



Cambridge (CIE) IGCSE Business



Your notes

1.5 Business & Stakeholder Objectives

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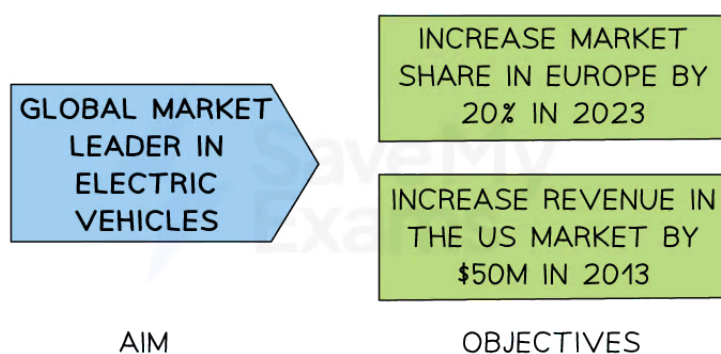


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Business Objectives

The Importance of Business Objectives

- **Business aims** are the long-term aspirations of an organisation
- **Business objectives** are specific, measurable, achievable, relevant, and time-bound targets (**SMART targets**) that must be achieved to realise business aims



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Objectives are derived from a business's overall aim

- Every successful business needs to have **clear aims and objectives** that guide its operations and **focus the efforts of all employees** towards the same goal
 - Aims and objectives are critical for businesses to **function effectively** and **achieve long-term success**
 - A **business aim** may be to become the **market leader** in a particular industry
 - The corresponding **objectives** may include **increasing sales by 25%** over the next three years, improving customer satisfaction by 15%, and expanding into new geographic markets

The Most Common Business Objectives

- Objectives provide a focus or **target** for managers and employees
 - Managers can determine how well the business or particular departments have performed over a period of time
 - Employees may be rewarded for their progress towards meeting objectives

Examples of Common Business Objectives



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Objective	Explanation
Survival	<ul style="list-style-type: none"> A common objective in the early stages of trading <ul style="list-style-type: none"> 60% of UK start-ups fail within their first three years Common reasons for failure include poor cashflow, low sales and unexpected costs
Growth	<ul style="list-style-type: none"> Businesses often achieve growth by increasing sales <ul style="list-style-type: none"> Persuading customers to buy products more often or in greater quantities to increase sales revenue and expand the business Appealing to new market segments
Profit	<ul style="list-style-type: none"> Ensuring sales revenue received is greater than business costs <ul style="list-style-type: none"> This allows for financial security as a business and its owners can pay all the overheads and have some in reserve to pay for unexpected emergencies
Market Share	<ul style="list-style-type: none"> The percentage of the total market revenue that a single business or brand achieves <ul style="list-style-type: none"> Costa had an 8% market share of 'out-of-home' coffee consumption in the UK in 2020 If market share is increasing it means that the firm is competing effectively with rivals

- As businesses grow, their objectives often **change over time**
 - E.g. They may shift from survival and **break-even** to growth and **profit maximisation**



Examiner Tips and Tricks

Avoid suggesting that 'making as much profit as possible' is always the most likely objective of a business

- It often depends on **economic conditions** and the original **aims of the owners**
- Many entrepreneurs are more focused on **helping groups in society** than making money
- As markets can be very dynamic objectives are very likely to **change over time**

The Objectives of Social Enterprise



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- Social entrepreneurs set **socially-focused objectives** for their business. They are in the private sector but **do not have making a profit as their primary focus**
 - They seek to make a profit in order to spend the money on achieving their social objective
- Objectives may include
 - **Social:** to provide jobs and support for disadvantaged groups in society, such as the disabled or homeless
 - **Environmental:** to protect the environment
 - **Ethical:** to operate the business in a responsible way
 - **Financial:** to make a profit to invest back into the social enterprise to expand the social work that it performs
- **Butterfly Books** is a social enterprise that publishes children's educational books in the UK
 - Their aim is to 'work to educate, inspire and entertain children, aiming to change future generations by reducing gender bias in job roles'
 - A recent book entitled 'My Mummy is an Engineer' challenges gender stereotypes

Differences in Private & Public Sector Business Objectives

- As discussed in Topic 1.2 ([Classification using the Public and Private Sector](#)), businesses in the public and private sector have a different focus in terms of business objectives due to their ownership
- Firms in the private sector are owned by individuals or other firms, while those in the public sector are owned and controlled by the government
 - Goals and objectives are mainly **financial in the private sector**, whereas the **public sector's are generally for the greater good of society**

Public Versus Private Sector Objectives

Public Sector Objectives	Private Sector Objectives
<ul style="list-style-type: none"> ▪ Their main goal is usually to provide a service to the local community, such as healthcare or education <ul style="list-style-type: none"> ▪ These services will still have measurable objectives like the private sector in terms of costs and other targets 	<ul style="list-style-type: none"> ▪ The main objective of most private sector organisations is profit maximisation ▪ Other common objectives include: <ul style="list-style-type: none"> ▪ Growth ▪ Increase shareholder returns

