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Academic Scripts

Annual Objectives

Annual Objectives:Establishing annual objectives is a decentralized activity that directly involves all managers in an organization. Active participation in establishing annual objectives can lead to acceptance and commitment.

Purpose of annual objectives:

Clearly stated and communicated objective are critical to success in all types and sizes of firms. Annual objectives, stated in terms of profitability, growth, and maker share by business segment, geographic area, customer groups, and product, are common in organization.

Annual objectives should be measurable, consistent, reasonable, challenging, clear, communicated throughout the organization, characterized by an appropriate time dimension, and accompanied by commensurate rewards and sanctions. Too often, objectives are stated in generalities, with little operational usefulness. Annual objectives, such as "to improve communication" or "to improve performance," are not clear, specific, or measurable. Objectives should state quantity, quality, cost, and time-and also be verifiable.

Annual objectives should be compatible with employees'' and managers'' values and should be supported by clearly stated policies. More of something is not always better. Improved quality or reduced cost may be, for example, more important than quantity. It is important to tie rewards and sanctions to annual objectives so that employees and mangers understand that achieving objectives is critical to successful strategy implementation.

Clear annual objectives do not guarantee successful strategy implementation, but they do increase the likelihood that personal and organizational aims can be accomplished. Overemphasis on achieving objectives can result in undesirable conduct, such as faking the numbers, distorting the records, and letting objectives become ends in themselves. Managers must be alert to these potential problems.

Annual objectives are essential for strategy implementation becaus:

1. They represent the basis for allocating resources,
2. Theyare a primary mechanism for evaluating managers,
3. Theyare the major instrument for monitoring progress towards achieving long-term objectives, and
4. Theyestablish organizational, divisional and departmental priorities.

Qualities of annual objectives:

Quality Objectives: The What and Why

The quality objectives are the main method used by companies to focus the goal(s) from the Quality Policy into plans for improvement. The Quality Policy is created with the Customer Requirements in mind, and then quality objectives are linked back to the Customer Requirements through the Quality Policy. The quality objectives take the goals stated in the Quality Policy and turned these into statements for improvement against which plans can be made.

How to Make the Quality Objectives Work for company

After deciding which things to monitor, measure and improve, the important thing is to make the Quality Objectives effective in addressing what needs to be improved. The objectives should be designed to be S.M.A.R.T (specific, measurable, achievable, realistic and time-based) and should have relevance at all levels of the company, meaning that each employee should understand how their job supports meeting the Quality Objectives.

Specific: For the best results, an objective needs to be clear and specific. Instead of saying “to improve non-conforming product,” a specific Quality Objective would be “to reduce non-conformances on the third widget line,” if the third widget production line is showing data as the most troublesome area for non-conforming product.

Measurable: If an objective can’t be measured, how will you know if it has been obtained? In order to make Quality Objective effective, employees can measure the defects being made, and therefore make plans to reduce the number of defects, but a vague measure of “quality” is more passing and very hard to plan improvements for.

Agreed: For an objective to be agreed it first needs to be created and approved by top level management. Once management agrees on the objective it needs to be communicated to each level of the organization that will be required to implement the plans to achieve the objective, and the people at these levels of the organization need to agree that the plan is achievable. Without this buy-in they may not fully work towards the goal and the plan may be doomed to failure.

Realistic: Being realistic with an objective will make selling it within the organization easier. If manager tell employees that they want to reduce defects from 50% to 2%, they will not be able to see how this is possible, especially if the plans around the object do not support the improvement. It is better to set realistic goals and overachieve than it is to set unrealistic goals and always fall short of the expectation.

Time-Based: To be truly effective, an objective needs to have a time associated with it. A plan needs to have dates in order to be properly tracked. Again, having the time associated will allow manager to monitor how close he expects to be in achieving his goals.

Establishing the Quality Objectives

The last step required when implementing the Quality Objectives is to make sure they are not only communicated to the relevant individuals, but that each individual understands his own involvement.This will not only improve the process, but employee morale and empowerment as well.

Benefits of annual objectives

Annual objectives serve as guidelines for action, directing and channeling efforts and activities of organizations members.

- Major instrument for monitoring progress towards achieving long term objectives
- Serves as standards of performance
- Primary tool for evaluating employees
- Serves as a source of employee motivation and identification
- Provides a basis for organization design
- Represent basis for allocating resources
- Establishes priorities at all level

The Importance of Setting Business Objectives

Business owners use a variety of management tools or techniques to improve their companybusiness operations. Setting objectives is a specific management tool that creates a target for business owners to achieve. Objectives can be company-wide goals, specific to the division or department and individual employee expectations. Business owners often use performance management to follow up on objectives and measure the company overall achievement effectiveness.

Facts

- Business owners often set the tone for their organization. The company mission, vision and values are usually an extension of the owner personal characteristic traits. Business owners can set objectives to ensure all employees are on the same page when working in the company. Employees need to understand the purpose behind the business to maximize production efficiency. Business owners can also set objectives to ensure employees meet the minimum level of expected behavior in the business.

