

Chapter 5

Aims and objectives

Vision statements

Sometimes a successful business really does start with a vision. Ray Kroc, the man who brought McDonalds' restaurants to the world, entered a small hamburger restaurant in San Bernadino, California in 1954 and was so impressed with what he saw that he imagined the same type of burger store in every city in America. Ray had had a vision: a vision that remains with McDonalds today, but now it is not every city in America; it is in every city in the world that they seek to operate.

Today McDonald's talks of its ambition: (*"Our purpose goes beyond what we sell. We're using our reach to be a positive force. For our customers. Our people. Our communities. Our world."*)

A vision statement is a description of what a business sets out to achieve in the medium to long term. The vision statement should provide a clear guide to senior management of the future direction of the business and help to direct strategic decision-making across the business (i.e. it should answer the question: 'Where would the business like to see itself in the future?'). Vision statements will differ in style and length. There is no set way of writing vision statements, however they should all have the same purpose of defining the core values and the direction the business is heading.

Examples of vision statements:

Amazon

Our vision is to be earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.

IKEA

At IKEA our vision is to create a better everyday life for the many people. Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

Trees for the Future

Plant trees. Change lives.

Tesco

To be the most highly valued business by: the customers we serve, the communities in which we operate, our loyal and committed colleagues and of course, our shareholders.

Having a vision statement can bring about benefits:

- A clear vision can give the business a clear identity and ethos
- Can help in setting objectives and support the business strategy
- Focus senior managers on the tasks to achieve the vision
- Communicates to employees how they can contribute and can improve employee engagement
- Commits resources to achieving the vision.

The Amazon vision statement above is interesting in that it makes quite clear Amazon's intention of dominating not just the USA and Europe, but instead – 'the earth', and also to be the place where people do not just go to for music or books, but consumers 'discover anything they might want to buy online'.

The vision statement focuses on what the business wants to achieve in the future.

Another statement used by businesses is the mission statement, this focuses on what the business wants to do in the present.

However, it can be difficult sometimes to distinguish between vision statements and mission statements and some businesses will have a mission statement that looks to the future and a vision statement that focuses on the present.

Mission statements

An organisation's mission statement is a broad statement of its aims and values. It will guide the everyday operations and decision-making of the business.

The mission statement is sometimes seen as a crucial element in the strategic planning of a business organisation. The mission statement can be the foundation stone of an overall strategy and then be followed through into the development of more specific functional strategies. By defining a mission an organisation is making a clear statement of its purpose.

Examples of mission statements:

Coca Cola

Everything we do is inspired by our enduring mission:

To Refresh the World... in body, mind, and spirit.

To Inspire Moments of Optimism and happiness through our brands and our actions.

To Create Value and Make a Difference.

Starbucks

To inspire and nurture the human spirit— one person, one cup, and one neighbourhood at a time.

McDonalds

McDonalds' brand mission is to be our customers' favourite place and way to eat and drink.

Ford

We go further to make our cars better, our employees happier and our planet a better place to be.

Some reasons for having a mission statement:

- Helps to ensure that all stakeholders are clear on the purpose of the business so everyone can be focused on the same goals and objectives
- Helps with the strategic planning since this should be the starting point
- Gives some transparency for investors – they understand how their capital will be put to use
- Helps customers understand the ethics and objectives of a company.

One of the main purposes of a mission statement is to give an organisation cohesiveness, so that everyone in the organisation from the chief executive officer (CEO) to the worker on the shop floor, has a set of common aims. They know what the organisation stands for and what it is trying to achieve.

Mission statements tend to be vague and often express an aspiration or ambition rather than a reality. The job of the organisation is to try its hardest to turn the aspiration into a reality over a period time.

Clearly, the work of some organisations will never be completed. The mission statement of the Royal Society for the Prevention of Cruelty to Animals states that: "The RSPCA as a charity will, by all lawful means, prevent cruelty, promote kindness to and alleviate suffering of all animals." Despite the fact that the work of the RSPCA will always be ongoing the mission statement is a very good and succinct description of what they do.

Some people might argue that some mission statements are unrealistic and can never be achieved, but in a way that does not matter. At least to have an aim, however difficult to achieve, is better than having no aim at all.

What would you think of a school that did not have as its overall aim to make sure that all students reach their full potential, even if we know that, for a variety of reasons, this may not always happen?

It is sometimes an advantage to have a mission statement that is more specific. For example, many mission statements are expressed like this: "Our aim is to be the number one choice for product (or service) X, Y or Z."

This type of mission statement gives more focus to an organisation and, because it is measurable, it is almost an objective. It is in fact a goal or target and one that can realistically be achieved. It could be argued that this type of mission statement is more effective than one which is too vague, but it would not be appropriate for some organisations. For example, it is unlikely that Greenpeace will state as its aim that it wants to be the number one green charity, even though some members of its organisation might secretly want that to be the case. Ultimately, it will depend on the type of organisation as to which type of mission statement it adopts.

Perhaps, the most important thing is that the mission statement is not simply a virtuous wish that is stated and then forgotten about. Unless an organisation affirms its commitment to its mission statement on virtually a daily basis it will hardly be worth the paper it is written on.

