



ELIT

Economic Laboratory Transition
Research Podgorica

The Purpose of Firms and its Influence on Formulating Their Missions and Visions

KAREL SLINTAK¹ and JAN DVORSKY²

¹ Ph.D., Tomas Bata University in Zlín, Faculty of Management and Economics, Czech Republic;
E-mail: slintak@utb.cz

² Ph.D., Tomas Bata University in Zlín, Faculty of Management and Economics, Czech Republic;
E-mail: j1dvorsky@utb.cz

ARTICLE INFO

Received November 17, 2018
Revised from December 25, 2018
Accepted January 20, 2018
Available online June 15, 2019

JEL classification:

M21, L21.

DOI: 10.14254/1800-5845/2019.15-2.2

Keywords:

Mission statement,
profit, shareholder value,
service to society,
vision statement.

ABSTRACT

The aim of this article is to investigate the relationship between firm's purpose (i.e., profit, shareholder value or service to society) and the formulation of its mission and vision. The article is based on quantitative research in the form of questionnaires distributed among 200 companies. To verify the above relationship, six hypotheses were put forward. They were verified with the test of good fit and the T-test. We found statistically significant differences between the perception of firm's purpose and revenues of firms, and formulation of their mission and vision. On the other hand, no statistically significant differences were noticed between concrete mission interpretation and firm's purpose. It was revealed that most of enterprises perceive their purpose as profit (61%). The purpose of enterprise in the form of profit-making negatively influences firm's formulation of mission. Out of the total number of enterprises without mission (in written form), 74% of them are oriented toward profit-making. Mission is formulated by 67% of enterprises. Of these, the most frequent formulation of mission is similar to goals and strategy (36%) and what firms do (34%). Of the total number of companies (200) only 13.5% of them have the mission that reflects the company's reason being. More than half of enterprises (54%) formulated their mission and vision, but 27% of them exist without it. The absence of vision very often leads to reluctance to formulate firm's mission. Out of the total number of enterprises without formulated mission 82% of them are without written formulation of vision. Based on our research it can be stated that third of the surveyed enterprises did not formulate their mission and 40% of companies did not formulate their vision.

INTRODUCTION

At the turn of 1980s and 1990s many scholars concentrated their research on mission statement in business. This orientation was based on the belief that formulating a mission statement is one of the basic functions of management. Such function was, however, in reality undervalued. P.

Drucker (2001) noticed that the majority of businesses did not devote enough time to formulating a mission, and this was very often leading to their gradual failure.

Hidden inspiration can be seen in the non-profit sector, which today in many cases is much more advanced than the sector of enterprises. Every non-profit organization in fact must start with defining their mission and such objective must be integrated into all their operations. In contrast to non-profit foundations, in the business sector defining the mission is a much more difficult task, as the common view of firm's purpose (i.e., companies exist to make money) very often limits the effort to understand their deeper nature and meaning.

Formulating a mission can, however, be similar to the approach which is used by non-profit organizations. As it is mentioned by (Drucker, 1993), correctly defined mission serves as a continual reminder of the urgency to seek not only new customers, but the criteria for success as well. What non-profit organizations have in common with for-profit enterprises is the necessity of turning their attention towards their environment, in which there are real results along with the justification of their existence.

With this article we are continuing a two-year period of research regarding the process of formulating the mission statement (see Slintak, 2016). In that research it was stated that more than 50% of the enterprises formulated their mission, but less than 20% had the mission clarifying the reason for their existence. We decided to continue this qualitative research and compose a quantitative study, oriented towards formulating the mission and the vision in relation to perception of firm's purpose (view of executives on the purpose of their companies' functioning).

1. LITERATURE REVIEW

A brief overview of literature will focus on the current knowledge as firm's purpose and on formulating mission and vision.

1.1 The purpose of enterprises

General view of the corporate objective (we will use term "firm's purpose") is based on theories of economy. Such theories assume that the purpose of enterprise is to maximise profit (see Friedman, 1970). The authors on theories of business economy very often adopt such opinion. For example, Wöhe (1995) claims that the purpose of an enterprise is a long-term maximize profit. The definition of the enterprise objective in their economy is often divided between short and long periods. During the short period it is essential to observe the contribution margin (the difference between the revenue and variable cost). And during the long period it is the enterprise ability to achieve profit, (the difference between revenue and total cost). In the business economics those objectives are transformed into two principles. The first principle is a positive operational margin (contribution margin), allowing at least partially to pay the fixed cost. The second principle is a positive profit margin, as a necessity to form a profit. Therefore, P. Pang (2004) is convinced that the purpose of an organization is to make money, otherwise, it will not last.

Synek (2010) noticed that the theoretical perspective of firm's purpose is gradually developing. While in the past the corporate objective was to maximise profit, later this objective changed toward shareholder value. This fact was referred to by C. Handy (2015), pursuing the ideas and theories leading to the introduction of such objectives into corporate practice. Handy believes that the reversal of corporate objectives was caused by two events. It was economist M. Friedman (1970) who claimed that the only social responsibility is to increase corporate profit; and publishing of the article "Theory of the firm" from M. Jensen and W. Meckling (1976), where they extended Friedman's thesis about profit into the idea of increasing shareholder value. Jensen and Meckling (Ibid.) declared that if the enterprise should prosper, it must change the managers into shareholders as well; that way the managers will be rewarded not only by money, but also by the corporate

shares. Today this article, which changed the corporations into money-making machines, became one of the most cited articles in the world. But Handy (2015) warns that this mentioned theory was not too successful. He points out the research of Roger Martin which observed that the total profits of enterprises rewarding their managers by shares during the 1970-2010 period were smaller than during the previous period, when they received just the salary.

