



# Setting Corporate Aims & Objectives

- This involves firms developing mission statements, aims, objectives, plans and strategies.
- All of these are linked, as shown:





# Corporate Aims

- Corporate aims express the **long-term** intention of an organisation to develop in a certain way.
- The idea behind setting aims is that:
  - everyone in the business has a clear focus of the direction that it is going in.
  - a business can see how much it has achieved after a given time
  - They provide a framework within which business strategies can be drawn up





# From Aim To Mission

- Having set long-term aims a business will need to communicate them to the stakeholders.
- This is done through a **mission statement**
- Mission statements will outline the overall reasons for the firm's existence
- Examples would be:

*“...to ensure our products are within an arm's length of desire”*



*“...to be the world's best international home improvement retailer, using its scale and diversity to deliver sustainable growth and improved returns for shareholders ”*



# Are Mission Statements Worthwhile?

- Mission statements are something relatively new, and some believe they are a management “fad”
- But are they worth having?

## YES

- All stakeholders will know the central aim of the business
- Motivates employees
- Gives a sense of direction

## NO

- They are vague, and say little about the business
- Simply a PR exercise
- Impossible to disagree with them



# Missions, Goals & Objectives

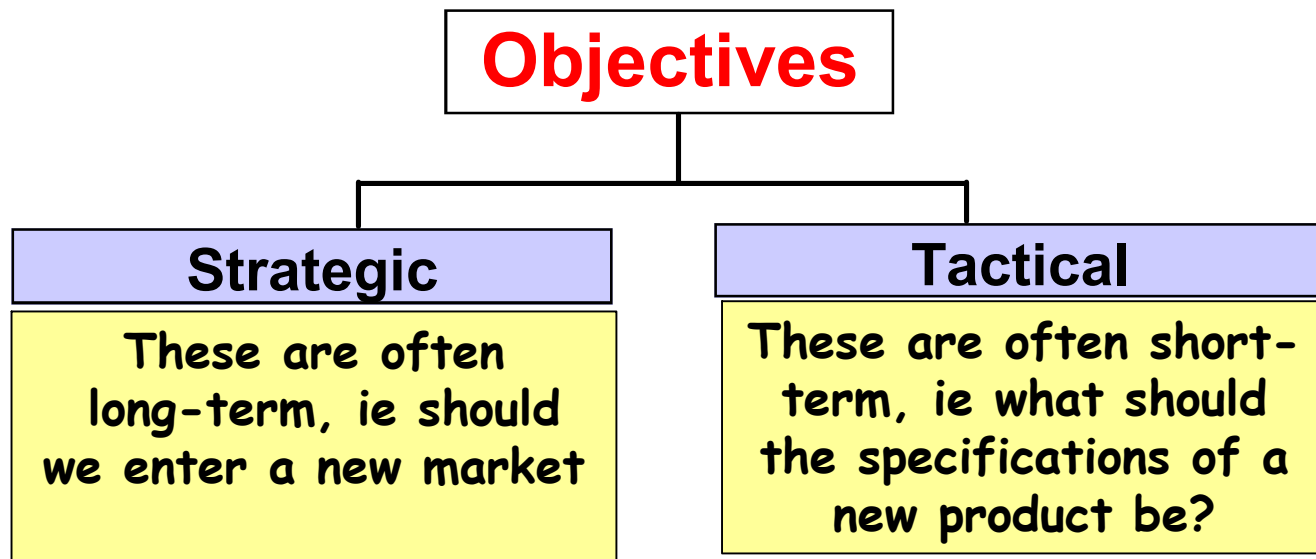
- These terms are often confused
- The differences are as follows:

Term	Definition	Example
<b>MISSION</b>	Overall Purpose	To be the best known name in confectionery
<b>GOAL</b>	General Statement	To be the market leader in confectionery sales
<b>OBJECTIVE</b>	Quantifiable Statement of the goal	To increase sales by 10% per year



