

DO MALAYSIAN FIRMS POSSESS GLOBAL MANAGEMENT STANDARDS?

Haim Hilman Abdullah¹, Zainal Abidin Mohamed²,
Nek Kamal Yeop Yunus³

¹College of Business (COB), Universiti Utara Malaysia.

²Graduate School of Management, Universiti Putera Malaysia,
Serdang, Selangor.

³Faculty of Business & Economics, Universiti Pendidikan Sultan Idris,
Tanjong Malim, Perak.

Abstract

In this era of rapid globalization, economic development in any one country is invariably linked with strategic management practices across the globe. This is because businesses in any one country increasingly have to compete globally and standards for success or failure also become global. Despite their pervasive use, mission statements in particular are among the most poorly understood strategic management tools available to organizations. Mission statements are an essential part of globally - succeeding management practice and content analysis is in fact a fairly popular research stream, with consistent attention devoted to identifying potential items for mission statements inclusion. This paper studies the mission statements of plantation based companies listed in the Malaysia Bourse. Ironically the results show 79.5% of them have no mission statements and those with mission statements basically pursue four major issues; "to be a responsible corporate citizen" (18.8%), "to exceed customer expectation" (12.5%), "to enhance shareholders value" (12.5%), and "to provide opportunity for career advancement" (9.4%). In conclusion, these findings indicate the lack of strategic management practices among these companies despite being known as one of the most important sectors to the country's economic sustainability.

Keywords: Strategic management, planning, mission statement.

Introduction

Globalization and economic liberalization have "forced" more and more companies to change their management practices concept from ad-hoc or emergent planning based management to strategic management. The main advantage of the strategic management concept is its capability to combine the arts and sciences of management or in other words combined experience and intuitions of management together. Existing literature clearly indicates that the development of suitable and concrete mission statements is an essential part of globally succeeding management practices.

At international and global levels in the most advanced businesses of most advanced economies, mission statements are seen as an inseparable part of companies' strategies. They define the purpose of the organization, and act as a medium that guide people within the organization so that they can work independently as well as collectively to achieve the desired levels of the companies' performance (Kotler, Armstrong, Saunders & Wong, 2008). Basically there are many prescriptions, which can be fundamental to the companies' strategic planning and a mission statement is one of them. Theoretically, the research on mission statements began in the early 1970s, and Drucker (1971) define them as a tool for "clear and realistic business objectives".

The aim of the research is to document how major plantation companies in Malaysia have responded to the forces of globalization. This is mainly due to little empirical research with regard to the association on mission statements to companies in Malaysia. This exploratory study which used the content analysis approach attempts to address the gap and should be able to indicate how plantation based companies in Malaysia perceived mission statements as one of their strategic tools to achieve better business practices and organizational performance. Findings should enable managers to craft better strategies in facing today's hyper competitive environment.

Literature Review

The available literature on the subject strongly indicates that mission statements are important to the development of corporate strategy, culture, believe, values, integration of employees, and performance outcomes of companies (Bart, Bontis & Taggar, 2001; Sufi & Lyons, 2003; Sidhu, 2003; Atrill, 2005). It is also regarded as the most critical starting point for almost every major strategic initiative in modern management and it reflects the image it seeks to project (Toftoy & Chatterjee, 2004).

Well defined mission statements are supposed to answer questions such as: why do we exist; what is our business; what do we want to become? When these questions clearly answered, then only a mission statement managed to distinguish a

company's unique, enduring and dynamic purpose (Klemm, Sanderson & Luffman, 1991; Bart, 1999; Toftoy & Chartterjee, 2004). Failure to provide adequate thought to business purpose and mission statements is perhaps the most important reason in both managerial frustration and business failure (Drucker, 1973).

Want (1986) indicates that a mission statement is one which tells the purpose, principal business aims, corporate identity, policies and corporate values of any given company. Pearce (1982) also says that the contents of mission statement would

Include company philisophy, target consumer, principle, geographic domain, core technology, product/services,to survival, public image, self-concept, growth, profitability, and core technology. Furthermore, Abell (1980) suggests that a mission statement answers the questions "What is our business?" and the answer could be obtained through three different pefferences perspectives.

- a. What are the coustomer groups that are being satisfies by the commpany?
- b. What needs are beoing satisfied?
- c. How are the nededs being satisfied?