M. Zeleny (2011) examined the development of corporate objectives, using examples of General Motors and Bata company. General Motors (GM) successively passed three phases of corporate objectives. During the first phase it was to make money, not just by manufacturing cars. In the background of this goal was an effort to satisfy the shareholders. In the second phase, GM decided to make quality cars with profit. The goal this time was to satisfy the managers and employees. And finally, the corporation reached the point of satisfying transportation needs of their customers by profitable production. At the centre of corporate efforts was the customer. The enterprise by interpreting their goals gradually transferred from the effort of satisfying the shareholders (money) into the efforts toward employees (meaningful work) and then toward customers. Bata company went even further, as can be seen in the following table.

Table 1. The purpose of existence in the context of means and goals.

<i>Means</i>	<i>Goal</i>	<i>Key stakeholder</i>
Transform resources into products	Profit	Shareholder
Uncovering needs	Create customer	Customer
Develop people	Satisfy employees	Employee
Make money, create needs, develop people	Service to society (Bata company)	Society (shareholder + customer + employee + others)

In Bata corporation there was always only one business purpose: service to the society. According to Zeleny (2011), such an approach is the most modern and most complex expression of the purpose of enterprise. Creating value is a crucial business goal for many renowned management specialists. Handy (2008) considers creating value and adding value as the only justifiable business objective. Enterprises can exist only when they create something new (product or service) or when they offer something existing, but with different quality, price, scale or availability. P. Senge cited by A. de Geus (2002) considers growth and persistence of those enterprises through value creation as the fundamental goal of enterprise. The purpose of enterprises is fulfilled by two targets and those are customer satisfaction and service to the society.

Table 2. Human being and company in relation to the means and goals

<i>Subject</i>	<i>Means</i>	<i>Goals</i>
Human being	Breathing oxygen	To live
Enterprise	Earning money	To do business

Some authors deal with purpose based on critical analysis of prevailing opinions about corporate objectives. Senge (2006) refers to Drucker, who explained the enterprise objective based on human/enterprise analogy (see previous table). Drucker claimed that profit-making is the same for the corporation as breathing for humans. We do not live to breathe, but we breathe to live. Drucker

(2001) questions the profit motivation of businessmen and claims that according to his knowledge no research exists to confirm such incentive. Simultaneously he asks himself if it is possible to understand the business purpose in cases when the entrepreneur pursues business solely for profit. And Drucker's conclusion is that it is not possible, since making money is not related to business purpose. In other words, we can't understand the core of business when a businessman says his purpose is to make money. In this case, we cannot find out what the company is doing and for whom. Corporation must create something, and primarily for someone. According to Drucker (2001) the only justifiable purpose of a company is creating and satisfying customer. The customer is the firm's purpose and the only profit centre. The prevailing point of view on the corporate objective is criticized by K. Slintak and Z. Jurigova (2017), who say that the complex approach of corporations cannot be based on profit perspective.

The nature of enterprises as the tools of society reside in their surroundings. They cannot exist in reality when they do not perform the specific task in the outer environment. This is why the real sense of firm's existence corresponds more with the service to their own environment, either satisfying the existing needs or creating and satisfying completely new ones. But this is valid under the condition that it is economically feasible. Profit is an attribute of efficiency and a touchstone of decision-making in case enterprises consider various market opportunities.

1.2 Articulating of mission and vision

In the Anglo-Saxon world, mission and vision are part of a document called mission statement. C. Bart (1997) states that mission statement provides a sense of purpose and direction. The power of mission statements rests in the ability to achieve two results: (1) to inspire and motivate employees to exceptional performance (influence behaviour); and (2) to guide the resource allocation process in a manner that produces consistency and focus. According to Bart (1997), mission statement consists of three parts: (1) key market: the target audience; (2) contribution: the product or service; (3) distinction: what makes the product unique or why the audience should buy it over another.

Probably one of the most often referenced discourses on mission statements is an article by J. Pearce (1982). According to Pearce (1982), an effective mission statement defines the fundamental, unique purpose that sets a business apart from other firms of its type and identifies the scope of the business's operations in product and market terms.

J. Pearce and F. David (1987) defined mission statement as the most visible and public part of a strategic plan. According to these authors, mission statement has eight key components: 1 The specification of target customers and markets; 2 The identification of principal products; 3 The specification of geographic domain; 4 The identification of core technologies; 5 The expression of commitment to survival; 6 The specification of key elements in the company philosophy; 7 The identification of the company self-concept; 8 The identification of the firm's desired public image. Pearce and David (1987) argued that mission statement should create an organization identity larger than the limits placed on the firm by any individual. An effective statement helps to satisfy people's need to produce something worthwhile, to gain recognition, to help others, and to earn respect.

