

The Roles and Impact of Mission Statement on Performance: An Empirical Study of Commercial Banks in Zambia

(Using a Nine Point Scale model given by Fred R. David)

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Abstract

This study assessed the roles and impact of mission statements in the Zambian banking industry and envisaged the quality of the mission statements using a Nine Point Scale model given by Fred R. David. A total of 19 commercial banks formed the sample. A combination of quantitative and qualitative research design approaches was used. The data was obtained from annual reports for the period 2010 to 2017, these were provided by either the central bank or obtained from websites of commercial banks. The SPSS 20 and MS-Excel were used for data analysis. The Pearson correlation model was used to analyses the variable associations. The return on equity (ROE) and the return on investment (ROI) were used for Bank performance measurement. The study disclosed that the length of mission statements in terms of sentences ranged from 1 to 2 sentences and the number of words ranged from 3 to 32 words. Twelve (12) banks scored above average and 7 banks scored below average. It may be summarized that broadly banking system's mission statement score in Zambia was well above the average score card of mission statement and majority of the banking setups were keen to incorporate their philosophy, products and services and customers concern but less focus on concern for employees and self-concept. Overall, there was a weak, negative correlation between mission statement and return on equity. Also, an overall weak, negative correlation between mission statement and return on investment.

Keywords: *Mission Statement, Commercial bank, Performance, Roles, Components, Content Analysis.*

Introduction

This study was aimed at investigating the roles and impact of mission statements on performance using an empirical study of commercial banks in Zambia for the period 2010 to 2017. Several studies have been carried out to explore the assumed relationship between an organization's mission statement and performance (Stone 1996). Many of these studies have been conducted on what components a mission statement should include especially in businesses; several authors have identified several different numbers of components that should be present in a good mission statement.

The objective of this study was to make a comparative analysis of the mission statement of all the scheduled banks operating in Zambia, in order to visualize the quality of its mission statement using a Nine Point Scale model given by Fred R. David. The study was to enrich the existing literature by providing up to date empirical evidence from Zambia in terms of mission statement roles, components and impact on performance on commercial banks. Mission statement is considered as an essential part of strategic management process (Cochran, et al., 2008; Morphew & Hartley, 2006). It is expected that the findings would be of great use of interested parties (Such as managers, researchers etc.) to assess the quality of mission statements of Zambian commercial banks licensed to operate under the bank of Zambia.

The research topic has sealed the literature gaps that existed in the sense that most of these kinds of researches existed in Europe and Asia only but had not been done in Africa and Zambia to be specific. The approach to this study helped to have a more comprehensive picture of a topic at hand as it covered the components of the mission statements analysis and its linkages to the company performance. Therefore, this study justified the reviews of previous studies on this topic in that, it is evident that the methodologies employed did not adequately explain the phenomenon in totality.

In the relevant literature there are several definitions of a mission statement; A mission statement aims to provide employees and stakeholders with clarity about the overall purpose and raison d'être of the organization (Johnson, 2011). A mission statement is a unique, clear and well written statement that

articulate the mission to different parties related to an organization (Hossain, 2004). Another author defines a mission statement as an instrument that articulates business; target the market of the firm, and acts as force or mixture that joins different standards (Biswas et al., 2007). A mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of the company's operations in terms of products (including services) offered and markets served. It puts into words not only what the company is now, but also a vision of what it wants to become. It promotes a sense of shared expectations in employees and communicates a public image to important stakeholder groups in the company's task environment (Bhandari, 2013). A mission statement reveals who the company is and what it does. (Hunger, 2010). Another author defines a mission statement as a broad assertion of the basic, exclusive purpose and scope of operations that sets the organization apart from others (Alkhafali, 2003).

