



**AN EMPIRICAL INVESTIGATION TO EXPLORE THE CONTRIBUTION
OF MISSION STATEMENT TOWARDS ORGANISATIONAL
PERFORMANCE**

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TITLE OF PROJECT PAPER:
AN EMPIRICAL INVESTIGATION TO EXPLORE THE
CONTRIBUTION OF MISSION STATEMENT TOWARDS
ORGANISATIONAL PERFORMANCE

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ABSTRACT

Vision 2020 is the strategic vision and targeted to transform Malaysia into a fully developed nation by the year 2020 and prepares the nation to cope with quantum changes. Having a vision for a country such as the one develop by Malaysia enables its citizen and Malaysian machinery's to focus their effort towards achieving their desired goals of becoming a develop nation by year 2020. Similarly, companies with a clear and undivided vision, supported by executable mission statements, would allow resources within the companies to be directed towards the goals and objectives the companies are set up to be. There is an acceptable view that companies with vision help propel them to success, as mentioned ubiquitously in the literature. Serious studies to support this view empirically, however, are lacking, resulting in the dearth of material to show relationship between ability of companies to formulate powerful vision and mission statements and the performance of an organisation.

This paper sets out to understand the relationship between the existence, nature and the way the vision and mission of companies are communicated within the organisations with the performance of the organisations. It explores empirically the contribution of mission statement towards the performance of the organisation in Malaysia and attempts to explain whether relationship exists between mission statement with the following indicators of company success performance:

1. Profitability;
2. Market share;
3. Efficiency in operation; and,

4. Effectiveness in decision making.

The study was conducted by way of mail questionnaires with subsequent follow ups via telephone and e-mail reminders. Despite that, the response rate has been generally low.

Notwithstanding the above, the study yielded results that show mission statement do contribute to the profitability, market share and efficiency in operation. On the other hand, the study does not provide support to show significant contribution of mission statement towards the effectiveness in decision making. In as far as the major component of performance is concerned, the study has shown that the existence of a clear mission statement, which is translated into working culture of an organisation, helps the company to perform better in terms of profit, market share, and efficiency in operation.

CHAPTER 1

INTRODUCTION

“Having a clear vision is important as it provides a roadmap of the route to take in the future. Sadly, in business, few of our business leaders or corporations have a vision of where they want to be in 10 or 20 years. Our business community must be able to conceptualise and articulate a clear vision of where they want to go”

– Dr Mahathir Mohamad, speaking at the launching of the Malaysian British Business Council at Carcosa Seri Negara, KL on 21 April 1998.

More and more corporate managers realised the importance of the mission statement in gaining competitive edge over the competitors. The ability of the organisation to energise the people with the sense of mission helps differentiate a winning organisation with others. Hence, it is natural to find that companies spend millions of ringgit in formulating mission statements for their organisation. The formulation of mission statement can be done either by internal resources or through external resources such as consultant.

Mission statement helps to provide clarity on what are the business of the organisation and how the values drive that business. Commitment and loyalty among employees can be developed through mission statement. Companies with mission statement succeed in driving the resources toward common direction in achieving the objectives and goals. Employees' motivation and fundamental beliefs can be provided through widespread understanding of mission statement. An effective mission statement should be as the result of a careful process of participation from

the managers and employees, to enable them to convey the sense of direction to the whole organisation.

Highly motivated, loyal and committed employees produce higher productivity that leads to better organisational performance. Organisational performance can be divided into two indicators, namely, quantitative and qualitative. Quantitative performance relates to size, growth, profitability, market shares, and other financial variables. Qualitative performance on the other hand measures the overall efficiency of the managerial performance of the organisation.

However critics argued that organisation often is not effective enough in producing ideal mission statement that provides necessary vision and clarity. Some criticised that mission statement was beneficial but was not specific enough to provide direction to the people. Others mentioned that it is the process of creating the mission statement that has meaning rather than posting the mission statement on the wall to be ignored by the employees. Others criticised that organisation may only produce mission statement only when there is a change of senior management and new strategic direction is being embarked upon. The mission statement is often conceived at the top management with little participation from managers and employees.

1.1 Research Objective

Having discussed the above, it would be interesting to find out how mission statement was addressed by Malaysian companies. It also interesting to find out

whether the existence of mission statement can lead to a better company performance. Hence the objective of this research is to investigate whether the existence of mission statement contributes towards the performance of the organisation.

This research therefore is an attempt to explore on the objectives of these companies develops their organisation's mission statement. The research attempts to identify characteristics of good and effective mission statement. It is also an attempt to identify who is responsible in developing and how Malaysian companies develop their mission statement.

