Does Mission Matter for Social Enterprise? A Study of US Arts and Culture Organizations

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ABSTRACT

In this study, we examine whether organizational mission statements have an influence on the performance of social enterprise. Our approach differs from the traditional approach rooted in strategic planning that begins with identifying content in mission statements expected to drive specific actions. Instead, we identify attributes of language in mission statements that linguists believe to be important dimensions of written text. Thus, we examine whether these linguistic attributes of mission statement have the power to persuade different stakeholders and lead to better performance. Using a sample of arts and cultural organizations from the Cultural Data Project, we apply a computer-aided text analysis technique rooted in linguistic theory to identify attributes of mission statements. We then test the effect of five mission statement attributes -- activity, certainty, commonality, optimism and reality -- on financial and non-financial performance measures. Our findings confirm the importance of carefully crafted organizational mission statements for social enterprises.

Keywords: mission statements, social enterprise, content analysis, instrumental-expressive typology, organizational outcomes

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INTRODUCTION

Nearly 25 years ago, Drucker (1989) turned conventional wisdom on its head by proposing that commercial businesses can learn important management lessons from the nonprofit sector. He singled out the attention nonprofit organizations paid to the organizational mission thus “The nonprofits are, of course, still dedicated to ‘doing good,’ But they also realize that good intentions are no substitute for organization and leadership, for accountability, performance, and results. Those require management and that, in turn, begins with the organization's mission” (p. 90). More recently, Austin, Stevenson, and Wei-Skillern (2006) have argued that mission of the organization is the key distinction between commercial enterprise and social enterprise. Given the salience accorded to the mission of social enterprise, in this paper we examine whether framing of the mission statement has an effect on social enterprise performance.

For several decades, the term “social enterprise” was used to describe mostly nonprofit organizations that used market-driven business models to pursue their social mission. However, the term is now used to describe both for-profit and nonprofit organizations that seek to advance the common good. According to the Social Enterprise Alliance a social enterprise is a business "...whose primary purpose is the common good. ... Mission is primary and fundamental; organizational form is a strategic question of what will best advance the social mission” (Social Enterprise Alliance, n.d.). In this paper, we focus on the mission statements and performance of nonprofit arts and culture organizations. These organizations rely heavily on market-based fee-for-services but, like other social enterprises, face the essential tension in balancing commercial viability with broader social goals.
The traditional approach for analyzing the relationship between organizational mission and organizational performance has its roots in strategic management. The strategic rationale approach emphasizes the importance of combining firm’s strengths with opportunities in the environment (Pearce and David 1987). Our approach is in contrast with the strategic rationale approach. Instead of analyzing mission statements for their strategic content, we examine their linguistic content/attributes. Our underlying premise is that the power of language used in mission statements -- to communicate and connect with different stakeholders -- may be the driving force behind performance of social enterprise. Relying on prior analyses of mission statements based on linguistic theory research and methodology (Hart 2001; Short and Palmer 2008), we conduct an exploratory study that investigates whether the language used for mission framing of social enterprise is associated with better performance.

The rest of the paper is structured as follows. First, we give careful consideration to appropriate measures of performance of social enterprise because the traditional bottom line measure of profit and loss does not adequately reflect social enterprise performance. Next, we provide a brief overview of research on mission statements and offer details about our linguistic theory based approach. We discuss the overarching hypothesis guiding our exploratory study proposing a link between mission statement attributes and performance. We follow this with a section on data, methods, and findings. We conclude with discussion of implications of key findings and future research directions.
SOCIAL ENTERPRISE MISSION AND PERFORMANCE

Social Enterprise Performance: Application of the Expressive-Instrumental Typology

Whereas financial sustainability is important for social enterprise, the mission of creating social value is as important or even more important (Austin et al., 2006; Dart 2004; Freeman 1984). Given the extensive research on nonprofit organizations and the primary commitment of nonprofit organizations to their mission, we draw upon this body of research to propose dimensions and measures of social enterprise performance for our study. More than fifty years ago, Gordon and Babchuk (1959) highlighted the indispensable social role served by nonprofit organizations. They proposed that nonprofit organizations serve two kinds of functions – instrumental and expressive. The instrumental function does not need elaboration because most organizations are purposive and are expected to have clearly delineated instrumental goals. Unlike the instrumental function, which is common to all organizational forms, the expressive function is uniquely served by nonprofit organizations. According to Gordon and Babchuk the expressive function provides "… the framework for immediate and continuing gratification to the individual …through activities confined and self-contained within the organization itself" (p. 27). In other words, the expressive function of nonprofit organizations offers opportunities to internal and external stakeholders to express solidarity with the social ends served by the organization.

The expressive-instrumental dichotomy has increasingly gained currency in discussions of well-balanced evaluations of social enterprise performance. More recently, Mason (1996) and Frumkin (2005) have elaborated on the instrumental and expressive dimensions. Frumkin (2005) employs this typology and links it with the multi-faceted role organizations play in the society. Not only do social enterprises serve the instrumental function in service delivery, their mission
offers expressive opportunities for civic and political engagement. Although Frumkin’s discussion focuses largely on nonprofit organizations, the expressive-instrumental typology for evaluating performance can be applied to social enterprises in general. Heeding calls to use financial as well as non-financial performance measures (Turbide & Laurin, 2009) and the importance of performance measures that capture the expressive role of social enterprise in “[allowing] people to demonstrate commitment to social ends and values” (Frumkin & Andre-Clark 2000, 142), we develop a four-fold classification of performance measures. Please see Figure 1 in which we depict the instrumental-expressive typology and financial and non-financial measures for each type of function. We discuss the typology and relevant performance measures in the sub-sections below.

