Goals and objectives

Learning outcomes
On completion of this module, you should be able to:

- demonstrate an understanding of what is a goal and an objective;
- evaluate the quality of goals and objectives; and
- formulate a mission statement and supporting goals and objectives for an organisation in the maritime industry.

Topics
5.1 Goals and objectives
   5.1.1 Goals versus objectives
   5.1.2 Goals and objectives of organisational levels
   5.1.3 Subsuming goals under missions
   5.1.4 Developing realistic objectives
   5.1.5 Improving poorly stated objectives
   5.1.6 Framing goals and objectives

5.2 Global issues for the 21st century

Quotes of note

Whether you think you can or think you can’t—you’re right.

Henry Ford

You must know for which harbor you are headed if you are to catch the right wind to take you there.

Seneca

We tend to get what we expect.

Norman Vincent Peale
Introduction

The analysis of the organisation’s strengths and weaknesses and the development of a mission statement are only part of the process of strategic management. The mission statement needs something to drive it. Together, goals and objectives drive the organisation towards the ultimate fulfilment of its mission.

You will recall that in Module 2 when we first looked at mission statements, we noted that, like a car without an engine, a mission is useless without goals and objectives.

Why are goals and objectives so important?

Briefly, goals are general statements of what the organisation seeks to achieve; objectives identify more specific and measurable outcomes that are necessary to meet these goals. Goals and objectives in strategic management are the targets that an organisation sets out to achieve. In this module, we will revisit the mission statement, but this time we will look more closely at the role of goals and objectives.

What is the difference between a goal and an objective? Many writers differ in their interpretation of each. Sometimes, we find that the words are used interchangeably. As we have noted, the myriad of textbooks and journal articles that describe strategic management and the planning process often differ in the interpretation and the terminology they employ. This can be extremely confusing and frustrating.

Different organisations, too, have their own unique approach to planning and their own terminology. For example, often what one organisation will refer to as a goal another might call a strategic goal or even a strategic objective. However, we cannot say that one interpretation is more ‘correct’. What is important is that organisational members understand the terminology used within their own organisation so that everyone can head in the same direction.

The approach we present in this module uses the popular Blanchard (1987) SMART framework. As we work through goals this section, be prepared to ‘jump around’ a little and to expect some confusion as you grapple with the variety of terminology. Think about the terms and how they are used in your organisation and in other places where you have worked.

5.1 Goals and objectives

In the introduction to this module, we briefly defined goals as general statements of what the organisation seeks to achieve by way of its mission; objectives identify more specific and measurable outcomes that are necessary to meet these goals.

It is important to make this distinction at the outset because the terms ‘goals’ and ‘objectives’ (as well as ‘aims’, ‘purposes’, ‘performance measures’, ‘performance
standards') are often used loosely and interchangeably. This creates a lot of unnecessary confusion.

5.1.1 Goals versus objectives

How do we distinguish goals from objectives? Figure 5.1 is a good way of sorting out the confusion.

![Diagram of Mission, goals, and objectives]

**Key questions**
- What and where do we want to be in the future?
- What must we do to be what we want to be and go where we want to go?
- What specific things must we be able to do as a measure of our progress?

**Strategic goals**
- Broad statements of what we must do to realise the vision of the future. Long term in outlook.

**Strategic objectives**
- More specific statements of what we must do to achieve each strategic goal, with each statement specifying performance standards (measurement standards, time required, etc).

**Example**
- To contribute to the economic development of Tasmania by providing high quality and cost effective port services and facilities to all port users.

1. Offer a high standard of facilities and services.
2. Provide shareholders with a reasonable return on investment.
3. Provide an attractive and satisfying work environment for employees.
4. Be responsive to community needs and expectations.

To achieve Goal 1:

b. During 2002-04, complete the dredging of a new channel.
c. Immediately conduct a review of the truck booking system to be completed by...

To achieve Goal 2:

a. Achieve a 7% return on investment for all shareholders...etc.

**Figure 5.1 Mission, goals and objectives**

Goals tend to be broader and more general in nature and objectives are more specific and measurable. This is particularly important for evaluation and control purposes because it is difficult to control what you have not measured.

Some examples may assist in clarifying this:
- **Goal 1**: Provide shareholders with a reasonable return on investment.
- **Goal 2**: Offer a high standard of service and facilities.
Note that these are broad statements of what the organisation must do to realise its mission. Here is another way of clarifying the difference between goals and objectives.

Goals are general statements of what we must do to make our mission come true; they are broader in scope and more long term in outlook than objectives.

Objectives take us right into the realm of accountability: to achieve each goal we must specify precisely what it is we must do, for how long or how frequently, at what level of performance, and so on.

Put another way, goals allow us ample room to manoeuvre; objectives pin us down to specifics – when, how, how much and how soon. This is why it is very important to set realistic objectives (and why many deliberately do not do so). People, especially senior management, will judge you on how well you are able to reach your targets!

