

## **Linking Mission Statements Components to Management Effectiveness**

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### **Abstract**

This study examines mission statements and management effectiveness in “first generation” insurance companies in Nigeria. Content analysis method has been applied with the mission statements and data collected from annual reports (2013-2018) of six insurance companies. In terms of the data analysis, Pearson correlation and descriptive statistics have been employed. The results suggest that the mission statements’ components including the product/service, growth orientation, competences, public image and personnel are crucial for management effectiveness proxied by two ratios of return on equity (ROE) and return on assets (ROA). The study, therefore, recommends that businesses must include in their mission statements, product/service, growth orientation, competences, public image and personnel mission statement components. The study drawback is the small sample size. The study has also proposed area for further research and managerial implications.

### **Keywords**

Content Analysis, Management Effectiveness, Return on Assets (ROA), Mission Statements, Return on Equity (ROE).

### **Introduction**

Mission statement (MS) is a unique approach of communication on the rationale and purpose of establishing an organisation. The missions set the businesses apart from their competitors (Pearce & David, 1987; Campbell & Yeung, 1991) and shape their strategic posture (Nwachukwu & Zufan, 2017). The mission statement focuses on a number of crucial aspects of business operations such as philosophy, competencies, customer’s

demand or product/service propositions (Pearce & Robinson, 2011). It concentrates on reconciling different stakeholders' interests and expectations (McGinnis, 1981; Abell, 1980), as well as represents the organisations' purposes in the long-run (Want, 1986; Rarick & Vitton, 1995). A well-developed mission statement will foster the performance as well as attract and retain customers externally (David et al., 2014). Management effectiveness suggests how well a firm uses its shareholders' fund and assets to generate returns which it is usually measured using two indicators of ROE and ROA. Although, many studies on mission statements and organisational performance have existed, the associations between mission statement's components and firm's management effectiveness are still inconclusive and unclear (Bart & Baetz, 1998; Bart, Bontis & Taggar, 2000; Peyrefitte & David, 2006; Bart & Hupfer, 2004; Desmidt et al., 2011; Dermol, 2012). The issue can be due to the dearth of many empirical researches on this topic (e.g. Williams, 2008; Dermol, 2012; Desmidt et al., 2011;). It is worthy to mention that most of the studies that examined the subject ignored emerging economies. This study responds to call by several scholars to explore mission statements in various environments and industries (Peyrefitte & David 2006; Jandaghi & Miyandehi, 2011;). In light of the above, the current paper focuses on the insurance sector in Nigeria, an emerging market. The insurance sector is one of the most important industry in Nigeria. Yet, researchers have paid less attention to management practices in the sector. The Nigerian Insurance Industry is competitive and fragmented (Fitch, 2020). According to the Nigerian Stock Exchange 2019 report, the insurance industry is ranked 62 in the world with a total premium of 1.64 billion dollars. This study focuses on "first generation" insurance companies in Nigeria. Six oldest insurance companies were selected for this study. To the best author's knowledge and understanding, this is considered as one of the first empirical studies to examine mission statements components and their association with management effectiveness in the insurance industry in Nigeria.

## **Literature Review**

### **Mission Statement Components**

Several scholars have conceptualised mission statements using different components. For instance, Nassehifar and Pourhosseini (2008) opine that the mission statements have eight components: provision concerns of customers' demand, personnel, shareholders and partners, social concerns, value propositions, beliefs and philosophy, product/service, vision and explanation of non-financial goals. Bart and Baetz (1996), Haghghi et al. (2010), and Rezvani and Abarzadeh (2010) identify nine components of a mission statement consisting of products and/or services, organisational philosophy, suppliers'

concerns, geographical domain, growth orientation concern, technology, personnel, shareholders and customers, organizational public image, and competitive capabilities. Whleen and Hunger (2012) also identified nine components of the mission statement which were very similar to the ones mention aboved. The different ones could be named as sense of shared expectations and the focus on creativity. In the context of SMEs, Analoui and Karami (2002) observed the mission statement components also include the most popular mentioned above such as the concern of profitability and growth, technology innovation, customer satisfaction and expectaion, the definition of market, belief and philosophy, services quality, brand image, competitive advantages, and partners inclusion.