# Corporate Objectives

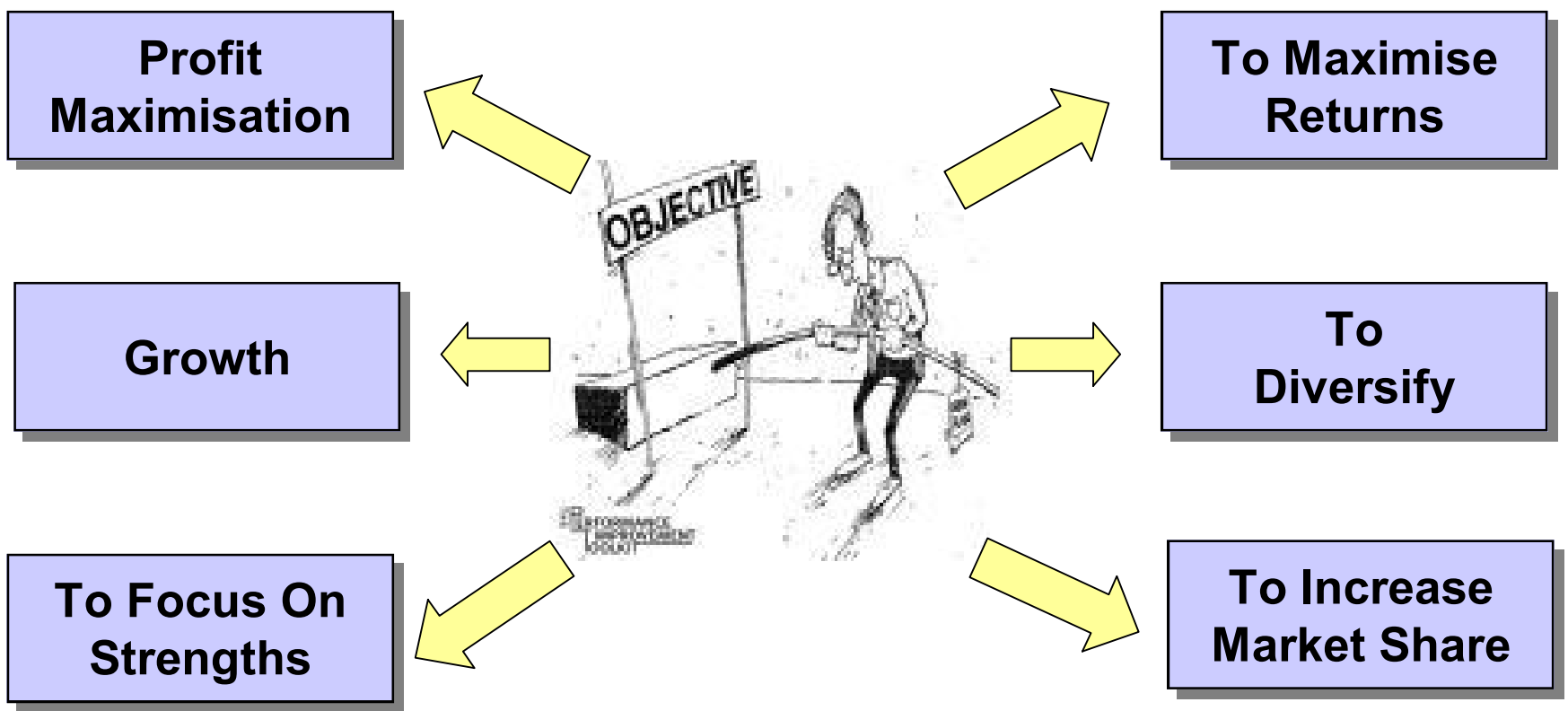
- Aims and mission statements are long-term, and therefore lack the detail for day-to-day decisions
- This detail will be given in the firm's objectives, which should set measurable targets
- Many business set 2 types of objectives:





# Possible Objectives

The objectives that a firm adopts may include:





# What Determines Objectives?

- Corporate Culture
  - This relates to the manner in which a firm is run
  
- Size & Legal Form of the Business
  - Small firms will have different objectives to large firms
  - Private sector firms will have different objectives to public sector ones
  
- Age of the Business
  - New businesses are likely to want to survive
  - Older firms will want to make a profit





# Conflicts In Objectives

- Different stakeholders will have different objectives:

STAKEHOLDER	POSSIBLE OBJECTIVE
Shareholders	High dividends
Managers	Promotion
Employees	Higher Wages
Customers	Low Prices
Society	More Jobs
Government	High Tax Revenues
Creditors	Healthy Cash Flow
Suppliers	Increased Sales

- The objectives of the most important stakeholders are likely to be given first priority



# Divisional, Departmental & Individual Objectives

- Once a firm has set its corporate objectives, they may break them down into specific targets for:
  - Each division or department
  - Individuals within each department
- This process is called Management by Objectives (MBO)





# Establishing A Corporate Plan

- Having established their objectives a business will draw up a plan for the medium-long term.
- This will set out how they are going to achieve their objectives.
- This plan will outline the strategies that the firm will adopt.





# Types of Plans

- There are 4 types of plans

## ● **Operational**

Where the business tries to increase the efficiency of the business

E.g. change quality control system

## ● **Generic**

Used to gain a competitive advantage

E.g. Centrica sold off One-Tel in 2005 to concentrate on its energy business

## ● **Corporate**

Aimed at long-term position

E.g. aim to double in size over the next 10 years through mergers/acquisitions

## ● **Global**

Businesses may set up factories in other countries

E.g. Dyson moving production to Malaysia



# Achieving Strategic Development

## ● Internal Development

- Where the business grows by increasing sales and profit over time. This is the least risky strategy, but may take time

## ● Takeovers, Mergers & Acquisitions

- Allows quick growth, but can present problems, i.e. staffing, diseconomies of scale