In this paper we define mission statement as a statement of the company's purpose or its fundamental reason for existing. The statement spotlights what business a company is presently in and the customer needs it's presently striving to meet. A mission statement communicates the organization's reason for being and how it aspires to serve its key stakeholders. While a commercial bank is defined as an institution that provides services such as accepting deposits, providing business loans, and offering basic investment products (commercial bank, 2018). Commercial bank can also refer to a bank, or a division of a large bank, which more specifically deals with deposit and loan services provided to corporations or large/middle sized business (commercial bank, 2018). There are some important objective indicators one can use to measure financial performance of a company, these are return on equity (ROE) and return on investment (ROI). Return on equity (ROE) is the amount of net income returned as a percentage of shareholders' equity (Komashie, 2014). Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Libby, 2011). Also Return on Investment (ROI) is a performance measure, used to evaluate the efficiency of an investment or compare the efficiency of several different investments (Botchkarev, 2011). ROI measures the amount of return on an investment, relative to the investment's cost. To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio. The measure of company performance nowadays, is the difference between successful and unsuccessful companies and is not only a matter of their products, services or technology, but also of some other factors lying behind them. We base our study only on financial performance. Variables we use as measures of company performance are average values of ROE, ROI for the years from 2010 to 2017.

Review of literature

A number of studies have been conducted on mission statements, their roles and relations with regards to performance of companies and institutions. The following are some of the relevant literature consulted pertaining to this study:

A study 'The Impact of Mission Statement on Performance: An Exploratory Study in the Jordanian Banking Industry' (Alawneh, 2015). Another study 'Content Analyses on Mission Statements of the Commercial Banks in Kyrgyzstan'. (Najimudinova, nd).

A relationship between mission statement and company performance was another study consulted by this research (Dermol, 2012). The study 'Content Analysis of the Banks' Mission Statements: A Study of Bangladeshi Listed Banks'. (Moin, 2012). The Content Analysis of Mission Statements: A Case of Pharmaceutical Sector Companies of Pakistan was another study consulted by this research (Pill, Rana, Shabbar & Ali, 2017). These studies provided adequate insight in the methodology and analysis. Besides these, there were quite a number of studies by different authors that were referred to for this study such as (Gharleghi, Nikbakht & Bahar, 2011), (Yazhou & Jian, 2011), (Bart, Bontis & Taggar, 2001) etc.

Research objectives and hypothesis

Main objective

To identify and critically analyze the roles and impact of Mission statement on performance of Commercial Banks in Zambia

Specific objectives

1. To explore and understand the concepts of Mission statement
2. To explore the meaning and various aspects of the concept of Commercial Banks in Zambia
3. To describe mission statements in terms of their length, number of words, and sentences.
4. To identify the main components of mission statements and their existence levels in the Zambian banking industry.
5. To identify the challenges involved in having a Mission Statement

Thesis statement/hypothesis

Main hypothesis: There is a positive correlation between the characteristics of Mission Statement and organizational performance.

Subsidiary hypothesis

1. There is a positive relationship between mission statement and organizational performance (ROE). (Using David R. Fred model Rating)
2. There is a positive relationship between mission statement and organizational performance (ROI). (Using David R. Fred model Rating)

Methodology

This study employed both qualitative and quantitative approach to do a content analysis of mission statements using a nine Point Scale model given by Fred R. David. The structured approach to inquiry which is usually classified as quantitative research is predetermined and was used to gain an understanding of underlying challenges as this was more appropriate to determine the extent of the problem.

Also, the unstructured approach to inquiry which is usually classified as qualitative research was used. The specific method of data collection was the census of all central bank registered commercial banks. The personal interview was used and was supplemented by online questionnaire interviews. The Online questionnaires were used to obtain the data through E-mails sent to the commercial banks using a questionnaire. This made it easy in that we had to do away with physically visiting these banks, considering that the census covered the whole country. This meant getting a faster response, real time feedback and the data was validated in real time online. The interviews and data processing were strictly confidential.

Research design

In order to identify and critically analyze the roles and impact of Mission statement on Commercial Banks in Zambia, a combination of research instruments was used for collecting information, namely Questionnaire (both hard copy and online questionnaire) from the commercial banks that are registered with the central bank

The overall approach involved an empirical research consisting of a population of 18 commercial banks registered with the bank of Zambia that were interviewed.

Sampling technique

The sample selection took a Non-probability sampling procedure (purposive) in which elements did not have the equal opportunities of being included in a sample.

Data collection

To ensure an efficient and effective data collection, the primary data was collected using structured questionnaires administered by the researcher to the CEO's or senior managers of the Commercial banks and content analysis of the mission statements and other related statements found on commercial

banks' web sites. Most of the data on this research was collected from annual reports of commercial banks from 2010 to 2017, these were provided by either the central bank or obtained from websites of various commercial banks.

