

Company Mission Statement, Social Responsibility Fulfillment, and Financial Performance

Deqiang Deng

School of Economics and Management
Nanjing University of Science and Technology
Nanjing, China
dq_deng@njjust.edu.cn

Haiqin Wei

School of Economics and Management
Nanjing University of Science and Technology
Nanjing, China
RachelHqWei@163.com

Abstract—Mission statement is an important tool for the company to communicate its basic values to stakeholders. It is the cornerstone of the company's management system. The mission statement's focus on stakeholders will guide the company to fulfill its social responsibilities to stakeholders. This will affect the resources obtained from the stakeholders and thus affect the financial performance of the company. Based on the perspective of stakeholders, this paper takes the financial data of the companies with mission statement listed in Fortune (Chinese version) China's top 500 companies in 2018 with A-share as the research object, and studies the relationship between mission statement and financial performance as well as the regulating role of social responsibility in it. The conclusion of the study is that the attention of the mission statement to customers and employees is positively related to the financial performance of the company. The performance of corporate social responsibility and financial performance is positively related, and the performance of other stakeholders is negatively related to financial performance. In addition, social responsibility has a negative regulatory effect on the relationship between mission statement and financial performance.

Keywords—Mission statement; Social responsibility fulfillment; Financial performance; Stakeholders

I. INTRODUCTION

With the rapid development of China's economy and the gradual improvement of its status in the world, China's economic status is irreplaceable and more and more Chinese companies are springing out. With the continuous deepening of reform and opening up, many local companies have begun to expand their markets and conduct trans-regional or even transnational operations. However, it is worth noting that although more and more Chinese companies are entering the international market, blind expansion leads to different degrees of failure, and few companies can achieve significant achievements in the international market. The root cause is that many companies pursue short-term profits to maximize the interests of shareholders, focus management on technological innovation, and even ignore corporate social responsibility to reduce costs and achieve higher profits. This kind of short-sighted behavior, which ignores the company's existence purpose and social responsibility and pursues short-term interests, makes the company lose long-term competitiveness and low management level, and finally leads to the company's inability to grow stronger and bigger. Chinese companies

generally ignore the ultimate goal of sustainable operation, because the company has not formed a complete management system, does not have its own corporate cultural value, the company does not have a clear positioning, do not understand what their real goal is.

The value of mission statement depends on its relationship with financial performance. In view of this problem, the current research results show a "mission paradox"[1], the academic community has not formed a unified view. Through reading, the author finds that although there is no consistent conclusion on the relationship between mission statement and corporate financial performance, most scholars hold the view that mission statement is positively related to corporate financial performance. Many experts and scholars at home and abroad are studying the relationship between mission statement and financial performance, but few scholars are studying how mission statement affects corporate financial performance. The mission statement reflects the company's values, and the behavior of guiding the company to fulfill its social responsibility to stakeholders is bound to be affected by the mission statement. Therefore, this paper introduces the intermediate variable of social responsibility when studying the relationship between mission statement and financial performance.

To sum up, based on the perspective of stakeholders, this paper studies the relationship among mission statement, social responsibility fulfillment and financial performance of Chinese companies under the influence of Confucian culture. This paper aims to answer the following questions:

1. Impact of mission statement on financial performance.
2. The moderating role of social responsibility in the relationship between mission statement and financial performance.

II. THEORETICAL ANALYSIS AND RESEARCH HYPOTHESES

A. Mission statement and financial performance

The mission statement defines the company's cultural value, self-positioning and ultimate goal[2]. It is the cornerstone for the company to form a complete management system and the fundamental driving force for the company's survival and development[3]. Companies invest resources and costs to design and comply with mission statements if they are of

positive value to financial performance. As mentioned above, the research in this paper is based on the background of Chinese economy and Chinese culture. Therefore, based on the feature that Chinese government has a significant influence on companies, the author classifies the government into stakeholders. In short, the stakeholders of this paper include customers, employees, shareholders, society, government and suppliers.

Stakeholder perspective, element composition perspective and functional perspective are three common research perspectives[4]. This paper studies the relationship between corporate mission statement and financial performance from the perspective of stakeholders. Companies are not independent individuals. To achieve survival and prosperity, all stakeholders must be considered and their needs met[5]. Most scholars represented by Bartkusetal (2016) believe that a company and its stakeholders interact with each other, and focusing on stakeholders will bring good financial performance to the company. Therefore, this paper proposes the following assumptions regarding the relationship between mission statement and financial performance:

H1a. Corporate mission statement concerns about customers are positively correlated with financial performance

H1b. Corporate mission statement concerns about employees are positively correlated with financial performance

H1c. Corporate mission statement concerns about shareholders are positively correlated with financial performance