[INSERT Figure 1 about here]

**The Instrumental Function of Social Enterprises.** Social enterprises have an instrumental function because they provide crucial services in a wide range of areas (Frumkin, 2005). For example, they are engaged in training the workforce, providing food and shelters for those in need, staging cultural events, nursing the sick, and educating children. The success of their programmatic outcomes represents how effectively these social enterprises perform their instrumental role. Since the nature of programs offered by social enterprises varies, comparing success at the program-level across different organizations is challenging. Financial health indicators can provide insights into how well the organization is equipped to fulfill its mission. All social enterprises need to secure adequate resources to carry out their programs (Malatesta & Smith, 2014; Young, 2007). For these reasons, a set of financial ratios can be a proxy measure to evaluate the instrumental outcomes for social enterprises.
Tuckman and Chang (1991) pioneered the use of financial ratios — equity balances, administrative costs ratios, revenue concentration, and operating margins — to predict a social enterprise’s financial vulnerability -- or inversely, sustainability. Their measures have been adopted in later studies (e.g., Carroll & Stater, 2009; Chang & Tuckman, 1996; Grønbjerg, 1993; Frumkin & Keating, 2011; Hager, 2001; Trussel & Greenlee, 2000; Trussel, 2002). When social enterprises face financial shock, financially sustainable organizations can leverage assets, reduce discretionary administrative costs and/or spend from their operating margin. Social enterprises that generate revenue from diversified sources can better weather financial difficulties and continue delivering instrumental value without notable lapses. We, therefore, posit that financial sustainability can represent the instrumental function of social enterprise. As for non-financial indicators -- for the instrumental function of social enterprise –there are other measures. For arts and culturel organizations, the number of attendees in a given year is a good non-financial measure of the instrumental function. The number of attendees reflects attendees’ perception of programming quality. The better the programming quality -- in terms of artistic excellence, scale and scope of programming, intrinsic and extrinsic benefits to attendees – greater the likelihood of drawing larger numbers of program attendees and thereby fulfillment of the instrumental function.

The Expressive Function of Social Enterprises. The expressive function of social enterprises facilitates individuals’ expression of their personal values. Individuals can directly participate in activities and programs or indirectly support the social enterprise. Charitable giving of money and time to social enterprises is a manifestation of individual values that overlap with the recipient organizations’ mission (Berger & Neuhaus, 1996; Frumkin, 2005; Jeavons, 1992;
Mason, 1996; Salamon, 2012). Amidst decline in funding options and growing competition for limited funds, social enterprises must strive to earn the support of donors who are drawn to the organizational mission. Concerns have been raised that social enterprises are becoming indistinguishable from other for-profit entities because their focus is becoming skewed toward instrumental functions (Frumkin, 2005; Skocpol, 2003). For instance, fewer volunteers are now directly involved with the social enterprises due to the increasing proportion of professionally trained, paid employees. That said, indicators of the expressive function of social enterprises can include the extent to which an organization is supported by charitable donations (financial measure) and engaged with volunteers (non-financial measure).

**Mission Statement and Performance**

Mission statements have elicited interest from scholars from a wide variety of domains; especially noteworthy is early work on mission statements by strategic management and communication scholars (e.g. Cochran & David, 1986; Fairhurst, Jordan, & Neuwirth, 1997; Ireland & Hitt, 1992; Pearce & David, 1987). Whereas the strategic management perspective has explored the use of mission statements as a management tool, the communication perspective has focused on whether mission statements are understood as intended. Both perspectives ultimately hone in on the important question of how to provide clear and actionable guidance to employees, rooted in firm strategy, as illustrated vividly by Kaplan and Norton’s (1996: 51) description of a manager expressing difficulty in acting according to the mission statement, “I want you to know that I believe in the mission statement. I want to act in accordance with the mission statement. I’m here with my customer. What am I supposed to do?”
Indeed, early work on mission statements focused on the content of mission statements. Pearce and David (1987) offered an instrumental perspective on mission statements that has become influential over the years. Their study has guided follow-up studies employing content analysis to uncover attributes of mission statements (Williams, 2008). Based on extant strategic planning literature, Pearce and David argued that effective mission statements were the most visible part of a firm’s strategic plan and needed to speak to eight key organizational concerns. Although Pearce and David’s instrumental perspective has been widely accepted and adapted, some scholars have taken issue with their emphasis on strategic action. Bart and Baetz (1998), for example, argued that it is essential to distinguish mission from the concept of strategic intent. Drawing upon Miller and Dess (1996), they highlighted the hierarchical character of strategic intent. Thus, according to Bart and Baetz (1998), mission is a part of strategic intent; it directs organizational energy and converts broader concerns in the organizational vision into strategic action.

Despite the differing perspectives on the instrumental modality of organizational mission statements, most scholars agree that mission statements matter. Bringing together insights from strategic management and communication research, Williams (2008) argued that organizations create mission statements for various reasons such as exercising leadership (Klemm et al, 1991), clarifying organizational goals (Bart, 1998; Pearce & David, 1987), establishing effective public relations tool (Bart, 1998; David, 2007), and for generating interest in the organizational purpose (Bartkus et al., 2000; Ireland & Hitt, 1992). Indeed, a stream of research in public and nonprofit management has also emphasized that the nature of the mission of public and nonprofit organizations can be used to advance organizational and social goals. Public management scholars have proposed the concept of mission valence arguing that attractiveness of
organizational mission can be harnessed to motivate employees and to get them to perform better (Pandey, Wright, & Moynihan 2008; Rainey & Steinbauer 1999; Wright, Moynihan, & Pandey 2012).