Data analysis

Data collected was coded and quantitative data analyzed using SPSS 20, MS-Excel and MS-Word. Descriptive statistics were generated, and SPSS was used to generate descriptive tables of the data collected. Also, some secondary data was used in analysis.

SPSS was chosen as a best option being a specialized statistical package which was able to do effective data management; it also provided wide range of options and provided better output organization.

Results and discussion

The study set out to investigate the roles and impact of mission statements on performance of commercial banks in Zambia operating under the central bank. Specifically, the study looked at the roles and impact of Mission statements on performance of Commercial Banks, explored the concepts of mission statement and Commercial Banks. Further the study examined various mission statements of commercial banks in terms of their length, number of words, and sentences and identified the main components of mission statements and their existence levels in the Zambian banking industry. Finally, the study considered the challenges involved in having mission statements. In this section, the synopsis of the findings of the study are presented and discussed.

The role of a mission statement in a commercial bank

The study reveals in the table 1 below, the perception of commercial banks about the role of mission statements that 5.6 % of commercial banks revealed that a mission statement defines what an organization is, why it exists and its reason for being, while 11.1% of the commercial banks revealed that mission statements defined the banks primary customers, products and services and described the geographical location in which bank operates, majority of commercial banks of about 16.7 % revealed that mission statements communicated the purpose of the organization to stakeholders , developed measurable goals and objectives by which to gauge the success of the organization's strategy, described a concise and inspiring declaration of the organization's objectives, the statement inspires employees and that a mission statement describes what an organization actually does, what its business is and why the organization exists. The findings in the table also revealed that 5.6% of the banks revealed that a mission statement aligns the aspirations of the bank to its core values and primarily gave the customers, employees and other stakeholders a shared understanding of the banks intended direction (5.6 %) and lastly the table revealed that a mission statement gave a general direction of where the company wanted to go and how it wanted to get there, which had to be understood by employees and stakeholders representing 5.6 % of commercial banks responses.

Table 1. Role of a mission statement in a commercial bank (commercial banks perception)

Table 1. Role of a mission statement in a Commercial Bank	Percentage
A mission statement defines what an organization is, why it exists, and its reason for being	5.6
Defines banks primary customers, products and services and describes the geographical location in which bank operates	11.1
Communicates the purpose of the organization to stakeholders	16.7
Develop the measurable goals and objectives by which to gauge the success of the organization's strategy	16.7
Describes a concise and inspiring declaration of the organization's objectives	16.7
The statement inspires employees	16.7
A mission statement is a description of what an organization actually does, what its business is and why the organization exists	5.6

It aligns the aspirations of the bank to its core values and primarily give the customers, employees and other stakeholders a shared understanding of the banks intended direction	5.6
To give a general direction of where the company wants to go and how it wants to get there, which has to be understood by employees and stakeholders	5.6
Total	100.00

The concept of mission statement

Mission statements are “enduring statements of purpose that distinguish one business from other similar firms. It identifies the scope of a firm’s operations in product and market terms.” A mission statement is a constant reminder to its employees of why the organization exists and what the founders envisioned when they put their fame and fortune at risk to breathe life into their dreams (David, 2010).

A mission statement is a short statement of a company’s objective, identifying the goal of its undertakings: what kind of product or service it offers, its principal clients or market, and its geographical area of operation. A mission statement as defined Kotler on P.49 is a statement of the organization’s reason for being, its purpose, what it wants to accomplish in the larger environment (Olsen, nd).

Despite the importance of the mission statement to the banks, in this research, many of them did not have written mission statement accessible to all employees and clients. Mission statements were not found in front of most of annual reports for commercial banks and they often are not displayed throughout a firm’s premises and are not distributed with company information sent to constituencies. It was found that all commercial banks had mission statements, but which were rarely revised for a long period of time.

The concept of commercial banks

Commercial Banks are financial intermediaries that raise funds primarily by issuing checkable deposits, savings deposits and time deposits. They then use these funds to make commercial, consumer, and mortgage loans and to buy government securities and municipal bonds (Mishikin, 2004). A commercial bank is an institution which accepts deposits, makes business loans, and offers associated services.