Carolyn (1997) suggests amission statement should contain goals, differentiation factors, the companies' aspirations, role of all stakeholders, and behavious standards. Hitt Ireland (2005) describe mission statement, as a company's unique purpose and the scope of its operations in terms of products it intends to produce and markets it will serve using its core competencies. A good mission can become as an effective tool in inspiring stakeholders (Hill and Jones,2009)

Meanwhile, David (2004) has advocated nine essential component of mission statement such as customer, product or service, markets, technology, self-concept, concern for public image, and concern for employees. Tahir and Howard (2003) suggest that- since no two companies are the same, so mission statement of company is unique to itself. Yet, there are same, so the mission statement of all companies. David (2003) indicates that practitioners agreed that an effective mission statement should have the following:

- a. Who are the firm's customers?
- b. What are the firm's major products or services?
- c. Where does the firm compete?
- d. Is technology a rpimary concern of the firm?
- e. Is the firm committed to economic objectives of survival, growth and profitability/
- f. What er the basic belief's values, aspiration and philosophical priorities of the firm?
- g. What is the firm's distinctive competence or major competitive advantage?
- h. Are the firms' responsive to social, community and environmentl concers?
- i. Are employees conidered to be a valuable asset fpr the firm?

Table 1 shows the list of issues suggested by researchers to be important as components of a mission statement.

Table 1: Components of mission statement

Abell (1980)	Satisfied customer groups, satisfied need, how the needs are satisfied.
McGinnis (1981)	Define organization, organizational arms, flexible, should evaluate current and prospective activities, clearly interpreted.
Pearse (1986)	Target customer, market, products and services, geographical domain, core technology, survival, growth, profitability, company philosophy, self-concept, public image, employees.
Ackoff (1986)	Goals, differentiation factors, organizational aspiration, role of all the stakeholder groups
Want (1986)	Purpose, business aims, corporate identity, company policies, and values.
Campbell and	Customers, product/service, location, technology, survival, philosophy, self
Tawadey (1992)	Customers, product/service, location, technology, survival, philosophy, self
Fred (1996)	Customers, products/services, location, technology, survival, philosophy, growth, profitability
Total research	Customer care/focus, products and service quality, leadership Strategic
Marketing and Service (1999)	Competitiveness, innovation, staff focus, social responsibility Shareholders value.
Lynch (2000)	Specific, distinctive, realistic/attainable and flexible.

Frequent attributes are customers, product/service, technology, market, survival, growth, profitability, company philosophy, differentiation factors, image, values, leadership, stakeholders clarity, and social responsibility.

The role of Mission Statements in Strategic Planning

Forward looking companies succeeding at the global level have shifted from ad-hoc based planning to strategic planning for the business. Mission statements are the foundation of strategic planning and business strategy cannot be developed until fundamental decisions are made – and articulated in mission statements – about the business the company is in (McTavish, 1995; Wheelen, 2008). Mission statements provide the foundation for strategic planning which is important in ensuring that planning is successful (Lipton, 1996; David, 2008).

Top management has the full responsibility to develop and bridge them with the company's other strategic tools, such as its vision statements (Lammers, 1992; Calfee,

1993; Jackson). A researches by aim and Company survey) of Management Tools and Technique has ranked mission statement as the first important factor for their Business performance, for the period between 1993 and 1997. Meanwhile, Rigby (2001) found mission statements were ranked second among top 25 management tools.

Mission statements are the basis for setting companies objectives (Bart & Bontis, 2003). They also drive companies' priorities and intellectual capital development and enhancement (Bontis, 1996, 1999, 2002, 2003). Since 1980s the mission statements have been heavily to communicate the kind of relationships with a company's major stakeholder groups (Campbell, 1997; Sufi & Lyons, 2003). However, not all mission statements create positive contributes, in other words, it is possible to have "good" and "bad" mission statements (Bart & Bontis, 2003)

Furthermore, as one of the most important strategic management tools in setting the overall direction for a company, mission statements are also crucial for the field of corporate governance. Corporate governance is the system used to navigate and control business companies (OECD, 1999). As such, corporate governance has become fundamental to activities conducted in the companies. Within this system, the board is responsible for monitoring the company's mission, vision, and strategy. Failure to do so will jeopardize any effort towards achieving the company's targeted objectives.