King et al. (2010) point out that the close link with the current business environment is important characteristic of a well-prepared mission statement. Thus, a statement must be frequently reviewed and updated. Moreover, the authors also argue that new concepts such as greening concept should be included in the mission statement which reflect the three issues of ethical behaviour, social responsibility, and environment protection. David (1989) conceptualizes the mission statement can be viewed as a business' strategic management tool and can be incorporated with ethics and philosophy components. Accordingly, most scholars and practitioners in the strategic management domain prefer to use nine components of the mission statements. The 9 mentioned mission statements' can be used for communicating with various stakeholders. The nine components of the mission statements are as follows:

- Customers segmentation – Defining the customers of the organisation
- Products/services – Defining the products/services that the organisation offer
- Markets – Defining the Geographical places that the organisation compete
- Technology – Defining the organisation core technology
- Growth orientation - Concern for Survival, Growth, and Profitability. Defining the organisation's structure and resources to grow and make a profit
- Philosophy and belief- Defining the fundamental beliefs, aspirations, and ethical prioritie that govern the organization value
- Competences – Defining the core competence and the main competitive advantage of the organisation
- Public Image – Defining the organisation socially responsible and brand image
- Personnel – Defining the value and the roles of personnel in the organization

### **Mission Statement Content and Management Effectiveness**

A success or failure of the organisation depends on how effective the management team is propelling its future growth. The content of an organisation's mission statement could boost the competitive advantage or disadvantage (Peyrefitte & David, 2006). The management of an organization is responsible for administering and coordinating business activities and accounting for the results. In the study of banks in Jordan, Alawneh (2015) finds that the relationship among ROI/ROE and mission statement components does not exist and a conclusion has been reached that equal attention is not given to the elements of mission statements. According to Alavi and Karami (2009), more than 70% of CEOs claimed that the statement will enhance organizational performance. Gharleghi et al. (2011) report that the mission statement should be clear, completed, realistic, practical and should mention the personnel numbers and managers' perceptions, stakeholders' attentions. These mission statement's characteristics promote the higher performance. In a study of 394 Slovenian companies, Dermol (2012) observes that value-added performance is related to the mission statement, while ROA and ROE is not related with mission statements' components. Green and Medlin (2003) demonstrate that the quality and completeness of mission statements improve financial performance. On the other hand, Amran (2012) reports mixed results in Malaysian companies. Regarding the effect of some specific components (values, competences, mission, vision, suppliers and social responsibility), the author submitted that the components of mission statements do not influence return on assets (ROA). Nonetheless, a significant relationship has been found between ROE and the mission, values, competences, suppliers, and social responsibilities. Similarly, Bartkus et al. (2005) report that no positive connection is found between most components and companies' performance except for values and philosophy component. Analoui and Karami (2002) demonstrate that the top-performing organizations might not possess a more well-crafted mission statement than the bottom ones.

#### Mission statements of sample Companies

1. African Alliance Insurance Plc- "We improve the quality of life of our clients and add value to our shareholders."
2. AIICO Insurance Plc- "We exist to create and protect wealth for our customers."
3. Lasaco Assurance Plc- " We are committed to be the insurance and financial service company of choice in Nigeria providing products and services of superior quality using modern tools and technology and a well-motivated workforce to achieve long term for all our stakeholders"

4. Law Union and Rock Insurance Plc- “To keep faith with those who will entrust their future into our hands and also be a socially responsible corporate citizen.”
5. NEM Insurance Plc- “To build a customer satisfying Insurance institution that is passionate about adding value to the interests of all stakeholders”.
6. Niger Insurance Plc- “To provide innovative customer-oriented insurance and related financial solutions to clients on sustainable basis”.

## **Research Methodology**

This study employs a quantitative and case study research approach. Secondary data are collected from the sample companies’ websites and annual reports. The sample insurance companies were established between 1960 and 1979. Thus, they are referred to as “first-generation” insurance companies with a strong presence in Nigeria. Extant literature (i.e Kemp & Dyer, 2003; David et al., 2014) are use for guiding the content analysis of the nine mission statements’ components. The author uses a scale 1 – 2 to assess the nine mentioned components, where 1 = component is not included, 2 = component is present. To measure management effectiveness, the author uses ROA and ROE. The author calculates the ROA and ROE of the companies for six years (2013-2018) based on the availability of data. ROA captures the fundamentals of management effectiveness comprehensively by looking at both income statement performance and the assets needed to run a business. ROA focuses on how management is effectively using shareholder assets to earn returns. ROE looks at how management is effectively using shareholder funds/equity to earn returns. It offers great insight into management behaviour. Pearson correlation and descriptive statistics have been employed to analyse the data. Pearson correlation is used to examine the relationships’ strength. Specifically, the correlation is used to define the relationships’ strength between management effectiveness and components of mission statement. Frequencies and percentages are used to report the number of components included. JASP 0.13 statistical software is used to analyse resultant data.

