

# **Mission – characteristics, benefits, challenges and financial performance – a look at Cambodian listed firms.**

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## **ABSTRACT**

This article explains the characteristics, benefits of having a mission statement and the challenges faced in developing such a mission statement. An analysis of public-listed companies' mission statement on the Cambodian stock exchange was undertaken and compared with the recommendation of Campbell and Yeung. This was followed by a simple financial analysis of return on capital employed between a firm that has a better mission statement as compared to another public listed firm whose mission statement was not as effective. Controlling for other variables, there may be a positive correlation between a firm's mission statement and its financial performance.

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## 1 INTRODUCTION

This article first explains the characteristics and contents and of good mission statements. Examples of mission statements are then followed. The subsequent section then articulates the benefits of effective mission statement, leading to another section that explains the challenges in developing mission statements. This is then followed by an analysis of mission statements of public-listed Cambodian firms. Following this, a simple analysis of return on capital employed was used to infer any positive correlation between mission statement and financial performance. Finally a conclusions section wraps up the key issues pertaining to mission statements.

## 2 MISSION STATEMENT

Mission statements are vital communications used by corporations to define themselves to their various constituencies including customers, employees, creditors, shareholders and other stakeholders. According to King, Case and Premo (2010), mission statements tend to communicate an organization's values, purpose, identity and primary business goals. Mission statements are often longer than a vision statement which provides a broader statement reflecting the future aspirations of a company (King *et al.*, 2010). A vision statement should be clear, concise and compelling (Truskie, 1999, p.66) and it looks at the future state of an organization. For example, the vision statement of CamEd Business School, a leading provider of educational in Cambodia is:

*“The vision of CamEd Business School is advancement of the nation and its economy by creating a vibrant community of accounting and finance professionals performing on par with those in global financial centers, taking initiative as leaders, and upholding high ethical standards”* (cam-ed.com/about, 2014).

According to Peter Drucker (cited in King *et al.*, 2010, p.72), firms can develop their mission statements by answering the following questions – “what do we want to become?”, and “what is our business?”.

A mission should specify the business or businesses in which a firm intends to compete and the customers it needs to serve. A mission statement should also establish a firm's individuality and should be inspiring and relevant to all stakeholders. Together with vision, mission statement provides the foundation that the firm needs to choose and implement one or more strategies (Ireland, Hoskisson and Hitt, 2013, p. 18).

According to Campbell and Yeung (1991), a good mission statement must encompass a firm's purpose, strategy, values and behavior standards. The “purpose” of a firm expostulates its reason for existence; “strategy”, on the other hand explain in broad terms its strategies and its core competencies; the “values” focus upon a firm's values, beliefs, principles; and “behavior standards” looks at a firm's rituals and routines, policies, procedures, and management style.

### 3 MISSION STATEMENT EXAMPLES

There are many examples of mission statements. The website, [makingafortune.biz](http://makingafortune.biz) lists out many companies' mission, vision and slogans. For example, Microsoft's mission statement consists of the following:

*"To enable people and businesses throughout the world to realize their full potential"*  
(<http://www.makingafortune.biz/list-of-companies-m/microsoft.htm>, 2015)

while Levi Strauss & Co has the following mission:

*"The mission statement of Levi Strauss & Co. is to sustain responsible commercial success as a global marketing company of branded apparel."*

*We must balance goals of superior profitability and return on investment, leadership market positions, and superior products and service.*

*We will conduct our business ethically and demonstrate leadership in satisfying our responsibilities to our communities and to society.*

*Our work environment will be safe and productive and characterized by fair treatment, teamwork, open communications, personal accountability and opportunities for growth and development"* (Steiner & Steiner, 2004, p. 187).

Comparing these two mission statements, the mission statement of Levis tends to be more comprehensive covering the purpose, strategy, values and behavior standards as recommended by Campbell and Yeung (1991) while the mission statement of Microsoft focuses more on its *raison d'être*.

CamEd, the premier provider of tertiary education, including being a platinum status center for the Association of Chartered Certified Accountants (ACCA) has the following mission statement:

*"The mission of CamEd is to provide higher education with a focus on accounting and finance, leading to qualifications of international quality and recognition."*

*CamEd strives to maintain a high performing, diverse, and international faculty of lecturers, collecting and disseminating best practice and the latest developments in their respective fields.*

*CamEd aims to continually improve effectiveness and efficiency through strategic use of management techniques, financial management and information technology.*

*CamEd works to cultivate a respectful, liberal, encouraging environment conducive to self-discovery, freedom of thought, innovation, and constructive debate"* ([cam-ed.com/about](http://cam-ed.com/about), 2014).