So, if based on logical deduction, mission statements would have great impact on the performance of firms. However, based on empirical research, as Bart et al., (2001) acknowledge, very little empirically conclusive information is available about the relationship among various mission constructs. Bart (1997) found weak relationship between missions' content to five performance outcomes (ROA, ROS, percentage change in sales, percentage change in profit and influence of mission on employees' behaviour).

The main reason for the fact that not much empirically conclusive information is available on mission statements' contribution to companies' financial performance is that researches focused too much on identifying mission statements content only (Pearce, 1982, Pearce & David, 1987; David 1989, 1993; Klemm et al., 1991, Ireland & Hitt, 1992, Bart et al 2001). However, Pearce and David (1987) successfully demonstrates a strong relationship between three mission components (i.e organizational philosophy, self-concept, and public image) on firm performances.

Bart (1999) examined 103 Canadian Hospitals. He found a strong relationship between the content of the mission statements and the "degree of satisfaction with the mission". The same results was found between the contents of the mission statements and the degree of satisfaction with financial performances. However, a clear understanding of the relationship between critical mission variables, their interactions with one another, and their overall relationship to financial performance do not yet exist. This is because their various interaction have not been modeled yet (Bart et al, 2001)

For example, many companies even in advanced economies like that of the US do not have mission statements (Jackson, Yau, Gitlow, Seandura, 1996). Such is a scenario, even with a substantial number of firms in the United States (US), has inspired this research initiative to be conducted on companies in Malaysia. Specifically, the sample consist of companies listed under the plantation sector of the

Malaysia Bourse. The main reason for choosing this sector is due to its long relationship with the rise and fall of the country's economy.

This sector is known as backbone of the country's economy for many years besides sectors like electrical electronic and finance. Specifically, plantation is a sector that is strongly emphasized by almost all of Malaysia's Prime Ministers. Under its fifth prime minister, few economic corridors such as NCER (North Corridor Economic Region), ECER (East Corridor Economic Region) and SCORE (Sabah and Sarawak Corridor Economic Region) were initiated and interestingly all of them are agriculture/ plantation based corridors. This clearly indicates the importance of the agricultural sector to the Malaysia's economy.

Research objectives

Globalization creates hypercompetitive environment which certainly has shifted today's business context to a new paradigm. This means companies must be prepared at all times. Survival, growth and prosperity belong to those who are proactive and dynamic. Failure or reluctance to change will only lead to greater degree of risk of being eliminated from the market. So, constructing and using a mission statement can generate and faster a focus on common objective, as hared value system and culture, teamwork, behavioral guidelines, emotional commitment and resources allocation of a company.

This search focuses on one aspect of the strategic planning tools which is mission statements. The importance of the mission statement for business is great. A business is not defined by its name, status or articles- rather, it is defined by its mission. Only a clear definition of the mission and purpose will make the organization able to achieve clear and realistic business objectives (Drucker, 1973),. Research has indicated that caharacteristics of mission statements have been related to the companies performance (Hittman 2006; Wheelen, 2008, David 2008). However,most of the previous empirical studies of mission statements have focused mainly on companies in western countries only.

Specifically, very little empirical studies have been conducted to examine companies from this aspect in Malaysia particularly. To alleviate this lack in existing literature, this research was conducted. All companies listed under the plantation-based sector sector of the Malaysia Bourse' main board were selected as samples. This reseach initiates an attempt to discover the characteristics of mission statements of these plantation- based companies.

- a. Identify the distribution of companies with and without mission statements.
- b. Determine the issues addressed in mission statements of companies with mission statements.
- c. Determine the most popular issues addressed in mission statements.
- d. Derive some general tentative conclusions from the above three steps.

Research Methodology and Sample-Focus

This research focuses on plantation-based companies listed in the Malaysia Bourse. Altogether, 39 companies listed in this sector were analyzed. Thematically, it focuses on mission statements and most of these companies were conglomerate companies but possessed strong root in the plantation sector. The reason for choosing this sector is because of its role and strong association to the economy of Malaysia. As conglomerate companies with strong roots in the plantation sector with hundreds of subsidiaries they provide some idea about business practices in Malaysia.

This research identifies the issues addressed in the mission statements of the listed companies. In lieu to that, all companies in the sector were taken as samples. Telephone interviews, website surfing, and annual report analyses were used as the meansto identify the mission statements. In this research, the written mission statements only counted and telephone interviews were used when the statements were not available in the website or annual report of the companies. All communication was done **with**the corporate planning department or communication department. If the companies do have it then they were asked to fax the statement to the researcher.