Features

- Business owners who set objectives just to have them on a list are not usually making these objectives a priority in the company. Business objectives should be clear, measurable and realistic. Clear objectives provide a well understood objective definition to owners and employees. Measurable objectives ensure business owners can review the objective to ensure it was achieved in the best way possible. Realistic goals can help business owners avoid the frustration of failing to meet specific objectives.

Function

- Objectives held by business owners maintain a singular focus in the business environment. Rather than using generic boilerplate statements, make a lot of moneybusiness owners with objectives can focus on maximizing their company potential. Business owners can also use objectives to secure outside financing from banks or investors. Lenders and investors want to make money on invested capital. Business owners with clear objectives for creating highly successful businesses usually represent strong financial opportunities for lenders and investors.

Considerations

- Business owners should consider writing a business plan and creating a section for objectives. The business plan can act as a road map to guide the business owner throughout his company operational lifetime. Business owners can refer back to the plan and evaluate how well they have achieved their business objectives. Business plans can also be living documents where owners constantly update their company objectives. Setting new objectives can help business owners stay motivated in their company.

Effects

- Business owners can use objectives to create a competitive advantage in the business environment. A competitive advantage is when one company has the ability to produce goods or allocate economic resources better than another business. Business owners who can create a significant competitive advantage often increase a company market share and business profits. Increasing profitability allows companies to improve and expand their business operations, which will result in higher market share.

Developing functional strategies:

Functional strategy refers to the set of strategic initiatives taken in one part of a business. Some authors refer to these as functional "strategies": "A functional strategy is the short-term game plan for a key functional area within a company", some others prefer to regard them "as plans, or tactics, for carrying out the business strategy". A company needs a functional strategy for every major functional activity.

Functional strategies must be developed in the following areas:

Finance, marketing, production/operations, R&D, and personnel. The primary role of a functional strategy is to support the company's overall business strategy. Functional strategies help in implementation of grand strategy by organizing and activating specific subunits of the company to pursue the business strategy in daily activities.

Marketing Strategies

Marketing consists of four strategic considerations: products/services, pricing, channels of distribution / location of outlets, and promotion. In general, the mix of these elements should be appropriate, and the plans for each of the elements must also be appropriate.

Marketing strategy is concerned with matching existing or potential products or services with the needs of customers.

The particular generic strategy adopted by a business unit influences the types of products or services the business offers, its prices for those products or services, the channels of distribution it uses, the location of its outlets, and its advertising and promotional policies. Products or services are characterized by number, diversity, and rate of change.

The marketing strategy selected by an organization is dependent on whether the organization is attempting to reach new or existing customers and whether its products or services are new or already exist.

With a marketing penetration strategy, the firm attempts to gain greater control in a market in which it already has a product or services.

A market development strategy consists of introducing the firm's existing products or services to customers other that the ones it currently serves.

A firm using a product development strategy creates a new product or service for existing customers.

With a diversification marketing strategy, an organization offers a new product or service to new customers.

Production / Operations Strategies

Production/operations management (POM) is the core function in the business firm. Somehow, someplace, the goods and services that a company sells must be obtained. Basically, this involves a process of converting labor, materials, etc., into the particular combination of qualities that a selected group of customers wants.

The major decisions in the production/operations strategy are concern the technical core, quality, facilities, technology, and production planning and control. POM operating strategies must be coordinated with marketing strategy if the firm is to succeed. Careful integration with financial strategy components and the personnel function are also necessary.

Human Resource / Personnel Strategies

Every activity a company undertakes requires human resources - people who are qualified and motivated to perform specific tasks. Human resource strategies concern human resource planning, recruitment and selection, training and development, compensation and rewards, employment security, and labor relations.

The type of human resource activities that are undertaken in any organization are influenced by the environments, strategy, and organization design.

Arranging the supply of human resources is a never-ending and sensitive task for several reasons:

1. Company needs for human resources change.
2. The supply of human resources changes.
3. In spite of these demand and supply changes, people seek stability and dependability in their jobs.
4. Expectations overlap. The way an employee is treated create hopes or fears in many other people.

A number of pricing options are available. A lower price will be desirable to increase volume. However, pricing is a complex issue because it is related to cost-volume-profit trade-offs and because it is frequently used as a competitive weapon.

The functional strategy for the place component identifies where, when, and by whom the product/services are to be offered for sale. This component of marketing strategy guides decisions regarding channels to ensure consistency with the total marketing effort.

Promotion refers to the methods which are used to put products and services in the public eye. Functional strategy for the promotion component should provide marketing managers with basic guides for the use and mix of advertising, personal selling, sales promotion, and media selection.

The key is to strive for consistency among these all marketing elements.

Functional Strategies in Finance / Accounting

Financial management is primarily concerned with two functions. The first function is acquiring funds to meet the organization's current and future needs. The second function is recording, monitoring, and controlling the financial results of an organization's operations.

Financial strategies concern objectives, profitability, liquidity and cash management, leverage and capital management, asset management, investment ratios, and financial planning and control.

Financial strategies have received a great deal of attention recently because of the apparent inconsistency among some of the decision areas.