Given the lack of a profit-making bottomline, a number of scholars have argued that the mission statement can serve as a management and communication tool for both internal and external stakeholders for nonprofit organizations (Anheier, 2005; Bryson, 1995; Drucker, 1990; Moore, 2000; Oster, 1995; Phillips, 2005). Prior studies show that there is a close link between nonprofit mission statement and human resource management outcomes such as enhanced employee commitment, job satisfaction, and retention (Baker & Sinkula, 1999; Brown, Yoshioka, & Munoz, 2004; Campbell, 1993). There is also evidence that mission statements help nonprofits build organizational reputation and legitimacy, which play a critical role in acquiring resources (Blaser & McClusky, 2005; Ospina, Diaz, & O’Sullivan, 2002). The research on mission statement attributes and performance in nonprofit organizations, however, is still at a nascent stage. An exploratory study by Kirk and Nolan (2010) provided some evidence, although limited, for a close relationship between mission statement (in terms of target clients, geographic reach, and program areas) and nonprofit financial performance measures. Studies on the linguistic aspects of mission statements are even more limited. Sawhill and Williamson (2001), for example, critique the tendency to make mission statements “lofty and vague” because vagueness can make it hard to rally support for collective action.

Despite the importance of mission statements, this critical organizational communiqué remains to be systematically examined for differences in linguistic content especially within the social enterprise context. The limited research that does exist has been conducted for the not-for-profit health care sector (e.g., Bart, 2007; Bart & Tabone, 1999) and is built upon Pearce and
David’s (1987) early work on mission statements. Developments in linguistic theory and its application to analysis of mission statements offers an alternative approach to assessing the effect of mission statements on social enterprise performance.

This approach is especially promising because it focuses on the power of language used in mission statements to persuade, a characteristic that has not received as much attention in the past. The opportunity for social enterprises to persuade different stakeholders stems from two recent trends. There is increasing acceptance of the role of social enterprises and concomitantly there is a push by leaders of social enterprise to exploit this newfound legitimacy. Drawing on institutional theory, Dart (2004) claims that weakening of government role in the last two decades of twentieth century gave a fillip to legitimacy of social enterprise, “Business structures and market models have become organizing models sine qua non … , and sociopolitical or moral legitimacy is accorded to social-enterprise initiatives that mimic them (p. 419).” Drawing upon in-depth case studies, Di Domenico, Haugh, and Tracey (2010) note that leaders of social enterprises have taken advantage of the growing legitimacy to persuade different stakeholders to advance their organizational goals. They note, “First, they sought to influence other key actors by clearly articulating the case for their inherent social legitimacy. … Second, they engaged in political activity to control local agendas by espousing community values, thereby augmenting and reinforcing their legitimacy; persuasion is thus used to solve problems deemed to be of social benefit while not sacrificing the commercial imperative (p. 696).”

This empirical finding resonates with exhortations to consider refashioning, articulating and evaluating/assessing social enterprise’s purpose and role in the society (Knell & Taylor, 2011). As Williams (2008) has clearly indicated, the first step is carefully crafting an organizational mission statement. A well-crafted mission statement defines the organizational
identity and purpose for external stakeholders (e.g. patrons, beneficiaries, funders, advocates, policymakers, community, and society) and internal stakeholders (e.g. the governing board, organizational leaders, employees, and volunteers). Palmer and Short (2008) demonstrated the usefulness of a content analysis technique, based in linguistic theory and work by communication scholar Roderick Hart, to uncover mission statement attributes. This study builds on their demonstration of linguistic theory based approach for identifying mission statement attributes. We argue that the mission statement attributes thus identified have a positive influence on performance. In the next section, we describe mission statement attributes that this approach uncovers and review why we expect each of these attributes to be related to better performance.

Mission Statement Linguistic Attributes and Social Enterprise Performance

Using the linguistic theory based approach; we analyzed mission statements for five general semantic attributes – certainty, optimism, activity, realism, and commonality. Table 1 summarizes definitions of the five mission statement attributes as provided by Hart & Carroll (2012) and provides a contextual example for each attribute. The examples in Table 1 are from the sample of arts and culture organizations used in this study. According to Hart and Carroll (2012: 4) the five attributes “provide the most general understanding of a given text”. Furthermore, these attributes are based on the theoretical contributions of several prominent social thinkers (Hart, 2001: 45). We discuss these theoretical foundations and extend their application to the social enterprise context. In discussing the theoretical foundations for each mission statement attribute, we rely on Hart’s (2001) “Redeveloping Diction: Theoretical Considerations” in which he outlines the theoretical background and design for his content
analysis approach. We develop our hypotheses with a fundamental assumption that organizational mission statements influence decisions and actions of various organizational stakeholders. Given the exploratory nature of this study, we offer preliminary rationales for how mission statement attributes may be related to social enterprise performance.

[INSERT Table 1 about here]

**Activity.** According to Hart (2001), the attribute “activity” derives from the work of Charles Osgood and his colleagues (Osgood, Suci, & Tannenbaum, 1957). In a given text, it features language that involves “… movement, change, the implementation of ideas, and the avoidance of inertia …” (Hart, 2001: 46). Topics of organizational activity and avoidance of organizational inertia have been examined by for-profit, nonprofit and public management scholars (e.g., Gilbert, 2005; Huff, Huff, & Thomas, 1992; Hodgkinson, & Wright, 2002; Kelly, & Amburgey, 1991; Salipante & Golden-Biddle, 1995). These studies mostly focus on the overarching organizational strategy for competitive advantage, sustainability, innovation, learning and entrepreneurship. For for-profit organizations’ findings suggest that strategic activity and avoidance of inertia enables organizations to better respond to external opportunities and threats. There is some debate whether the same recommendation can be applied to the social enterprise context. Salipante and Golden-Biddle (1995) opine that nonprofit leaders should avoid adopting for-profit organizations' externally oriented approach to strategic change. According to these authors "... due to the relative constancy of societal needs and nonprofits' missions, and the importance of society's demands for reliable, accountable performance, nonprofits should greatly value continuity” (p. 3). However, more recent studies argue in favor activity-orientedness and avoidance of inertia in social enterprises. For example Morris et al. (2007) examined the effect
of entrepreneurial orientation and its sub-dimensions -- innovativeness, risk-taking, and proactiveness on social enterprise/nonprofit performance. Their study found that organizations’ entrepreneurial-orientation had an important positive effect on multiple performance dimensions. Overall, these studies suggest that mission statements with high scores for the linguistic attribute activity will be associated with better social enterprise performance.