J. Collins and J. Porras (1991) were the first authors who published empirical research regarding mission statement development. Their research introduced a description of visionary organizations. They presented a framework for understanding organizational vision. The authors noticed that vision is a term frequently used by academics and practicing managers, but there has been lack of clear concepts and useful tools, in short, the absence of a coherent conceptual framework. They developed a framework that removes the fuzziness surrounding the topic of vision, yet at the same time preserves the magic - the spark - that is an essential quality of vision. Formulating a vision requires describing the core ideology (core purpose and core values) and envisioned future

(goals, processes, operating practices). Collins and Porras (1996) defined core purpose as the organization's reason for being. An effective purpose reflects people's idealistic motivations for doing the company's work. It does not just describe the organization's output or target customers; it captures the soul of the organization. Purpose, as illustrated by a speech David Packard gave to HP employees in 1960, reaches the deeper reasons for an organization's existence beyond just making money. Core purpose is a *raison d'être*, not a goal or a business strategy.

Another author who dealt with vision development was M. Lipton (1996). He perceives vision in the context of vision statement. Vision is made up of missions, strategies and culture. Mission addresses the fundamental question why an organization exists and why it is in business. What is its purpose? For whose benefit are all its efforts? These questions are the organizational equivalent of a person grappling with existential questions: Why am I alive? What is my purpose? Senge (2006) defined mission in relation to the shared vision too. Mission deals with the purpose of business (why we exist), vision deals with the question what we want to achieve, and culture answers the question "How do we achieve our mission and vision?".

J. Kotter (1996) found that an important part of the leading change is the ability of companies to create and communicate visions. Vision is defined as a desirable image of the future with more or less accurate commentary explaining why people should work together for this future. Kotter (1996) also says what the vision is not. Vision is not a financial target, a value, or a manual describing the company's business practices.

There are also many researchers who have explored the relationship between mission and strategy, and the relationship between mission and vision. C. Bartlett and S. Ghoshal (1994) argues that purpose – not strategy – is the reason an organization exists. Its definition and articulation must be top management's first responsibility. The same view is taken by P. Drucker (2001) who says that articulating a mission is one of the three fundamental tasks of the management. According to Drucker (2001), mission defines strategy, while the strategy determines the structure. Bartlett and Ghoshal (1994) also defined purpose as the statement of a company's moral response to its broadly defined responsibilities, not an amoral plan for exploiting commercial opportunity. A. Campbell and S. Yeung (1991) noticed that in practice there is problem with understanding differences between the concept of mission and vision. The authors point out that some organizations take the view that mission is a primarily strategic tool, an intellectual discipline which defines their target market. This is different from author's view of the mission.

Mission is an organization's character, identity and reason for existence. It can be divided into four interrelating parts: purpose, strategy, behaviour standards and values. Mission provides a rationale for action. Campbell and Yeung (1991) also introduce the definition of vision with reference to W. Bennis and B. Nanus (1985). Vision is a central concept in Bennis' theory of leadership. It is a mental image of a possible and desirable future state of an organization. This image may be as vague as a dream or as precise as a goal. Campbell and Yeung (1991) indicated that vision and mission are not fully overlapping concepts. Vision refers to a future state, whereas mission more normally refers to the present. S. Covey (2013) has the same view but he adds that mission must be abstract, while vision must be specific.

K. Slintak (2016) found that many companies are able to create their mission and vision, but their view does not reflect the concept of mission and vision as defined by theory. According to this author, articulating a mission is to introduce the organization's essence to all stakeholders. Mission is not a list of company goals and intentions, nor a set of corporate values. We cannot find a mission in the name of the company or the business register. An effectively formulated mission gives the answer to the question why a company exists. Articulating a mission requires taking into account the needs of the customers in the context of corporate competencies (or the company's skills and abilities).

Currently, mission statement is becoming more and more a subject of research in relation to various variables. This tendency began with Bart (1996), who explored what impact, if any, a firm's

formal mission statement has on its innovativeness. He found a powerful and positive relationship between 'mission statement content' and the degree to which fifteen innovativeness practices were employed. Similar research was carried out by H. Zhang et al. (2015). Their results showed strong evidence that mission statements have a positive influence on innovation performance, especially when innovation-related words are present in the statements. B. Baetz and C. Kenneth (1998) examined the relationship between mission statements and company performance using a sample of 136 large Canadian organizations.

E. Orhan et al. (2014) focused on the perspectives of employees about the vision and mission statements of their firms in which they work. M. Blair-Loy et al. (2011) explored the relationship between mission statements and work-life practices in organizations. They discovered variation in the mission statements of firms in the same organizational field. The mission statements of firms recognized for their work-life initiatives were more likely to emphasize the value of employees than those of competitors and less likely to stress shareholder value. X. Er-Ming and X. Yan-Yan (2011) investigated the relationship between mission statement and corporate social performance of top 100 state-owned corporations in China.

Study from S. Hirota et al. (2010) found the answer to the questions "Does mission statement matter? If so, to what extent?". Using data on mission statements of 128 large Japanese firms, their paper revealed that corporate mission has a significant impact on corporate policies that determine employment, board, and financial structures. And finally, Cunningham et al. (2009) explored the relationship between mission and sponsorship. Their results showed that corporate identity, as reflected in mission statements, matters to sponsorship policy. Specifically, companies emphasizing financial success in their mission statements prefer sponsoring individual athletes, education, the environment and health-related activities. Alternatively, companies stressing the importance of employees demonstrate a propensity to sponsor team sports, entertainment, religious community, charity and business-related activities.