## **Findings and Discussions**

Table 1 shows the results of the content analysis of the mission statements of six insurance companies. The result suggests that the African Alliance’s mission statement includes only 2 out of the total 9 components. Law Union 5 and Niger have 6 components comprised in their mission statements meaning that 55% and 66 % “fulfilment” respectively. NEM has 7 components in its mission statements (77 %). Lasaco has 8 components in its mission statement, the highest ratio (88 %) of the possible 9

components. In contrast, AIICO has only 1 component in its mission statements, the lowest percentage (11%). So, Lasaco has the most comprehensive mission statements based on an analysis of the components.

**Table 1 Number of Elements Covered by the Mission Statements**

Firm's name	Frequency	Ratio
African Alliance	2	22.22
AIICO	1	11.11
Lasaco	8	88.88
Law Union	5	55.55
NEM	7	77.77
Niger	6	66.66

Source: Own (2020)

Correlations between ROA and the nine components are presented in Table 2. The result suggests that philosophy (0.654), competences (0.693), public image (0.693) and personnel (0.702) has a strong positive correlation relationship with return on assets (ROA). Product and service (0.145) and survival, growth, and profitability (0.065) have a weak positive association with return on assets (ROA).

This implies that the components of philosophy, competences, public image and personnel, product and service survival, growth, and profitability components could affect how management is using the company assets to generate a return for various stakeholders. This finding negates the studies of Amran (2012) and (Dermol (2012) who has reported that there was no associations between the mission statement's components and ROA. Market (0.000) and technology (0.000) components of the mission statements indicates that no relationship exists between mission statements components and return on assets (ROA). This result is consistent with (Amran 2012; Dermol, 2012). Customer (-0.682) strongly and negatively associates with ROA.

**Table 2 Correlation Matrix – Mission Statement Components and Return on Assets (ROA)**

Variable	ROA	CUST	PS	MKT	TECH	SGP	PHIL	SELF	PIMAGE	EMP
1. ROA	Pearson's re									
	p-value	—								
2. CUST	Pearson's r	-0.682	—							
	p-value	0.136	—							
3. PS	Pearson's r	0.145	0.447	—						
	p-value	0.784	0.374	—						
4. MKT	Pearson's r	0.000	0.200	0.447	—					
	p-value	1.000	0.704	0.374	—					
5. TECH	Pearson's r	0.000	0.200	0.447	1.000	***				
	p-value	1.000	0.704	0.374	< .001	—				
6. SGP	Pearson's r	0.065	-0.200	0.447	0.200	0.200	—			
	p-value	0.903	0.704	0.374	0.704	0.704	—			
7. PHIL	Pearson's r	0.654	-0.447	0.333	-0.447	-0.447	0.447	—		
	p-value	0.159	0.374	0.519	0.374	0.374	0.374	—		
8. SELF	Pearson's r	0.693	-0.316	0.707	0.316	0.316	0.632	0.707	—	
	p-value	0.127	0.541	0.116	0.541	0.541	0.178	0.116	—	
9. PIMAGE	Pearson's r	0.693	-0.316	0.707	0.316	0.316	0.632	0.707	1.000	***
	p-value	0.127	0.541	0.116	0.541	0.541	0.178	0.116	< .001	—
10. EMP	Pearson's r	0.702	-0.447	0.333	0.447	0.447	0.447	0.333	0.707	0.707
	p-value	0.120	0.374	0.519	0.374	0.374	0.374	0.519	0.116	0.116

\* p < .05, \*\* p < .01, \*\*\* p < .001

Source: Own (2020)

The analysis suggests that customer (0.690), product and service (0.547), Market (0.873), technology (0.873) and personnel (0.677) components of mission statements has a strong positive correlation association with return on equity (ROE). Competences (0.414) and public image (0.414) mission statements elements have a moderate positive relationship with return on equity (ROE). Furthermore, survival, growth, and profitability (0.105) have a weak positive association with return on equity (ROE). This means that the mission statements with customer, product/service, market, development of technology, personnel, competences, public image and survival, growth and profitability could explain management effectiveness in terms of how shareholders' fund is used to generate returns. This finding is consistent with the study of Amran (2012) who finds ROE is significantly impacted by mission, values, competences, and social responsibility components. However, this result negates with Alawneh (2015) who concludes that ROE is not related to mission statement components. On the hand, philosophy (-0.260) components have a weak negative association with return on equity (ROE).