Reading (Refer end of Module)


Hill and Jones (1998) take a similar approach:

Major goals specify what the organization hopes to fulfill in the medium to long term. Most profit-seeking organizations operate with a hierarchy of goals, in which attaining superior performance is placed at or near the top. Secondary goals are objectives judged necessary by the company if it is to attain superior performance.

5.1.2 Goals and objectives of organisational levels

In previous modules, we introduced the different levels in an organisation. A diversified company will normally have four levels (enterprise/societal, corporate, business and functional), while a single-business company is likely to have two (combining the first three into one level, plus functional). It is possible for each level of an organisation to have its own mission, goals and objectives, provided – and this is very important – that each lower level tailors its mission, goals and objectives according to the mission, goals and objectives of the level immediately above it. Therefore, each functional area must pick up its cues from the business unit it belongs to; just as each business must be guided by the parent organisation. The linkages between organisational levels are illustrated in Figure 5.2.
Top level of the organisation
The mission, strategic goals and objectives must be set at the very top level of the organisation (enterprise and corporate levels for diversified companies; combined enterprise, corporate and business level for single-business companies).

Business level of a diversified organisation
For a diversified company, each business unit must then develop its own mission, goals and objectives on the basis of the organisation’s overall mission, goals and objectives.

Functional level of an organisation
For any type of company, diversified or not, the functional areas of a business can also develop their own missions, goals and objectives. These must directly support the business’s mission, goals

Figure 5.2 Developing missions, goals and objectives according to organisational level
5.1.3 Subsuming goals under missions

For purposes of analysis, it is useful to clarify the distinctions between missions, goals and objectives. In practice, however, many companies (at whichever level) often do not create three divisions; instead they make goals part of the mission statement and then develop a set of objectives. Subsuming goals into the mission tends to gives companies a much more comprehensive mission. Of course, this is not the only way to do it. In the end, the choice is yours. Use whatever you think will work best! Following are some examples of subsuming goals under the mission.

Example 1: AYS (At Your Service) Port Authority

Mission:
To prove and manage port resources in a commercial manner, to meet the needs of port users, to promote the efficient flow of trade to and from the Port hinterland and to utilise its resources in ways which are most beneficial to the community.

Goals:
Community: be responsive to community expectations
Employees: recruit, develop and maintain a highly motivated workforce committed to the objectives of the authority
Financial: be self sufficient and financially viable
Infrastructure: efficient and safe operations
Operations: ensure that the necessary facilities are provided to enable optimise the use of port facilities and services
Trade: maximise port trade

Example 2: John Nickels Limited

John Nickels operates in four major service industries: transport, security (including armoured transport), computer services and health services. Our management philosophy is based on decentralisation of line responsibility. To this end, each company is a profit and investment centre, responsible for its own client base.

Our goals are to:
- concentrate on added value to our customers through technology and superior service to clients;
- build on existing strengths, thereby expanding current activities and seeking new opportunities based on proven management skills;
- concentrate on markets which have long term growth potential, and to be prepared to divest interests which do not demonstrate this potential;
- be a market leader in all sectors in which we operate through the provision of superior services to all customers;
- ensure that no one area of our operations is exposed in such manner as to jeopardise the survival of the company;
- achieve for our shareholders better than average returns from inherently fragmented businesses through tight operating controls;
- provide employees with interesting and satisfying work and personal growth opportunities, and to win their loyalty and commitment;
- be well and favourably known throughout the communities in which we operate as a responsible corporate citizen.

6 Strategic Management
5.1.4 Developing realistic objectives

Like our sample of mission statements, objectives are another area where many managers seem to have a few problems. This is one reason why the ‘management by objectives’ concept has never really caught on; too many people do not really set proper objectives. They set too many meaningless statements that cannot be achieved. This is something to be very aware of in strategic management.

Because of this difficulty it is recommended that you bear in mind the following seven points when developing your own objectives:

- Objectives are refinements of goals; if goals are incorporated in the mission statement, then we can say objectives are refinements of the mission.
- Objectives provide a basis for monitoring progress towards the mission (or goals).
- Set SMART objectives. SMART is a clever mnemonic device developed by Blanchard et al (1987) in their book Leadership and the One Minute Manager. It means:
  
  * Specific: exactly what is to be achieved?
  * Measurable: how can it be measured, what standard performance measures or targets will we use to make it measurable?
  * Achievable: what will stretch us and yet still be attainable or realistic?
  * Relevant: is it of critical importance? Will it help us achieve our mission (or goals)?
  * Traceable: when will it be achieved; what time-frame will we use or set? How can we track performance?

- In the maritime industry, strategic objectives are likely to cover the following areas:
  - profitability
  - market position
  - innovation
  - productivity
  - physical and financial resources
  - public/social responsibility
  - manager performance and development
  - employee performance and attitude
  - international/global competitive position

- Objectives can be set at all levels of an organisation: enterprise, corporate, business and functional.
Companies do not set objectives, people do. To motivate people you should state objectives in active terms (to increase, develop, expand, maintain etc).

Certain objectives can be incompatible with others. Where there is incompatibility, trade-offs may need to be made. For example:

- growth versus stability
- low risk versus high risk
- market penetration versus market development

**Key strategic management concept**

An organisation exhibits strategic intent when it relentlessly pursues strategic objectives and concentrates its competitive actions and energies on achieving those objectives.