In Zambia, there are three types of commercial banks namely public sector, private sector, and foreign. The broad responsibility of commercial banks is to provide financial services to general public, business and companies, ensuring economic and social steadiness and sustainable escalation of the economy.

Zambia’s Banking sector consists of 16 operational commercial banks as at June 2018 including several international banks. Others include non-Bank financial institutions such as leasing companies, building societies, micro finance institutions, development banks, bureau de change and savings and credit institutions.

Mission statements in terms of their length, number of words, and sentences

Table 3 reveals that the Zambia National Commercial Bank Limited had the longest mission statement containing 32 words, while the shortest mission statement was from the Standard Chartered bank Zambia Limited and it contained only 3 words. The average length of a mission statement was 18.9 (SD= 7.7) words. An analysis of the number of sentences revealed that the longest mission statement (Access Bank Zambia Limited and Zambia national Commercial bank) contained 2 sentences, while the shortest contained only one (All the other Commercial Banks). The average length of a mission statement was 1.1 (SD= 0.3) sentences. The length of mission statements analysis of the studied banks in this study as shown in Table 2 demonstrates that the length of sentences range from 1 to 2 sentences and the number of words ranges from 3 to 32 words. The results signify that all commercial banks have one sentence statement except for two which had two sentences. Based on the results it can be noticed that the mission statements of banks are very short, all of them are less than 40 words, and the average of words = 18.9, average of sentences = 1.1.

Table 2. Mission statements in terms of their length, number of words, and sentences and score

Serial No.	Name of the bank	Number of Sentences	Number of Words	Bank Score out of scale of nine points
1.	Access Bank Zambia Limited	2	30	7
2.	AB Bank (Zambia) Limited	1	26	5
3.	African Banking Corporation Zambia Limited ***	1	26	6
4.	Atlasmara Zambia Limited	1	24	6
5.	Bank of China Zambia Limited	1	18	6
6.	Barclays Bank Zambia Limited	1	19	3
7.	Cavmont Bank Zambia Limited	1	12	3
8.	Citi Bank Zambia Limited	1	19	4
9.	Eco Bank Zambia Limited	1	15	3
10.	Finance Bank Zambia Limited ***	1	17	5
11.	First Alliance Bank Zambia Limited	1	12	5
12.	First Capital Bank Zambia Limited	1	9	4
13.	First National Bank Zambia Limited	1	19	6
14.	Indo Zambia Bank Limited	1	11	4
15.	Investtrust Bank Zambia Limited	1	21	5
16.	Stanbic Bank Zambia Limited	1	17	5
17.	Standard Chartered bank Zambia Limited	1	3	1
18.	United Bank for Africa Zambia Limited	1	29	6
19.	Zambia National Commercial Bank Limited	2	32	7

Note: banks denoted with *** merged in 2016 to form Atlasmara Zambia Limited

Table 3. Contents of Mission Statements

Measures	Results	Rank
Longest Mission Statement (words)	32	Zambia National Commercial Bank Limited
Shortest Mission Statement (words)	3	Standard Chartered bank Zambia Limited
Mean Length of mission Statement (words)	18.9	
Standard Deviation (words)	7.7	
Most Sentences	2	Access Bank Zambia Limited & Zambia National Commercial bank
Fewest Sentences	1	
Mean Number Sentences	1.1	
Standard Deviation Sentences	0.3	

Components of mission statements and their existence levels in the Zambian banking industry

Mission statements can and do vary in length, content, format, and specificity. Most practitioners and academicians of strategic management feel that an effective statement should include nine components (David, 2010, pp51-52). Because a mission statement is often the most visible and public

part of the strategic-management process, it is important that it includes the nine characteristics as summarized below:

1. Customers—who are the firm’s customers?
2. Products or services—what are the firm’s major products or services?
3. Markets—geographically, where does the firm compete?
4. Technology—is the firm technologically current?
5. Concern for survival, growth, and profitability—is the firm committed to growth and financial soundness?
6. Philosophy—what are the basic beliefs, values, aspirations, and ethical priorities of the firm?
7. Self-concept—what is the firm’s distinctive competence or major competitive advantage?
7. Concern for public image—is the firm responsive to social, community, and environmental concerns?
8. Concern for employees—Are employees a valuable asset of the firm?

