1 Corporate objectives

Definition

Aims are a generalised statement of where a business is heading, from which objectives can be set. A mission is a more fervent, passionate way of expressing an aim. Corporate objectives turn the aims into SMART targets, i.e. Specific, Measurable, Ambitious, Realistic and Timebound.

Linked to: Corporate strategy, Ch 2; SWOT analysis, Ch 4; Growth, Ch 7; Reasons for staying small, Ch 10; Corporate influences, Ch 15

1.1 Introduction

Some children, as young as ten or eleven years old, are clear about what they want from life. They are determined to become a doctor or a vet. The clarity of their **aim** makes them work hard at school, choose science subjects and overcome any setbacks (a weak maths teacher, perhaps). So whereas most GCSE and A level students drift from one day to the next, these individuals are focused: they have their eyes on their prize. This is the potentially huge benefit that can stem from clear aims.

Indeed, you could say that some of these focused students are driven by a sense of **mission**. Their aim is not just to get the label of 'doctor' but also to help make the world a better place. The drive shown by these students will be the most impressive of all.

For new small businesses there can also be a powerful sense of mission. A chef may open his or her own restaurant, driven largely by the desire to win a Michelin star (the *Michelin Guide* to restaurants is the world's most prestigious). In Gordon Ramsay style, the approach to achieving this may prove to be ruthless or even fanatical. Such a person is far more likely to achieve this aim than one who opens a restaurant thinking 'It would be nice to get a star; let's see if it happens'.

Figure 1.1 Gordon Ramsay

'A small body of determined spirits fired by an unquenchable faith in their mission can alter the course of history.'

Mahatma Ghandi, founder of modern India

'A lot of economists feel you do incentives and nothing else. I disagree. You have to motivate people around a central mission, a set of values, and then the incentives become the frosting on the cake; they become the payoff.'

Bill George, professor, Harvard Business School

1.2 Corporate aims

Aims are the generalised statement of where a business is heading. Possible examples of aims include:

- 'To become a profitable business with a long-term future' (Zayka Indian restaurant, started in January 2011)
- 'To become a Premier League club' (Nottingham Forest FC, at the time of writing in football's second tier)
- 'To diversify away from dependence on Britain' (the implicit aim of Tesco between 2003 and 2013).

One of the stated aims of the McDonald's fast food chain is to provide 'friendly service in a relaxed, safe and consistent restaurant environment'. The success of the organisation depends upon turning this aim into practice. In order for this to be achieved, employees must understand and share the aim. When a customer enters a McDonald's restaurant anywhere in the world they know what to expect. The organisation has the ability to reproduce the same 'relaxed, safe and consistent' atmosphere with different staff, in different locations. This has built the company's reputation. This corporate aim is effective because it recognises what lies at the heart of the organisation's success.

The Tesco example above shows that aims can be mistaken. In Tesco's case the aim of diversification led to specific disasters such as the £2 billion wasted on trying and failing in America. It also meant that successive Tesco bosses took their eye off changing customer requirements in Britain. The British shopper's image of Tesco lurched from believing 'Every Little Helps' to 'Every Little Helps Tesco' – and they switched to Aldi, Lidl or Waitrose.

Whether right or wrong, corporate aims act as the basis for setting the organisation's objectives. The success or failure of each individual decision within the firm can be judged by the extent to which it meets the business objectives. This allows authority to be delegated within the organisation, while at the same time maintaining coordination.

1.3 Mission statements

A **mission statement** is an attempt to put corporate aims into words that inspire. The mission statement of Wal-Mart, the world's biggest retailer, is 'to give ordinary folk the chance to buy the same thing as rich people'. Shop floor staff are more likely to be motivated by a mission statement of this kind than by the desire to maximise profit.

Businesses hope that by summarising clearly the long-term direction of the organisation, a focus is provided that helps to inspire employees to greater effort and ensure the departments work together. Without this common purpose each area of a firm may have different aims and choose to move in conflicting directions.

Real business

Examples of mission statements

- Google: 'organise the world's information and make it universally available'
- Coca-Cola: 'To refresh the world – in mind, body and spirit'
- Prêt à Manger (sandwich chain): 'Pret creates handmade natural food avoiding the obscure chemical additives and preservatives common to so much of the prepared and "fast" food on the market today'
- Nike: 'To bring inspiration and innovation to every athlete* in the world' (*If you have a body you are an athlete).

