

Concept of Goals and Objectives

Goals

- ✚ The terms “goals and objectives” are used in a variety of ways, sometimes in a conflicting sense.
- ✚ The term “goal” is often used interchangeably with the term “Objective”. But some authors prefer to differentiate the two terms.
- ✚ A goal is considered to be an open-ended statement of what one wants to accomplish with no quantification of what is to be achieved and no time criteria for its 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.
- ✚ Objectives are the end results of planned activity. They state what is to be accomplished by when and what should be quantified. For example, “increase profits by 10% over the last year” is an objective.
- ✚ As may be seen from the above, “goals” denote what an organization hopes to accomplish in a future period. They represent a future state or outcome of the effort put in now.

“Objectives” are the ends that state specifically how the goals shall be achieved. In this sense, objectives make the goals operational. Objectives are concrete and specific in contrast to generalized goals. While goals may be qualitative, objectives tend to be mainly quantitative, measurable, and comparable.

Goal	Objectives
General	Specific
Qualitative	Quantitative, measurable, Comparable
Broad organization-wide target	Narrow targets set by operating divisions
Long term results	Immediate, short-term results

- ✚ Some writers, however, have reversed the usage, referring to objectives as the desired long-term results and goals as the desired short-term results.
- ✚ And still, others use the terms interchangeably, meaning the same. These authors view that little is gained from semantic distinctions between goals and objectives.
- ✚ The important thing is to recognize that the results an enterprise seek to achieve vary as to both scope and time-frame.
- ✚ To avoid confusion, it is better to use the single term “objectives” to refer to the performance targets and results an organization seeks to attain. We can use the adjectives long-term (long-

range) and *short-term (short-range)* to identify the relevant time-frame and try to describe their intended scope and level in the organization, by using expressions like *broad objectives*, *functional objectives*, *corporate objectives*, etc

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

1. Profitability (net profit)
2. Efficiency (low costs, etc)
3. Growth (increase in sales etc)
4. Shareholder wealth (dividends etc)
5. Utilization of resources (return on investment)
6. Market leadership (market share etc)

Stated vs. Operational Goals

- ✚ **Operational goals** are the **real goals** of an organisation.
- ✚ **Stated goals** are the **official goals** of an organisation.
- ✚ Operational goals tell us **what** the **organisation is trying to do**, irrespective of what the official goals say the aims are.
- ✚ Official goals generally reflect the basic philosophy of the company and are expressed in abstract terminology, for example, 'sufficient profit', 'market leadership' etc. According to Charles Perrow, the following are the important operational goals:

1. *Environmental Goals*: An organisation should be responsive to the broader concerns of the communities in which it operates, and should have goals that satisfy people in the external environment. For example, goals like customer satisfaction and social responsibility may be important environmental goals.
2. *Output Goals*: Output goals are related to the identification of customer needs. Issues like what markets should we serve, which product lines should be followed, etc. are examples of output goals.
3. *System Goals*: These goals relate to the maintenance of the organisation itself. Goals like growth, profitability, stability,
4. etc. are examples.

5. *Product Goals*: These goals relate to the nature of products delivered to customers. They define quantity, quality, variety, innovativeness of products.

Objectives

Objectives are the results or outcomes an organization wants to achieve in pursuing its basic mission. The basic purpose of setting objectives is to convert the strategic vision and mission into specific performance targets. Objectives function as **yardsticks** for tracking an organization's performance and progress.

Characteristics of Objectives

Well-stated objectives should be:

1. Specific
2. Quantifiable
3. Measurable
4. Clear
5. Consistent
6. Reasonable
7. Challenging
8. Contain a deadline for achievement
9. Communicated, throughout the organization

Role of Objectives

Objectives play an important role in strategic management. They are essential for strategy formulation and implementation because:

1. They provide legitimacy
2. They state direction
3. They aid in the evaluation
4. They create synergy
5. They reveal priorities
6. They focus on coordination
7. They provide the basis for resource allocation
8. They act as benchmarks for monitoring progress
9. They provide motivation