S/N	Name of Bank	Customers	Products or Services	Markets	Technology	Survival, Growth and Profitability	Philosophy	Self-Concept	Public Image	Concern for employee
1.	Access Bank Limited	✓		✓	✓	✓	✓		✓	✓
2.	AB Limited	✓	✓	✓			✓		✓	
3.	African Banking Limited	✓	✓		✓	✓	✓			✓
4.	Atlasmara Zambia Limited	✓	✓		✓	✓	✓			✓
5.	Bank of China Limited		✓	✓	✓	✓	✓		✓	
6.	Barclays Bank Limited	✓	✓				✓			
7.	Cavmont Bank Limited	✓	✓				✓			
8.	Citi Bank Limited	✓	✓			✓	✓			
9.	Eco Bank Limited	✓	✓				✓			
10.	Finance Bank Limited		✓	✓		✓	✓	✓		
11.	First Alliance Bank Limited	✓	✓	✓			✓		✓	
12.	First Capital Bank Limited	✓	✓		✓		✓			
13.	First National Bank Limited	✓	✓		✓	✓	✓		✓	
14.	Indo Zambia Bank Limited			✓		✓	✓		✓	
15.	Investrust Bank Limited	✓	✓	✓		✓	✓			

(A tick) Indicates that the banks have mentioned this component in their mission statements. [Blank columns/rows] indicates that the banks have not mentioned this component in their mission statements.

Table 5. Scores of commercial banks mission statements

Mission statements component	Score
Customers	15
Products and Services	16
Markets	9
Technology	6
Survival, Growth and profitability	11
Philosophy	19
Self-concept	3
Public Image	8
Employees	4
Total Score	91

As the average of 9 points scale is 4.5, it can be concluded that out of total 19 banks, 12 banks scored above average and 7 banks scored below average. It is evident from Table-5 that majority of the listed banks are keen to incorporate their philosophy with 100 percent, products and services 84.2 percent of banks and customers concern 78.9 percent, followed by concern for survival, growth, and profitability with 57.9 percent, markets 47.4 percent, concern for public image 42.1 percent and technology with 31.6 percent in their mission statements. They give less focus on concern for employee's 21 percent of the banks and self-concept was the lowest indicating 15.8 percent of the banks reporting.

Table 6. Distribution of components employed in the mission statements of listed banks

Mission statement component	Number of banks	Percentage	Rating
Customer	15	78.9	3
Product and services	16	84.2	2
Markets	9	47.4	5
Technology	6	31.6	7
Concern for survival, growth and profitability	11	57.9	4
Philosophy	19	100	1
Concern for public image	3	15.8	9
Self-concept	8	42.1	6
Concern for employees	4	21.1	8

After a critical analysis of mission statements of 19 banks using Fred R. David model as a benchmark, it was found that out of nine points scale, maximum points gained by any bank were 7, that were achieved by two banks i.e. [Zambia National Commercial Bank and Access bank Zambia Limited], minimum points achieved by any bank was 1 i.e. (Standard Chartered Bank Zambia Limited).

Five banks gained 6 points (66.66%=6/9*100) out of nine i.e. (African Banking Corporation, Atlasmara Zambia Limited, First National Bank and United Bank for Africa). Five banks gained 5 points (55.55%=5/9*100) out of nine i.e. (Investtrust bank Zambia Limited, First Alliance Bank Zambia Limited, AB Bank Zambia Limited, Finance Bank Zambia Limited and Stanbic Bank Zambia Limited). Four banks gained 4 points (44.44=4/9*100) out of nine i.e. [Citi Bank Zambia Limited, First Capital Bank Zambia Limited, Indo Zambia Limited and Stanbic Bank Zambia Limited]. Three banks gained 3 points (33.33=3/9*100) out of nine points i.e. [Barclays Bank Zambia Limited, Cavmont Bank Zambia Limited and Ecobank Zambia Limited]. It may be summarized that broadly banking system's mission statement score in Zambia is well above the average score card of mission statement and majority of the banking setups are keen to incorporate their philosophy, products and services and customers concern but less focus on concern for employees and self-concept.