H1d. Corporate mission statement concerns about society are positively correlated with financial performance

H1e. Corporate mission statement concerns about government are positively correlated with financial performance

H1f. Corporate mission statement concerns about supplier are positively correlated with financial performance

B. The moderating effect of social responsibility fulfillment

Haslinda Yusoff (2013) conducted an empirical study with listed companies in Malaysia as the research sample, and the results showed that companies that did well in the disclosure of social responsibility would tend to improve their financial performance in the next year, which means that social responsibility has a positive impact on financial performance. Zhang zhaoguo (2009) studied the relationship between social responsibility and financial performance with normative analysis and empirical analysis from the perspective of stakeholders, and the results showed that social responsibility was conducive to the growth of financial performance. Dong yong (2017) studied from the perspective of social responsibility information disclosure and found that the better a company does in social responsibility information disclosure, the better its financial performance[6].

To sum up, the author proposes that social responsibility fulfillment plays a moderating role in the relationship between mission statement and financial performance:

H2a. Fulfilling social responsibility to customers plays a positive regulating role in the relationship between mission statement and financial performance.

H2b. Fulfilling social responsibility to employees plays a positive regulating role in the relationship between mission statement and financial performance.

H2c. Fulfilling social responsibility to shareholders plays a positive regulating role in the relationship between mission statement and financial performance.

H2d. Fulfilling social responsibility to society plays a positive regulating role in the relationship between mission statement and financial performance.

H2e. Fulfilling social responsibility to government plays a positive regulating role in the relationship between mission statement and financial performance.

H2f. Fulfilling social responsibility to supplier plays a positive regulating role in the relationship between mission statement and financial performance.

III. RESEARCH DESIGN

A. Sample selection and data sources

We choose China's top 500 A-share listed companies, because the domestic listed companies website information is more perfect, easy to access to relevant information, and A-share listed company data is available. The effective sample of this paper is defined as the non-financial A-share listed companies with mission statement among China's top 500 companies. After searching and screening the data of the sample, it is found that 349 of the 500 companies are A-share listed, 85 of which have no mission statement, and 24 of the remaining companies belong to the financial industry, so the effective sample is 264. 82.52% of the companies have a mission statement, which indicates that large Chinese listed companies have a high awareness of mission statement. The mission statement content of this paper comes from the websites and public annual reports of various companies. The main channels to obtain financial data involved in this paper are CSMAR database, RESSET database and WIND database. Some missing or abnormal data can be obtained by manually consulting the annual reports of listed companies published on giant tide consulting. Data processing and statistical analysis in this paper were EXCEL2013 and SPSS19.0.

B. Variable definition and measurement

The independent variable is stakeholder. If stakeholder is mentioned in the mission statement, it will be counted as 1; otherwise, it will be 0. The dependent variable in this paper is corporate financial performance. The author found that the financial performance in domestic and foreign researches is mostly represented by ROA. Therefore, this paper also takes the return on assets as an indicator to measure financial performance. In order to improve the accuracy of the research results, this paper controls three variables, namely, company size, industry and financial leverage

IV. EMPIRICAL ANALYSIS

As can be seen from table 1, at the level of 0.05, there is a positive correlation between customers, employees and financial performance. Companies whose mission statements mention concerns about customers and employees have better financial performance than those whose mission statements don't mention employees. Confucianism can explain this. The management thoughts of Confucianism are embodied in the analects of Confucius and Mencius. Confucianism takes "benevolence" as the core and puts human factors in the first place. The Confucian way mainly refers to the way of human beings and puts people first. The company's concern for the interests of customers and the working environment, interests and prospects of employees is a reflection of "people-oriented" in modern company management. Unfortunately, it can be seen from table 1 that the relationship between other stakeholders in model 1 and financial performance is not significant. Therefore, only two hypotheses of positive correlation between customer and employee and financial performance in the mission statement passed the empirical test.

We can find a significant positive correlation between customer concern and financial performance in table 1, which passes the test at the level of 1%. In terms of fulfilling social responsibility to all stakeholders, the responsibilities to customers, employees and the government all have a negative impact on financial performance at the level of 1%, while the social responsibility to shareholders is conducive to financial performance. The fulfillment of social responsibility to shareholders is beneficial to financial performance, which is consistent with the view that "shareholders' interests come first". However, the more responsibility a company takes for its customers, employees, government and other stakeholders, the worse its financial performance will be. This is contradictory to the theory of social responsibility. The author believes that the negative impact of social responsibility on financial performance, contrary to the theory of social responsibility, is due to the current special national conditions of China. At present, Chinese companies are still famous for "made in China", ignoring their own creativity and competitive advantages, blindly focusing on market share and financial performance. Most Chinese companies in the same industry produce similar products, lack their own unique competitive advantages, and have homogeneous competition. In this case, Chinese companies in the stage of capital accumulation can only improve their financial performance by reducing costs and expenses. High financial performance is consistent with the performance of social responsibility to shareholders, so it is beneficial to financial performance to pay attention to shareholders in the performance of social responsibility. However, for customers, employees, the government and other stakeholders, the company will try to reduce operating costs, control employee benefits, tax evasion to improve financial performance.