2. METHODOLOGY

2.1 Research aim, data collection and structure

The aim of this article is to explore the relationship between firm's purpose and articulating a mission and a vision.

Since the purpose of the firms is often identified with the concept of a mission, it is necessary to define these two terms: (1) The purpose of firms will be defined in the context of this paper as a general objective of companies expressing their essential nature. The purpose is not written; it is a mental model that determines people's views of the company in which they work. We distinguish three basic business objectives: profit, shareholder value, service to society. (2) We will define the mission as a written expression of the corporate purpose. In our research, we have identified four basic forms of mission: (a) what we do, (b) the goal and strategy, (c) the reason for corporate being, (d) the desired image of the future.

Data collection was carried out between 2016 and 2017. We created an interactive questionnaire using online application known as Google Form. This questionnaire consisted of seven sections, five of which focused on individual research areas: (1) Aims of our research including cover letter; (2) Purpose of enterprise; (3) Approaches to management (applied management concepts); (4) Structure and form of organization; (5) Culture; (6) Identification; (7) Conclusion and recommendations. The research questions were included in sections 2-5. In these sections there were 26 questions. The questions were mostly closed with the choice of two to five options. This article summarizes only findings from section 2 (it contains seven questions) and section 6 (ten questions in relation to firm's name, size, sales etc.). Respondents were approached with the help of university students who became an important part of our research team. Their task was to contact the

executives with a request to complete the questionnaire. The addressed companies are from different regions of the Czech Republic. The survey involved 217 companies, but the statistical sample initially consisted of 254 companies. Questionnaires that had not been filled in correctly were removed from the sample. We removed 37 questionnaires.

A statistical sample of 217 companies was completed by owners (24% of the total), CEOs (13% of the total), managers (40% of the total), and other employees (such as accountants, quality engineers, etc., 24% of the total). The history of the companies which have been the subject of research was 0-9 years (20% of the total), 10-19 years (23% of the total), 20-29 years (39% of the total), and over 30 years (18% of the total). Most of the surveyed companies were limited liability companies (70% of the total). Almost a quarter (23%) of the sample consisted of joint stock companies. In the context of their activity, the statistical sample was made up of companies from the primary sector (3% of the total), secondary sector (51% of the total), and tertiary sector (46% of the total). Only 24% of the companies were owned by foreign owners. Most of the sample made small firms (52% of the total). Medium-sized firms represented 24% of the total and large companies accounted for 24% of the total. A part of the respondent's identification section also included issues related to their revenue and earnings. The companies were classified into four categories according to revenues, namely companies with revenues of CZK 0-9.9 million (21% of the total), CZK 10-99 million (37% of the total), CZK 100-999 million (26% of the total), and over one billion CZK (16% of the total). The sample was dominated by companies with a profit of 0-4.9 million CZK (49% of the total). Other companies earned CZK 5-19.9 million (23% of the total), CZK 20-99.9 million (14% of the total), and more than CZK 100 million (14% of the total).

The research question in the wording "there is a relationship between the purpose of enterprises and formulating missions and visions" has been solved using the statistical verification of the following hypotheses (these hypotheses are alternative hypotheses):

- H1: There is a statistically significant difference between the purpose of enterprises and company revenues.
- H2: There is a statistically significant difference between articulating a mission and the purpose of enterprises.
- H3: There is a statistically significant difference between the specific expression of the mission and the purpose of enterprises.
- H4: There is a statistically significant difference between articulating a vision and a mission.
- H5: There is a statistically significant difference between articulating a vision and the purpose of enterprises.
- H6: There is a statistically significant difference between the specific expression of the vision and the purpose of enterprises.

2.2 Statistical methods of data processing

To assess the formulated hypotheses of partial research on "the purpose of enterprises", the following statistical tools of descriptive statistics (contingency and associated tables, descriptive characteristics, cumulative distribution) were used to apply the Z-test method.

Subsequently, the following statistical methods were used: absolute frequency and simple sorting of statistical significance. Using the method of simple sorting the attention was concentrated on formulating relative quantity of enterprises according to selected statistical factors (revenues, firm's purpose, existence of mission, specific expression of mission, existence of vision and specific expression of vision). Other methods used were sorting by two statistical characters, dependence between qualitative plural statistical features (contingency tables, intensity of contin-

gence.) The intensity of contingency was measured using Pearson contingency coefficient, which is based on chi-square contingency table. Comparing the selected groups of enterprises according to selected statistical features, we determined the significance of the statistical character; the statistical hypotheses were verified using the above methods (Test of good fit and Z-test method.). The individual hypotheses were verified at a 5% level of statistical significance, where p-value smaller than 0.05 caused refusal of zero-hypothesis about independent variables.