### 5.1.5 Improving poorly stated objectives

Many people find it a useful learning exercise to compare a poor objective with a good or reasonable one. Let us now take a different tack: we will take some poorly worded objectives and see how we can improve them.

<table>
<thead>
<tr>
<th>Poor:</th>
<th>To minimise operating costs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better:</td>
<td>To reduce operating costs by 10% within the next 3 months.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Poor:</th>
<th>To follow up customer damage reports more quickly.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better:</td>
<td>To follow up all damage reports within 48 hours after the initial contact.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Poor:</th>
<th>To increase freight revenue.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better:</td>
<td>To increase freight revenue by 25% before the end of the fiscal year.</td>
</tr>
</tbody>
</table>

**An example from the AYS Port Authority**

Assume you work for the AYS Port Authority. Part of the Port’s mission is ‘to manage an efficient port and encourage trade growth for the continuing benefit of the region and port users’. One of the Port’s six goals to achieve this mission is ‘to maximise all trade opportunities and increase port productivity’.

Here are some objectives for this goal:

- By 2004, increase total tonnage to 25 million tonnes per year.
- From 2002–2004, to increase market share against east-coast Australian container ports to 20% of the total market.
- To achieve an average trade growth of at least 8% per year.

Can you see where the objectives came from? Below the goal is a set of specific measures against which the goal can be achieved.
Basic strategic management concept
Objectives represent commitment to achieving specific performance targets within a specific time frame.

Consider this
You may notice in published annual reports and the like that a company does not have SMART objectives. It is quite likely that this is deliberate. They want to inform their different stakeholders of the direction they are pursuing, but also wish to protect themselves from the prying eyes of competitors; therefore they could (quite justifiably) have excluded certain vital elements from the report. In summary: do not judge them by what you see. This may only be the ‘external’ set of objectives. The ‘internal’ set may be very SMART indeed!

5.1.6 Framing goals and objectives
Nickols (1992) offers a good way of broadening the way we think and frame goals and objectives. The author argues that this can be achieved through a framework that forces us to address four basic questions:

- What do we want that we don’t have
  that is, goals/objectives to ACHIEVE
- What do we want that we already have
  that is, goals/objectives to PRESERVE
- What don’t we have that we don’t want
  that is, goals/objectives to AVOID
- What do we have now that we don’t want
  that is, goals/objectives to ELIMINATE

This framework is designed to help us think about our goals and objectives in a more systematic organised way, and from four different perspectives.

5.2 Global issues for the 21st century
- As a corporation becomes more involved internationally, it will need to constantly review the appropriateness of its current mission, goals and objectives.
- The huge investment required to become a global competitor means that return on investment objectives may need to be reduced while other objectives are expanded.
Conclusion

Teams and individuals work towards the organisation’s mission and goals within the constraints of the organisation and the outside environment. In this way, an organisation will develop a performance ‘culture’ and will ‘move’ and ‘behave’ in ways peculiar to itself.

Your organisation has its own distinctive style of strategic management, of working to achieve the company’s mission and goals. Part of the role of a manager is to work with people towards that achievement.

It is common practice to incorporate goals into the mission statement.

Goals are broad statements of what the organisation must achieve to realise its mission. As such, they are long term in outlook.

Objectives are statements that help guide the activities of the organisation towards the attainment of its goals (or mission, if goals are part of the mission). Therefore, they become the targets against which performance is measured.

Always set SMART objectives – that is, make them smart, measurable, achievable, relevant and traceable. Equally, always evaluate objectives according to this same set of criteria.

References


10 Strategic Management
Reading...

Objectives

Objectives are the end results of planned activity. They state what is to be accomplished by when and should be quantified if possible. The achievement of corporate objectives should result in the fulfillment of a corporation's mission. Minnesota Mining & Manufacturing (3M), for example, has set very specific financial objectives for itself:

1. To achieve 10% annual growth in earnings per share.
2. To achieve 20%-25% return on equity.
3. To achieve 27% return on capital employed.

The term "goal" is often used interchangeably with the term "objective." In this book, we prefer to differentiate the two terms. In contrast to an objective, we consider a goal as an open-ended statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for completion. For example, a simple statement of "increased profitability" is thus a goal, not an objective, because it does not state how much profit the firm wants to make the next year.

Some of the areas in which a corporation might establish its goals and objectives are:

- Profitability (net profits)
- Efficiency (low costs, etc.)
- Growth (increase in total assets, sales, etc.)
- Shareholder wealth (dividends plus stock price appreciation)
- Utilization of resources (ROE or ROI)
- Reputation (being considered a "top" firm)
- Contributions to employees (employment security, wages, diversity)
- Contributions to society (taxes paid, participation in charities, providing a needed product or service)
- Market leadership (market share)
- Technological leadership (innovations, creativity)
- Survival (avoiding bankruptcy)
- Personal needs of top management (using the firm for personal purposes, such as providing jobs for relatives)