The research also pursuing to explore whether there is any contribution of mission statement towards the following organisational performances:

1. Profitability of an organisation;
2. Market share of an organisation;
3. Efficiency in operation of an organisation; and,
4. Effectiveness in decision making.

This research, hopefully, will enhance understanding about the importance of mission statement to corporate performance. Managers in Malaysian companies can use this research to be more effective and efficient in performing their duties. The managers can also use mission statement to identify the competitive edge of their organisation and selecting the strategy to compete and succeed in the competitive environment.

1.2 Research Methodology

In conducting this research, a mail survey was employed. Data was analysed based on questionnaires sent to 120 employees of various companies using Statistical Package for Social Sciences (SPSS) for Windows.

The questionnaires were hand delivered to the target respondents who are part of the management team in their respective organisation. Out of 120 questionnaires sent to the target respondents, only 37 answered questionnaires received. This is equivalent to 30.8 percent response rate. The response rate is good as a result of persistent follows up through telephone and e-mail.

1.3 Organisation of Project Paper

The project paper is organised in five chapters with the overview of the research elaborated in Chapter 1.

Chapter 2 provides the review of the previously published research, study, and literature. This chapter provides an insight about definition, objective and characteristics of mission statement, strategy concept and organisational performance.

Chapter 3 describes the list and brief description on research methodologies as presented by Sproull in her book. The selected research methodology and the reason are also elaborated in this chapter.

The survey findings and result are extensively discussed in Chapter 4. The survey result is reproduced in tabulated format, and the analysis and discussion of the results are provided in the same chapter.

The last chapter, which is Chapter 5, provides the conclusion of the research. The list of the references is attached and the details of survey questionnaires were included as appendixes.

CHAPTER 2

LITERATURE REVIEW

2.1 Definition of Mission Statement

Mission as defined in Webster College Dictionary is a specific task that a person or group of persons is sent to perform; the place of work of such person, or the territory of their responsibility; and an allotted or self-imposed duty or task.

Beth-Jones¹ mentioned in her book, that a good organisational mission statement should be concise and can be memorised by the employees.. She indicated that once the organisation has an effective mission statement, the employees should be able to understand the importance of the mission statement if they were to fulfil it.

Harrington² in his book elaborated that the setting up the direction is based on vision, mission, values, strategic focus, and critical success factors with the following definition:

- *Visions of the Organisation - Prepared by the top management and are directed at what the organisation's output will be like and/ or how it will be used 10 to 20 years in the future.*

¹ Laurie Beth-Jones, The Path - Creating Your Mission Statement for Work and Life, 1st Edition, 1996: p.4.

² H. James Harrington, Total Improvement Management -- The Next Generation Performance Improvement, 1995: p.91.

- *Mission - The stated reason for the existence of the organisation and prepared by the chief executive officers. It usually seldom changes unless the organisation decides to pursue completely new market.*
- *Values - Prepared by the top management and is the basic beliefs that the organisation is founded upon, and the principles that make up the organisation's culture. The values are the statements that the stakeholders can depend on as being sacred by the organisation.*
- *Strategic Focus - The key things that will set the organisation apart from its competitors and defined by the top and middle-level managers.*
- *Critical Success Factors - The key things that organisation must do well to overcome business problem.*

According to Malhi³, mission defines the organisation. The organisational mission statement is essentially a broad statement of organisational direction and a fundamental reason for existence. Malhi further elaborated that mission statement reveals the long-term vision of what it wants to be and to whom it wants to serve.

A great mission statement should be simple without complex representation of business words that an average employee is unable to understand. Mission statement should be able to inspire, excites, engages, and motivates the stakeholders. According

³ Ranjit Singh Malhi, Formulating A Mission Statement, New Straits Times, December 9, 1997: pg1 (Appointments).

to Laurie⁴, the organisation's mission statement should be powerful and all encompassing.

Davies and Glaister⁵ also agreed on a simple mission statement. According to them, mission statement may be a single brief (one or two sentences) statement, or a hierarchy of statements. Mission statement can either concentrate on business strategy or provide greater weight towards the organisation's value. The organisation should be able to ensure its activities can flow from and relate back to the mission statement.

According to Thornberry⁶ in his article, mission is bounded by time and usually involves some sort of target that can be either qualitative or quantitative. It can be measured in terms of market share, volumes, or any number of indices. A well developed and thought out mission statement can cascade down the organisation-operating plan. It allows for derivation of specific goals, objectives, and measures so that accomplishments of the mission can be determined. Thornberry elaborated that a company mission statement should stretch the organisation capabilities but should be

⁴ Laurie Beth-Jones, *The Path - Creating Your Mission Statement for Work and Life*, 1st Edition, 1996: p.65.