It is also important to note that not every company has a written mission statement. Some companies are clear that they and their staff 'live the mission' and therefore do not need to write it down. Marks & Spencer plc has stopped publicising a mission statement, perhaps because it has learned that one statement cannot sum up the driving forces behind a whole, complex business.

1.4 Influences on business mission

The model shown in Figure 1.2 shows the main influences on mission. It is necessary to link each of the four elements of the model so that they reinforce one another.

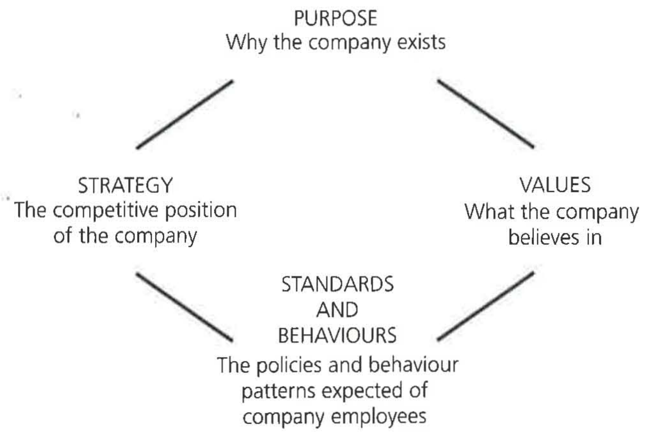

Figure 1.2 The mission model

In turn, each element suggests the following.

Purpose (reason why the company exists)

This is clearly shown by the Nike mission, which emphasises the desire to provide innovative products for athletes. In fact a sceptic could point out that Nike builds much of its branding around advertising, imagery and visual design rather than product innovation. Nike's brilliance has been to keep customers and staff confident that the company wants to support athletes rather than exploit them.

Values (what the company believes in)

In the case of Prêt à Manger, it is not just that it believes in natural, fresh food, but also that the business has always:

- used packaging that is made from recycled materials and can be recycled in future
- taken care to source its products from suppliers that treat staff fairly
- wanted to push customers to try new things, especially from sustainable sources.

The values of the business are a key part of its culture, and should also include the way staff are treated and other ethical considerations.

Standards and behaviours

This refers to the standards set by managers and the behaviour expected from staff. Cambridge graduate Polly Courtney has told the *Observer* newspaper about her experiences as a highly paid banker in the City of London. The work culture meant that people would send emails at 2.00 in the morning to show how late they worked, and Polly found sexism rooted in a 'lads'' culture in which nights out ended at the strip club. As the only woman in an office of 21, she was treated like a secretary and bypassed for the more important jobs. Polly wrote a book about her experiences, whereas others have successfully sued merchant banks on grounds of sex discrimination. Clearly the managements are wholly at fault in allowing such a situation to develop.

1.5 Critical appraisal of mission statements

As an example of the possible downsides of mission statements, it is interesting to look back at what companies used to say. At one time, Coca-Cola's mission statement said: 'Our mission is to get more people to drink Coke than water.' Today that seems quite a shocking idea. Clearly it would mean a dramatic worsening of the obesity problem that affects most of the developed world. The fact that Coca-Cola has dropped this statement in favour of the socially more acceptable 'to refresh the world' raises the question of whether mission statements are little more than public relations exercises.

Even more serious is the possibility that mission statements are a substitute for the real thing. They may be a bureaucratic management's attempt to provide a sense of purpose in a business that has none. If so, this would be the wrong way to approach the problem. If staff lack inspiration, the starting point is to find a real sense of purpose, probably through the staff themselves. For example, British doctors and nurses used to be hugely proud to work for the NHS; now they are more likely to moan about its shortcomings. Writing a mission statement would be treated with derision by the staff. Far more important is to find out from staff what they dislike about the current structure and discuss how to restore staff pride in the service.

A mission statement might be a genuine expression of an organisation's desire to succeed by doing good. Or it might be a cynical attempt to pretend that apathy has a sense of purpose.

'Facebook was not originally created to be a company. It was built to accomplish a social mission – to make the world more open and connected.'

Mark Zuckerberg, founder of Facebook

'It takes a person with a mission to succeed.'

