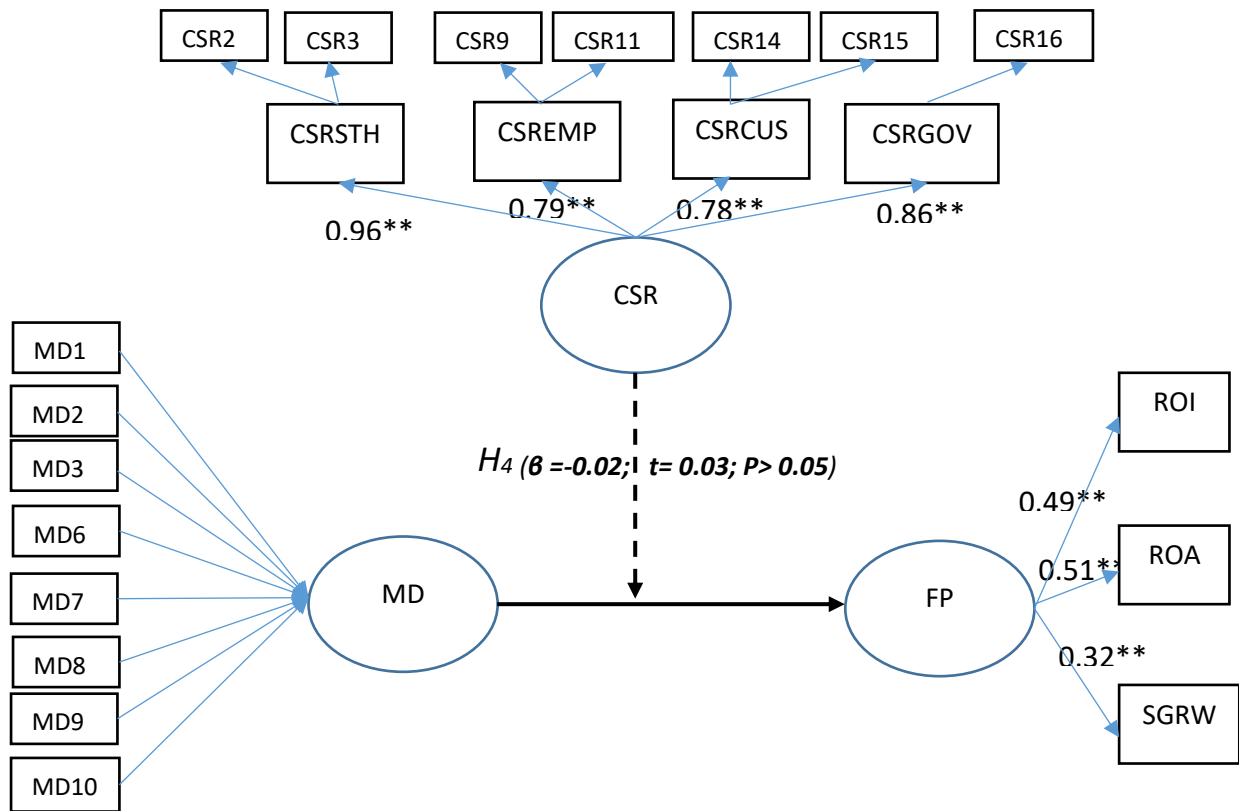
**H<sub>4</sub>:** *CSR moderates the relationship between mission statement drivers and financial performance.*

**H<sub>5</sub>:** *CSR plays a moderating role in the relationship between mission statement contents and financial performance.*

The hypotheses testing results have demonstrated a non-significant moderating effect of CSR in the relationship between mission statement drivers and financial performance ( $\beta = 0.02$ ;  $P > 0.05$ ). Thus, the fourth hypothesis has been rejected as seen in figure (6. 4). However, CSR plays a moderating role in the relationship between mission statement contents and financial performance