**Table 3 Correlation Matrix – Mission Statement Components and Return on Equity (ROE)**

Variable		ROE	CUST	PS	MKT	TECH	SGP	PHIL	SELF	PIMAGE	EMP
1. ROE	Pearson's r	—									
	p-value	—									
2. CUST	Pearson's r	0.210	—								
	p-value	0.690	—								
3. PS	Pearson's r	0.547	0.447	—							
	p-value	0.262	0.374	—							
4. MKT	Pearson's r	0.873 *	0.200	0.447	—						
	p-value	0.023	0.704	0.374	—						
5. TECH	Pearson's r	0.873 *	0.200	0.447	1.000***	—					
	p-value	0.023	0.704	0.374	< .001	—					
6. SGP	Pearson's r	0.105	-0.200	0.447	0.200	0.200	—				
	p-value	0.843	0.704	0.374	0.704	0.704	—				
7. PHIL	Pearson's r	-0.260	-0.447	0.333	-0.447	-0.447	0.447	—			
	p-value	0.618	0.374	0.519	0.374	0.374	0.374	—			
8. SELF	Pearson's r	0.414	-0.316	0.707	0.316	0.316	0.632	0.707	—		
	p-value	0.414	0.541	0.116	0.541	0.541	0.178	0.116	—		
9. PIMAGE	Pearson's r	0.414	-0.316	0.707	0.316	0.316	0.632	0.707	1.000***	—	
	p-value	0.414	0.541	0.116	0.541	0.541	0.178	0.116	< .001	—	
10. EMP	Pearson's r	0.677	-0.447	0.333	0.447	0.447	0.447	0.333	0.707	0.707	—
	p-value	0.140	0.374	0.519	0.374	0.374	0.374	0.519	0.116	0.116	—

\* p < .05, \*\* p < .01, \*\*\* p < .001

Source: Author, 2020

## Conclusions

The paper explores the association between management effectiveness and the mission statements from six “first-generation” insurance companies in Nigeria. The study uses ROA and ROE to operationalize management effectiveness. It has been observed that all the mission

statements components possess a positive relationship with return on assets, except for market, technology, and customer components. This implies that having these components in mission statements could improve management effectiveness in terms of how company assets are utilized to generate returns/profits. Furthermore, all the mission statement components are positively involved to return on equity, except philosophy components which have a negative relationship. Market and technology components have the highest positive correlation with ROE. In the present context of globalization, the advanced technology use is very crucial for the success of all of organizations. Indeed, in the Nigeria insurance sector, technology will enable businesses to reduce costs, and enhance efficiency and competitiveness. Considering that the mission statements -firm performance relationship has been a controversial topic in the literature of strategic management (e.g., Bontis & Taggar, 2001; Peyrefitte & David 2006; Desmidt et al., 2011; Jandaghi & Miyandehi, 2011; Dermol, 2012), the present results add to theoretical arguments and limit empirical studies. This study has some implications for managers and executives of insurance companies. This study informs both business managers and executives on the components must be included into mission statement to enhance and develop management effectiveness. The public image component of mission statements must be included to enhance management effectiveness. Companies that show concern for the public image can attract more customers, improve their market share and reputation in the market. The present paper recommends that businesses, especially insurance firms that aim to foster management effectiveness (ROA and ROE) must craft mission statements that include product/service, growth-oriented resources, competences, public image and personnel components. The study has the limitation such a small sample size. Only the mission statements of six insurance corporations listed on the Nigerian Stock Exchange were used for this study. Nonetheless, it is a representative of the oldest insurance companies in Nigeria. Despite the limitation described above, this study enriches the literature by adding the connection between mission statement components and management effectiveness of insurance companies operating in Nigeria from both theoretical and practical perspectives. Future research could explore mission statements and management effectiveness in different sectors in Nigeria and other emerging economies. Also, the number of companies in the sample could be increased, and a comparative analysis could be conducted.

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