

1.3 Business objectives

Business objectives and value

Imagine that you walk into a bakery. What do you want and expect from the business? Delicious bread? Fresh coffee? Friendly staff? Comfortable seating? Good music? WiFi? All of the needs, wants and expectations that are filled by the business can be thought of as the value it creates for you as a consumer.



Figure 1. What value does a bakery create for you as a consumer?

Credit: JackF, Getty Images

Business management courses often start with the claim that businesses create value. But value is a normative term. In other words, how we perceive value is related to our individual and shared beliefs, assumptions and judgements. Different stakeholders will view value differently. The issue of value in business is therefore central to business activity, but it is also contested and changes over time.

Relationship between value and business objectives

Value and business objectives are closely tied to one another. Broadly defined, value in a business context is any benefit experienced by a stakeholder connected to the organisation. Value comes in many different forms and can be **created** or **received** by

multiple stakeholders. You can see this in **Table 1**, which is related to the bakery example.

Table 1. Value created by and received by some stakeholder groups.

Stakeholder	Value <i>created for</i> the business	Value <i>received from</i> the business
Owner(s)	Entrepreneurship; ideas; risk-taking; financing the bakery.	Profits from the bakery that become the owners' income.
Consumers	Payment for the baked goods which becomes working capital to sustain the business; word-of-mouth promotion for the business in the community.	Delicious and varied baked goods; convenient opening times; pleasant 'third place' for social interactions; stable long-term presence in the character of a neighbourhood.
Employees	Developing and manufacturing quality products; delivering good customer service; offering ideas to improve the business.	Fair or generous wages; health leave and retirement benefits; positive working culture; skill development and learning opportunities; stable long-term employment.

Stakeholder	Value <i>created for</i> the business	Value <i>received from</i> the business
Suppliers	Providing the (sustainable) raw materials and components needed by the business to produce its goods or services; reliable delivery to help the business plan production; responsible employment in the <u>supply chain</u> that enhances the bakery's reputation.	Fair or generous payment for raw materials so that suppliers can be socially and environmentally responsible; stable long-term supply contracts.

The value that these stakeholders receive from a business and their interests in capturing that value will be explored further in [Subtopic 1.4 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36856\)](#). For now, it is important to note that all of the stakeholders have a common interest and broad objective in the business being financially viable. This means that the business can at least cover its costs, or earn profit in the case of commercial businesses, or surplus in the case of social enterprises.

Business objectives can be related to any one or more of the value elements listed in **Table 1** above. A business objective is a stated outcome that a business aims to achieve. Business objectives can be stated in very broad terms through mission and vision statements ([Section 1.3.1 \(/study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/vision-and-mission-statements-id-36847\)](#)), or in specific terms by teams of people or individuals in a business. When concrete objectives are set lower in the business hierarchy, they often follow SMART criteria. This acronym stands for:

- S – specific
- M – measurable
- A – attainable
- R – relevant
- T – time-focused

Objectives can be related to things such as growth of the business, profits, market share, customer satisfaction, ethics and sustainability. The detailed, specific objectives that could be set will be guided by big-picture thinking around vision and mission. So understanding the purpose of the business is essential for setting more concrete objectives.