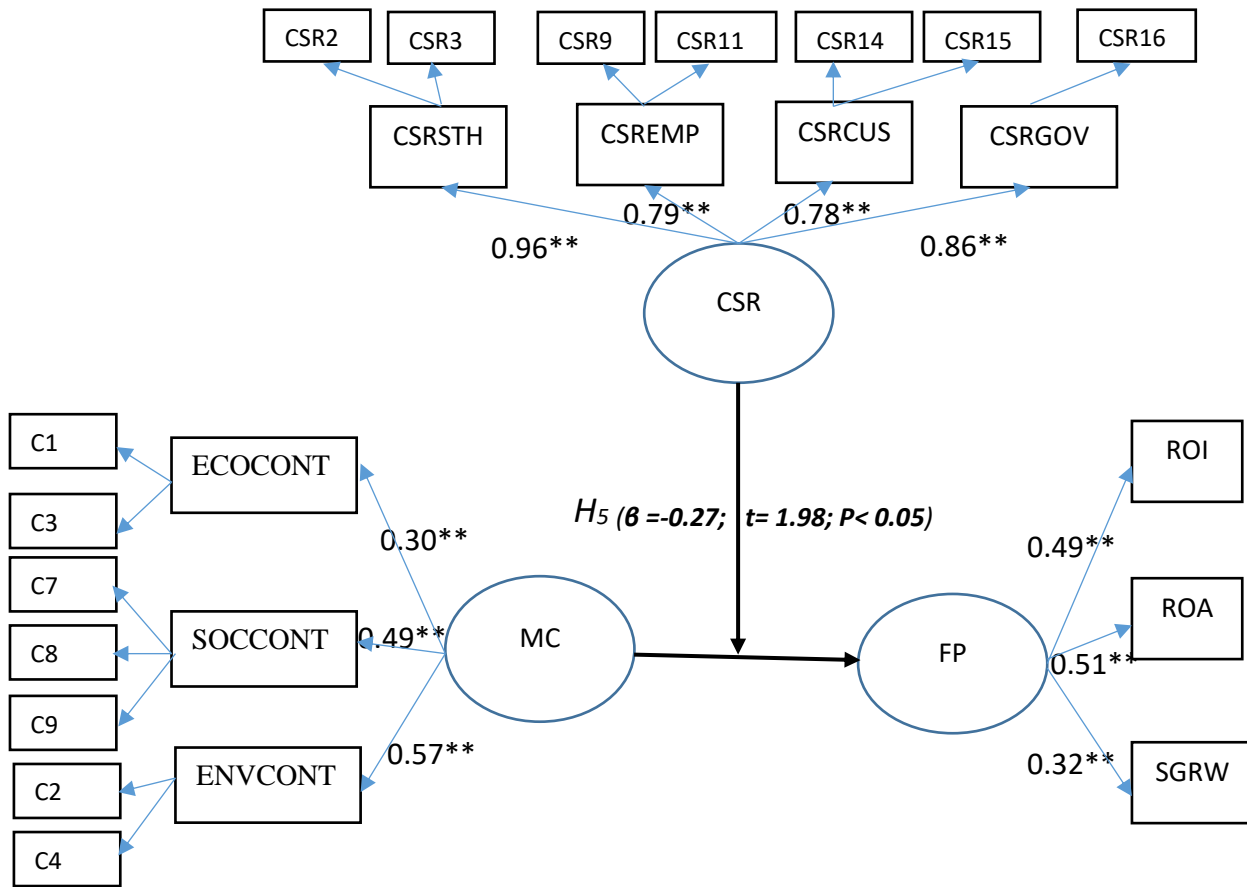
( $\beta = -0.27$ ;  $P < 0.05$ ). Hence, the fifth hypothesis has been accepted as shown in figure (6. 5).

Figure 6. 4: The moderating role of CSR in the relationship of MD and FP



**Note:** latent variables: **MD:** Mission statement drivers; **CSR:** corporate social responsibility; **FP:** Financial Performance. *Observed variables* are; **MD1** to **MD10:** from mission driver 1 to mission driver 10; **CSRSTH:** CSR practices to stakeholders; **CSREMP:** CSR practices to employees; **CSRCUS:** CSR practices to customers; **CSRGOV:** CSR practices to government. **ROI:** return on investment; **ROA:** return on assets; **SGRW:** sales growth

Figure 6. 5: The moderating role of CSR in the relationship of MC and FP



**Note:** latent variables: **MC**: Mission statement contents; **ECOCONT**: Economic mission contents; **SOCCONT**: social mission contents; **ENVCONT**: environmental mission contents; **CSR**: corporate social responsibility; **FP**: Financial Performance. *Observed variables* are; **C1** to **C9**: from mission content 1 to Mission content 9; **CSRTH**: CSR practices to stakeholders; **CSREMP**: CSR practices to employees; **CSRCUS**: CSR practices to customers; **CSRGOV**: CSR practices to government. **ROI**: return on investment; **ROA**: return on assets; **SGRW**: sales growth

According to these research results, this is a response to Macedo et al, (2016); I. Williams, et al (2014); Desmidt et al, (2011), who argued that the link between mission statement and firm performance seems to be indirect and there may be other variables affecting this indirect relationship. To demonstrate, our empirical findings indicated the moderating role of CSR in the mission statement contents financial performance relationship and cut its role as moderator in the relationship between mission statement drivers and financial performance. This result is consistent with Hayes' (2014) argument. If there is no direct link between two variables, most likely that third variable does not act as a moderator. Putting



mission statement on managers and employee practices is the only way to make it work effectively and enhance financial performance (McDonald and Sarfraz, 2015; Marimon, et al, 2016). However, the results lie in the pattern of the literature that demonstrate the positive effect of CSR on financial success (e.g. Orlitzky, et al, 2003; Luo & Bhattacharya, 2006; Abu Bakar & Ameer, 2011; Saeidi, et al, 2015). According to Desmidt and Heene (2007), the mission statement needs to be supported by an implementation plan that flows through the organization and to be matched with daily practices of the organization's members. In the same sense, Williams et al, (2005) emphasized that hanging up the mission statement does not make it effective. It has to be matched with the daily activities of the organization's members including managers and employees alike.