Z-score was used to discover significant statistical differences between each type of statistical significance in selected groups of firms. To evaluate the Z-score of the parameters we used the p-value of the normalized (standardized) normal distribution. The conditions of Z-test (standardized distribution of statistical features and great range of sample) were fulfilled. Calculation was performed using sophisticated statistical software SPSS Statistics. To determine dependence in the association table, we used the Association Coefficient (r) and the Yullov correlation coefficient (q). The formula for calculation can be seen in literature, e.g. Wit et al. (2012). When the value of association coefficients is in interval $<0.3; 0.7>$, we declare a weak positive association. And when they are in interval of $<0.3; 0.7>$, it represents strong positive association (Wit et al., 2012).

3. EMPIRICAL RESULTS AND DISCUSSION

In this section we will be presenting the results of a questionnaire survey, where the goal was to discover how the respondents (managers and other people working in management) view firm's purpose and how much it influences formulating their mission and vision. In relation to used methods we will verify if there are statistically significant dependences between firm's purpose and its revenue, mission and vision. Simultaneously we will interpret the statistical findings in context with the researched factors and evaluate their interdependence.

3.1 The purpose of enterprises in context of their revenues

During data processing it was revealed that ten firms did not state the revenues and seven of them stated other purpose than the one limited to theoretical sources (respondents stated that their purpose is specific, such as forming passive income with creation of software, continued work and experience of family member). For the above reasons, from the original sample of 217 enterprises, the data analysis of 200 enterprises is compatible.

In the following table, we can see a comparison of firm's purpose and corporate revenues. Statistical significance of the mentioned variables was verified using H1 hypothesis, which is: there is a statistically significant difference between firm's purpose and corporate revenues.

The processed data showed that 60.5% of enterprises understand the purpose of their existence as profit-making, 22.5% delimit their purpose as service to society and 17% of them as increasing shareholder value. The figures do not take into account the turnover of companies.

As far as the company revenue is concerned, we found out that revenue is a statistically significant factor. It influences the purpose of existence (Chi-square = 13.6543; P-value = 0.04982.) **Hypothesis H1 is accepted.** There are no significant differences in various types of firm's purpose (profit, service to society, shareholder value) in relation to revenues (P-value is higher than 0.05).

Presented results can be compared with previous research where it was discovered that profit as the purpose of existence was present with 29% of surveyed firms, service to society with 41%, and shareholder value with 30% (see Slinták, 2017). The reasons for such an important deviation in profit and other variables can be caused by a lower number of enterprises in previous research (56 firms) and their structure (medium-sized and large enterprises prevailed in previous research).

Table 3. The structure of answers in relation to firm's purpose and revenues

Firm's purpose	Revenues				Z-test (P-value)
	0-9.9 M CZK	10-99 M CZK	100-999 M CZK	over 1 B CZK	0-9.9/10-99 10-99/100-999 0-9.9/100-999
Profit %	26 59.1%	49 67.2%	29 58%	17 51.5%	0.3788 0.3030 0.5619
Service to society %	14 31.8%	15 20.5%	11 22%	5 15.2%	0.1707 0.8493 0.4413
Shareholder value %	4 9.1%	9 12.3%	10 20%	11 33.3%	0.5892 0.2460 0.1707
TOTAL %	44 100%	73 100%	50 100%	33 100%	TOTAL 200 Enterprises
Chi-square	13.6543				
P-value	0.04982				

3.2 The purpose of enterprises in the context of articulating a mission

In the next part of research, we concentrated on testing the relationship between the purpose of existence and formulating a mission. We evaluated the validity of H2 hypothesis: there is a statistically significant difference between articulating a mission and firm's purpose. Table 4 contains the results regarding the comparison of firm's purpose and mission formulation in written form.

Table 4. The structure of answers about the purpose of enterprise and the existence of mission.

Firm's purpose	Mission formulation (in written form)		Z-score (P-value)
	Yes	No	
Profit %	72 53.7%	49 74.2%	-2.7901 0.0052
Service to society %	33 24.7%	12 18.2%	1.0263 0.3032
Shareholder value %	29 21.6%	5 7.6%	2.4901 0.0127
TOTAL %	134 100%	66 100%	TOTAL 200 enterprises
Chi-square	9.0379		
P-value	0.0109		

In a group of profit-oriented companies, 74.2% of them do not formulate the mission, while 53.7% of them do. In this case, profit is - in the context of mission formulation - statistically signifi-

cant factor (P-value = 0.0052.) In a group of enterprises, where the purpose is shareholder value, is 21.6% of them with a formulated mission in written form compared with 7.6% of companies with an unformulated mission in written form (P-value = 0.0127). There is no dependence between mission formulation and firm's purpose defined as service to society. The factor of mission formulation is statistically significant (Chi-square = 9.0379; P-value = 0.0109). **Hypothesis H2 is accepted.** Simultaneously we note that the biggest dependency between firm's purpose and mission formulation can be seen in profit-oriented companies. The data revealed a high degree of dependence of the observed factor (mission formulation) on profit, which could lead to zero-hypothesis rejection (i.e. there is no statistically significant difference between articulating a mission and the purpose in a form of profit) even on 1% level of statistical significance (P-value = 0.0052). In other words, profit orientation of companies negatively affects companies' ability to formulate a mission.