Certainty. The mission attribute “certainty” derives from studies of general semanticists, in particular that of Wendell Johnson (1946) who studied how language becomes rigid and the consequences of rigid language (Hart, 2001: 45). The certainty variable features language that indicates “…resoluteness, inflexibility, and completeness and a tendency to speak ex cathedra” (p. 45). Unlike the plentiful research on organizational activity and inertia within mainstream management literature, research on the effect of certainty is scattered and sparse. Research on certainty has mostly been conducted at the individual decision making level and lacks an overall consensus. Some scholars report the benefits of organizational certainty – e.g., certainty results in heuristic information processing (Tiedens & Linton, 2001) and successful learning of resource allocation tasks (Langholtz, Gettys, & Foote, 1993). Others caution against the pitfalls of too much certainty – e.g., Fischhoff, Slovic, & Lichtenstein (1977) coined the term “unwarranted certainty” and cautioned that people are likely to be wrong under high levels of certainty. Given the contrasting perspectives on certainty, we do not propose a specific directional association between the mission attribute “certainty” and social enterprise performance.
Commonality. The mission attribute “commonality” embodies communitarian instincts and derives from the works of Amitai Etzioni (1993) and Robert Bellah (1991). Within a given text it involves language that represents "...the agreed upon values of a group and rejecting idiosyncratic modes of engagement ..." (Hart, 2001: 46). According to Short and Palmer (2008), this mission statement attribute can be of interest to strategy scholars who have proposed that communitarian nature is important for certain organizational forms such as joint ventures (Barry & Elmes, 1997). Lohmann (1992: 320) extolled the virtue of commonality in producing “desirable or preferred outcomes that are uncoerced, that are associated with shared purposes and pooled resources, and that engender a sense of mutuality (we often say sense of community) and fairness (or justice).” Social enterprises serve various stakeholders by providing opportunities to express social, cultural values that they can identify with organizational values (Salamon, Hems, and Chinnock 2000). Hence, creating a sense of commonality through well-constructed mission statements is particularly important for social enterprises that work with diverse stakeholders.

Optimism. The mission statement attribute “optimism” has its foundations in James David Barber’s (1992) work Presidential Character and involves language "...endorsing some person, group, concept, or event or highlighting their positive entailments ..." (Hart, 2001: 45). Optimism has been researched by psychologists who have reported its multiple benefits. According to Peterson (2000) optimism has been ...has been linked to positive mood and good morale; to perseverance and effective problem solving; to academic, athletic, military, occupational, and political success; to popularity; to good health; and even to long life and freedom from trauma" (p.44). Relatedly, some studies of for-profit organizations have confirmed the positive effect of optimism on organizational outcomes (e.g., Youssef & Luthans, 2007).
Other studies of for-profit organizations however have cautioned against too must optimism (e.g., Heaton, 2002) and irrational risk-taking and reported negative effect of optimism on organizational performance (e.g., Hmieleski, & Baron, 2009). For the social enterprises we argue that given the mission- rather than market-orientation emphasis there is lower possibility of “too much optimism” and undue risk-taking behavior. Given the expectation that such organizations will create social value, we expect that communicating optimism via mission statements will favorably influence all stakeholders of the organization.

**Realism.** This mission statement attribute was inspired by John Dewey’s (1952) studies on pragmatism and it is represented by language “…describing tangible, immediate, recognizable matters that affect people's everyday lives” (Hart, 2001: 46). A search for studies on “realism” and “pragmatism” reveal that in recent years across disciplines scholars have argued for “critical realism” (e.g., Fairclough, 2005) or a “pragmatic” approach for research inquiry. There are fewer studies on realism and pragmatism that address strategic decision-making and management of organizations. One exception is Alford & Hughes (2008) in which the authors propose “public value pragmatism” approach according to which “the best management approach to adopt depends on the circumstances, such as the value being produced, the context, or the nature of the task” (p. 130). Another study (Hinthorne, 1996) examined pragmatism at the level of corporate leaders in the airline industry. Unlike some mission statement attributes, research on pragmatism is limited. For social enterprises we believe that pragmatism in strategic and operational decision-making is desirable because it can facilitate the best use of limited tangible and intangible resources. Hence, mission statements written with “pragmatic” language will result in better performance.
METHODS

Study Sample

The social enterprise organizations comprising our sample were drawn from the arts and culture sector. The data were obtained from the Cultural Data Project (CDP), an online management tool for arts and cultural organizations that enables organizations to enter financial, programmatic, and operational data into a standardized online form. The tool is useful for participating organizations to produce a variety of reports to assist with management or to use for grant application purposes. The project produces a dataset that provides researchers with substantial information about participating organizations that are mostly nonprofit arts and cultural institutions. The CDP data has greater detail than the widely used National Center for Charitable Statistics (NCCS) database. For example it offers the full mission statement for each organization and relevant performance information in addition to financial measures. Since the project was initiated in Pennsylvania in 2004 by a group of grant makers and arts advocates and went through the national expansion in the following years, the number of observations in each year varies. We decided to use the 2011 records, which has the most observations. Organizations selected for this study are 501c3 public charities and those reporting based on 12-month accounting terms. Out of 2,166 organization’s CDP records, 33 observations were removed because of the absence of mission statements. Additional 28 observations showed negative scores reported for one of the five master variables. We regard this to be the outcome of program error and decided to remove from the sample. Out of the remaining observations, 47 organizations reported no attendance at all during the year observed and thus were removed from the study sample.
The states covered by the currently available CDP data include Arizona, California, Illinois, Maryland, Massachusetts, Michigan, New York, Ohio, Pennsylvania, Rhodes Island, Vermont and the District of Columbia. The arts and culture sector contains various types of organizations with a wide range of programs, which makes it challenging to compare performance outcomes. Therefore we focused on performing arts nonprofits. According to the National Standard for Arts Information Exchange Project (NISP) codes, performing arts organizations include: Performing Group, Performing Group - College/University, Performing Group - Community, Performing Group - Youth, and Performance Facility. These organizations have been identified based on the National Taxonomy of Exempt Entities (NTEE) classification system. Our final sample included 2,059 nonprofit performing arts organizations registered with the Internal Revenue Service (IRS) as 501c3 public charities.

