**Hierarchy of Objectives**

**A Level Revision Notes**

**Key Definitions:**

**Corporate Objectives:** a quantifiable statement of a business’s goals which should include measurable targets.

**Functional Objectives:** a quantifiable statement of a department’s goals which should enable it to contribute to the achievement of the business objective.

*As a business grows the founder(s) of the firm will become less involved in the decision making process on a day-to-day basis. Their role is to establish long term goals for the organisation and make reasons for achieving these aims clear to key stakeholders in the business.*

**Corporate Objectives**

Corporate objectives should be measurable targets so that the senior executives of the company can assess progress towards achieving the long-term goals of the business. They should also be clear so that employees at all levels within the organisation are aware of what the company is trying to achieve.

**Functional Objectives**

Every functional area should use the corporate objectives to set its’ own targets. Therefore the plans of all parts of the business can be focussed on achieving the same longer-term goals. A functional plan should not be seen as a separate entity to those of other departments.

If the corporate objectives are to be achieved then all of the functional objectives must be co-ordinated so that they do not contradict each other. The success of any department depends on the cooperation of all other functions with that department.

This is can be easy to achieve in small/medium sized businesses, but not larger firms. This is due to communication channels becoming larger and more complex. Having a coordinated approach to setting objectives and measuring performance can be difficult to maintain.

**Functional Objectives Working Together**

If there is no coordination of functional objectives, there is little chance of overall success.

An example may be if a manufacturing business sets itself the corporate objective of increasing profits by 15% over the next five years.

The Operations function may set the following objectives:

* Reduce waste to less than 1%
* Reduce the workforce by 5%

The Marketing function may set these objectives:

* Increase sales by 25% over the next three years
* Increase customer satisfaction to 95% within two years

The HR function may decide on the following:

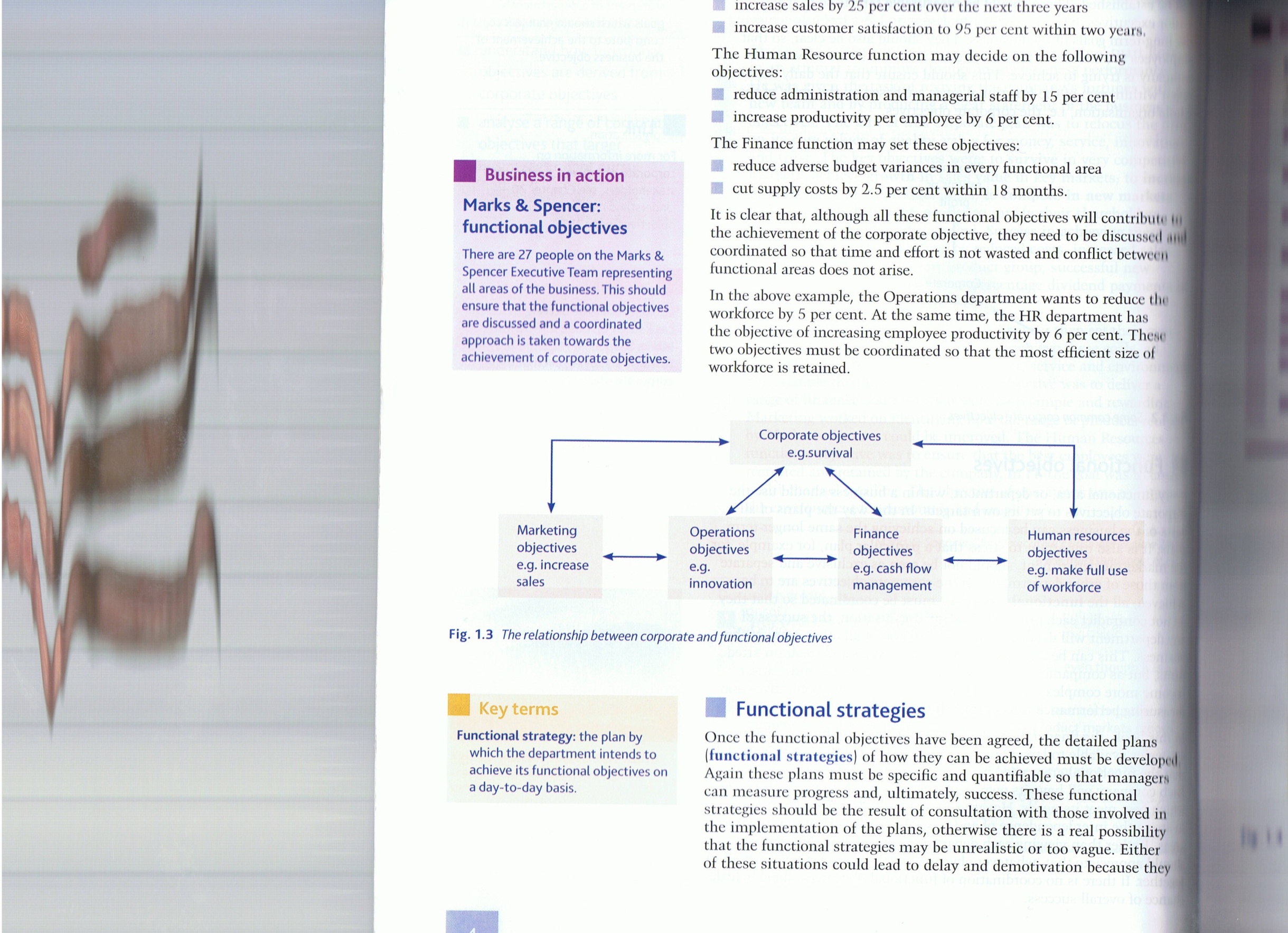
* Reduce administration and managerial staff by 15%
* Increase productivity per employee by 6%

The finance function may decide on the following:

* Reduce adverse budget variances in every functional area
* Cut supply costs by 2.5% within 18 months

These functional objectives need to be discussed and coordinated so that time and effort is not wasted and conflict between functional areas does not arise.