3.3 The purpose of enterprises related to their approach toward concrete mission

Within our research we also explored if there is a relationship between firm's purpose and different approach to articulating a mission. We verified hypothesis H3: there is a statistically significant difference between the specific expression of the mission and firm's purpose. Table 5 summarises the results of this comparison. The data comes from 134 companies which formulated their mission.

Table 5. The structure of answers about the firm's purpose and approach to articulating a mission.

Firm's purpose	Approach to articulating a mission (in written form)				Z-test (P-value)
	What we do (A)	Goal and strategy (B)	Reason for firm's being (C)	Desirable image of the future	A/B B/C A/C
Profit %	28 62.3%	25 52.1%	13 48.1%	6 42.8%	0.3222 0.7414 0.2420
Service to society %	11 24.4%	10 20.8%	8 29.6%	4 28.6%	0.6745 0.3898 0.6312
Shareholder value %	6 13.3%	13 27.1%	6 22.3%	4 28.6%	0.1010 0.8887 0.3271
TOTAL %	45 100%	48 100%	27 100%	14 100%	TOTAL 134 enterprises
Chi-square	4.1437				
P-value	0.6572				

The mission expressing the goals and strategies was stated by most enterprises (35.8%, i.e. 48/134). The mission reflecting what they do was reported by 33.6% of them. Only 20% of companies had a mission which reflected the reason for their being. And 10% confuse their mission with vision (desirable image of the future). Gathered data indicate that 80% of them do not have a mission which would reflect their identity. This means that most companies have a mission which is

inconsistent with theoretical knowledge. There are no statistically significant differences among presented answers of enterprises in relation to firm's purpose. **Hypothesis H3 is rejected** (Chi-square = 4.1437; P-value = 0.6572.) The answers reflecting the specific expression of the mission do not influence firm's purpose (there are no statistically significant differences, p-value of Z - test > 0.005).

In other words, the specific expression of the mission does not lead to deeper contemplation over firm's nature. The above mentioned conclusions can be compared with the output of qualitative research published by Slinták (2016.) He found out that even if 56% of enterprises have a mission (in this research it is 67%), only 32% of them have a specific mission that reflects the reason for being. From aforementioned research it emerged that out of the total number of researched companies only 18% of them (12 out of total) use the mission to explain the reason for their being. In this research it is 13.5% out the total of 200 companies.

3.4 Mission related to firm's vision

If the purpose of enterprise is related to formulating vision was tested using hypothesis H4 according to which there is a statistically significant difference between articulating a vision and a mission. Table 6 presents the results of this comparison.

Table 6. The structure of responses to missions in relation to firm's vision.

Mission (in written form)	Vision (in written form)		Z-score P-value
	Yes	No	
Yes, %	108 90%	26 32.5%	8.4722 <0.001
No, %	12 10%	54 67.5%	-8.4722 <0.001
TOTAL %	120 100%	80 100%	TOTAL 200 enterprises
Chi-square	71.7775		
P-value	<0.001		

As it can be seen from the table, 54% of enterprises (108/200) have a vision and a mission in written form. On the other hand, 27% of surveyed companies have no vision nor mission. The dependence between statistical factors (vision, mission) is so strong that it may lead to the acceptance of the alternative hypothesis even with 1% level of statistical significance (Chi-square = 71.7775; P-value <0.001.) The factor of vision related to formulating mission is statistically significant. **Hypothesis H4 is accepted.** The factor of vision in written form and its formulation is indicated by Z-score and P-value (Z-score = 8.4722; P-value <0.001). The results of association coefficient ($r = 0.81$) and Yullo association coefficient ($q = 0.89$) indicate the presence of a strong positive relationship between statistical factors of mission and vision. In other words, those companies which did not formulate their vision, did not formulate their mission either (third of them). We can now claim that formulating firm's vision facilitates formulating their mission.

3.5 The purpose of enterprises in relation to firm's vision

Another part of our research was aimed at verification of the relationship between firm's purpose and vision. We sought to validate hypothesis H5, according to which there is a statistically significant difference between articulating a vision and firm's purpose (see following table).

Table 7. The structure of answers regarding the purpose of enterprises in relation to firm's vision

Firm's purpose	Vision (in written form)		Z-score P-value
	Yes	No	
Profit %	66 55%	55 68.8%	-1.9487 0.0511
Service to society %	29 24.2%	16 20%	0.6913 0.4902
Enterprise market value %	25 20.8%	9 11.2%	1.7676 0.0767
TOTAL	120 100%	80 100%	TOTAL 200 enterprises
Chi-square	4.4935		
P-value	0.10734		

The data from previous table show that there are no statistically significant differences between the purpose of enterprises in relation to formulating a vision. The factor of vision in the context of the purpose of enterprise is not statistically significant. **Hypothesis H5 is rejected** (Chi-square = 4.4935; P-value = 0.10734.) Articulating a vision does not affect firm's purpose (p-value > 0.005).

3.6 The purpose of enterprise in relation to approach to articulating a vision

The last part of the research focused on examining the relationship between firm's purpose and approaches to formulating the vision. We have therefore processed data in a form that has allowed us to verify the validity of hypothesis H6, which states that there is a statistically significant difference between the specific expression of the vision and firm's purpose. Table 8 summarises the results of the comparison of answers regarding the purpose of enterprise in the context of the specific expression of the vision.