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| <ul style="list-style-type: none">▪ E.g. The length of patient waiting list for operations or railway punctuality targets for trains▪ Social objectives such as improving the range of activities or services available to society, such as public libraries, or creating employment in poorer areas▪ Financial objectives often focus on providing a return to the government to reinvest.<ul style="list-style-type: none">▪ Although not the primary aim from the government, having a positive financial return in the public sector is an objective | <ul style="list-style-type: none">▪ Increase market share▪ Survival▪ Provide a service to the community |
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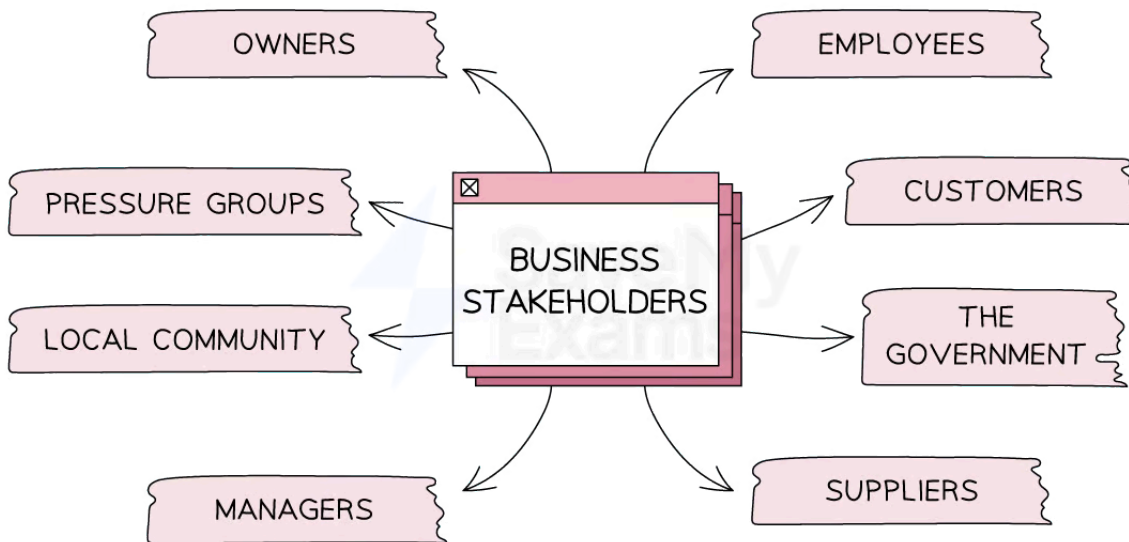


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Stakeholder Objectives

Introduction to Business Stakeholders

- Business stakeholders are individuals or groups that **affect or are affected by the actions of a business**
 - Internal stakeholders** include anyone **within the organisation**, such as employees, owners, shareholders, and managers
 - External stakeholders** are people and organisations that are **outside of the business** and include suppliers, governments, customers, **trade unions**, and **creditors**



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Business stakeholders include customers, employees, suppliers and pressure groups

Objectives of Stakeholder Groups

- Stakeholders can have **different objectives** based on their different roles and perspectives
- A business needs to take into account the **needs and interests of its stakeholders** to operate successfully and ensure long term success

Objectives of Stakeholders



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Stakeholder	Objective	Example
Owners (shareholders)	<ul style="list-style-type: none"> Shareholders are individuals or entities who own a portion of a company's stock They invest in the company to make a profit Shareholders' primary objective is to maximise their returns on investment They want the company to be profitable and generate a high return on their investment 	<ul style="list-style-type: none"> A shareholder of Apple may want the company to release new products and increase sales to increase the value of their shares
Employees	<ul style="list-style-type: none"> Employees are individuals who work for a company Their primary objective is to earn a living, have job security and be compensated fairly for their work and have a safe working environment 	<ul style="list-style-type: none"> Google employees in California have some of the best working conditions in the world, with the Company offering sleeping pods, games rooms and free speciality coffee all-day
Management	<ul style="list-style-type: none"> Managers are individuals who are responsible for the day-to-day operations of a company Their primary objective is to meet the company's goals and objectives They want to maximise profits and minimise costs while ensuring that the company operates efficiently 	<ul style="list-style-type: none"> A manager of McDonald's may want the restaurant to increase sales and reduce costs by improving efficiency
Suppliers	<ul style="list-style-type: none"> Suppliers are individuals or businesses who provide goods or services to a business Their primary objective is to sell their products or services and make a profit 	<ul style="list-style-type: none"> Busco Sugar Milling Co., Inc supplies Coca-Cola with 84% of its sugar requirements. They want the company to continue buying their sugar and to pay their bills on time



