

## Business Objectives - Meaning

**Business objectives** are the goals, aims or purpose of the business. The business tries to achieve these goals. Profit is the main objective of business. However, the business cannot have only one objective. This is because it has to satisfy different groups such as shareholders, employees, customers, creditors, etc. So, it has to fix objectives for each group.

These types of business objectives are depicted in the following picture.

### Types of Business Objectives



Objective gives direction to the business. It motivates the owners, managers and employees to work hard. It helps in planning and decision-making. It is used to evaluate (measure) the performance of the employees.

## ■ Definition of Objectives

According to **Louis Allen**,

"Objectives are goals established to guide the efforts of the company and each of its components."

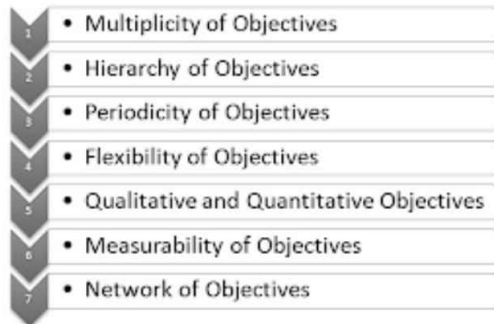
According to **Dalton E. McFarland**,

"Objectives are the goals, aims or purposes that organisation wish to achieve over varying period of time."

## ■ Nature Characteristics of Business Objectives

The **features** or characteristics of business objectives are depicted below.

#### Nature / Characteristics of Business Objectives



### 1. Multiplicity of Objectives

Business objectives are multiple in character. That is, a business does not have only one objective. It has many or multiple objectives. This is because a business has to satisfy different groups, i.e. shareholders, employees, customers, creditors, vendors, society, etc. The business has to fix different objectives for each group.

### 2. Hierarchy of Objectives

Hierarchy means to write down the objectives according to their importance. The most important objective is written first, and the least important objective is written last. All objectives are important. However, some objectives are more important than others. Some objectives need immediate action while others can be kept aside for some time.

### 3. Periodicity of Objectives

Based on period, business objectives can be classified into two types, viz.,

1. Short-term objectives, and
2. Long-term objectives.

The short-term objectives are made for a short-period, i.e. maximum one year. Short-term objectives are more specific. The long-term objectives are made for a long-period, i.e. for five years or more. Long-term objectives are more general. They are like a Master Plan.

## 4. Flexibility of Objectives

The business is flexible. Therefore, the business objectives must also be flexible. If the objectives are rigid, the business will not survive. This is because the business environment keeps on changing. There are continuous changes in the technical, social, economic and political environment. The business has to change its objectives according to the changes in the business environment. The hierarchy of objectives must also be changed from time to time.

## 5. Qualitative and Quantitative Objectives

There are two types of objectives, viz., Quantitative and Qualitative objectives.

1. **Quantitative objectives** are easy to measure. It is expressed in numbers. For e.g. in Dollars, Rupees, Percentage, etc. Quantitative objectives are visible, tangible and countable.
2. **Qualitative objectives** are not easy to measure. It is not expressed in numbers. For e.g. Employee performance, employee satisfaction, etc. These objectives cannot be measured. Qualitative objectives are invisible, intangible and uncountable.

Today modern methods are used to measure qualitative objectives. A business must have both quantitative and qualitative objectives.

## 6. Measurability of Objectives

The objectives must be clear and specific. It must be easy to measure. For e.g. Each salesman must sell 100 units of water purifier per month. This is a clear and specific objective. It is easy to measure the performance of the salesman. If a salesman sells 200 units of water purifier in a month then his performance is good. He can be given bonus and promotion. However, if a salesman sells only 10 units of water purifier in a month then his performance is bad. He needs more training. Measurable objectives motivate the employees to work hard. This is because they know their target clearly. Their performance can also be measured easily.

## 7. Network of Objectives

Network means an interconnection between different objectives. A business has many different objectives, viz., corporate objectives, departmental objectives, sectional objectives and individual objectives. It also has objectives for shareholders, customers, employees, etc. All these objectives must be interconnected. They must support each other.

They must not clash with each other. They must move in the same direction. If not, the business will not survive. Similarly, the objectives of all the departments, must support each other. They must not clash or conflict with each other