Performance from commercial banks and their mission statements

In this research, performance of a commercial bank has been assessed by the use of return on equity and return on investment. The performances of commercial banks were based on how good the mission

statements presented are and these are evaluated based on the nine desired components, which each mission statement should possess as the components of the mission statements have been analyzed using a Nine Point Scale model given by Fred R. David. Therefore, the higher the number of components in the mission statement the generally it is considered to be good.

Table 7. Pearson correlations between rating of mission statements and Return on Equity

		Rating of mission statements by number of components	Average Return on Equity
Rating of mission statement by component Average return on Equity	Pearson Correlation	1	-280
	Sig.(2-tailed)		.261
	N	18	18
	Pearson Correlation	-280	1
	Sig. (2-tailed)	.261	
	N	18	18

A Pearson product-moment correlation coefficient was computed to assess the relationship between the mission statement (As rated using a Nine Point Scale model given by Fred R. David for Zambian commercial banks) and Return on Equity (as Average of ROE for period 2010-2017). There was a negative weak correlation between the two variables, $r = -0.280$, $n=18$, $p = 0.261$.

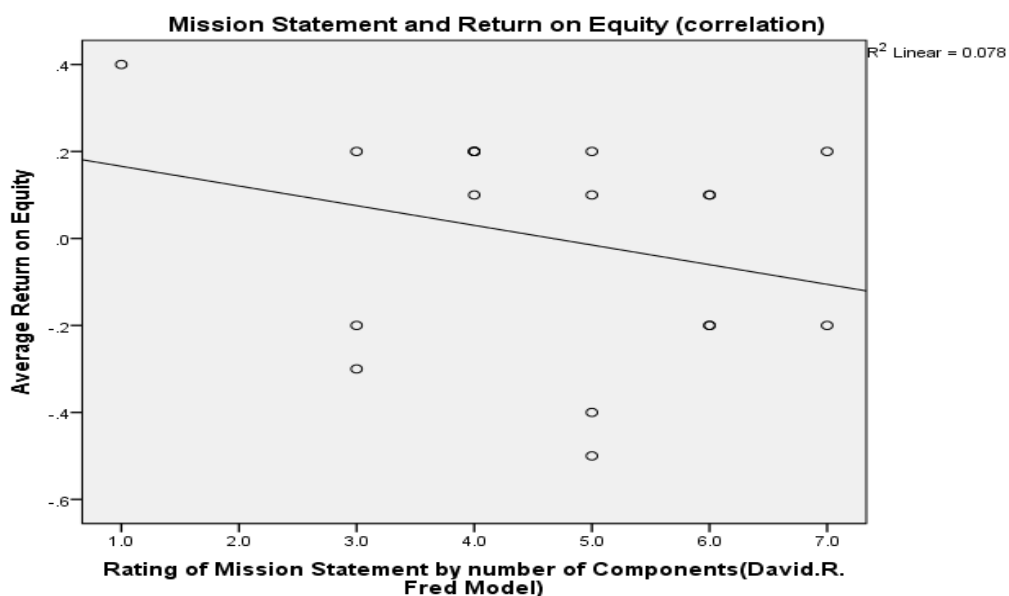


Figure 1. Scatter Plot between rating of mission statements and Return on Equity

The Scatter plot summarizes the results (Figure 1). Overall, there was a weak, negative correlation between mission statement and return on equity. Increases in mission statement components rating were correlated with decrease in return on equity.

Table 8. Pearson correlations between rating of mission statements and return on investment

		Rating of mission statements by number of components	Average Return on Investment
Rating of mission statement by component Average return on Equity	Pearson Correlation	1	-234
	Sig.(2-tailed)		.350
	N	18	18

	Pearson Correlation	-.234	1
	Sig. (2-tailed)	.350	
	N	18	18

A Pearson product-moment correlation coefficient was computed to assess the relationship between the mission statement (As rated using a Nine Point Scale model given by Fred R. David for Zambian commercial banks) and Return on investment (as Average of ROI for period 2010-2017). There was a negative weak correlation between the two variables, $r = -0.234$, $n=18$, $p = 0.350$.

Note: Atlasmara bank Zambia Limited is not included in the computation of the Pearson correlation coefficient.

