Setting business unit goals flashcard

The setting of business unit goals is very important for strategy formulation and implementation.

The first step consists of setting up of long term corporate goals. Then all business unit managers from whole organization meet to set up business unit goals which should be compatible with the corporate level goals. These divisional goals are very important for achieving corporate goals. This is a decentralized activity and active participation from divisional managers and employees ensures commitment to these goals (Sanders, 1998).

These annual goals are very important for implementing strategy in following ways. 1. Resources are allocated based on annual goals2. Goals are used to evaluate managers performance3.

The progress towards annual goals helps in monitoring progress towards long term goals4. Goals help in setting organizational and divisional priority activities (David, 2009)The business unit goals should follow the principle of SMART that is these goals should be1. Specific: The annual sales target should be more than 10% from previous year2. Measurable: The quarterly profit margin should be 30%3. Achievable: In one week, 5 sales call should result in customer purchase4. Time bound: The business unit goals should be achieved in one year (Daft, 2007)The business unit goals should be clearly stated and communicated through out the organization so that line managers and workers are also aware of what to achieve this year.

The business unit goals also depends on how the divisions are made based on geographic are, product or customer characteristics. The organizational chart clearly depicts the type of division that exists in a particular organization. The divisional goals are commonly stated in terms to represents how much profitability, growth and market share should be achieved by business segment (Sanders, 1998). The divisional goals of different business units in an organization should be compatible so that it does not result in conflict among business units that can be detrimental to the long term corporate level goals. Horizontal consistency of goals (among business units) is as important as vertical consistency (between business unit goals and corporate level ones).

The business unit goals should be established such that each business unit is prompted to compete within its industry for customers. Strategic decisions at the business unit level are concerned about product line extension, brand extension and product line depth. At business unit level it is decided whether to add a new flavor to the existing product or conduct a new product development to expand the market share. It is also about the extent of research and development, equipment and facilities and amount of advertising (Daft, 2007). The business unit goals should be set in a way that they motivate employees and managers to action and this is possible when these goals are compatible with their values. If managers and employees are more concerned and inclined towards quality than quantity then business unit goals should be set which emphasizes achievement of desired quality levels.

Goals are considered as standards against which manager's and employee's performance are evaluated and financial and non financial rewards are given. Hence the goals are used as motivational tool for prompting higher performance and productivity levels from employees and it also makes them understand the importance of goals as the basis for successful strategy implementation (Sanders, 1998). In conclusion, the setting of business unit goals should be participatory activity which ensures open communication among employees and also results in commitment to the goals stated. Business unit goals should be supported by policies which help in solving day to day problems and guiding day to day activities. Correct policies and functional level goals leads to achievement of business unit goals which subsequently ensures implementation of corporate strategy (David, 2009).