Research and Development Strategies

The need to develop or improve products and production processes is met by the research and development (R&D) function.

The most important research and development strategy issue concerns the relationship of R&D to corporate strategy. The more important innovation is to the strategy of the organization, the more implementation will require consideration of strategic issue in R&D.

Moreover, if R&D is part of an aggressive new product development strategy, a series of decisions logically follow from such a link, including funding levels, project selection decisions, and the structure for R&D. If R&D is used primarily for process improvement, the decisions are more conservative.

Cross-functional Implications of Strategy Implementation

Failure to integrate strategies is failure to consider the cross-functional implications of strategy when the critical issues of strategy are apprised.

Cross-functional implications of strategy can be identified by considering the following:

Formulation

Careful consideration of the strengths and weaknesses of the organization includes a review of the functional areas which should alert managers to potential conflicts.

Trade-offs

A strategy which is comprehensive should spell out certain major trade-offs.

Communication

Communication of the strategy is a way of giving functional areas the same information.

Participation

Functional managers who have some part in the process of formulating and implementing strategy are in a better position to understand what is required of them.

Close lateral relations

As functional specialists have closer contact with each other, trade-offs can be better assessed.

Multifunctional experience

Many organizations require that managers spend part of their tenure in functions other that their own speciality.

Coordination

As part of the implementation process of identifying strategic issues for each of the functional areas, the cross-functional implications of a change in strategy should be addressed.

Business policy and their purpose

Business policy:

Business policies are designed to guide the behavior of managers in relation to the pursuit and achievement of strategies and objectives. Policies are instrument for strategy implementation.

The term policy has various definitions in management literature. Some authors equate policy with strategy. Others do this inadvertently by using "policy" as a synonym for company mission, purpose or culture.

This defines policy much more narrowly as specific guides to managerial action and decisions in the implementation of strategy.

This definition permits a sharper distinction between the formulation and implementation of functional strategies.

Business policy refers "to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work towards stated goals." Most authors consider procedures and rules to be policies. Procedures can be defined as chronological steps that must be followed to complete a particular action; rules can be defined as actions that can or cannot be taken.

Purpose of Business policy:

Policies and procedures help enforce strategy implementation in several ways:

1. Business policy institutionalizes strategy-supportive practices and operating procedures throughout the organization.
2. Business policy reduces uncertainty in repetitive and day-to-day activities in the direction of efficient strategy execution.
3. Business policy limits independent action and discretionary decision and behavior. Procedures establish steps how things are to be handled.
4. Business policy helps align actions and behaviors with strategy. This minimizes zigzag decisions and conflicting practices and establishes consistent patterns of action in terms of how the organization is attempting to make the strategy work.
5. Business policy helps to shape the character of the working environment and to translate the corporate philosophy into how things are done, how people are treated, and what corporate beliefs and attitudes mean in terms of everyday activities.
6. Policy helps establish a fit between corporate culture and strategy.

Koontz and O'Donnell suggest differentprinciples which determine the potential effectiveness of Business policies in relation to strategy implementation:

Business policies should reflect objectives

The existence of a policy can only be justified if it leads to the achievement of the organization's objectives.

Business policies should be consistent

Policies which conflict with each other should be avoided.

Business policies should be flexible

In general policies should neither be ignored nor departed from indiscriminately.

The extent, to which a policy is mandatory, as opposed to advisory, should be clear.

Business policies should be communicated, taught and understood

It is important to ensure that employees understand the existence and meaning of policies, and appreciate why they exist.

Business policies should be controlled

Stated policies can be assessed and controlled as part of any formal planning system and strategic review.

Business policies may be written and formal or unwritten and informal. There are at least seven advantages to formal written policies:

1. Managers are required to think through the policy's meaning, content, and intended use.
2. The policy is explicit so misunderstandings are reduced.
3. Equitable and consistent treatment of problems is more likely.
4. Unalterable transmission of policies is ensured.
5. Authorization or sanction of the policy is more clearly communicated, which can be helpful in many cases.
6. A convenient and authoritative reference can be supplied to all concerned with the policy.
7. Indirect control and organizational coordination, key purposes of policies, are systematically enhanced.

Business policies can exist for any functional tasks undertaken by the organization. Moreover, effective decisions cannot be made without regard to their impact on other areas of the business. For example, policy of minimizing the inventory may come at the expense of satisfying customers. Trade-off is generally required in this process.

Summary:

The tasks of operationalizing the strategy include establishing objectives, allocating resources, developing functional strategies and devising policies.

Annual objectives serve as guidelines for action, directing and channeling efforts and activities of organization members. Annual objectives are derived from long-term objectives. They must be consistent, measurable, and prioritized.

Functional strategies are derived from business strategy and provide directions to key functional areas within the business in terms of what must be done to implement strategy.

Business Policy refers to specific guidelines, methods, procedures, rules, forms, and administrative practices established to support and encourage work towards stated goals.

These issues are central strategy-implementation activities common to all organizations. The next chapter examines the institutionalize phase of strategy implementation, also important to successful strategy implementation.