

**Mission Statement Practice: Cascading Impact
On Firm Performance.**

A Thesis submitted to the Graduate School
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BY

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Abstrak

Pelbagai lumpang yang terdapat dalam susasteraan mengenai sumbangan pernyataan misi terhadap prestasi firma dan ketekalan pernyataan tersebut dilaporkan sebagai satu daripada alat pengurusan yang terpenting di dunia adalah merupakan rasional kepada kajian ini. Kajian keratan rentas yang bersifat deskriptif serta ujian hipotesis ini mencakupi empat bidang utama iaitu tinjauan dan huraian tentang keluasan amalan misi di kalangan syarikat-syarikat di Malaysia; sebab-sebab kegagalan untuk mengadakan pernyataan misi di kalangan sebahagian syarikat; menguji serta memutuskan tentang beberapa perhubungan bersifat hipotesis yang melibatkan pembolehubah-pembolehubah berkaitan dengan misi, keputusan dan prestasi; dan membina model tentang impak pernyataan misi ke atas prestasi firma. Suatu rangkakerja penyelidikan yang sesuai telah dibena dan sebanyak sebelas hipotesis telah dikemukakan dan diuji. Data prima untuk kajian ini telah diperolehi daripada CEO syarikat atau wakilnya melalui borang soal-selidik manakala data-data sekunder pula diperolehi menerusi laporan tahunan yang diterbitkan oleh syarikat. 74 daripada 500 buah syarikat tersenarai di BSKL yang terpilih secara rawak dan dijemput untuk menyertai soal-selidik ini telah memberikan respon. Respon yang diberikan itu meliputi kadar penyertaan sebesar 15% ataupun 11% daripada kesemua syarikat yang disenaraikan di BSKL. Tiga jenis analisis statistik telah digunakan dalam kajian ini iaitu deskriptif, regresi linear mudah dan pemodelan persamaan struktur menggunakan teknik AMOS. Keputusan-keputusan berikut telah diperolehi: (i) hampir 84% daripada syarikat-syarikat itu mempunyai pernyataan misi masing-masing; (ii) syarikat-syarikat yang gagal mengadakan pernyataan misi telah memberikan pelbagai sebab yang mempunyai kepentingan tidak sama bagi kegagalan mereka itu; (iii) rasional misi didapati mempengaruhi matlamat dan cara misi secara positif; (iv) rasional misi didapati mempengaruhi cara misi lebih kuat berbanding dengan matlamat misi; (v) kandungan misi (cara dan matlamat) didapati mempengaruhi komitmen pengurusan terhadap misi secara positif; (vi) komitmen pengurusan terhadap misi didapati memberi impak positif ke atas Desired Future Position (DFP) organisasi; (vii) DFP organisasi didapati memberi kesan positif terhadap tahap komprehensif Strategic Decision-Making Processes (SDP) (viii) tahap komprehensif SDP diperhatikan telah mempengaruhi secara positif prestasi firma dalam keadaan persekitaran industri yang stabil, tak stabil dan sama ada stabil ataupun tidak; dan (ix) laluan impak bagi perhubungan antara pernyataan misi dengan prestasi firma telah dikenalpasti melalui urutan perantaraan DFP dan SDP. Dalam kajian ini beberapa batasan kajian telah dikenalpasti dan dibincangkan. Di samping itu beberapa cadangan penyelidikan pada masa hadapan turut dikemukakan.

ABSTRACT

Gaps in the existing literature especially in respect of mission statement contributions to firm performance and the consistency that mission statements have been reported to be amongst the most popularly used management tool the world over provide the rationales to the current study. It is a cross-sectional of the descriptive and hypothesis testing types covering four broad areas namely establishment and description of the prevalence of mission practice among Malaysian companies; reasons for the failure of some companies to develop their mission statements; testing and establishing certain hypothesized relationships among mission, decision and performance related variables; and modeling the impact of mission statements on firm performance. A research framework was developed and eleven hypotheses were posited and tested. Primary data was collected from the CEOs or their designated representatives using mailed questionnaire while secondary data was sourced from the companies' published annual reports. 74 of the 500 KLSE-listed companies randomly sampled and invited to participate responded giving a participation rate of about 15% or a representative rate of slightly more than 11 % of the population. Three types of statistical analyses were utilized namely descriptive, simple linear regression and structural equation modeling with AMOS. The following results were obtained: (i) almost 84% of companies had their written mission statements and the majority (about 53%) were from the production sector; (ii) Companies that failed to develop mission statements attributed their failure not to one but to a host of factors of varying importance; (iii) mission rationale was found to positively influence mission ends and mission means; (iv) mission rationale was observed to exert relatively greater impact on mission means than on mission ends; (v) mission content (ends and means) was observed to positively influence management commitment to the mission; (vi) management commitment to the mission was established to positively influence organization DFP; (vii) organization DFP was observed to positively influence the comprehensiveness of SDP; (viii) comprehensive SDP was found to positively impact firm performance in stable, unstable and irrespective of industrial conditions respectively; and (ix) the impact path of mission statement-firm performance relationship was established through the intermediary sequence of DFP and SDP respectively. Limitations to the current findings were also discussed and directions for future research proposed.

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In the name of Allah, Most Gracious, Most Merciful. Praise and peace be upon His beloved our Prophet Muhammad s.a.w., his family and his companions from whom, and by the will of God we escape darkness into enlightenment.

It is important to note that reward in Islam is contingent upon the effort and not the achievement as the Prophet said:

“Whosoever puts an effort and succeeds has two rewards and whosoever puts an effort and fails has one reward.”

(Reported by Abu Dawud).

It was in this spirit that I set out to undertake the current study, and the quest for self-actualization provided the additional push that kept me going and finally see this project came to its expected conclusion; Alhamdulillah. The whole process was rather long-drawn, consuming and most certainly painstaking but nevertheless, satisfying. I am greatly indebted to so many wonderful people for their contributions and assistance in so many ways that special mention is only natural although words can never truly reflect their actual importance in making this project a success.

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List Of Abbreviations

AMOS	Analysis Of Moment Structure
ANOVA	Analysis Of Variance
CEO	Chief Executive Officer
DFP	Desired Future Position
IS	Industrial Stability
KLSE	Kuala Lumpur Stock Exchange.
ROA	Return On Assets
ROS	Return On Sales
SDP	Strategic Decision-Making Process
VIF	Variance Inflation Factor

CHAPTER ONE

BACKGROUND OF THE STUDY

1.0. Introduction

Current thought on mission statements is largely based on Peter Drucker's research and writing in the mid-1970`s (David 1989). According to Drucker (1973) a business is not defined by its name, statute or article of incorporation; it is defined by the business mission and asking the question `what is our business?' is synonymous with asking the question `what is our mission?' Mission is the organization's vision of its future position and how it will be achieved (Strong, 1997). Many organizations define their fundamental unique purpose and reason for existence in terms of their mission statements (Jauch & Glueck, 1988; David, 1989; Ireland & Hitt, 1992; Calfee, 1993; Bart, 1996a) or alternatively called creed statements, statements of purpose, statements of philosophy, statement of general principles, statement of corporate intent, vision statement and statements defining our business (Pearce II & David, 1987; David, 1989; Strong, 1997).

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