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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA  
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**AN EXPLORATORY STUDY ON MALAYSIAN ORGANIZATIONS**

**BY**

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## ABSTRACT

*This paper extends a survey made by Dr. Christopher K. Bart & Dr. Mark C. Baetz that was carried out in Canada in 1998. The survey was conducted on the basis that many previous assertions and writings had suggested that an organization's mission statement is one of the most important foundations in organization's strategic planning and is also essential for determining organizational performance results. Notwithstanding to those assertions, there is still a lack of empirical and systematic proofs to support those claims. Thus, this study attempts to provide further evidence to support the significance of mission statement on organization's performance.*

*Data for this survey is collected via mail survey to 42 organizations in Malaysia to demonstrate the hypothesis that mission statements are correlated positively with higher levels of organizational performance. The findings show that there is evidence to support the generally held belief that the existence of mission statements contributes positively towards organization's performance.*

*The implications of this findings is that managers in organizations should realize the importance of mission statements and hence should give due consideration to properly engaging themselves in developing clear mission statements and in instilling the spirit of the mission statements in their organizations.*

# APPROVAL PAGE

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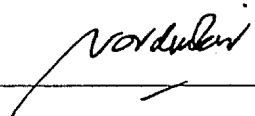
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AN EXPLORATORY STUDY OF MALAYSIAN ORGANIZATIONS**

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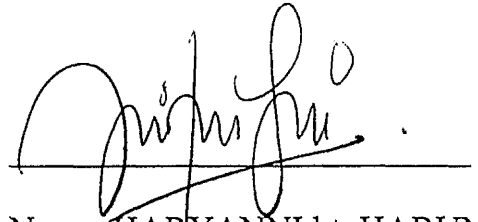
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## DECLARATION

I hereby declare that this project paper is the result of my own investigation except where otherwise stated. The reference notes acknowledge other sources and a bibliography is appended.

Date: 1<sup>st</sup> December 2000

A handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read 'Haryanni bt. Harun'.

Name: HARYANNI bt. HARUN

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## DEDICATION

Specially for My Beloved

Bapa, Dato' Ir. Harun A. Saruji

Mama, Datin Noor Azian Omar

Brothers, Wan & Boy

Sister, Tinie

Grandmother

Aunties & Uncles

Cousins

In-laws

And mostly for

My husband,

Abdul Razak Osman

And My Beloved Baby

Irdina Najihah.

*Nonie*

*1.10.2000*

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## CHAPTER ONE

### INTRODUCTION

#### Prelude - The Bart and Baetz Study (1998)

The study done by Bart and Baetz (1998) was an attempt to empirically study the relationship between mission statements and organizational performance. Bart and Baetz sought to prove the value of mission statements by analyzing the mission statements of 136 large Canadian organizations of the top-listed 500 industrial corporations in Canada. They stated that their findings are provocative and argued that most of the previous writings extolling the virtues of having a mission statement appear to be wrong or incomplete.

Their results showed that the presence of mission statements were not immediately associated with superior performances. However, their results are also somewhat mixed. They found that<sup>1</sup>:

- significant and positive correlation between firm performance and mission statements with which managers are satisfied
- significant and positive correlation between firm performance and the process used to develop mission statements.
- performance appeared to be both positively and significantly correlated where firm's performance evaluation system was aligned with its mission.

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<sup>1</sup> Extracted from Bart, C.K and Baetz, M.C, (1998). Journal of Management Studies, Nov98

Moreover, they are continuing their research so as to confirm that mission statements do matter in the firm's performance. Thus, with the belief that the relationship between mission statements and performance can still be explored this study attempts to review the study by Dr. Bart and Dr. Baetz with the hope to provide a result that will contribute to their continuous research.

However, in approaching the matter concerned, this study attempts to conduct the investigation in a slightly different issue as compared to their study. The presentation of this paper will reveal the preceding statement.

## **1.1 Organization of the paper**

This paper is divided into five chapters. Chapter 1 begins with brief introduction to the background of the study. The second chapter provides a previous predication of the literature on mission statements and performance. Chapter 3 follows by outlining the methodology used to derive the sample and the instruments used in testing the hypotheses.

Chapter 4 focuses on the analysis of the data, interpretation of the result and the significant of the findings as related to the objectives of the study. The paper concludes with a discussion of the results and propositions for future research in Chapter 5.