The results stand in line with Saeidi, et al. (2015), that firms have an opportunity to satisfy the public desire by employing CSR practices as the society increasingly puts more emphasis on business to fulfill the social objectives. Furthermore, CSR has been reported as a key factor in wealth generation (Garriga & Mele, 2013), knowledge sharing behaviour by employees, developing employee attitudes and consumer loyalty (Farooq, et al, 2014), which sequentially enhance financial success. However, the results indicate that claiming stakeholder's allegiance in the mission statement is not enough to enhance financial success. The organizations have responsibility as a member of society and do the expected role. Indeed, the enterprises face a big challenge to assess their role in the communities in which they operate (Bart, et al, 2009).

To demonstrate, these results provide another empirical investigation to the competitive advantages theory reported by Porter (1985). Gaining and maintaining the competitive advantages is the key factor to achieving the ultimate aim of the business which is financial success and profitability (Ma, 2009). Therefore, corporate social responsibility tends to build a bridge to gain these

competitive advantages; in other words, the competitive advantage is the final product of CSR (Saeidi, et al, 2015; Garay and Font, 2012). Also, Barney (2001) and Branco and Rodrigues (2006) indicate that competitive advantages can be earned from CSR practices. Hence, the higher performance comes from the firm's attributes which are, according to our finding, the mission statement that adopts the triple bottom line theory dimensions in its contents and proving the alignment with such a statement by adapting CSR practices.

To conclude, the sixth research objective sought to examine the moderating role of CSR in the relationship between mission statement (drivers and contents) and financial performance. For this reason, the fourth and fifth research hypotheses were developed. *"CSR moderates the relationship between mission statement drivers and financial performance"*. *"CSR plays a moderating role in the relationship between mission statement contents and financial performance"*. While the fourth hypothesis was rejected, the fifth hypothesis was accepted. The results demonstrated that CSR does not play a moderating role between mission statement drivers and financial performance. According to Hayes (2014), if the direct relationship has been cut down between two variables, most likely the third variable does not act as a moderator. However, the findings significantly emphasized the moderating effect of CSR in the relationship between mission statement contents and the financial performance. According to many scholars (e.g. Orlitzky, et al, 2003; Luo & Bhattacharya, 2006; Abu Bakar & Ameer, 2011; Saeidi, et al, 2015), CSR has a positive effect on financial success; however, the effective mission statement that enhances financial success has to appear in the management practices and day to day activities (Desmidt, et al., 2008).

## **6.4. Research contribution:**

### **6.4.1. Theoretical contribution:**

This study theoretically contributes the strategic management field. More specifically, it adds to the existing body of knowledge in the mission statement domain as a first step and the cornerstone of strategic planning. Thus, the theoretical contribution of this study is four-fold.

First, the literature (e.g. Bart, 1997a; Bartkus, et al., 2000; Bartkus, et al., 2006; Macedo et al., 2016; Desmidt, 2016; Davis et al., 2007; Vandijck, et al., 2007; Williams et al., 2005) revealed a number of rationales or drivers for developing a formal mission statement. Equally important, it demonstrated the contents of the mission statement. Identically, nine contents have been recognized by many scholars (David, 1989; Analoui & Karami, 2002; Sufi & Lyons, 2003). This study asserted the mission statement drivers and contents from a new context, which had not been examined before. None of the studies investigated the link between mission statement drivers and contents, which has been one of the contributions of this study. The findings indicated a significant effect for mission statement drivers on mission statement contents. This explains the reason for the variety of contents in different firms' mission statements. According to Stallworth Williams (2008), despite the variety in terminologies and contents in the mission statements, there is a rationale for each content added to the mission statement. The difference in mission statement contents can be revealed to be the difference in purpose or rationale of developing such a statement (Swales and Rogers, 1995).

Second, this study has introduced the term Triple bottom line mission building on triple bottom line theory. According to Glavas and Mish (2015), Triple bottom line firms understand better how they can fulfill their mission statement and achieve their objectives. Firms, in order to gain benefits from adopting economic, social and environmental responsibilities, should promote their concern with such issues (Fairley et al., 2011). According to Benligiray, et

al. (2013), a mission statement can be seen as a significant marketing tool and public relations tool. It has responsibility to communicate a good public image to the organization's audience (Klemm, et al, 1991). However, the mission statement is considered a flag gathering around all the organization internally as well as externally and addresses organization purpose, ambition and desired values (Campbell, 1997).

Third, the study offers a successful empirical examination of the triple bottom line theory. The results move the mission statement into a more practical way and overcome the ambiguity of the previous studies. The literature seeking to investigate the link between the mission statement and financial performance was inconsistent. While some researchers have emphasized a correlation between mission statement and firm performance (Analoui & Karami, 2002; Bart, 1996; Bart & Beatz, 1998; Mullane, 2002; Sidhu, 2003; Alavi & Karami, 2009), others have found no link supporting the positive influence of the mission statement on performance (David, 1989; Bartkus, et al, 2006; Pearce and David, 1987; Sufi & Lyons 2003; O'Gorman and Doran, 1999). This study is the first to examine the link between the economic, social and environmental contents of the mission and financial performance. The findings indicated a significant positive relationship between the three types of contents (economic - social - environmental) and the financial performance. According to Elkington (1998), employing economic, social and environmental responsibilities effectively contribute to financial performance. Firms that adapt triple bottom line dimensions perform superior to firms that do not (Norman and MacDonald, 2004; Dwyer, 2005; Jamali, 2006; Karnes, 2009; Fairley et al., 2011).