CamEd's mission statement truly captures the essence of good mission statement as

stipulated by Campbell and Yeung (1991) where the purpose (providing higher education with a focus on accounting and finance, leading to qualifications of international quality and recognition), strategy (...a high performing, diverse, and international faculty of lecturers, collecting and disseminating best practice and the latest developments in their respective fields), values (...cultivate a respectful, liberal, encouraging environment conducive to self-discovery, freedom of thought, innovation, and constructive debate) and behavior standards (...use of management techniques, financial management and information technology) are fully articulated.

Some firms may not have a mission statement; instead they may have a credo. For example, Johnson and Johnson's famous credo of putting customers first, employees second, communities third and shareholders last (Steiner & Steiner, 2004, p. 140).

## **4 BENEFITS OF MISSION STATEMENTS**

According to King and Cleland (1979, cited in King *et al.*, 2010), a carefully constructed mission statement lends to some advantages. Firstly, a mission statement tends to ensure unanimity of purpose. If employees were to embrace the mission statement of a company in "letter and in spirit", then all employees, irrespective of caste, creed and background will be able to identify themselves to the firm. They will therefore have a unanimous spirit when addressing problems and issues that may arise in the workplace.

Secondly, by having a mission statement, it can serve as a launching pad for an organization to decide its goals and objectives as well as to formulate long-term strategies. It would be more difficult for a firm to decide its goals and objectives (both strategic and financial) if the firm does not have a proper mission statement.

Thirdly, by knowing its mission statement, a firm can not only decide its goals and objectives, but also to provide a basis or standard for allocating its resources.

Finally, according to the authors' work above, an effective mission statement will also allow a firm to establish a general tone or organizational climate; hence it may be a factor in influencing organizational culture.

Collins and Porras (1996, p.65) uses the term purpose and core values instead of mission statement and found that firms that have a proper purpose and core values tends to have enduring long-term success.

One company that did not have a mission and a vision statement was Lehman Brothers Holdings (King *et al.* 2010) and this may have resulted, among other factors in the deterioration and collapse of Lehman Bros.

## **5 CHALLENGES AND ISSUES OF MISSION STATEMENTS**

According to David (2009, cited in King *et al.*, 2010), proactive organizations systematically review and revise both their mission and vision statements and treat them as living documents. A mission statement must be revised as the goals and objectives of the firm are

updated; otherwise, a firm may lose its sense of direction. When Unilever changed its product portfolios and set its priorities for its business, it changed her mission statement to reflect it (Ang, 2004, p.2; StarBiz, 2004, p.12). Proctor and Gamble (P&G) also had to change its mission when they changed their goals and objectives (Reingold, 2011).

Another challenge facing organizations is the time taken to develop mission statements. When Dick Costolo became CEO of Twitter in October 2010, the first thing he did was to change Twitter's mission statement to:

*"Instantly connect people everywhere to what's most meaningful to them"*, and it took six weeks for Costolo to do so (Hempel, 2011)!

Unfortunately, Twitter's mission statement did not last long with a change in its business model – to generate more revenue from advertisements (Stone, 2014) and ultimately Costolo had to resign from his post.

In addition, framing the mission statement with the right words, contents and impact can be very challenging. Twitter's new mission statement is now:

*"To give everyone the power to create and share ideas and information instantly, without barriers"* (about.twitter.com/company, 2016).

Mission statements can sometimes be too vague, broad or riddled with superlatives (Ireland *et al.*, 2013, p. 19).

## 6 AN ANALYSIS OF CAMBODIAN PUBLIC-LISTED FIRMS' MISSION STATEMENT

The Cambodian stock exchange board opened in 2011 (Reuters, 2014) and currently has five companies listed on the Cambodian stock exchange board. These are shown in Table 1 below:

**Table 1 – List of companies on the Cambodian stock exchange board**

Name of company	Date listed
Phnom Penh Water Supply Authority (PWSA)	18-April 2012
Grand Twins International (Cambodia) Plc (GTI)	16-June 2014
Phnom Penh Autonomous Port (PPAP)	09-December 2015
Phnom Penh SEZ Plc (PPSP)	30-May 2016
Sihanoukville Autonomous Port (PAS)	08-June 2017

Source: <http://csx.com.kh/data/lstcom/listPosts.do?MNCD=5010>, access 16 June 2017

The mission statements of the above companies will be compared to the recommendations of good mission statement according to Campbell and Yeung (1991). This is shown in Table 2.