Clarence Thomas, US Supreme Court judge

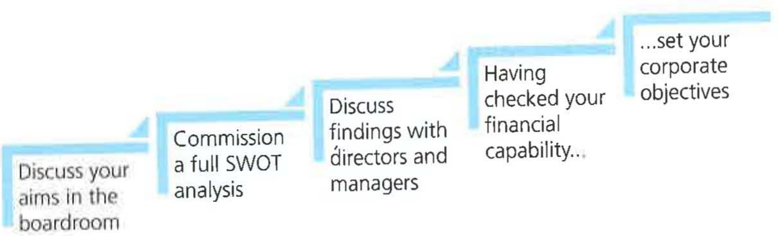

Figure 1.3 Logic chain: how to set objectives

Five whys and a how

Questions	Answers
Why may a clear sense of mission help a business to succeed?	A believable but inspiring mission can unite staff and customers behind the business.
Why may mission be especially important in a new business?	It's invaluable to have customers who 'buy in' to the business; they'll not only be loyal but will also spread the word.
Why may companies with aims outperform those with missions?	The weakness of mission is that it can blind the company to its weaknesses; aims are less powerful, so they can be appraised more coolly.
Why might the mission be lost from a company's strategy?	Because there's a stage in between: the objectives; if the objectives don't quite fit the mission, there may be a mismatch between mission and strategy.
Why might a new, clear mission help a giant but struggling company such as Marks & Spencer?	M&S needs something inspirational that will help customers and staff believe in the company again.
How might a company set about devising a new mission?	Aims and mission come from the top, so the directors need to spend time discussing and agreeing a suitable new mission.

1.6 Corporate objectives – evaluation

Good evaluation is based upon a questioning approach to the subject matter. This should apply to the case material being looked at and to the underlying theory. This section of the course provides huge scope for careful questioning; this should *not* be in the form of blanket cynicism ('all mission statements are rubbish'), but by carefully considering the evidence. Is a new boss genuinely trying to improve the motivation and behaviour of staff for the benefit of customers and the business as a whole? If so, perhaps a mission statement is a valuable centrepiece to a whole process of culture change.

At other times, though, the case material may present a new mission statement as no more than a sticking plaster over a diseased wound. Genuine problems need genuine solutions, not slogans. You need to make judgements about which situation is which, then justify your views with evidence from the case and drawn from the theory set out in this unit.

Key terms

Aims: a generalised statement of where a business is heading.

Mission: an aim expressed in a particularly inspiring way.

Mission statement: a short passage of text that sums up an organisation's mission. This may get displayed on walls throughout the business and placed prominently on its website.

1.7 Workbook

Revision questions

(25 marks; 25 minutes)

1 Explain why clear aims help people and businesses to achieve their goals. (4)
2 Explain the difference between mission and a mission statement? (4)
3 Outline one weakness of Nike's mission statement (in 1.3). (3)
4 Explain briefly what is shown by the 'mission model'. (4)
5 Explain why poor recruitment could lead to an ineffective business culture. (4)
6 Explain briefly who is responsible for setting a firm's objectives. (3)
7 Is it possible to have a SMART mission? Outline your answer. (3)

Revision activities

Data response

Figure 1.4 Fresh & Easy: Tesco's billion-pound blunder

In early 2007, Tesco confirmed rumours that it was to launch into the US grocery market: the world's biggest and most competitive. This would bring it face-to-face with Wal-Mart in a market worth $500 billion. Huge though Tesco had become, with 500,000 employees worldwide, it remained a shrimp compared with Wal-Mart. Despite scepticism by some analysts, most assumed that the magic touch of Tesco's long-time boss Terry Leahy would ensure success. Leahy had switched his best executives from China to America and allowed them to carry out a year's research and investigation into the US grocery market. Leahy never quite said it, but analysts were starting to wonder whether his real mission was to make Tesco the world's number 1 retailer.

In its 2007 annual report, Tesco confirmed its plan to invest £250 million a year for five years to develop a new grocery concept called Fresh & Easy. Its stores would be one-third of the size of a typical US supermarket, but double the size of the average convenience store. Tesco believed it had found a market gap. By Spring 2008, Tesco had 60 Fresh & Easy stores in operation, and was trumpeting that sales were 'ahead of budget'. It said 150 more would be opened in the 2008/2009 financial year. Break-even would be achieved, it said, within two years.