**Dependent Variables**

As discussed earlier we used the instrumental-expressive typology and financial and non-financial performance measures for social enterprise. Our study had four dependent variables.

**Financial Sustainability (Instrumental & Financial).** We operationalized the financial indicator of the instrumental function of a social enterprise in terms of its financial sustainability. We developed a financial sustainability index using Tuckman and Chang’s (1991) four financial ratios approach. After slightly modifying Tuckman and Chang’s (1991) approach, we measured financial sustainability with an index ranging from 1 to 5. Nonprofits were coded as financially sustainable with an index score of 5 if none of the financial ratios fell into the bottom quartile of
the entire sample. If one out of the four criteria was in the bottom quartile, the financial sustainability index decreased to 4. Approximately 75% of the organizations in the sample spent over 9% of their total revenue on administration expenses. If an organization’s administrative expenditure ratio fell below 0.9 while other ratios remain above the bottom quartile, its financial sustainability index is 4. If all of ratios fell into the bottom quartile, the organization was defined as financially vulnerable with an index score of 1. The four ratios which determined financial sustainability were equity balance, administrative costs, revenue concentration and operating margin. We followed approaches in prior studies to calculate the four ratios -- e.g., Carroll & Stater, 2009; Chang & Tuckman, 1996; Grønbjerg, 1993; Frumkin & Keating, 2011; Hager, 2001; Trussel & Greenlee, 2000; Trussel, 2002. Equity balance was calculated by subtracting the liabilities from total assets, which was then divided by total revenues. Administrative costs ratio was the sum of general management and fundraising costs out of annual expenses. Revenue concentration was estimated by calculating a Herfindahl-Hirschman Index for three revenue categories—earned revenue, program revenue, and investment and others. Revenue concentration was operationalized by summing the squares of the proportions of total revenue that each revenue stream represents. Finally, operating margin was calculated by subtracting the annual total expense from the annual total revenue and dividing by the amount by total revenue.

**Total attendance (Instrumental & Non-financial).** We operationalized the non-financial indicator of the instrumental function of a social enterprise in terms of the total attendance for an organization. In their study of market-based practice and church performance, White and Simas (2008) operationalized total attendance (the number of people receiving services/coming to programs) as a measure of program outcomes. Total attendance is the sum of total paid
attendance and total free attendance. It represents the number of people that visited and attended the organization, participated in any events, or experienced the organization’s work. The number includes all audiences served regardless of whether they were general visitors, ticket holders, members, subscribers, students taking classes, workshop participants, those attending outreach activities during a free admission period or with complimentary tickets. The number also covers the attendance at organizations without admission fees. On average, organizations in our sample served over 200,000 individuals in a given year. Since the distribution of this variable was skewed to the left, we log transformed the number of total attendance.

The amount of individual giving (Expressive & Financial). We operationalized the expressive-financial outcome as the amount of total individual giving for an organization. Charitable giving is a clear expression of individual values and faith and it is vital to the nonprofit sector (Berger & Neuhaus, 1996; Frumkin, 2005). We measured financial outcome of expressive function by estimating the amount of total giving made by individuals. In order to focus only on donations made by the public at large, charitable contributions by board members, trustees, or advisors were not included as part of individual giving. On average, nonprofit performing arts and cultural organizations received about $160,000 from individual donors in 2011. This represented about 12% of the total revenue received by the organizations in the sample. We log transformed the individual donations variable to make the positively skewed distribution more normal.

The number of volunteers (Expressive & Non-financial). We operationalized the expressive-non-financial performance measure as the number of volunteers engaged with the organization.
We were interested in the extent of expressive function fulfilled by the social enterprise, therefore we examined the number of volunteers regardless of hours spent by each. For 2011, an average of 80 individuals volunteered their time for the organizations in our sample. Of these volunteers, approximately 13% spent hours that were equivalent to that of full-time employees.

**Independent Variables**

The five mission statement attributes – activity, certainty, commonality, optimism and realism -- constituted our independent variables. We used the text analysis program DICTION to perform content analysis of mission statements and extract scores for each mission statement attribute. According to computer content analysis researchers, the DICTION program is a powerful, well-validated content analysis software grounded in linguistic theory that can be used to study various management topics (see. Short and Palmer, 2008 for an excellent overview). The DICTION manual (Hart & Carroll, 2012) provides details on how variables corresponding to each mission statement attribute are calculated and we reproduce relevant information in this section. DICTION has 33 subaltern variables and five master variables. The master variable scores are computed by the program by converting all subaltern variable scores to z-scores and then combining (by addition and subtraction) and adding a constant of 50 (to eliminate negative numbers). Formulas for the five master variables in the DICTION program are as below:

- **Activity** = \([\text{Aggression} + \text{Accomplishment} + \text{Communication} + \text{Motion}] - [\text{Cognitive Terms} + \text{Passivity} + \text{Embellishment}]\)

- **Certainty** = \([\text{Familiarity} + \text{Spatial Awareness} + \text{Temporal Awareness} + \text{Present Concern} + \text{Human Interest} + \text{Concreteness}] - [\text{Past Concern} + \text{Complexity}]\)
• Commonality = [Centrality + Cooperation + Rapport] - [Diversity + Exclusion + Liberation]

• Optimism = [Praise + Satisfaction + Inspiration] – [Blame + Hardship + Denial]

• Realism = [Familiarity + Spatial Awareness + Temporal Awareness + Present Concern + Human Interest + Concreteness] – [Past Concern + Complexity]

The organizations in our study sample had the following mean scores for the five mission statement attributes -- activity (47.39), certainty (43.52), commonality (49.97), optimism (55.50) and realism (45.41).