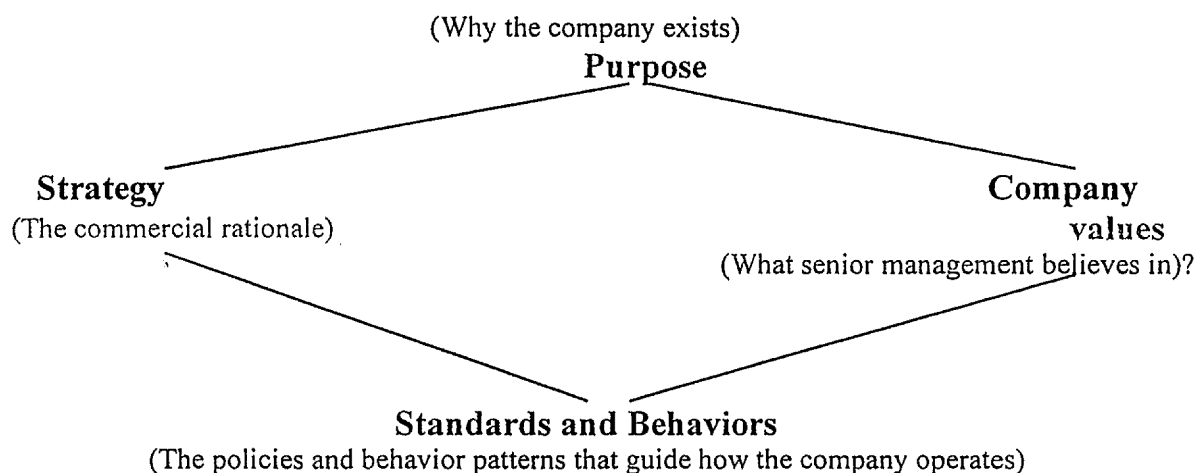
## 1.2 Background

In the field of organizational development, mission is included in the wide study of strategic planning. Strategic planning establishes the means to achieve the future. It requires the organization to specify where it wishes to go in future and how it can get there. Gatewood, Taylor and Ferrell (1995) suggested that planning is meant to increase probability that the organization will achieve its objective.

Thus it should be understood and realized by management practitioners that in maneuvering organizations to achieve their objectives they must formulate strategies. In formulating strategies, one of the basic steps is to determine the mission or purpose of the strategies. Khoo Kheng-Hor (1992) in his study of China's General Sun-Tzu's, *Art of War*, indicated that determining the mission is the first step in strategies formulation. According to his research, General Sun-Tzu regarded mission as the moral factor and refers it to an organization's continuing purposes with regard to certain categories of people' i.e. what is to be accomplished for whom? This shows that the basic dimension of an organizations is, having purpose and to achieve it.

What is a mission? There are an exert amount of definition that compound the understanding of what a mission is. Campbell and Tawadey (1990) suggested that the definitions of mission include elements that they called 'purpose', 'strategy', 'values' and 'behavior standards'. Their suggestions in a way champion General Sun-Tzu reference of mission.

The Ashridge Mission Model developed by Campbell & Tawadey (1990) comprehend their definition of mission. (See Figure 1.0)



**Figure 1.0 Ashridge Mission Model**

Every organization is found to have a vision, that is a hope or thinking of what they want to achieve, and many organizations realized that they are able to achieve better success when they have proper direction. Now, a mission is what drives the organization to accomplish their purpose. According to Pearce II (1990), in order to accomplish the organizations' purpose, strategic decision-makers must determine the basic goals, characteristics and philosophies that will shape the strategic posture of the organization. Thus, mission may serve as a knowledge structure about the organization's purpose, which would allow its members to remember and think about the organization and its task.

A mission statement creates meaning or sense of the purpose or mission determined by the organization and it makes definite organizational goals and priorities. Bart (1996) stated that traditionally mission statement is regarded as the essential starting point in designing an effective and successful strategy for any firm. It is then almost impossible to not find a study on strategic planning without the mention of the importance of having a mission statement. From many research and surveys conducted, it is found that about 60% of all organization (statistic of organization in USA) had developed a formal mission statement. This also proclaimed that high performing organization have more well developed mission statement as compared to the low performing ones.

Many world famous organizations such as AT&T, Johnson&Johnson, Disney has mission statements that convey the organization's unique, enduring purpose, and their pledge towards serving their business customers. In addition, these organizations are well known for their success in their business.


An example of AT&T's mission statement:

*"We are dedicated to being the world's best at bringing people together giving them easy access to each other and to the information and services they want— anytime, anywhere."*

**Figure 1.1 AT&T Mission Statement**

Figure 1.2 shows an example of mission statement of Malaysia's largest and leader of telecommunication industry – Telekom Malaysia Berhad.