Fourth, the relationship between mission statement and financial performance seems to be indirect; therefore, intermediary variables are needed to better understand this relationship and develop a new conceptual framework (Bart, 2001; Desmidt et al., 2011, Macedo, et al., 2016). Correspondingly, this

study examined the moderating role of CSR in the relationship between mission statement and financial performance. Notably, the findings emphasized the significant moderating role of CSR in the relationship between mission statement contents and financial performance. To highlight, this is another successful empirical examination for the competitive advantages theory (Porter, 1985). According to Barney (2001) and Branco and Rodrigues (2006), competitive advantages can be earned from CSR practices. The competitive advantage is the final product for CSR (Saeidi, et al, 2015). Furthermore, the literature demonstrated a significant positive effect for CSR on financial success (e.g. Orlitzky, et al, 2003; Luo & Bhattacharya, 2006; Abu Bakar & Ameer, 2011; Saeidi, et al, 2015).

#### **6.4.2. Practical contribution:**

Equally important, this study contributes to the practice and introduces important recommendations to managers who act as strategy creators in small firms.

The results reveal that there is a significant relationship between mission statement drivers and mission statement contents. From a practical prospective, strategy creators or managers of SMEs should find out and highlight the reasons for developing the mission statement and promote these drivers among all employees to create shared values. According to Wright, et al. (2012; P. 212), “the inspirational power of public missions is not a given; it needs to be cultivated”. Thereafter, build the mission statement contents according to the previously established drivers. Thus, consistency will be created between the purposes or rationales of the mission and its contents.

Furthermore, the findings demonstrated that triple bottom line missions achieve their ends in terms of financial success. A mission statement creator should consider not only the economic contents but also the social and environmental contents in developing such a statement. The mission statement

has been long considered a marketing tool and symbol of the organization. Hence, triple bottom line dimensions should be addressed in the mission statement.

Moreover, according to the research results, CSR plays a moderating role in the relationship between mission statement contents and financial performance. Thus, the mission statement has to be followed by an action plan to work effectively. CSR is one suggested way that shows firms have a commitment with their mission statement. CSR dimensions are CSR practices towards stakeholders, CSR practices towards employees, CSR practices towards customers and CSR practices towards government. It is a practical commitment with a mission statement's economic, social and environmental promises. Hence, SMEs managers are highly recommended to have commitment with CSR practices.

To sum up, firms in order to gain and maintain an effective mission statement that enhances financial success have to make three sequential steps. First, firms have to understand why they have or should have a mission statement and promote these rationales among all the organization's members. Second, develop their mission statement that is consistent with the purposes or rationales for developing it. Mission statement contents are a translation of mission rationales. Each content included in the mission statement has to have a reason for being a part of the mission. Third, a decorative mission statement does not pay off. Firms have to practice what they preach in their mission statement and walk the talk. To this end, CSR comes up as an indicator or practical evidence that proves firms are implementing and practice what they promise in their mission statement. Thus, firms can enhance and maintain the financial success.

#### **6.5. Research limitation:**

The first limitation of this research is regarding the focus of the study. This study was conducted in manufacturing SMEs operating in food production in Egypt. Therefore, the data was collected from one country and a single industry.

Hence, the results may not be generalizable across countries or in the service sector or other types of industries.

The second limitation is related to focus of the study; this study measured the mission statement as a set of drivers and classified the contents of the mission statement according to the triple bottom line theory dimensions into economic, social and environmental contents. Further research could measure the mission statement from different prospective and classify the mission contents into different categories.

The third limitation is related to the financial performance measurement. This study employed a self- reported rating with three dimensions namely: ROI, ROA, sales growth. This limitation was imposed by data unavailability.

#### **6.6.Suggestion for further research:**

The sample of this study covered the Manufacturing SMEs operating in food production. In order to capture a full picture of the effectiveness of the mission statement on financial performance, further research could expand this work in the service sector or in other industries.

This research was focused mainly on the effect of mission statements on the financial success. Other research could consider the effect of mission statement on the other variables such as open innovation or employees' citizenship.

In this study, CSR was investigated in the model as a moderating variable in the relationship between mission statement and financial performance. Other research could investigate the mediating role of CSR in this relationship or in examining the moderating effect of another variable such as business ethics in that relationship. Furthermore, future research could investigate other intermediary variables in this relationship, including but not restricted to Business ethics. According to Bart (2007), the commitment of business ethics is considered

a critical part of an organization's mission. According to Davis et al (2007), the mission statement should enhance competitive position through its emphasis on ethics and the enterprise should be committed to business ethics when dealing with its context or market. The organization's mission sends signals to external and internal stakeholders about the direction and the focus of the company (Galpin, et al, 2015).