**Relationship between Corporate & Functional Objectives**

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**Functional Strategies**

Once the functional objectives have been agreed, the detailed plans (functional strategies) of how they can be achieved must be developed.

These plans must be specific and quantifiable so that managers can measure progress and ultimately success. These strategies should be the result of consultation with those involved in the implementation of the plans, otherwise there is a real possibility that the functional strategies may be unrealistic or too vague.

Either of these situations could lead to delay and demotivation because they indicate that the channels of communication in the business are not effective.

**SMART Objectives**

The functional strategies must be SMART:

Specific: no confusion about what is required

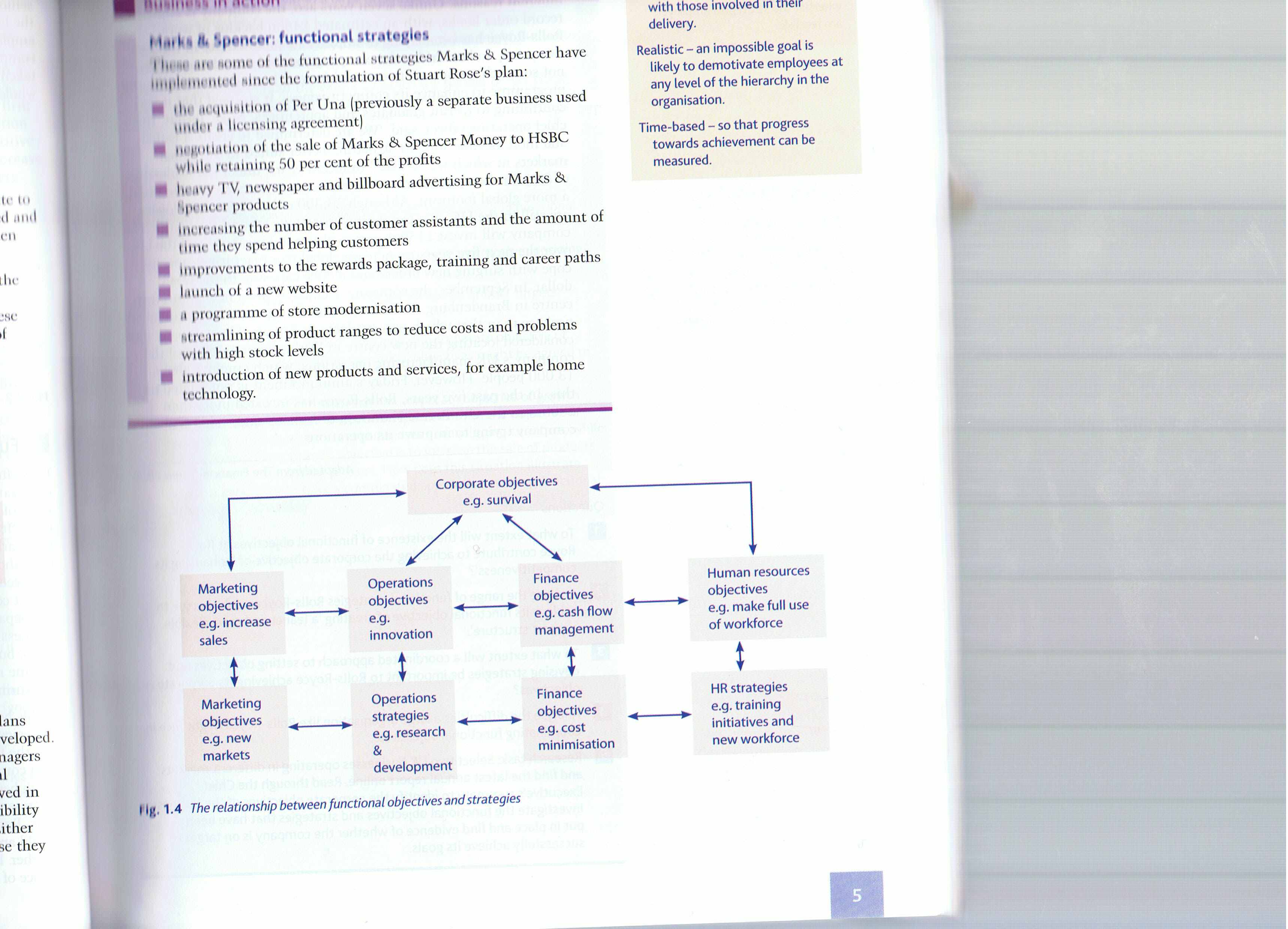
Measurable: a quantifiable goal is clear

Achievable and Agreed: the result of consultation with those involved in its delivery

Realistic: an impossible goal is likely to demotivate employees at any level of the hierarchy in any organisation.

Time Based: so that progress towards achievement can be measured.

**The relationship between functional objectives and strategies:**

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