⁵ Stuart W. Davies and Keith W. Glaister, *Business School Mission Statements - the Bland Leading the Bland?*, *Long Range Planning*, Vol. 30, No. 4, August 1997: pg 594

⁶ Neal Thornberry, *A View About Vision*, *European Management Journal*, Vol 15, February 1997: pg. 28.

possible to achieve given the company's aggressive pursuit of the goal. For Thornberry, mission is a milestone towards realisation of the vision.

Based from the above definitions, mission statement can be derived as being a purpose and reason for existence of an organisation. For Davies and Glaister⁷, mission should combine a statement of purpose for the organisation with some form of aspirational vision for its future. It should be presented in as succinct as possible.

2.2 Objectives of Mission Statements

The main reason for an organisation to have mission statement is to provide a sense of future organisational path. According to Barchall and Lyons⁸, mission offers opportunity for any organisation to define clearly the business it is in, state the overall purpose, and indicates its core competencies.

Mission statement is an important element in directing and guiding the organisational strategy. It also charts the path for the organisation to move forward and providing the organisation (or employees) with a high degree of certainty in the future planning. With mission, the organisation will be able to focus human effort in common direction and provide basis for allocating organisational resources.

⁷ Stuart W. Davies and Keith W. Glaister, Business School Mission Statements _ the Bland Leading the Bland?, Long Range Planning, Vol. 30, No. 4, August 1997: pg 594.

⁸ David Berchall & Laurence Lyons - Creating Tomorrow's Organisation _ Unlocking the Benefits of Future Work, 1995: p.595.

Another reason for implementing mission statement is for the organisation to determine its marketplace. With mission, the organisation will be able to establish the standard of excellence for the employees to achieve.

Mission also has been used to facilitate decision making throughout the organisation and reconcile differences among stakeholders. Organisation used mission to provide a basis for goals and strategies, and arouse positive feelings towards the organisation.

According to Yeoh⁹, mission statement motivates people by communicating the value of the common direction, allowing for individual and team contributions, and sustaining enthusiasm of the employees. Yeoh¹⁰ also mentioned that mission statement would provide the organisation an extra boost of energy to achieve the organisational goals.

According to Davies and Glaister¹¹, mission statement offers the opportunity for any organisation to define clearly its business, states its overall purposes and indicates uniqueness or distinctive competence. It is a reference point for the internal stakeholders, managers, and other employees, to explain the purpose and philosophy

⁹ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993:p.9.

¹⁰ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993:p.31.

¹¹ Stuart W. Davies and Keith W. Glaister, Business School Mission Statements _ the Bland Leading the Bland?, Long Range Planning, Vol. 30, No. 4, August 1997: pg. 595

of the organisation. Mission statement can also be considered as an internal tool, assisting managers to assert their leadership and provides motivation for employees.

2.3 Characteristics of Mission Statement

The basic characteristic for a mission statement is simple. According to Yeoh¹², mission statement should address the following questions:

- *What function does the organisation perform? What are its core products and services?*
- *For whom does the organisation perform this function? Who are the major customers?*
- *How does the organisation carry its products and services to the market place?*

Yeoh¹³ further elaborated that good mission statement should identify and prioritise the organisation's major driving forces as well as its distinctive competency.

According to Mahli¹⁴, mission statement should provide clear definition of what function the organisation performs or what business it is in. Next, it's should

¹² Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993: p.10

¹³ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993: p.10

provides clear identification of the organisation's targeted customers and market segments. An effective mission statement should address the distinctive competencies that set the organisation apart from its competitors, reflects organisational values and beliefs, realistic, attainable, and concise.

From the above discussions, an effective mission statement generally should have the following characteristics: First, organisations need to consider the makeup of their organisation as part of the mission statement. Second, in general terms, the mission statement of an organisation needs to identify the reason for their existence. Next, the mission statement should address whom is/are the significant customer(s) of the organisation's mission output. Finally, how does the organisation want the stakeholders view its mission?

Generally, mission statement should always in line with the value of the organisation. According to Berchall and Lyons¹⁵, the organisation mission lies in its ability to create and distribute value to its stakeholders. The value has to be measured by the stakeholders and not by the organisation as shown in Figure 1. The stakeholders for any organisation are the followings and not only limited to: Customer, Employees, Investors and Shareholders, Government, Suppliers, Families, Competitors, and Society.

¹⁴ Ranjit Singh Malhi, Formulating A Mission Statement, New Straits Times, December 9, 1997: pg1 (Appointments).

¹⁵ David Berchall & Laurence Lyons - Creating Tomorrow's Organisation _ Unlocking the Benefits of Future Work, 1995: p.216.