**Figure 1.2 Telekom Malaysia Berhad Mission Statement**



*Our Mission is to provide Total Customer Satisfaction as we strive to become a World Class telecommunications Company. We will achieve this through developing people, products and services of the highest quality and meeting the needs of our nation, employees and shareholders.*

However, the true notable effects of mission statement on organizations' success have never been proven with exact evidence. It's relationship have been argued and assumed by many researchers, management scholars, consultants as well as managers for many years. Weiss & Piderit (1999), Bart (1996,1997,1998) indicated that there have been only a few studies that have tried to link findings about mission statements to any measures of performance. Apparently it is still vaguely known whether mission statements truly evolve differences in performance of organization. Thus, mission is still a relatively uncharted area of management (Campbell, 1989, 1993; Campbell & Yeung, 1991; Coats et al., 1991).

Further literature and discussion on mission statements and performance will be presented in the following chapter of this paper.

### **1.3 Statement of the Problem**

There have been many studies on the relationship between mission statement and organizations performance but only little have been conducted on Malaysian organizations. Dr. Christopher K. Bart and Dr. Mark C. Baetz conducted an exploratory study on this topic, which focused on large Canadian organizations in 1998.

And, as indicated in the preceding pages, there is still little empirical evidence to support the claim that previous writings suggest that mission statements are essential for superior organizational performance results. (Bart, 1998). Neither advocates nor skeptics for the case against mission statement had produced systematic proofs that mission statements help or hurt organizational performance.

Hence the purpose of this paper intent to revisit the exploratory study conducted by Dr. Bart and Dr. Baetz to find out whether the study and results that was derived from their research in Canada can produce the same result in Malaysia.

## 1.4 Objective of the Study

This study hopes to contribute towards providing a survey on the setting of mission statement as one of the dimensions in organization and its relations with the performance of the organization. The research will be conducted on organizations from diverse industries in Malaysia in hope to identify the problem in a slightly different angle from the previous research.

The research is predicted on the belief that organization's high performance is significantly correlated with the organization's mission statement. Overall, the objective of this study is to see the relationship between mission statement and organizations performance. Specifically, the study intends to determine that:

- 1) higher performance will be associated with organizations that have mission statement as compared to those without
- 2) higher satisfaction over mission statement give significant impact on organization's performance
- 3) higher performance is associated with the organizational values produced mission statements
- 4) mission statements contribute to employee's motivation

## **1.5 Significance of the Study**

This work is intended to contribute towards providing a continuous research on the importance of mission statement as one of the fundamentals in organizations and its relationship with the performance of the organization.

The researcher will assess the organizational performance by looking at its profitability, efficiency in operations and effectiveness in decision-making, and analyzing whether its status is much related to mission statements. This is intended to contribute towards a better understanding on implications of mission statement.

To attract the attention of more management practitioners towards learning and further understanding of the mission statement importance that at times are taken for granted by most organizations. This is in order to make sure that the creation of mission statement is looked upon seriously, and be able to inculcate better organizations performance.

## **1.6 Scope and Limitation of the Study**

The scope of the study is limited to organizations from diverse industries in the private sector. The discussion of the findings would therefore be limited to only this level.

Furthermore, the study has identified only a few factors that indicated the significance of mission statement on organizational performance. It is thus beyond the scope of this research to investigate other factors although they might have equal importance in the determining the significance level.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter will review the literature on theories of mission statements and the assertions that relate mission statement with organizational performance, motivations and values.

#### 2.2 Theoretical Background of Mission

The few early questions presumably many business entrepreneurs, organizations founders and policy makers would ask when building their business or organization are; “What is our business?”; “What should our business be?”; “What should we be doing?” and “What would we be achieving?”.

The founding father of the science of management, Peter F. Drucker in his book, ‘Management: Tasks, Responsibilities and Practices’ indicated that in building an organization that can endure and grow, the business must develop its business theory. The theory requires to be thought through and spelled out, meaning that it demands a clear definition of business purpose and business mission. Only a clear definition of business purpose and mission (Drucker, 1973) will make possible clear and realistic business objectives.

Once the purpose and mission have been set and defined, organizations will then be able to provide answers for the questions above that will then lead them to work for what they want to accomplish. Jauch and Glueck (1988) findings support this by indicating that when the mission of a business is carefully defined, it provides a statement to insiders and outsiders of what the company stands for – its purpose, image and character. An organization's mission defines its fundamental purpose, which describes, in the most primary terms, the organization's basic philosophy (Gatewood, Taylor and Ferrell, 1995).

Mission however, exerts the most basic influences on strategy, so categorizing organizations by type of mission is very meaningful. Study conducted by King and Cleland (1987) outlined that there are a few objectives in defining missions. One of the objectives is to specify organizational purposes into goals in such a way that cause; time and performance parameter can be assessed and controlled.

King and Cleland's study is subsequently supported by the definition given by Higgins and Vincze (1993) that mission is the organization's reason for being, the primary consideration on which organizational goals, objectives, strategies and policies are based. It is therefore clear that organizations should realize that in order for them to achieve success, the very basic fundamentals that should be build is their mission as the core pillar for the rest of their strategies.