Control Variables

For this study, we included four control variables—total expense, the number of board members, the number of full time staff, and organizations’ age—to account for alternative explanations for performance outcomes. Organizational size, measured in terms of total expense, the number of board members, and the number of full time staff in this study, are closely related to economies of scale and determine the ability of the organization to offer programs (Calabrese, 2012; Carroll and Stater, 2009; Trussel, 2002). Larger organizations are more likely to have the financial capacity to withstand fiscal shocks. Organization size is defined as the natural logarithm of total revenues, as in Calabrese (2012). If a nonprofit has been in the business for an extended time, it is likely to have a sound financial management strategy. Also, earlier studies (Hager, 2001; Tinkelman and Neely, 2010) show that an organization’s age (i.e. its years in operation) can be a proxy for a nonprofit’s reputation, and organizations with longevity may be better at providing a hedge against economic downturns. The ruling date for tax exemption from the IRS has been often used as a proxy for the founding year (Tinkelman & Neely, 2010). Yet,
not every organization obtains tax-exempt status in the year of foundation. Hence, organization age is measured using the exact year a nonprofit was created, available in the CDP data.

RESULTS

Table 2 shows the summary statistics of variables used in our study along with the correlation matrix of all variables. According to the Table 2, the five mission statement attribute variables show low correlation with each other, with an average of -0.03 and the highest correlation at 0.11.

[INSERT Table 2 about here]

As discussed earlier we used the instrumental-expressive typology to identify social enterprise performance indicators and variables for this study. We used each of the four performance outcome measures as a dependent variable, and tested four separate models which examined the relationship between mission statement attributes and social enterprise performance. Table 3 presents the regression results. All four models were statistically significant. The results in Table 3 suggest that the mission attribute “activity” has a positive relationship with two performance variables – financial sustainability ($\beta=0.05, p < 0.01$) and number of volunteers ($\beta=0.05, p < 0.01$). The mission attribute “commonality” has a positive association with total attendance ($\beta=0.03, p < 0.05$). The mission attribute “optimism” has a positive relationship with financial sustainability ($\beta=0.05, p < 0.01$) and the mission attribute “realism” has a positive association with individual giving ($\beta=0.03, p < 0.05$). For our study sample, the mission statement attribute “certainty” does not have a statistically significant association with any of the four performance variables. It is worth noting that we could not
frame a clear hypothesis for this mission statement attribute because of widely varying perspectives on the implications of certainty for enterprises.

[INSERT Table 3 about here]

The results in Table 3 also support our use of the four control variables -- total expense, the number of board members, the number of full time staff, and organizations’ age. We found statistically significant effects of these controls on one or more of the four dependent variables used in the study. Not surprisingly, larger organizations, represented by the size of annual budget, have positive association with all four measures of performance. Another indicator of the organization size, the size of board, is also positively associated with all performance measures except attendance.

**DISCUSSION AND CONCLUSION**

Our goal in this paper was to examine the relationship between mission statement framing and social enterprise performance. This research objective was driven by our observation that oftentimes social enterprises are founded by passionate individuals who are driven by their cause but lack management knowledge, tools and techniques. The limited understanding and appreciation of this organizational communiqué and how it can be imbued with the strategic rationale does not preclude drafting of the mission statement in a manner that seeks to engage with and connect with different stakeholders. If well-crafted mission statements can invite various organizational stakeholders to “buy-in” with the vision, mission and strategy for the organization (Braun et al., 2012), is there extant knowledge on mission statements that can guide social entrepreneurs? Our literature review suggested that there is limited empirical research on mission statements of social enterprises.
Mission statements have been analyzed in the past -- mostly in research on for-profit organizations and some non-profit organizations. These prior studies adopted a strategic rationale approach and examined mission statements for strategic content (Pearce and David 1987). The strategic rationale approach is useful but its biggest limitation is that the central strategic content must be redefined for each unique strategic context. We, therefore, employed an alternative approach which is based on linguistic theory. The linguistic theory approach has been developed by communication scholars (e.g., Hart, 2001) and its application for the management context was demonstrated by Short and Palmer (2008) in their analysis of mission statements of business schools.

The underlying assumption of the linguistic theory approach is that the power of language used in mission statements -- to communicate and connect with different stakeholders rather than its strategic content -- may be the driving force behind improved performance. Unlike the strategic rationale approach, the linguistic theory approach is sufficiently generic and linguistically comprehensive which makes it possible to use this approach in different organizational contexts. Hart (2001) summarizes the universal basis for this approach “if only five questions could be asked of a given passage, these five would provide the most robust understanding” (p. 45). In this quote, Hart refers to the five linguistic attributes -- activity, certainty, commonality, optimism and realism -- which comprise the mission statement attributes for our study.

Our analysis indicated that four mission statement attributes – activity, commonality, optimism and realism -- were positively associated with one or more of the performance measures examined in our study. We used theoretically grounded four-fold classification of performance measures of social enterprise performance. Our empirical results establish that a
well-crafted mission statement contributes to the success and sustainability of social enterprise endeavors.

