

Business Objectives

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- Meaning:

Dalton E. McFarland – “ Objectives are goals, aims or purposes that organisation wish to achieve over varying period of time.”



• **Measurable**

• **Realistic**



• **Specific**

• **Achievable**

• **Time specific**

Smart Objectives

S	SPECIFIC	Details exactly what needs to be done
M	MEASURABLE	Achievement or progress can be measured
A	ACHIEVABLE	Objective is accepted by those responsible for achieving it
R	REALISTIC	Objective is possible to attain (important for motivational effect)
T	TIMED	Time period for achievement is clearly stated

- **S – Specific** – objectives are aimed at what the business does, e.g. a hotel might have an objective of filling 60% of its rooms a night during October, an objective specific to that business.
- **M - Measurable** – the business can put a value to the objective, e.g. Rs. 10,000 in sales in the next half year of trading.
- **A - Agreed** by all those concerned in trying to achieve the objective.
- **R - Realistic** – the objective should be challenging, but it should also be able to be achieved by the resources available.
- **T- Time specific** – they have a time limit of when the objective should be achieved, e.g. by the end of the year.

Hierarchy of objectives



STEPS IN SETTING Business Objectives

1

- Analyse the internal environment - find the strength & weaknesses

2

- Analyse the external environment – Opportunities & threats

3

- Understand the values & beliefs of top management

4

- Past performance of the firm

5

- Involvement of employees

6

- Setting of objectives

7

- Implementation

8

- Review of business objectives

Types of **Business Objectives**



Classification of business objectives

A) Organic/three –fold /basic /primary objectives



SURVIVAL

- It is the primary objective of every business to continue its activities and prevent closure or exit from the market.
- Factors:
 - Costs reduction**
 - Improvement in customer relationship**
 - Maintaining competitive position**
 - Maintaining community role & image**
 - Minimizing risk and providing for uncertainties**
 - Optimum utilization of resources.**

GROWTH:

Growth may be defined as expansion of business activities by introducing new products or by expanding existing product line or by entering into new markets.

Factors:

- ❖ Exploring new market
- ❖ Expanding returns on investment
- ❖ Making plant additions
- ❖ Internal growth strategies like – market development, market penetration, product development, diversification
- ❖ External growth strategies like – joint venture, merger, takeover.

PRESTIGE:

- Building up corporate image through fair business practices goes a long way in creating bond, trust, faith and goodwill.
- Factors:
 - ❖ **Improving quality, reducing costs & prices**
 - ❖ **Paying dividend regularly**
 - ❖ **CSR activities**
 - ❖ **Effective after sales services**
 - ❖ **Enhancing shareholders wealth**
 - ❖ **Addition of new and innovative products**

ECONOMIC OBJECTIVES

- 1) Profit: it is the reward for risk taking in business. Profit is required for
 - building reserves
 - rewarding shareholders
 - rewarding employees
 - CSR activities
- 2) Innovation: new techniques of production, introduce new products, new marketing techniques, cost reduction, quality upgradation, etc.
- 3) Creation of wealth: increasing shareholders wealth. A business must provide fair returns on their investment and ensure appreciation in the value of their shares.

- 4) Creation of customer : Peter Drucker- There is only one definition of business – to create a customer.
- 5) Optimum utilisation of resources: by making full use of machines and equipments, reducing wastages, developing ways to recyle waste materials. – Asian paints
- 6) Expansion of markets: both domestic & international
- 7) Increase in market share: by adopting the right marketing mix, effective dealer's network, excellent after sales service etc.

SOCIAL OBJECTIVES

- 1) Towards employees: - good working conditions, payment of wages/salaries
- 2) Towards consumers: supplying quality products, charging the right price, after sales service, disclose required information, satisfaction to consumers, develop new products.
- 3) Towards shareholders: payment of dividend regularly, disclosing correct information about the firm's progress, enhancing shareholder's wealth.

- 4) Towards government: payment of taxes & duties, adhering to rules and regulations
- 5) Towards dealers: supply goods on time, providing the right package of incentives.
- 6) Towards media: maintain good relations with the media people
- 7) Towards competitors: respect competitors and refrain from negative tactics such as unethical advertising, duplication of competitor's products to spoil its reputation

Human objectives

- 1) Fair wages- equal work equal pay
- 2) To provide healthy working conditions
- 3) To provide job satisfaction – job interesting & challenging
- 4) To secure workers participation in management
- 5) To provide welfare facilities – like creche, canteen, recreation, rest rooms, transport
- 6) To provide for social security – pension schemes, provident fund, group insurance

National objectives

- 1) To encourage development of small scale and cottage industries
- 2) To ensure social justice: providing equal opportunities to all sections of the society
- 3) To create employment opportunities- undertake more labour intensive programmes
- 4) To undertake social welfare schemes- planting of trees, organising medical camps.
- 5) To avoid unethical practices- like black marketing , hoarding of essential goods, misleading and false advertising, child labour