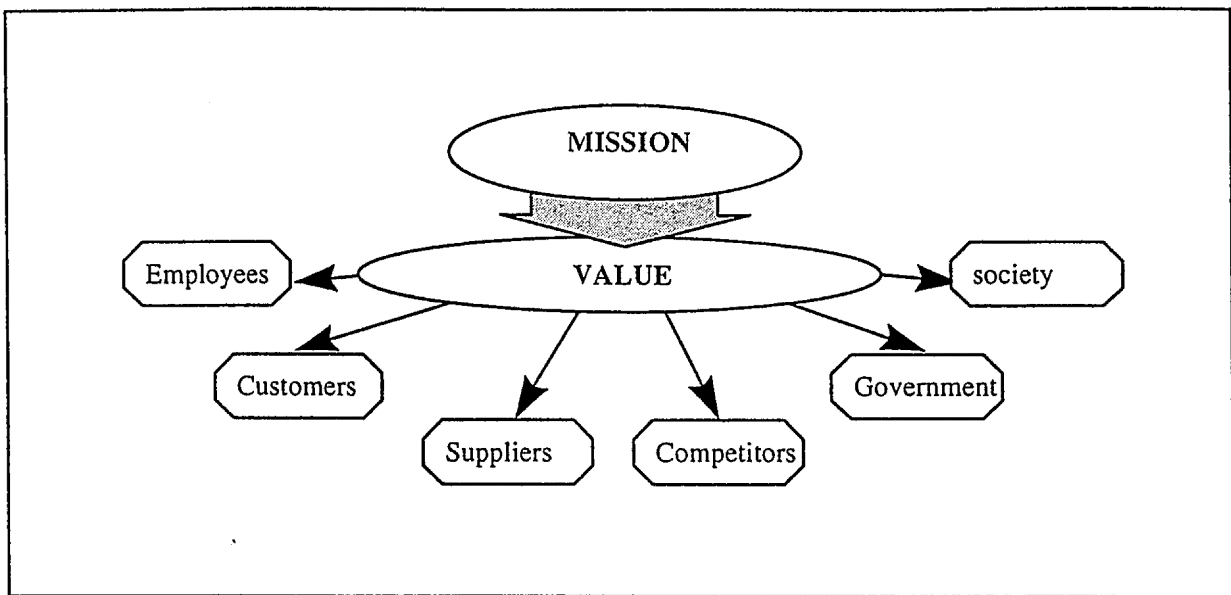


Figure 1: Relationship of Mission and Values

According to Yeoh¹⁶ with mission statement, the organisation can focus on its corporate objective. The mission statement should be precise, realistic, achievable, measurable, communicable, and understandable.

With mission statement, the organisation will be able to identify its core competencies and the resources and energy can be channelled to those competencies. As the result, the organisation can be differentiated from others and able to build its own competitive edge.

A good mission statement should be remained unchanged for several years. The leader who formulates and develops the mission should be able to think thirty to forty

¹⁶ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993: p.11

years ahead to come out with a long lasting mission statement. Once the mission is stabilised it will be subjected for re-evaluation and the changes are seldom drastic.

2.4 Mission Statement as Part of the Framework for Strategic Management

The previous sections have dealt in details on why the organisation implemented mission statement and the characteristic of an effective mission statement. However, the relationship of having mission statement and strategic management has not been addressed.

According to Yeoh¹⁷, organisation that develops business strategy and implementing strategic management will remain competitive in the future. He elaborated that organisation needs to be flexible, respond quickly to the changes in the environment, and make use of strategy to gain sustainable competitive advantage.

Yeoh¹⁸ also mentioned that organisation should focus on the strategic formulation and implementation to have a successful strategic management. The key issues in strategic management framework should include the following:

- envisioning the future by having vision, values, mission, and objectives;

¹⁷ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993: p.3

¹⁸ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993: p.4

- analysing internal environment such as strength, weaknesses, opportunities, threats, financial performance and the organisation key success factor;
- appraising external environment by performing environmental scanning and benchmarking;
- evaluating strategic options, gap analysis, and contingency planning; and,
- strategic implementation includes change management, values and ethics, corporate culture, human resource development, continuous improvement, and leadership succession.

From the above framework, the starting point for an organisation to be successful is having a strategic mission statement. Building strategic mission statement is essential for long-term success and competitive edge. It is the starting point for total and integrated organisation improvement.

Yeoh¹⁹ mentioned in his book that formulating mission statement is one of the more important steps in strategic planning. It provides the context for formulating specific programmes, identify the areas that the organisation will compete in, determine the resource allocation, guides the potential growth, and provide the organisation future direction.

¹⁹ Micheal Yeoh, Management Strategies for Vision 2020 _ Developing Competitive Strategies for the Winning Edge, 1993: p.10