We found out that the most prevalent expression of vision (39.6%; 53/134) reflects the "values and rules of behaviour." The vision is thus very often close to the verbal description of the corporate culture. The vision expressed as a financial goal was noted with 29.8% (40/134) of enterprises. Formulating the vision corresponding with the theoretical outputs (i.e. desirable image of the future) can be seen with 30% of companies. The processed data revealed that those enterprises leaning toward profit-making drift toward a vision reflecting financial goals (60%) and the ones leaning toward service to the society drift toward a vision reflecting dreamed future (31.7%). And we also found that 17% of enterprises are profit-oriented and at the same time formulate their vision in the form of financial goals. However, the presented results are not statistically significant. Company's vision does not affect the view of companies related to their purpose (P-value > 0.05). The specific expression of corporate vision is not statistically significant (P-value = 0.3323). **Hypothesis H5 is thus rejected.** We may state that the specific expression of vision does not influence firm's purpose (and mental approach to it).

Table 8. The firm's purpose in relation to specific expression of the vision.

Firm's purpose	Specific expression of the vision			Z-test P-value
	Financial goal (A)	Values and rules of behaviour (B)	Desirable image of the future (C)	A/B B/C A/C
Profit %	24	31	17	0.8807
	60%	58.5%	41.5%	0.1260 0.1164
Enterprise market value %	9	13	11	0.8181
	22.5%	24.5%	26.8%	0.0657 0.6031
Service to society %	7	9	13	0.9442
	17.5%	17%	31.7%	0.0818 0.1211
TOTAL (%)	40	53	41	TOTAL
	100%	100%	100%	134 enterprises
Chi-square	4.5872			
P-value	0.3323			

CONCLUSION

The aim of this article was to examine the relationship between the purpose of enterprises and formulating their mission and vision. For this reason, we established hypotheses which allowed us to test six different dependencies related to four factors (factor 1 = purpose of existence; factor 2 = profit; factor 3 = mission; factor 4 = vision).

Verification of the individual hypotheses yielded the following statistical conclusions: (1) There are statistically significant dependences between firm's purpose and their revenues, but there are no statistically significant differences between individual purposes and revenues. (2) There are statistically significant dependences between firm's purpose and mission (that is formulated in written form), but there are no statistically significant differences between firm's purpose in the form of service to society and mission formulation. Firm's purpose in relation to profit and shareholder value was statistically significant due to the formulation of the mission. The strongest dependency was discovered to exist between profit and mission. (3) There is no statistically significant dependence between mission (the specific expression of firm's purpose) and the purpose of enterprises (general view of purpose). (4.) There is statistically significant dependence between formulating vision and mission. Such relationship was the strongest of all statistical tests. (5) There is no statistically significant dependence between formulating vision and the purpose of enterprises. (6) And finally, there is no statistically significant dependence between the specific expression of vision and firm's purpose.

Other than statistical conclusions the results of research revealed the following findings: (1) The majority of enterprises perceives their purpose in the context of profit (60.5%) and not as service to society (22.5%). (2) The purpose of enterprise in the form of profit-making negatively influences firm's formulation of mission. Out of the total number of enterprises without mission (in written form), 74% of them are oriented toward profit-making. (3) Mission is formulated by 67% of enterprises. Of these, the most frequent formulation of mission is similar to goals and strategy (36%) and what firms do (34%). Of the total number of companies (200) only 13.5% of them have the mission that reflects the company's reason being. (4) More than half of enterprises (54%) formulated their mission and vision, but 27% of them exist without it. The absence of vision very often

leads to reluctance to formulate firm's mission. Out of the total number of enterprises without formulated mission 82% of them are without written formulation of vision. (5) Enterprises without vision were mostly oriented toward profit-making (68.8%). (6) The majority of enterprises expresses their vision in relation to values and financial goals (69%). Only 8.5% of enterprises express the vision as a desirable image of the future.

The conclusion of our research did clarify that the enterprises still undervalue the formulation of mission and vision, as Drucker (2001) pointed out. Formulating a mission is negatively influenced by the misleading definition of the firm's purpose, and therefore enterprises are only exceptionally able to formulate their mission and vision in line with current theoretical assumptions. Strong dependence between mission and vision has also been revealed, as well as between the mission and profit. Future research should therefore focus on examining missions and visions in relation to management systems (motivation factor, leadership, culture), and the relationship between profitable orientation and conceptual definition of business (whether enterprises should be considered machines or living organisms).