As mentioned earlier, this research used content analysis. A word by word analysis was conducted on all those mission statements. Every possible bias or sumption made on the meanings of the words was strictly monitored and avoided. Basically, each company mission statement consisted of several issues, so a separate index card was created for each issue with the name of the company at the bottom of the card. The data collection and analysis method were carefully selected and conducted so as to minimize any potential bias. Furthermore, coding procedure analysis was used as to ensure reliability and validity of the methodology and instruments. The method was selected because the mission statements literature indicates most of them have been widely used in previous studies. This should enable the findings to be compared **with**previous studies.

Findings and Discussion

The data gathered are tabulated and analyzed in the various graphical forms. The results are presented in terms of several major issues addressed in mission statements. As mentioned earlier, this research had three objectives. Firstly, to identify the distribution of companies with and without mission statements those are listed under the plantation sector of the Malaysia Bourse's main board, secondly, to determine the issues addressed by mission statements of each company and lastly to determine the most popular issues addressed by companies in their mission statements.

The results show most of the companies listed under the sector have no mission statements. Out of thirty-nine (39) companies, only (8) companies or 20.5% have mission statements. This number is far lower than that of the US firms. Forty one percent of 1000 US firms identified by Business Week have mission statements (Jackson et al. 1996). This finding shows the lack of use of the second most important strategic tools (Rigby, 2001) among plantation-based companies in Malaysia. However, two (2) of the companies are subsidiaries which use the same mission statements as their respective parent companies. In other words, their parent company mission statement is broad enough to represent their activities.

The issues addressed by the eight (8) companies that have mission statements were grouped together so as to bring out their latent structures. This research identified nineteen (19) issues addressed by these companies. Below is the list of issues,

1. to exceed customer expectation
2. to provide opportunity for career advancement
3. to enhance shareholders value
4. to be responsible corporate citizens
5. to maximize stakeholders benefits
6. to be a cost effective producer
7. to develop teamwork based working environment
8. to become an excellence oriented management
9. to partner justly with subsidiaries and associates
10. to enhance growth and profitability
11. to provide superior quality and speed
12. to grow through long term planning
13. to enhance knowledge through effective training
14. to ensure operational excellence
15. to fully utilize technological innovation and mechanization advancement
16. to be the best company to work for
17. to provide superior quality at competitive price
18. to provide conducive working environments

19. to provide and maintain beneficial relationship with business associates

These nineteen (19) issues addressed by eight (8) companies clearly shows the wide spread of the companies mission statements. However, the issues were not far different from previous research findings on issues of mission statements (Jackson et al. 1996; Rigby, 2001). Specifically, several issues were identified as popular issues and those issues were like "to be good corporate citizens", "to exceed customer expectation", and "to enhance shareholders value". Among the nineteen (19) issues identified, issues such as "to be a responsible corporate citizen" (18.8%), "to exceed customer expectation" (12.5%), "to enhance shareholders value" (12.5%), and "to provide opportunity for career advancement" (9.4%) were identified as the most popular issues. Meanwhile, other issues were chosen once only or 3.1% respectively. (See Table 2 and Figure 1)

Table 2: Popular Issues in Mission Statements

	Mission statement	Frequency	Percentage
1	To be responsible corporate citizens	6	18.8
2	To exceed customer expectation	4	12.5
3	To enhance shareholders value	4	12.5
4	To provide opportunity for career advancement	3	9.4
5	To maximize stakeholders benefits	1	3.1
6	To be a cost effective producer	1	3.1
7	To develop teamwork based working environment	1	3.1
8	To become an excellence oriented management	1	3.1
9	To partner justly with subsidiaries and associates	1	3.1
10	To enhance growth and profitability	1	3.1
11	To provide superior quality and speed	1	3.1
12	To grow through long term planning	1	3.1
13	To enhance knowledge through effective training	1	3.1

14	To ensure operational excellence	1	3.1
15	to fully utilize technological innovation and mechanization advancement	1	3.1
16	To be the best company to work for	1	3.1
17	To provide superior quality at competitive price	1	3.1
18	To provide and maintain beneficial relationship with business associates	1	3.1
19	To provide conducive working environment	1	3.1