Although our results demonstrate an insightful relationship between mission statement contents and financial performance, the use of cross-sectional study design does not firmly prove the causality, and using self-reported rating always raises the common bias method risk (Hair et al., 2016). Therefore, further research might adopt a longitudinal research methodology and measure financial performance using secondary data in more than one way to revoke the risk of common bias method and prove causality.



**6.7. Chapter summary:**

In this chapter, research questions, objectives and hypotheses have been revisited and discussed building on the literature review, conceptual framework and our comprehensive research model. This discussion was spilt into four main parts:

In the first part, an overview of the demographic profile was discussed. In this part, the demographic characteristics of the respondents were reported such as respondents' age, gender, education, work experience and managerial position as well as firms' characteristics such as number of employees and whether they have a formal written mission statement or not.

The second part was divided into six sections according to our research questions and objectives. The first section presented the mission statement drivers in Egyptian SMEs and notably all ten drivers developed by literature were used as rationales for developing such a statement. The second section reported the mission contents in small firms in the Egyptian context and markedly the nine most recommended contents by the previous scholars were still in use in the mission statement.

The third section reported the relationship between mission statement drivers and mission statement contents; the empirical results supported this relationship. The fourth section summarized the relationship between mission statement drivers and financial performance and expressively the findings of such a relationship. The fifth section investigated the relationship between mission statement contents with respect of the triple bottom line theory dimensions and financial performance and significantly the hypothesis testing accepted such a relationship. The sixth section conceptualized the moderating role of CSR in the relationship between mission statement and financial performance. For instance, while the CSR moderates the relationship between mission statement contents

and financial performance, it does not moderate the relationship between mission statement drivers and financial performance.

In the latter sections, the theoretical and practical contributions were conceptualized. While the theoretical contribution is four-fold, three managerial recommendations have been provided for SME managers in order to benefit from the research results. Lastly, the chapter outlined the research limitations and suggestions for further research then concluded with a summary

## **Appendices**

**7. Data Dictionary:**

Number of question	Variable code name	Variable	Measurement scale
	Demographic variables		
1	Rage	Respondent age	1= 19 or less 2= 20-29 3= 30-39 4= 40-49 5=50 or more
2	Gend.	Gender	1= Male 2= Female
3	Exp.	Experience	1= 0-5 2= 6-10 3= 11-15 4= 16-20 5= 20+
4	Pos.	Position	1= CEO 2= middle manager 3= supervisor 4= other
5	Edu.	Education	1= A level 2 = Bachelor 3= Master 4= PhD 5= others
6	Fage	Firm age	1= 1-5, 2= 6-10, 3= 11-15,

			4= 16-20, 5= 20+
7	Employ	Number of employees	1= 1 –9, 2= 10 – 49, 3= 50 – 99, 4= 100 – 199, 5= 200 and over
8	FMS	Formal mission statement	1= Yes 2= No
	Financial performance		
9	ROA	Return on Assets	1= Up to 10% 2= 11- 15% 3= 16- 20% 4= 20- 25% 5= more than 25%
10	ROI	Return on investment	1= Up to 10% 2= 11- 15% 3= 16- 20% 4= 20- 25% 5= more than 25%
11	SGROW	Sales growth	1= Up to 10% 2= 11- 15% 3= 16- 20% 4= 20- 25% 5= more than 25%
	Mission statement drivers		
12	MD1	The common purpose of the organization	1= strongly dis agree 2= dis agree

			3= uncertainly 4= agree 5= strongly agree
13	MD2	Defining the scope of the organization's activities and operations	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
14	MD3	Allow the CEO to exert control over the organization	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
15	MD4	Create standards of performance for the organization	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
16	MD5	Help individuals identify with their organization its aims and its purpose	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
17	MD6	Promote shared values among organizational members	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree

18	MD7	Promote the interests of external stakeholders	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
19	MD8	Motivate and/or inspire organizational members	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
20	MD9	Help refocus organizational members during a crisis	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
21	MD10	Provide a sound basis for the allocation of organizational resources	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
Mission statement contents			
22	MSCOMP1	Customer	1= Not at all 2= somewhat mentioned 3= clearly specified
23	MSCOMP2	Products	1= Not at all 2= somewhat mentioned 3= clearly specified
24	MSCOMP3	Geographic Domain	1= Not at all

