

Year 12 AS Business studies

Business objectives and stakeholders

Business Objectives

- The objectives of a firm means the goals of the business i.e. what the business wants to achieve.
- The objectives of business organisations will be shaped by the various stakeholders in the business. Those with the most influence will tend to set the objectives.
- It is important for a business to have well defined objectives. These will help the business to be clear about what it wants to achieve.
- For example,

Mission Statements

- These are descriptions of the overall aims of the business and its short term and long term objectives.
- They tend to be aimed at all stakeholders and may be printed in the Annual Report and Accounts.
- However, they often focus on meeting the needs of the customers, identifying the specific services to be provided.

Survival

There are 3 times when a business, regardless of their size and status will consider survival important:

- Early stages of trading- Most firms begin on a small scale, establish themselves and then grow. The owners of a new firm will probably be happy to see the firm survive in its first few months of trading. Also in the early stages decision makers might make mistakes, therefore the most important business objective might be to survive.
- When trading becomes difficult- During a recession, for example, a business could face falling demand, bad debts and low confidence. Individual businesses or industries may face difficulties due to competition from rivals, falling demand for their products or the effects of poor decisions. Therefore their main objective during this time may be to survive.

- Threat of takeover- Firms sometimes become targets for other firms to take over. When this happens the survival of the firm in its existing form may be the main objective.

In the long term it is unlikely that survival would remain the only objective, except perhaps for small businesses. Business owners tend to be ambitious and so pursue other objectives.

Stakeholders

Stakeholders are various groups of people who have an interest in the business. The interest each stakeholder has in a business will vary according to the nature of their 'stake'. It could be argued that owners, managers, and employees are internal stakeholders as members of the business organisation. The remainder could be seen as external stakeholders because they are not part of the business.

4 different stakeholders of Fulford School are:

- Pupils-
- Teachers-
- Governors-
- Parents-

It is often difficult for a firm to survive during the early stages of trading there are several factors that may apply to a new business.

- Lack of experience which can often lead to mistakes
- A lack of resources
- Competition from established firm
- Unforeseen problems such as unexpected costs
- Limited recognition by customers

Profit maximisation is achieved where the difference between the total revenue earned by the business from selling its products and the total costs of the products is the greatest. It is obvious a business will aim to make as much profit as possible but in reality a business is likely to produce a satisfactory level of profit as an objective and this is known as satisficing.

Many businesses objective is growth; it is argued firms must grow in order to survive. Growth is measured in the total revenue earned. Failure to grow might result in a loss of competitiveness, a decline and an eventually closure. If a firm is able to grow and dominate the market in the future it may be able to enjoy some monopoly power and raise its price. By growing a firm can diversify and reduce the risk of businesses enterprise. It can sell to alternative markets and introduce new products and so if one market or product fails it will have a range of other to fall back on. Firms can exploit economies of scale if they grow large enough. This will enable them to be more efficient and enjoy lower costs. Many people within a business may benefit from growth:

- Employees many find their jobs may become more secure although not always the case e.g. mechanisation.
- Managers and directors will have more power and status.
- The salaries within the company are likely to increase especially the directors and the chairperson.
- The owners will generate much higher profits.

Sales Revenue Maximisation

This is when the objective of firms is to gain the highest possible sales revenue. This objective will be favoured by those employers whose salaries are linked to sales. Managers and sales staff are examples of staff paid according to the sales revenue which they generate. **N.B this is not the same as profit maximisation**

Image and social responsibility

For many firms them having good image is imperative. This is because:

- Legislation has been passed favouring consumers
- There has been changes in social attitudes
- Competitive pressure has been forced businesses to take into account the needs of others.

Companies who use household names such as Heinz, Kellogg's, Ford and Cadbury's would not wish the general public to think badly of them. Some companies have made serious efforts to improve their own image such as Skoda, the car manufacturer has in the past had an image as a producer of 'budget', 'downmarket', or 'unfashionable' cars. It has tried to shake off this image by exploiting its new owner's name, VW. Faced with competition, firms are likely to lose sales if they don't take into account the needs of customers. Increasingly, firms are giving free after sales service,

replacing unwanted goods without question and training their staff to deal with the public

Government legislation and arguably trade unions have influenced how businesses treat their employees. A number of laws have been passed to protect workers. An example of legislation which affects workers is the **disability discrimination act 1996**. this is designed to reduce discrimination by businesses against disable workers. One effect of legislation is that it protects companies with high standards of responsibility from those competitors who have little regard for health and safety at work. Unscrupulous firms will not be able to lower costs by neglecting health and safety as they will have to keep within the law.