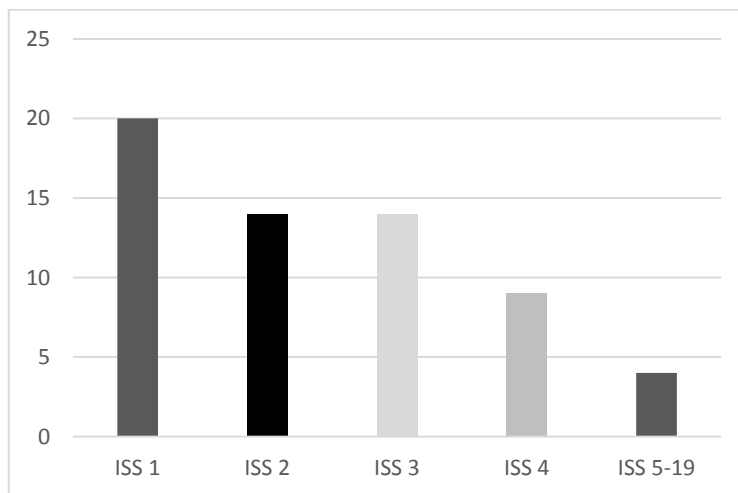


Figure 1: Plantation Companies - Pereto Diagram

Conclusion

Findings of the research draw tentative conclusions to provide a basis for further research in the area. Specifically the objectives were to identify the distribution of companies with and without mission statements listed under the plantation sector of the Malaysia Bourse's main board, to determine the issues addressed by mission statements of each company, and to determine the most popular issues addressed by in mission statements of the sample companies had achieved.

This research found thirty-one (31) or (79.5%) of thirty-nine (39) companies listed under the plantation sector had no mission statements. The eight (8) companies with mission statements emphasized four major issues like; "to be responsible corporate citizens" (18.8%), "to exceed customer expectation" (12.5%), "to enhance shareholders value" (12.5%), and "to provide opportunity for career advancement" (9.4%). These issues were part of the nineteen (19) issues being

studied. As mentioned earlier, the findings are consistent with the earlier observation made by Jackson et al. (1996).

These findings indicate the lack of strategic management practices among plantation companies even though they are listed in the main board of the Malaysia Bourse. Furthermore, this does not show that the companies in this sector are aware of the importance and contribution of mission statements to them. If these findings are to be used as an indicator for Malaysia management practices then Malaysia's companies will become less competitive at the international and global levels. So, further studies are needed as to see if indeed this is the case — or the plantation sector studied here is only an aberration.

The issues addressed by the eight (8) companies that have mission statements are wide spread. Specifically the issues are "to exceed customer expectation, to provide opportunity for career advancement, to enhance shareholders value, to be responsible corporate citizens, to maximize stakeholders benefits, to be a cost effective producer, to develop teamwork based working environment, to become an excellence oriented management, to partner justly with subsidiaries and associates, to provide superior quality and speed, to grow through long term planning, to enhance knowledge through effective training, to ensure operational excellence, to fully utilize technological innovation and mechanization advancement, to be the best company to work for, to provide superior quality at competitive price, to provide conducive working environment, to provide and maintain beneficial relationship with business associates, to enhance growth and profitability". These issues are consistent with earlier studies made by Pearce (1987), Campbell and Yeung (1991), Jackson et al. (1996), Carolyn (1997), Tahir and Howard (2003), Charles and Jones (2004) and Hitt et al. (2005), Thompson and Strickland (2006).

Based on the findings of this research, mission statements appear to be a very important strategic planning tool for companies that exercise strategic management concept. The findings suggest most of the issues mentioned in the mission statements of the Malaysian companies studied are similar to those mission statements discussed in the existing literature. Given a small sample, the drawing of any conclusion from this research should be done with caution. In view of this, this research could be replicated with larger samples. Such commitment would enhance our understanding of the companies' approaches to initiate their activities.

In conclusion this research has its own limitations such as, the sample was small and to claim most of the plantation-based sector has no mission statement may not be fair as many of them in the industry are not listed in the bourse. Locating them is difficult because they are scattered all over the country. This creates an opportunity for other researchers who might be interested in exploring issues addressed in mission statements of a bigger sample size of companies or sectors. Findings from this research are certainly useful as a starting point in discovering the similarities in terms of issues of mission statements across sectors besides helping companies make better strategic planning.

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