			2= somewhat mentioned 3= clearly specified
25	MSCOMP4	Technology	1= Not at all 2= somewhat mentioned 3= clearly specified
26	MSCOMP5	Survival, Growth & Profitability	1= Not at all 2= somewhat mentioned 3= clearly specified
27	MSCOMP6	Company Philosophy	1= Not at all 2= somewhat mentioned 3= clearly specified
28	MSCOMP7	Self-Image	1= Not at all 2= somewhat mentioned 3= clearly specified
29	MSCOMP8	Public Image	1= Not at all 2= somewhat mentioned 3= clearly specified
30	MSCOMP9	Employees	1= Not at all 2= somewhat mentioned 3= clearly specified
	Corporate social responsibility		
31	CSRSTH1	Our company participates to the activities, which aim to protect and improve the quality of the natural environment.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
32	CSRSTH2	Our Company makes investment to create a	1= strongly dis agree 2= dis agree



		better life for the future generations.	3= uncertainly 4= agree 5= strongly agree
33	CSRSTH3	Our Company implements special programs to minimize its negative impact on the natural environment.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
34	CSRSTH4	Our Company targets a sustainable growth, which considers to the future generations.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
35	CSRSTH5	Our Company supports the non-governmental organizations working in the problematic areas.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
36	CSRSTH6	Our Company contributes to the campaigns and projects that promote the well-being of the society.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
37	CSREMP1	Our company encourages its employees to participate to the voluntarily activities.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree

38	CSREMP2	Our company policies encourage the employees to develop their skills and careers.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
39	CSREMP3	The management of our company primarily concerns with employees' needs and wants.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
40	CSREMP4	Our company implements flexible policies to provide a good work and life balance for its employees	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
41	CSREMP5	The managerial decisions related with the employees are usually fair.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
42	CSREMP6	Our company supports employees who want to acquire additional education.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree

43	CSRCUS1	Our company protects consumer rights beyond the legal requirements.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
44	CSRCUS2	Our company provides full and accurate information about its products to its customers.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
45	CSRCUS3	Customer satisfaction is highly important for our company.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
46	CSRGOV1	Our company always pays its taxes on a regular and continuing basis.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree
47	CSRGOV2	Our company complies with the legal regulations completely and promptly.	1= strongly dis agree 2= dis agree 3= uncertainly 4= agree 5= strongly agree

**Questionnaire:**

## 8. Questionnaire:

March 6, 2017

Dear Sir/Madam



**Re: Mr. Reda Abdelkareem Doctoral Research**

I have the pleasure of informing you that Mr. Reda Abdelkareem is carrying out a research for his PhD on “Mission statement, Corporate social responsibility, and firm performance” at the Bangor Business School, Bangor University, UK.

Your firm has been selected, from among all firms in Egypt operating in your business sector, to take a part in this research. I would like to emphasize that your participation is very important for the research. The result of this research will be presented in aggregate form, and in such a way that no single respondent can be recognized. Please note that all information gathered in this survey will be held in the strictest confidence, and will never be disclosed to third party. More specifically, the gathered data will be used solely for academic and scientific purposes.

Reda’s questionnaire contains more details of the planned project. He is intending to provide a summary of his research findings to the participants. If you wish to receive a copy of the research summary, please enclose your business card with the completed questionnaire. By proceeding to complete the enclosed questionnaire, you confirm that you have read and understand the enclosed information sheet. Your participation is voluntary and your details as well as all the information you provide will be treated as strictly confidential.

I would like to take this opportunity to thank you in advance for your time and participation in this project. Please return the completed questionnaire using the provided freepost envelop. Please, do not hesitate to contact me if you require more information.

Yours sincerely

Dr. Azhdar Karami

Senior Lecture in Strategic Management

Project supervisor

## Questionnaire

College of Business, Law, Education and Social Sciences, Bangor University

Hen Goleg, Bangor University, College Road, Bangor, LL57 2DG

Tel: (01248) 383879

Registered charity 1141565



**Dear participant,**

My name is Reda Abdelkareem and I am a PhD student at Bangor Business School, Bangor University, UK, undertaking research into the role of strategic planning in SMEs. I would appreciate it if you could complete the questionnaire and return it to my address. A pre-paid envelope is enclosed. Please attach your business card to the completed questionnaire if you would like to be sent a summary of the research findings. Please note that all information gathered in this survey will be held in the strictest confidence, will not be disclosed to a third party and solely used for academic and scientific purpose. I would like to take the opportunity of thanking you in advance for your participation in this research.