REFERENCES

- Bart, C. K. (1996), "The impact of mission on firm innovativeness", *International Journal of Technology Management*, Vol. 11, No. 3-4, pp. 479-493.
- Baetz, B., Kenneth, C. (1998), "The relationship between mission statements and firm performance: An exploratory study", *Journal of Management Studies*, Vol. 35, No. 6, pp. 823-853.
- Bartlett, C. A., Ghoshal, S. (1994), "Changing the role of top management: Beyond strategy to purpose", *Harvard Business Review*, Vol. 72, No. 6, pp. 79-88.
- Bart, C. K. (1997), "Sex, lies, and mission statements", *Business Horizons*, Vol. 40, No. 6, pp. 9-18.
- Bennis, W., Nanus, B. (1985), *Leaders: The strategies for taking charge*, Harper, New York.
- Blair-Loy, M., Wharton, A. S., Goodstein, J. (2011), "Exploring the relationship between mission statements and work-life practices in organizations", *Organization Studies*, Vol. 32, No. 3, pp. 427-450.
- Campbell, A., Yeung, S. (1991), "Brief case: mission, vision and strategic intent" in Smit, P. J. (2000), *Strategic Planning: Readings*. Juta and Company Ltd.
- Collins, J. C., Porras, J. I. (1991), Organizational vision and visionary organizations. *California Management Review*, Vol. 34, No. 1, pp. 30-52.
- Collins, J. C., Porras, J. I. (1996), "Building your company's vision", *Harvard business review*, Vol. 74, No. 5, pp. 65-81.
- Covey, S. R. (2013), *The 7 habits of highly effective people: Powerful lessons in personal change*, Simon and Schuster.
- Cunningham, S., Cornwell, T. B., Coote, L. V. (2009), "Expressing identity and shaping image: The relationship between corporate mission and corporate sponsorship", *Journal of Sport Management*, Vol. 23, No. 1, pp. 65-86.
- De Geus, A. (2002), *The living company*, Harvard Business Press, Boston.
- Drucker, P. F. (2001), *The essential Drucker: Selection from the management works of Peter F. Drucker*. HarperBusiness, New York.
- Drucker, P. F. (1993), *Managing for the Future*, Routledge.
- Er-ming, X., Yan-Yan, X. (2011), "The relationship between mission statements and corporate social performance" in *Management Science and Engineering (ICMSE)*, 2011 International Conference on, pp. 287-295, IEEE.
- Friedman, M (1970), *The social responsibility of business is to increase its profits*, New York Magazine, New York.
- Atkinson, A. B., Stiglitz, J. E. (1980), *Lectures on Public Economics*, McGraw Hill, London.
- Handy, C. (2015), *The second curve*, Random House.
- Handy, C. (2008), *The Hungry Spirit: New Thinking for a New World*, Random House.
- Hirota, S., Kubo, K., Miyajima, H., Hong, P., Won Park, Y. (2010), "Corporate mission, corporate

- policies and business outcomes: evidence from Japan”, *Management Decision*, Vol. 48, No. 7, pp. 1134-1153.
- Jensen, M. C., Meckling, W. H. (1976), “Theory of the firm: Managerial behavior, agency costs and ownership structure”, *Journal of financial economics*, Vol. 3, No. 4, pp. 305-360.
- Kotter, J. P. (1996), *Leading change*. Harvard business press, Boston.
- Lipton, M. (1996), “Opinion: Demystifying the development of an organizational vision”, *Sloan management review*, Vol. 37, No. 4, pp. 83-92
- Pang, P. N. (2004), *Essentials of manufacturing engineering management*, iUniverse.
- Pearce, J. A., David, F. (1987), “Corporate mission statements: The bottom line”, *The Academy of Management Executive*, Vol. 1, No. 2, pp. 109-115.
- Pearce, J. A. (1982), “The company mission as a strategic tool”, *Sloan management review*, Vol. 23, No. 3, pp. 15-24.
- Orhan, G., Erdoğan, D., Durmaz, V. (2014), “Adopting Mission and Vision Statements by Employees: The Case of TAV Airports”, *Procedia-Social and Behavioral Sciences*, Vol. 150, pp. 251-262.
- Pang, P. N. (2004), *Essentials of manufacturing engineering management*, iUniverse, Lincoln.
- Senge, P. M. (2006), *The fifth discipline: The art and practice of the learning organization*, Broadway Business.
- Slintak, K. (2016), “The process of formulating the mission based on a deeper understanding of the company's purpose”, *Scientific Papers of the University of Pardubice*, Series D, pp. 129-141.
- Slintak, K. (2017), “Mechanistic, or Biotic Organizations: Research of Organizational Principles Towards Sustainability of Social Systems”, *Journal of Security & Sustainability Issues*, Vol. 7, No. 1. DOI: [http://dx.doi.org/10.9770/jssi.2017.6.1\(8\)](http://dx.doi.org/10.9770/jssi.2017.6.1(8)).
- Slintak, K., Jurigova, Z. (2017), “Model of Biotic Organization”, *ICFE 2017*, Proceedings of the 4th International Conference on Finance and Economics ICFE 2017, Ho Chi Minh City, pp. 351-364.
- Synek, M. (2010), *Business Economics*, CH Beck, Praha.
- Wit, E., Heuvel, E., Romeyn, J. W. (2012), “All models are wrong...!: an introduction to model uncertainty”, *Statistica Neerlandica*, Vol. 66, No. 3, pp. 217-236. DOI: <http://dx.doi.org/10.1111/j.1467-9574.2012.00530.x>
- WÖHE, G. (1995), *Introduction to Business Economy*, CH Beck, Praha.
- Zhang, H., Garrett, T., Liang, X. (2015), “The effects of innovation-oriented mission statements on innovation performance and non-financial business performance”, *Asian Journal of Technology Innovation*, Vol. 23, No. 2, pp. 157-171.
- Zeleny, M. (2011). *Finding your own path*, Computer Press, Brno.