Social enterprise leaders should consider the underlying linguistic attributes along with the rational aspects of mission statement. In other words, they need to pay attention not only to the strategic content of mission statement but also how the mission is framed and expressed. For instance, mission statements that emphasize relevance of their activities to the everyday life can appeal to individual donors. If an arts enterprise strives to attract a broader audience, it can incorporate language that highlights shared values and experiences. Carefully constructed mission statements can be an effective and persuasive communication tool.

Given the intense competition between social enterprises for declining funding options, there is interest in how leaders of social enterprises can connect with and engage with different stakeholders. We can learn more about social enterprise management by applying content analysis methodology to analyze documents that are shared throughout the organizations. Examples of documents that can be analyzed include governing policy manuals, board meeting minute notes, and strategic plans.

This study is not without limitations. First, it is a cross-sectional study, which has inherent disadvantages. Even though a reversed relationship is unlikely; that is, an increase in performance outcomes changes the way organizations draft the mission statements, we cannot definitively rule out this possibility. Future empirical studies can clarify the causal relationship between mission statements and performance outcomes. For instance, looking at the difference in performance before and after an organization changes its official mission statement can substantiate our findings. Second, our study focuses on a narrow type of social enterprise, nonprofit arts and culture organizations. Despite these limitations, this study adds to knowledge
about linguistic attributes of mission statements of social enterprises. We hope to see more studies that parse mission statements, the real bottom line for social enterprises. By examining the relationship between mission statements and organizational performance, our study contributes to the broader interest in effective leadership and management of social enterprises.
REFERENCES


Figure 1. Financial and Non-financial Performance Measures for Instrumental and Expressive Dimensions

<table>
<thead>
<tr>
<th>Instrumental Dimension</th>
<th>Financial Measures</th>
<th>Non-financial Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Sustainability</td>
<td></td>
<td>Total Attendance</td>
</tr>
<tr>
<td>Individual Giving</td>
<td></td>
<td>Volunteers</td>
</tr>
</tbody>
</table>

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Table 1. Mission Statement Attributes – Five master attributes extracted by DICTION with their linguistic definition and contextual examples

<table>
<thead>
<tr>
<th>Linguistic Dimension</th>
<th>Linguistic Definition</th>
<th>Contextual Example(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>activity</td>
<td>Language featuring movement, change, the implementation of ideas and the avoidance of inertia</td>
<td>&quot;...strengthens the connection and shared humanity among its diverse audiences by giving voice to the people whose stories go unheard&quot;</td>
</tr>
<tr>
<td>certainty</td>
<td>Language indicating resoluteness, inflexibility, and completeness and a tendency to speak ex cathedra</td>
<td>&quot;...to provide high-quality entertainment, in the realm of community musical theatre, for all attending audience members. With three adult shows and one children's show set for each performance year, ... reaches out to the multicultural needs and elements of its volunteers, patrons, and everyone who is involved in performing arts&quot;</td>
</tr>
<tr>
<td>commonality</td>
<td>Language highlighting the agreed-upon values of a group and rejecting idiosyncratic modes of engagement</td>
<td>&quot;...seeks to connect and enrich the lives of actors and audiences through the shared intimate experiences of a theatre of excellence&quot;</td>
</tr>
<tr>
<td>optimism</td>
<td>Language endorsing some person, group, concept or event or highlighting their positive entailments</td>
<td>&quot;...inspire our diverse community through musical excellence and collective pride&quot;</td>
</tr>
<tr>
<td>realism</td>
<td>Language describing tangible, immediate, recognizable matters that affect people’s everyday lives</td>
<td>&quot;Doing shows that we want to see, ... makes theatre fun and relevant to today's complex audiences&quot;</td>
</tr>
</tbody>
</table>
Table 2. Means, standard deviations, and correlations of study variables