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	<ul style="list-style-type: none"> Suppliers want to be paid on time and have a long-term relationship with the company 	
Customers	<ul style="list-style-type: none"> Customers are individuals or businesses who purchase goods/services from a business Their primary objective is to receive high-quality products or services at a fair price Customers also want good customer service and a positive experience with the company 	<ul style="list-style-type: none"> A customer of Nike may want the company to provide high-quality shoes at a reasonable price - and to deal promptly with any customer concerns issues
Pressure groups	<ul style="list-style-type: none"> Pressure groups are organisations that seek to influence the policies and actions of businesses or governments Their primary objective is to promote a specific cause or agenda Pressure groups want the company to support their cause or take action on an issue 	<ul style="list-style-type: none"> An animal rights group may want a clothing company to stop using animal products in their clothing
The local community	<ul style="list-style-type: none"> The local community includes individuals and organisations that live or operate in the area where a business operates Their primary objective is for the business to have a positive impact on the community <ul style="list-style-type: none"> This may include the business being environmentally responsible, providing jobs, and contributing to local causes 	<ul style="list-style-type: none"> Burnley Savings & Loans Ltd (Bank of Dave) donates all of their profits to local charities and good causes



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<p>The government</p>	<ul style="list-style-type: none"> ▪ The government is responsible for creating and enforcing laws and regulations that affect businesses ▪ Their primary objective is to promote the public good and protect the interests of citizens ▪ The government wants companies to operate within the law and contribute to the economy 	<ul style="list-style-type: none"> ▪ The government may want a company to pay taxes, comply with environmental regulations, and create jobs
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How stakeholders are affected by business activity

- Business activity can have various impacts on stakeholders
 - If a business **experiences financial difficulties**, shareholders may lose value in their investments, and employees may face job losses or pay cuts
 - If a business is **profitable**, shareholders may benefit from increased dividends, and employees may receive bonuses or promotions
 - Customers can be affected by business activity in terms of **product availability**, quality, and pricing
 - The local community can be impacted by the environmental and social impact of business operations, such as pollution or job creation
 - The government can be affected by business activity in terms of **tax revenue** and **regulatory compliance** (following the laws)

How stakeholders impact business activity

- Stakeholders can impact business activity in various ways
 - Customers can **influence product development and pricing** through their purchasing decisions and feedback
 - Employees can impact business activity through their **productivity**, skills, and job satisfaction
 - Shareholders can impact business activity through their investment decisions and **demands for returns**
 - The local community can impact business activity through **regulations and permits (from the local council)**, and social pressure
 - Pressure groups can impact business activity by lobbying for changes in policy or **boycotting products**



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- The government can impact business activity through taxes, regulations (laws), and **subsidies**

Stakeholder Conflict

- Stakeholder groups can have **conflicting interests and objectives**, which can lead to tensions and conflicts
 - **Shareholders** may prioritise profit maximisation, while **employees** may prioritise fair treatment and high wages
 - **Customers** may prioritise low prices, while the **local community** may prioritise environmental sustainability which raises costs and prices
- These conflicts can create challenges for businesses to **balance the competing demands of different stakeholder groups**
 - E.g. A company may need to invest in costly environmental technology to meet the demands of the local community, but this may reduce profitability and upset shareholders
- Conflicts can also arise when stakeholders have **different levels of power and influence**
 - E.g. Pressure groups with strong public support may be able to influence business activity more than individual shareholders
- **Managing stakeholder conflicts** requires careful communication, transparency, and **compromise**

Examples of Stakeholder Conflicts

Stakeholders	Conflict
Employees vs. Employers	<ul style="list-style-type: none"> ▪ In 2020, British Airways faced criticism from its employees and unions after announcing plans to cut 12,000 jobs and reduce pay and benefits for remaining staff due to the impact of the COVID-19 pandemic on the airline industry ▪ The cuts were met with protests and legal challenges from unions and employees, who argued that the airline was unfairly targeting its workers
Pressure Groups vs. Government	<ul style="list-style-type: none"> ▪ In 2019, Extinction Rebellion, a climate change activist group, organised protests across the UK to demand government action on climate change ▪ While the group had the support of many members of the public, some politicians criticised the protests for disrupting public order and causing economic damage



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**Local Communities
vs. Developers**

- In 2019, plans to build a **new high-speed rail line, HS2**, faced **opposition from residents** of areas affected by the proposed route, who argued that the project would damage the environment, disrupt communities, and be too expensive
- The project also faced **opposition from environmental groups** who argued that the resources could be better spent on other infrastructure projects

**Examiner Tips and Tricks**

The interests of stakeholders should be considered whenever a question asks you to weigh up business choices, typically in the longer-answer questions. You might consider the following:

- Which stakeholders might be supportive of each option?
- And which stakeholders might oppose each option?
- Is there a conflict between different stakeholders?
- How might conflict be overcome?