Sincerely yours,

Reda Abdelkareem

Email: abp6cb@bangor.ac.uk

Section 1: Demographic information	
1. Please indicate your age band (in years):	<input type="checkbox"/> 19 or less <input type="checkbox"/> 20-29 <input type="checkbox"/> 30-39 <input type="checkbox"/> 40-49 <input type="checkbox"/> 50 or more
2. Please indicate your Gender:	<input type="checkbox"/> Male <input type="checkbox"/> Female
3. What is your working experience? (in years)	<input type="checkbox"/> 0-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11-15 <input type="checkbox"/> 16-20 <input type="checkbox"/> 20+
4. What is your position in your company?	<input type="checkbox"/> CEO <input type="checkbox"/> Middle manager <input type="checkbox"/> Supervisor <input type="checkbox"/> Other (please specify).....
5. Please indicate your education level	<input type="checkbox"/> A level <input type="checkbox"/> Bachelor <input type="checkbox"/> Master <input type="checkbox"/> PhD <input type="checkbox"/> other
6. Age of your firm (in years):	<input type="checkbox"/> 1-5 <input type="checkbox"/> 6-10 <input type="checkbox"/> 11-15 <input type="checkbox"/> 16-20 <input type="checkbox"/> 21 or more
7. How many employees do you have?	<input type="checkbox"/> 1-9 <input type="checkbox"/> 10- 49 <input type="checkbox"/> 50 – 99 <input type="checkbox"/> 100-199 <input type="checkbox"/> 200 or more
8. Does your organization has formal written mission statement?	Yes    No
9. Please indicate the category which best describes the return on Assets of your business:	<input type="checkbox"/> Up to 10% <input type="checkbox"/> 11- 15% <input type="checkbox"/> 16- 20% <input type="checkbox"/> 20- 25% <input type="checkbox"/> more than 25%
10. Please indicate the category which best describes the return on investment of your business:	<input type="checkbox"/> Up to 10% <input type="checkbox"/> 11- 15% <input type="checkbox"/> 16- 20% <input type="checkbox"/> 20- 25% <input type="checkbox"/> more than 25%
11. Please indicate the category which best describes the sales growth:	<input type="checkbox"/> Up to 10% <input type="checkbox"/> 11- 15% <input type="checkbox"/> 16- 20% <input type="checkbox"/> 20- 25% <input type="checkbox"/> more than 25%

**Section 2: Please indicate to what extent that these drivers are primary rationales for developing the mission statement in your firm**

n		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
1	The common purpose of the organization					
2	Defining the scope of the organization's activities and operations					
3	allow the CEO to exert control over the organization					
4	Create standards of performance for the organization					
5	help individuals identify with their organization its aims and its purpose					
6	promote shared values among organizational members					
7	promote the interests of external stakeholders					
8	motivate and/or inspire organizational members					
9	help refocus organizational members during a crisis					
10	provide a sound basis for the allocation of organizational resources					

**Section 3: Please indicate in which degree each component of the following is a part of your firm's mission statement contents:**

n		Not at all	Somewhat mentioned	Clearly specified
1	Customer			
2	Products			
3	Geographic Domain			
4	Technology			
5	Survival, Growth & Profitability			
6	Company Philosophy			
7	Self-Image			
8	Public Image			
9	Employee			

## Questionnaire

**Section 4: Please rate the following statements and indicate your level of agreement from strongly disagree to strongly agree.**

n		Strongly disagree	Disagree	Uncertain	Agree	Strongly agree
1	Our company participates to the activities which aim to protect and improve the quality of the natural environment					
2	Our company makes investment to create a better life for the future generations					
3	Our company implements special programs to minimize its negative impact on the natural environment					
4	Our company targets a sustainable growth which considers to the future generations					
5	Our company supports the non-governmental organizations working in the problematic areas					
6	Our company contributes to the campaigns and projects that promote the well-being of the society					
7	Our company encourages its employees to participate to the voluntarily activities					
8	Our company policies encourage the employees to develop their skills and careers					
9	The management of our company primarily concerns with employees' needs and wants					
10	Our company implements flexible policies to provide a good work and life balance for its employees					
11	The managerial decisions related with the employees are usually fair					
12	Our company supports employees who want to acquire additional education					
13	Our company protects consumer rights beyond the legal requirements					
14	Our company provides full and accurate information about its products to its customers					
15	Customer satisfaction is highly important for our company					
16	Our company always pays its taxes on a regular and continuing basis					
17	Our company complies with the legal regulations completely and promptly					

Thank you very much for your cooperation. Please enclose your business card if you would like to receive summary of the research findings.



## Questionnaire



السيد الفاضل /

يقوم الباحث بإجراء دراسة حول التخطيط الاستراتيجي وأثره على الأداء المالي للشركات الصغيرة والمتوسطة كجزء من متطلبات الحصول على درجة الدكتوراه من جامعة بانجور بالمملكة المتحدة، وقد تم اختيار شركتكم بطريقة عشوائية من بين جميع الشركات العاملة في مصر للمشاركة في هذه الدراسة. وأود أن أؤكد على أن مشاركتكم مهمة لإنجاح هذا البحث وسوف يتم عرض نتائجه بصورة شاملة وبالتالي لن يتم عرض أي ردود فردية. وأن جميع المعلومات التي سيتم جمعها في هذه الدراسة سوف تعقد في سرية تامة، ولن يتم الكشف عنها لأي طرف ثالث. وبشكل أكثر تحديداً، سيتم استخدام البيانات التي تم جمعها فقط للأغراض الأكاديمية والعلمية. ولمساهمتكم في إبداء الرأي الدقيق عن الأسئلة الواردة بالقائمة بالغ الأثر في إثراء البحث والوصول إلى نتائج دقيقة.

