**1.3.2 Organizational Aims, Objectives, Strategies, & Tactics**

**Business Aims & Objectives**

* **Strategic Objectives** – are long-term objectives.

* + **Long-term** - 1, 2 years or even more.

* **Tactical Objectives (or Operational Objectives)** – are short-term. It supports how you will achieve the strategic aims.

* + **Short-term** - within the next 6 months to a year is a normal short-term time span.
* The Corporate Aims of a business are its overall *purpose*.
  + The aims of a business are its strategy.
  + Different types of businesses have different aims.
* The objectives of a business are its *goals*.
  + These are the targets/outcomes that the business wants to gain in order to achieve its aims.
  + A firm must have well-defined, SMART objectives:
    - **S**pecific
    - **M**easurable
    - **A**greed
    - **R**ealistic
    - **T**ime Specific
* The first, most basic and perpetual goal of any firm is **survival**. Only after this has been secured can there be any strategic aims.
* Strategic Aims may include:
  + Increased profit
  + Greater market share
  + Elimination of competition
  + Possible takeovers or mergers
  + International expansion and growth
* Aims and objectives are there for everybody in the firm.
  + They give a target and act as an encouragement or motivator to staff.
* Aims and objectives are not fixed, but will change from time to time. Why will they change? Here are just a few possible reasons:
  + Changes in directors
  + Existing aims or objectives have been met
  + Changes in the performance of the competition
  + Changes in the economy
  + Changes in the performance of the firm itself
  + Changes in the government
  + Changes in government regulation
* It is only with objectives, targets or aims that a firm can know where it is going, and measure its progress towards it.
* Objectives are linked with planning.
* The *planning cycle* is concerned with 4 sequential questions:
  + Where is the company now?
  + Where is it going?
  + How is it to get there?
  + How will it know when it has got there?
* The **first** question is fundamental; with no answer here the firm can get nowhere.
* The **second** question is really the firm's long-term objective. It is also the firm's strategic objective.
* The **third** question covers the short-term objectives, or tactics.
* The **last** question means you have to set a measure of a business achievement.
* After this the company starts all over again. Having met one objective it now has to set another. Sometimes a cycle will not be completed, but the plan will be altered or modified.
* Firms need to keep their long-term objectives in mind when they are making short-term tactical decisions.
  + An opportunity may come up, but does it fit with the long-term objectives? Is it so attractive that the long-term objectives should be changed?
* Long-term objectives are usually set by the *directors*, and only changed by them.
* Short-term tactical objectives may well be delegated to senior, or middle, managers, who may also have the authority to change them, if necessary.
* Changes in short or long term objectives can seriously influence the performance of a company and the morale of the employees. (Remember, change is rarely popular, as people do not like it.)
  + **IB QUESTION:** *Discuss the relationship between aims, strategic objectives, and operational objectives.* (May 2012 – Paper 1)

Example – The Planning Cycle:

* You are launching a new product into a competitive market.
  + **Base point**. Where are you now? Status of product etc. Financial position.
  + **The goal**. Where are we going? To introduce product X; to achieve sales of Y units and Z in terms of revenue in 6 months
  + **The route**. How are we to get there? Detailed plan of promotions etc, with forecasts of sales by month.
  + **Achievement of goal**. How will we know when we are there? Information in 6 months time.
* Having got there, a new goal will be set.
* Also, if at any of the monthly or even weekly check points something is wrong, the firm can change its tactics to do something about it. It could even abandon the whole thing.

**Corporate Culture & Planning**

* Companies run in different ways, and have different corporate cultures.
* **Corporate culture –** a set of values and beliefs that are shared by the people of an organization.
* The corporate culture is 'the way things are done'.
  + It is what differentiates one company from another.
  + E.g. all directors, managers and staff eating together

* Corporate culture helps achieve the corporate objectives and strategies.
* Benefits of a Strong Corporate Culture:
  + Provides a sense of identity to the employees.
  + Workers identify with other employees = better team work.
  + Increases the commitment of the employees to the company = lower job turnover.
  + Motivates workers in their job = increased productivity.
  + Allows employees to understand what is going on around them = improved communication.
  + Helps reinforce the values of the organization
  + Serves as a control device for management with which to shape employee behaviour.
* **Culture gap –** The difference between the culture wanted and what it actually is.
* It is important to efficiency and morale that everybody knows what the firm is trying to do, and how it is trying to do it. Staff must know what the corporate culture is, and work towards achieving it.
* Problems Communicating the Corporate Culture:
  + Language use and skills are different between different levels of the firm, and between different regions, if not countries.
* One way used to develop corporate culture is the *mission statement*.
* Corporate culture and the resulting mission statement can change with time. If one firm takes over another both may change and this could be a problem.

Corporate Plan/Strategy

* This is the master plan for a business.

* It describes in financial terms, the aims and objectives for a firm in the medium to long term.
* It is essentially concerned with strategic planning and decisions.

* Corporate planning operates on a 5-year cycle.
* Each year is looked at 5 times before it becomes 'active'.