At the level of 0.01, the customer concern in model 3 is significantly positively correlated with financial performance, while the fulfillment of customers' social responsibility is not conducive to financial performance, which is tested at the level of 1%. The product of customer and customer responsibility is also significantly negatively correlated with ROA at the 1%

level. In the relationship between mission statement and financial performance, social responsibility plays a negative moderating role. This conclusion indicates that the company expresses concern for customers in the mission statement, but does not actually fulfill social responsibility for customers, which will have a positive relationship with financial performance. Words and deeds of deviating from the reason may be because companies want to attract more customers, only in the mission statement which in theory ensures to the customer's responsibility, will attract more customers to purchase or consumer products, but the company may be in order to reduce cost and is not practical to fulfill social responsibility to customers, only got empirical validation hypothesis 2c.

Through the above data analysis, it can be seen that Chinese society is deeply influenced by Confucian culture, and modern corporate management is also infused with Confucianism, emphasizing "benevolence" as the core and "people-oriented". Companies that focus on customers and employees tend to have better financial performance. The mission statement is the fundamental guide to the company's actions and the foundation of the company's culture. It guides the company's actions, but it is not the real action of the company. The fulfillment of the company's social responsibility is the real measure taken by the company, which will have an impact on the financial performance. Unfortunately, the above data analysis shows that CSR performance plays a negative moderating role between the concern of stakeholders in the mission statement and financial performance. Fundamentally, it is because the fulfillment of social responsibility will occupy the resources used by the company for profit and increase costs, which will lead to a negative impact on financial performance. To fulfill social responsibility information is difficult to obtain directly, so the Chinese market has not yet realized the powerful supervision of social responsibility to fulfill, this led to many companies in the mission statement expressed attention to stakeholders, got the resources, but not in practice, carry out the duties of these stakeholders, so as to promote the company's financial performance.

TABLE I. MULTIPLE REGRESSION RESULTS

Variable	Model 1	Model 2	Model 3
Customers	0.0167**	0.0007***	0.0018***
Employees	0.0199**	0.4345	0.8687
Shareholders	0.7189	0.669	0.3035
Society	0.3707	0.3514	0.3887
Government	0.8127	0.3868	0.5189
Suppliers	0.5896	0.2799	0.8111
CSR to customers		0***	0.0021***
CSR to employees		0***	0.0003***
CSR to shareholders		0***	0***
CSR to society		0.7686	0.2247
CSR to government		0***	0.0003***
CSR to suppliers		0.9543	0.8035
Customers*CSR to customers			0.0088***
Employees*CSR to employees			0.8653
Shareholders* CSR to shareholders			0.0038***

Cont. to TABLE I			
Society* CSR to society			0.7275
Government* CSR to government			0.6503
Suppliers* CSR to suppliers			0.2363
In Assets			0.1005
Lev			0***
Industry			-
R ²			0.4927

V. CONCLUSION

At present, there are many scholars who study the relationship between mission statement and financial performance alone or the relationship between social responsibility fulfillment and financial performance alone. However, few experts consider the moderating role of social responsibility when studying the relationship between mission statement and financial performance. This paper introduced social responsibility fulfillment as a moderating variable into the research on the relationship between mission statement and financial performance. This paper took the non-financial industry companies with mission statement selected by Fortune 500 in 2018 as samples and found through empirical research:

(1) Based on Chinese culture and China's national conditions, the management philosophy of Chinese companies is deeply influenced by Confucianism. Confucian culture, such as "do not do to others what you do not want others to do to you", "benevolence" and "people-oriented", exerts a subtle influence on the performance of the mission and social responsibility of Chinese companies.

(2) Different from western developed countries, the society is the stakeholder that Chinese companies pay the most attention to, because the corporate public image is often set up through charity and other social responsibilities, which also indicates that Chinese companies pay more attention to their own public image than to other stakeholders.

(3) Few companies can contain six stakeholders, most of which are general stakeholders. Only 15 companies can mention six stakeholders in the mission statement. Therefore,

from the perspective of the breadth of stakeholder coverage, the current formulation level of Chinese companies' mission statement needs to be improved, and the importance of stakeholders needs to be strengthened.

(4) Companies that focus on customers and employees in their mission statements tend to have better financial performance, but the focus on other stakeholders does not have a positive impact on corporate financial performance.

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