يتكون هذا الإستقصاء من صفحتين في ورقة واحدة ومرفق معه مظروف فارغ مكتوب عليه عنوان الباحث ومزود بطابع بريد لإرجاع الاستمارة بعد الاجابة عن الأسئلة الواردة (ليس هناك حاجة لشراء طابع بريد كل مع عليك هو وضع الاستمارة بعد الاجابة عن الأسئلة الواردة بها في المظروف المرفق ووضعة في أقرب صندوق بريد أو مكتب بريد)، وإذا كنت ترغب في معرفة نتائج الدراسة فكل ما عليك هو كتابة بريدك الإلكتروني لإرسال نتائج البحث عليه، ذلك ويأمل الباحث في حسن تعاونكم.

الباحث/ رضا شاكر علي محمد عبد الكريم

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أولاً: البيانات الديموغرافية				
العمر: <input type="checkbox"/> ١٩ سنة أو أقل <input type="checkbox"/> ٢٠ - ٢٩ سنة <input type="checkbox"/> ٣٠ - ٣٩ سنة <input type="checkbox"/> ٤٠ - ٤٩ سنة <input type="checkbox"/> ٥٠ سنة فأكثر				
النوع: <input type="checkbox"/> ذكر <input type="checkbox"/> أنثى				
مدة الخبرة: <input type="checkbox"/> أقل من ٥ سنوات <input type="checkbox"/> ٥ - ١٠ سنوات <input type="checkbox"/> ١١ - ١٥ سنة <input type="checkbox"/> ١٦ - ٢٠ سنة <input type="checkbox"/> أكثر من ٢٠ سنوات				
المستوى الإداري: <input type="checkbox"/> إدارة عليا <input type="checkbox"/> إدارة وسطى <input type="checkbox"/> مستوى إشرافي <input type="checkbox"/> أخرى				
مستوي التعليم: <input type="checkbox"/> تعليم متوسط <input type="checkbox"/> تعليم جامعي <input type="checkbox"/> ماجستير <input type="checkbox"/> دكتوراه <input type="checkbox"/> أخرى				
عمر الشركة: <input type="checkbox"/> أقل من ٥ سنوات <input type="checkbox"/> ٥ - ١٠ سنوات <input type="checkbox"/> ١١ - ١٥ سنة <input type="checkbox"/> ١٦ - ٢٠ سنة <input type="checkbox"/> أكثر من ٢٠ سنوات				
عدد العاملين: <input type="checkbox"/> ١ - ٩ <input type="checkbox"/> ١٠ - ٤٩ <input type="checkbox"/> ٥٠ - ٩٩ <input type="checkbox"/> ١٠٠ - ١٩٩ <input type="checkbox"/> أكثر من ٢٠٠				
ثانياً: الأداء المالي				
معدل العائد على الأصول: <input type="checkbox"/> أقل من ١٠% <input type="checkbox"/> ١١ - ١٥% <input type="checkbox"/> ١٦ - ٢٠% <input type="checkbox"/> ٢١ - ٢٥% <input type="checkbox"/> أكثر من ٢٥%				
معدل العائد على الاستثمار: <input type="checkbox"/> أقل من ١٠% <input type="checkbox"/> ١١ - ١٥% <input type="checkbox"/> ١٦ - ٢٠% <input type="checkbox"/> ٢١ - ٢٥% <input type="checkbox"/> أكثر من ٢٥%				
معدل نمو المبيعات: <input type="checkbox"/> أقل من ١٠% <input type="checkbox"/> ١١ - ١٥% <input type="checkbox"/> ١٦ - ٢٠% <input type="checkbox"/> ٢١ - ٢٥% <input type="checkbox"/> أكثر من ٢٥%				

\*\*هل يوجد لمؤسستكم رسالة رسمية مكتوبة؟ ☐ نعم    ☐ لا

ثالثاً: من وجهة نظرك أي هذه العبارات تعتبر اسباب هامة لوجود رسالة واضحة للمنظمة، برجاء وضع علامة (✓) أمام كل عبارة وتحت واحدة فقط من الخيارات الخمس المتاحة:

م	على الإطلاق	بدرجة معتدلة	لا أعرف	موافق	موافق جداً
١					
٢					
٣					
٤					
٥					

٦	تعزيز القيم المشتركة بين العاملين في المنظمة				
٧	ترويج الاهتمام بمصالح الأطراف ذوي المصلحة من خارج المنظمة				
٨	وسيلة تحفيز للعاملين في المنظمة				
٩	تعتبر أداة لتركيز جهود العاملين وتوحيدها في وقت الأزمات				
١٠	توفر أساسا سليما لتخصيص موارد المنظمة				

م	غير موجودة	مشار إليها بصورة غير مباشرة	محددة بوضوح
١	العملاء		
٢	المنتجات		
٣	النطاق الجغرافي		
٤	التكنولوجيا المستخدمة		
٥	أهداف البقاء والنمو والربحية		
٦	فلسفة الشركة		
٧	مفهوم الذات		
٨	الصورة الذهنية العامة للمنظمة		
٩	العاملين		

م	على الإطلاق	غير موافق	لا أعرف	موافق	موافق جداً
١					
٢					
٣					
٤					
٥					
٦					
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١٥					
١٦					
١٧					

Page 220

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