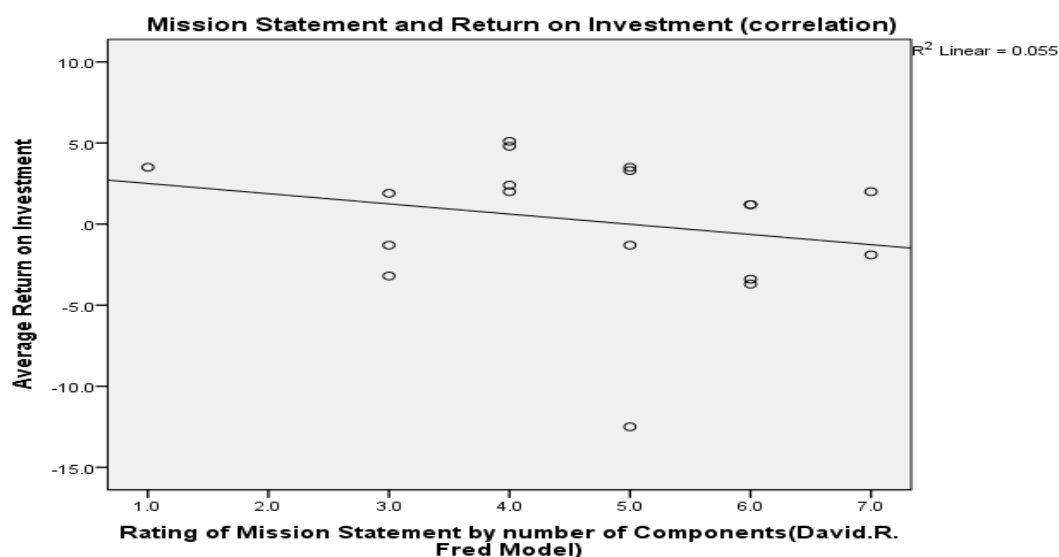


Figure 2. Scatter Plot between ratings of mission statements/ROI

The Scatter plot summarizes the results (Figure 2). Overall, there was a weak, negative correlation between mission statement and return on investment. Increases in mission statement components rating were correlated with decrease in return on investment.

The challenges of having a mission statement

There were a number of challenges that were revealed by the commercial banks interviewed. The results of this study are presented in Table 9, that among cited challenges in coming up with mission statement are: The perceived absence of leadership and the inability to reason around business value 16.7%, increasing numbers of hostile takeovers and the sophistication of banking technologies 16.7%, a severe lack of understanding of their own purpose and complex and ambiguous decision conditions 11.1% and members of the organization resistance to change or be unable to reach a consensus.

Table 9. The challenges of having a mission statement (Commercial Bank perception)

	Percentage
Not having a statement that covers all the critical values of the company in this ever-changing environment	11.1
Formulating one and that the organization lives up to its mission	11.1
formulating one and that the organization lives up to its mission	11.1
Members of the organization will be resistant to change or be unable to reach a consensus	11.1
The perceived absence of leadership and the inability to reason around business value	16.7
A severe lack of understanding of your own purpose and complex and ambiguous decision conditions	11.1

Increasing levels of environmental turbulence and the difficulty of managing it and global market battles	5.6
Increasing numbers of hostile takeovers and the sophistication of banking technologies	16.7
The need to constantly introduce high-quality, innovative products and services	5.6
Total	100

Conclusion

The study aimed to establish the roles and impact of mission statement on performance of commercial banks in Zambia. The study main focus looked at the hypotheses, ‘There is a positive relationship between mission statement and organizational performance (ROE)’ and ‘There is a positive relationship between mission statement and organizational performance (ROI)’. (Using David R. Fred model rating (2010). The study revealed that majority of commercial banks in Zambia disclosed that mission statements communicated the purpose of the organization to stakeholders. The study unveiled that many of the commercial banks had written mission statement but were not accessible to all employees and clients and were rarely revised for a long period of time. The study revealed that the banking system’s mission statement score in Zambia was well above the average score card of mission statement. The results of the hypothesis in the study using the Pearson product-moment correlation coefficient indicated that there was a weak, negative correlation between mission statement and return on equity.

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