CHAPTER 1: USING OBJECTIVES AND STRATEGIES

BUSINESS OBJECTIVES

Corporate objectives
- Designed to enable a business to achieve its aims or mission.
- Set in order to coordinate business activity and give a sense of direction to the organisation as a whole.
- Govern setting of functional objectives and provide a mechanism for ensuring that authority can be delegated without lots of coordination.

Functional objectives
- Set for each division/department of a business.
- Designed to ensure the business achieves its corporate objectives.
- Set to coordinate the activities, give a sense of direction and guide the actions of the division or department.

Relationship between corporate objectives and functional objectives
- Corporate objectives vary from firm to firm, depending on the size of the business and the legal structure.
- Corporate objectives and their contributing functional objectives might include:
  - **Survival**: minimum levels of sales and sales revenue, appropriate levels of stock and the required number of experienced/well-trained staff.
  - **Profit maximisation**: effective marketing in order to increase sales, improving profit margins by minimising costs, effective utilisation capacity, reducing staff turnover and absenteeism.
  - **Growth maximisation**: increasing market share or retaining profit in order to finance growth, increasing capacity by expanding the number of sites, recruiting more staff and improving training provision.
  - **Diversification**: development of niche markets, raising additional finance via appropriate and cost effective sources, achieving economies of scale, ensuring effective communication between different production sites.

SMART objectives.
- **Specific**: clearly and easily defined
- **Measurable**: quantifiable
- **Agreed**: managers and subordinates are involved in setting the targets
- **Realistic**: achievable and not in conflict with other objectives
- **Time bound**: based on an explicit timescale

- This is necessary to assess the extent to which an objective has been achieved and to ensure people are clear about what they are trying to achieve.
- If unrealistic they can be demotivating and counterproductive.
- Objectives agreed by the whole workforce are more likely to be achieved than imposed ones.

BUSINESS STRATEGIES.
- Objectives form the basis for decisions on strategy.
- Strategies are medium to long-term plans that will allow a business to achieve its objectives.
- Include details of what it is to be done and the financial, production and personal resources required to implement the plans.