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Financial sustainability index</td>
<td>4.19</td>
<td>0.80</td>
<td></td>
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<td></td>
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<tr>
<td>2 Total attendance</td>
<td>207,746</td>
<td>5,585,110</td>
<td>0.00</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>3 Natural logarithm of total attendance</td>
<td>8.56</td>
<td>1.83</td>
<td></td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>4 Number of volunteers</td>
<td>79.81</td>
<td>221.58</td>
<td>0.03</td>
<td>0.31</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>5 Individual contributions</td>
<td>158,889</td>
<td>1,061,564</td>
<td>0.07</td>
<td>0.32</td>
<td>0.34</td>
<td></td>
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<tr>
<td>6 Natural logarithm of individual contributions</td>
<td>3.96</td>
<td>1.23</td>
<td>0.01</td>
<td>0.44</td>
<td>0.23</td>
<td>0.29</td>
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<tr>
<td>7 Mission statement--activity</td>
<td>47.39</td>
<td>8.93</td>
<td>-0.01</td>
<td>-0.07</td>
<td>0.01</td>
<td>-0.02</td>
<td>-0.06</td>
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</tr>
<tr>
<td>8 Mission statement--certainty</td>
<td>43.52</td>
<td>4.78</td>
<td>-0.01</td>
<td>-0.03</td>
<td>-0.01</td>
<td>0.00</td>
<td>-0.04</td>
<td>0.06</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>9 Mission statement--commonality</td>
<td>49.97</td>
<td>6.24</td>
<td>-0.02</td>
<td>0.05</td>
<td>0.01</td>
<td>0.01</td>
<td>-0.06</td>
<td>0.03</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>10 Mission statement--optimism</td>
<td>55.50</td>
<td>6.19</td>
<td>0.01</td>
<td>0.13</td>
<td>0.07</td>
<td>0.02</td>
<td>0.12</td>
<td>-0.17</td>
<td>-0.15</td>
<td>-0.05</td>
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<tr>
<td>11 Mission statement--realism</td>
<td>45.41</td>
<td>4.81</td>
<td>-0.03</td>
<td>-0.07</td>
<td>-0.01</td>
<td>-0.01</td>
<td>-0.03</td>
<td>0.07</td>
<td>0.11</td>
<td>0.00</td>
<td>-0.10</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>12 Organization age</td>
<td>31.72</td>
<td>24.42</td>
<td>0.02</td>
<td>0.31</td>
<td>0.19</td>
<td>0.25</td>
<td>0.24</td>
<td>-0.05</td>
<td>-0.01</td>
<td>0.02</td>
<td>0.11</td>
<td>0.01</td>
<td></td>
<td></td>
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<tr>
<td>13 Total expenses</td>
<td>1,286,178</td>
<td>6,470,826</td>
<td>0.05</td>
<td>0.40</td>
<td>0.32</td>
<td>0.79</td>
<td>0.33</td>
<td>-0.04</td>
<td>-0.02</td>
<td>-0.01</td>
<td>0.02</td>
<td>-0.02</td>
<td>0.25</td>
<td></td>
<td></td>
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<tr>
<td>14 Natural logarithm of total expenses</td>
<td>12.00</td>
<td>1.76</td>
<td>0.02</td>
<td>0.74</td>
<td>0.34</td>
<td>0.37</td>
<td>0.67</td>
<td>-0.08</td>
<td>-0.05</td>
<td>0.03</td>
<td>0.15</td>
<td>-0.08</td>
<td>0.36</td>
<td>0.49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Number of board members</td>
<td>12.37</td>
<td>11.15</td>
<td>0.04</td>
<td>0.50</td>
<td>0.41</td>
<td>0.53</td>
<td>0.47</td>
<td>-0.08</td>
<td>-0.01</td>
<td>0.00</td>
<td>0.16</td>
<td>-0.01</td>
<td>0.44</td>
<td>0.61</td>
<td>0.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Number of full time staff</td>
<td>5.34</td>
<td>22.65</td>
<td>0.04</td>
<td>0.41</td>
<td>0.32</td>
<td>0.67</td>
<td>0.34</td>
<td>-0.04</td>
<td>-0.03</td>
<td>-0.01</td>
<td>0.06</td>
<td>-0.04</td>
<td>0.29</td>
<td>0.82</td>
<td>0.50</td>
<td>0.61</td>
<td></td>
</tr>
</tbody>
</table>

*** p < 0.01, ** p < 0.05, and * p < 0.1
Table 3. Regression Analyses -- Testing the Relationship between Mission Statement Attributes and Social Enterprise/Nonprofit Outcomes

<table>
<thead>
<tr>
<th></th>
<th>Financial Sustainability Index</th>
<th>Natural Logarithm of Total Attendance</th>
<th>Natural Logarithm of Individual</th>
<th>Number of Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coef. (Std.Err.) Beta</td>
<td>Coef. (Std.Err.) Beta</td>
<td>Coef. (Std.Err.) Beta</td>
<td>Coef. (Std.Err.) Beta</td>
</tr>
<tr>
<td>Mission statement--activity</td>
<td>0.0046 ** (0.0019) 0.0508</td>
<td>-0.0016 -0.0078</td>
<td>-0.0009 -0.0062</td>
<td>1.2785 ** (0.5044) 0.0515</td>
</tr>
<tr>
<td>Mission statement--certainty</td>
<td>-0.0031 (0.0036) -0.0186</td>
<td>0.0045 0.0117</td>
<td>-0.0018 -0.0070</td>
<td>-0.0582 -0.0013</td>
</tr>
<tr>
<td>Mission statement--commonality</td>
<td>0.0005 (0.0027) 0.0038</td>
<td>0.0081 * 0.0276</td>
<td>-0.0016 -0.0081</td>
<td>0.5167 0.0146</td>
</tr>
<tr>
<td>Mission statement--optimism</td>
<td>0.0060 ** (0.0029) 0.0466</td>
<td>0.0056 0.0190</td>
<td>0.0025 0.0128</td>
<td>0.2982 0.0083</td>
</tr>
<tr>
<td>Mission statement--realism</td>
<td>-0.0009 (0.0036) -0.0056</td>
<td>-0.0023 -0.0061</td>
<td>0.0077 * 0.0301</td>
<td>-0.1043 -0.0023</td>
</tr>
<tr>
<td>Organization age</td>
<td>-0.0007 (0.0008) -0.0226</td>
<td>0.0031 ** 0.0409</td>
<td>-0.0009 -0.0184</td>
<td>-0.0825 -0.0091</td>
</tr>
<tr>
<td>Natural logarithm of total expenses</td>
<td>0.0997 *** (0.0129) 0.2187</td>
<td>0.7186 *** 0.6906</td>
<td>0.4422 *** 0.6314</td>
<td>13.5706 *** 0.1076</td>
</tr>
<tr>
<td>Number of board members</td>
<td>0.0083 *** (0.0023) 0.1156</td>
<td>0.0025 0.0155</td>
<td>0.0099 *** 0.0893</td>
<td>5.8879 *** 0.2963</td>
</tr>
<tr>
<td>Number of full time staff</td>
<td>-0.0013 (0.0010) -0.0373</td>
<td>0.0029 * 0.0382</td>
<td>-0.0015 -0.0278</td>
<td>0.8825 *** 0.0902</td>
</tr>
<tr>
<td>Constant</td>
<td>2.5290 *** (0.3674)</td>
<td>-0.9423 .</td>
<td>-1.7241 *** .</td>
<td>-253.6463 ***</td>
</tr>
</tbody>
</table>

Adj R-squared 0.0797*** 0.5471*** 0.4488*** 0.1835***

N=2059
Std. Err. in parenthesis
*** p < 0.01, ** p < 0.05, and * p < 0.1