

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, 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 new 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.