By 2009 it was clear that the original launch plan had been a flop. Not enough cash was coming through the tills to generate a profit. Tesco claimed that all it needed was 'scale', i.e. enough stores to deliver sufficient economies of scale to push the business beyond its break-even point. It announced a series of changes that would be made to store design and layout, and to the range of goods on offer. Effectively it was admitting 'we got it wrong' – but without acknowledging that if the concept was wrong it was time to cut the losses and withdraw.

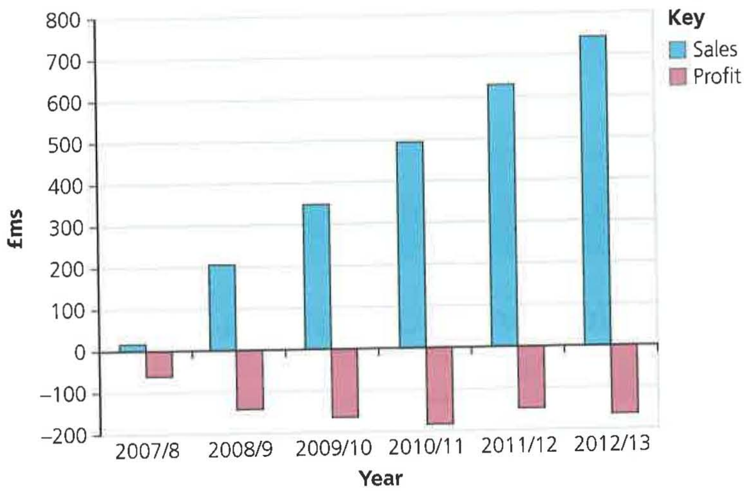

Figure 1.5 Tesco Fresh & Easy: annual sales and profits

Only after the retirement of Terry Leahy in 2011 did serious questions start to be asked within Tesco about the future of its US lossmaker. In February 2013, the new CEO Phillip Clarke made it clear that Fresh & Easy had to go. Embarrassingly, Tesco couldn't even give the stores away – it had to pay an American company to take some of the stores – and the rest of the business was liquidated. In 2013, Tesco said it would have to write-down its balance sheet by more than £1 billion to account for the failure of Fresh & Easy, but as nearly £900 million of operating losses had been made (see the Table 1.1), the total loss for Tesco was probably around £2 billion.

Important though £2 billion is, the long-term consequences of the Fresh & Easy fiasco may be much greater. In 2007/2008, Tesco was making a serious commitment to Asia, especially China. This commitment seemed to slip away as the American disaster required ever more management time. In 2013, Tesco effectively sold out of its long-term operational commitment to China. Worse still, perhaps, has been the impact on Tesco's UK performance, with sales, market share, profits and credibility being eroded away in 2013 and 2014. Not long ago Tesco was Britain's most admired company; no longer.

	Tesco USA (£ms)		Tesco Asia (£ms)	
	Sales	Profit	Sales	Profit
2007/8	16	–62	5,988	304
2008/9	208	–142	7,578	355
2009/10	349	–165	8,465	440
2010/11	495	–186	10,278	570
2011/12	630	–153	10,828	737
2012/13	740	–165	11,479	661

Table 1.1 Tesco's sales and profit in the USA and Asia

Questions (40 marks; 50 minutes)

1 Assess the mission and objectives Terry Leahy seemed to be pursuing through his Fresh & Easy strategy. (12)

2 Tesco decided to prioritise a developed economy over developing ones. Assess why it might have decided to do that. (12)

3 Such was Terry Leahy's status within Tesco that he was able to push ahead with quite a personal ambition to succeed in the US market. Evaluate how important the leader's views should be in setting the objectives and strategies of a business. (16)

Extended writing

1 In José Mourinho's first period as Chelsea manager the club won many trophies but failed to meet owner Abramovic's desire for exciting, beautiful football. Evaluate whether there is an inevitable trade-off between a mission for beautiful football and winning trophies. (20)

2 'In a small firm the mission can be absorbed by the staff. In a big business it's hard for it to get through to all staff, so it's written down as a mission statement.' Evaluate whether this big-business approach is likely to prove effective. (20)