Business aims and objectives

Business aims

Business aims are what the business wants to achieve in the future and they tend to be quite generic and broad. They set out the goals for the business.

Business objectives

Business objectives are more specific and measurable targets the business will set to achieve its aims.

A business may have an aim to increase sales revenue and will set a number of sales targets (objectives) in order to achieve the aim.

Business aims and objectives can be grouped into the following main categories:

- Survival
- Profit maximisation
- Sales maximisation
- Growth
- Increase shareholder value
- Corporate social responsibility/ Environmental/ Ethics

Survival – around 30% of businesses fail within 2 years of being set up, and in some industries this figure is much higher. So for a small business, the initial objective is to survive the difficult time of gaining customers, establishing a good local name and building a reputation. Even for some big businesses survival can become a priority. We have seen recently a number of banks fighting to stay afloat, requiring government intervention. Many established high street retailers have struggled in recent years. The main aim of these retailers was to survive in the short and medium term to allow them to reposition themselves in the long term, however retailers such as BHS, JJB Sports and Comet have all ceased to exist. This aim is particularly prevalent in times of economic recession.

Profit maximisation – the objective of most businesses, especially those operating in the private sector, is to maximise profits. Profit maximisation is possibly the main aim for most businesses and entrepreneurs. After all, why would you run a business or invest in a business if there is not going to be a worthwhile cash return? Profitability can be measured in a number of ways. These measures of profitability include gross profit and gross profit margin, net profit and net profit margin as well as return on capital employed (covered in chapter 4). When examining profits, a business will need to make comparisons against rival businesses and also historical profit figures. Long term increases in profitability, linked to increasing shareholder value, will be the main factors that create on-going motivation in business owners and managers. Profits can be maximised through increasing revenues and/or reducing costs.

Growth and gaining market share – some businesses will spend money to gain customers, reducing profits in the short run, but hopefully increasing profits in the longer term. They may even be able to force other competitors out of the market, by using short run, loss making pricing strategies. Growth is often based on reinvesting profits, reducing short term return to owners but leading to greater market dominance in the longer term that can lead to greater profit margins. Through increasing brand identity some businesses may concentrate on establishing their brand name through customer loyalty programmes, advertising and new product development thus becoming the most recognised business in their market. In the short term this may reduce profit but in the long term it could result in achieving higher sales and profits.

Increasing shareholder value – this is measured by the amount of dividend paid to shareholders and any increases in share price. This objective is concerned with increasing the price of the businesses' shares on the stock market. In addition, many senior managers have bonus schemes related to increasing share prices and dividends so they may also have an interest in increasing shareholder value.

Corporate social responsibility/ Environmental/ Ethics – there are businesses that will try to minimise the impact of their business activities on the environment and consider the needs of society. For example, businesses may try to ensure suppliers in developing countries have fair working conditions; ensure employees are earning a fair wage and sourcing raw materials from sustainable sources. This objective may come at a cost though in terms of lower profits for the business. However, modern businesses have to be respectful of the wider community and take their social and environmental responsibilities seriously.

Although profit maximisation might be the prime objective of most private businesses, it is not the only objective to pursue. Of course, businesses can work to achieve more than one objective at the same time.

SMART objectives

Objectives should be written using the SMART model, in order to make them clearer and more meaningful to understand and achieve:

Specific – objectives should specify what the business wants to achieve. They should be clear so that all stakeholders understand what the objective is.

Measurable – objectives should be measured to make sure the objective has been achieved. This measurement should be numeric.

Achievable – are the objectives achievable and attainable? There is no point in setting an unrealistic target, this can be demotivating.

Realistic – is the business likely to achieve the objectives with the resources available?

Time limited or constrained – a timescale needs to be set for achieving the objectives.

Examples of SMART objectives could include:

Growth objectives: to grow by 15% a year for the next five years by investing an additional £1m in advertising and opening 10 new stores.

Market share objectives: to achieve 40% market share from our current level of 35% within 3 years.

Profitability objectives: to reach a net profit margin of 11% in the next five years.

Sales objectives: to increase sales by 5% from 2018 - 2019 in at least the following 3 product ranges - menswear, shoes and toiletries.

Branding objectives: to make our brand of sports shoes the preferred brand amongst 15-25 year-old males within 3 years.

SMART objectives contain the potential to focus attention and gain commitment from all levels within a business to agreed performance targets. They will also encourage team work, and they direct resources to where they can be most effective.

SMART objectives also enable feedback and learning within the organisation, so that management can monitor achievement and make changes where necessary. One final point to note when setting SMART objectives is to check whether an objective has been well formulated, so those setting objectives should always ask: What will be acceptable evidence that we have succeeded in reaching our objective? i.e. How will a business know when it has achieved its objective?

Discussion themes

What is the difference between a vision statement and a mission statement?

Research 3 mission statements and rank them in order of effectiveness. Explain your decision.

Profit maximisation will always be the most important objective for a business. Evaluate this statement.

Create a vision statement, a mission statement and SMART objectives for one business of your choice.

Business Aims and objectives Video:

<https://www.youtube.com/watch?v=KtG6PaCW75s>

Guide to SMART objectives from Learn Marketing:

<http://www.learnmarketing.net/smart.htm>