**Table 2 – mission statements of companies listed on the Cambodian stock exchange**

Name of company as listed on the Cambodian bourse	Website	Mission statement
PWSA <sup>1</sup>	<a href="http://www.ppwsa.com.kh/">http://www.ppwsa.com.kh/</a>	The mission of PPWSA is to ensure the supply of clean potable water 24 hours per day, 7 days per week, with adequate water pressure and at a reasonable price to the people of Phnom Penh and the urban areas of the Kandal province adjacent to Phnom Penh whilst also considering the needs of those people living in poverty. In addition, PPWSA has been sharing its experience with some provincial-city water authorities in the Kingdom of Cambodia, as well as in the region and the rest of the world.
GTI <sup>2</sup>	<a href="http://www.grandtwins.com.kh">http://www.grandtwins.com.kh</a>	Not Available (except for business philosophy).
PPAP <sup>3</sup>	<a href="http://www.ppap.com.kh/">http://www.ppap.com.kh/</a>	Create sound economic growth through maritime commerce and related development.
PPSP <sup>4</sup>	<a href="http://www.ppsez.com/en/">http://www.ppsez.com/en/</a>	Our mission is to be the leading SEZ in Cambodia. With customized, ISO certified infrastructure solutions, on-site administrative services, and a central location to support regional logistics, we aim to provide manufacturing companies with financial advantages for a secure long-term investment, while playing a key role in the development of the local economy.

PAS <sup>5</sup>	<a href="http://www.pas.gov.kh/">http://www.pas.gov.kh/</a>	Meet the needs of customers by increasing service quality, speed and affordability (translated from Khmer to English).
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Source: 1. <http://www.ppwsa.com.kh/en/index.php?page=vision-and-mission>

2.

[http://grandtwins.com.kh/index.php?option=com\\_content&view=article&id=61&Itemid=71&lang=en](http://grandtwins.com.kh/index.php?option=com_content&view=article&id=61&Itemid=71&lang=en)

3. <http://www.ppap.com.kh/csr.php>

4. <http://www.ppsez.com/en/about-us/business-overview.html>

5. <http://www.pas.gov.kh/>

From Table 2, the mission statement of PWSA highlights its purpose (providing clean water supply), and its values (considering people who live in poverty and sharing its expertise). However, it does not explicitly specify its strategy and behavior standards. Thus it does not completely adhere to the recommendations given by Campbell and Yeung (1991).

On the other hand, the mission statement of PPAP only emphasizes its “purpose” and nothing else. The mission statement of PPSP explains its “purpose” (leading SEZ in Cambodia), “strategy” (customized, ISO certified infrastructure solutions, on-site administrative services, and a central location to support regional logistics, to provide manufacturing companies with financial advantages for a secure long-term investment), “values” (playing a key role in the development of the local economy) but nothing being mentioned about its “behavior standards”.

Finally, PAS’ mission statement looks at its “strategy” and not others. Based on the above, PPSP’s mission statement comes closest to the recommendation given by Campbell and Yeung (1991).

Next the firm’s return on capital employed (ROCE) is calculated to see any possible association between ROCE and mission statement. ROCE is used as it is more appropriate in capital intensive industries (Investopedia, 2017). Using the Phnom Penh Water Supply Authority and the Phnom Penh SEZ as a basis of comparison, as shown in the appendix, the ROCE of Phnom Penz SEZ had increased by around 68 percent while that of the Phnom Penh Water Supply Authority, its ROCE had only increased by 1.8 percent.

Hence there can be some correlation between a firm’s mission statement and its financial performance.

Controlling for other variables such as size, industry and others, it would be interesting to find out whether effective mission statements as stated by Collins and Porras will affect the financial performance of Cambodian firms.



## 7. CONCLUSIONS

This article has explained the meaning and characteristics of mission statement, followed by some of the benefits and challenges of having a mission statement. Some examples were given to illustrate organizations' mission statement. This article had also analysed the mission statement of companies listed in the Cambodian bourse and showed that none has a comprehensive mission statement as expounded by Campbell and Yeung (1991). The closest to the recommendation was the Phnom Penh SEZ. This article then made a simple analysis of two firms' mission statement and its return on capital employed and found that, controlling for other variables, there may be a positive correlation between a firm's mission and its financial performance as advocated by Collins and Porras (1996). Therefore, it is recommended that Cambodian firms in general should re-examine their mission statement and to ensure that all staff can embrace this mission statement in "letter and in spirit". If this can help in improving a firm's financial performance, then, this may also facilitate the firm concerned to be more quickly publicly listed, if it wants to.

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## APPENDIX

### Company

<b>Phnom Penh Water Supply Authority</b>	<b>2016</b>	<b>2015</b>
	\$	\$
Operating Profit	14367368	13660660
Total assets	324432400	311358032
Current liabilities	19563487	16202437
<b>ROCE (%)</b>	<b>4.7126379</b>	<b>4.6282911</b>

Source: extracted from Phnom Penh Water Supply Authority (2016), 'Financial statements and independent auditor's report', < <http://www.ppwsa.com.kh/en/index.php?page=financial-statement>, access June 16, 2017

### Phnom Penh SEZ

Operating Profit	483976	231804
Total assets	56170048	48670049
Current liabilities	5426865	7734110
<b>ROCE (%)</b>	<b>0.9537754</b>	<b>0.5662604</b>

Source: extracted from Phnom Penh SEZ Plc (2016), < <http://www.ppsez.com/en/financial-information/financial-statements.html>, access June 16, 2017. (the year ended 2016 not audited)