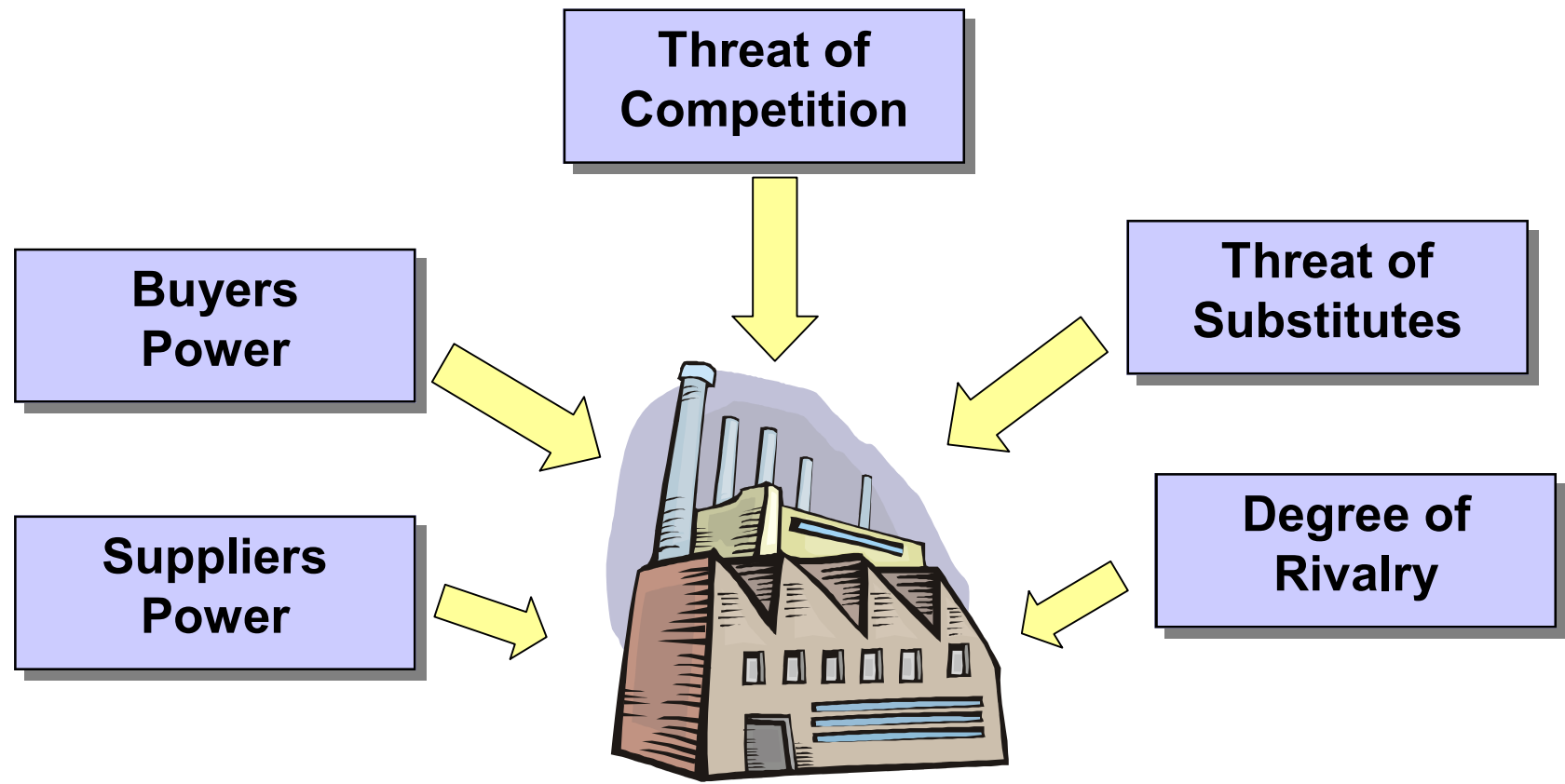
## ● Collaborative Strategies and Alliances

- Where a business will work together with other companies to create joint ventures. Often referred to as **SYNERGY**



# Forming A Strategy

- Michael Porter's **Five Forces** model is often used to do this. Porter believed that firms should consider:





# Porter's 5 Forces (1)

- Porter made recommendations to deal with each type of threat:

- **1)Threat of new competitors**

To overcome this Porter suggests:

- 1) Intensive promotion
- 2) Patent products and operating processes

- **2)The Power of Buyers**

Porter suggests that businesses could:

- 1) Undertake forward vertical integration
- 2) Make it expensive for firms to switch to another supplier



# Porter's 5 Forces (2)

## ➤ 3) The Power of Suppliers

Porter suggests:

- 1) Backward vertical integration (buy supplier)
- 2) Refrain from developing close relationship with suppliers

## ➤ 4) The Threat of Substitute Products

Porter recommends:

- 1) Buy competitors, or patent products first
- 2) Use “spoiling” techniques

## ➤ 5) Rivalry Between Established Competitors

Porter recommends:

- 1) Developing differentiated products
- 2) Restrict output in the industry, ie form “agreements”