

Business Aims and Objectives

Businesses need to have aims — overall goals that they want to achieve.

Businesses can Have a Variety of Different Aims

Survival

Around 60% of new businesses close within five years of starting, so just surviving is the main and most important short-term aim of all new businesses.

Maximise Profit

The vast majority of businesses will aim to maximise profits. However, it may take a few years for a new firm to make any profit at all.

Growth

Many firms will aim to grow, but growth can mean different things. E.g. it might mean increasing the number of employees, increasing the number of products sold, or increasing income from sales.

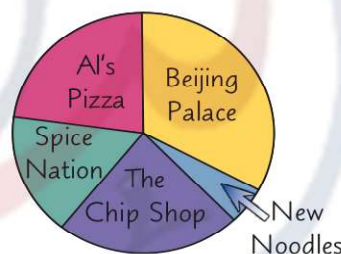
Some firms want to grow domestically (in the country where they were set up). Others want to grow internationally (expand into other countries).

Increase Shareholder Value

Limited companies have shareholders. Shareholders get a share of the firm's profits and can sell their shares to make money (the better the firm is doing, the more each share is worth). Many firms aim to increase shareholder value (make their shareholders more wealthy) by increasing the value of the firm, e.g. by making more profit or by growing.

Increase Market Share

Market share tells you what percentage of a market's total sales a particular product or company has made. When a business first starts up it has zero market share... so one of its first aims is to capture a part of the market and establish itself. It can then aim to increase its market share by taking sales away from competition, or by persuading new customers to enter the market and buy its products.



Beijing Palace has a big market share already, but New Noodles might want to try and increase its share of the market.

Business Aims Don't have to be Financial

- 1) Not all business aims have to be about making money or selling more products.
- 2) Businesses may aim to do what's right socially and ethically. Some firms want to make sure they are acting in ways that are best for society and that society believes are morally right (e.g. many consumers think that it's wrong to test cosmetics on animals). They may also want to make sure their activities don't cause unnecessary harm to the environment.
- 3) Most business also aim to achieve customer satisfaction. Customer satisfaction measures how happy consumers are with the products provided by the firm. The firm can measure this by carrying out customer opinion surveys, a type of market research (see p.86).

There are many different aims a business can set...

Having aims is important for a firm. Managers use aims to make decisions about how the firm should be run. And having aims means anyone interested in the firm can easily work out what the business is all about.

Business Aims and Objectives

Businesses also need to have objectives — these are specific targets that the business can directly work towards.

Objectives Help Businesses Achieve Their Aims

- 1) Once a firm has established its aims, it needs to set business objectives.
- 2) Just like with aims, there are different types of objectives.
- 3) Objectives can be related to:
 - survival,
 - profit,
 - growth,
 - shareholder value,
 - market share,
 - social and ethical issues,
 - customer satisfaction.
- 4) Objectives are more specific than aims — they're measurable steps on the way to the aim. E.g. if a firm's aim is to grow, an objective might be to increase income from sales by 30% over two years.
- 5) Once objectives have been set they act as clear targets for firms to work towards.
- 6) They can then be used later to measure whether a firm has been successful or not (next page).

Not All Companies Have the Same Objectives

There are different factors that affect the objectives of a business:

1 The Size of the Business

Many small, local businesses depend on word of mouth to survive, so a major objective for them might be customer satisfaction. They may be more concerned with survival and growth rather than increasing market share.

Larger businesses get more attention from the public, so they might set objectives about acting ethically and protecting the environment to try to avoid bad publicity.

2 The Level of Competition the Business Faces

If a business is in a highly competitive market, it might focus on customer satisfaction so that it can win customers from its rivals. Increasing or holding on to its market share might be more important than maximising profits.

If a firm doesn't face much competition, its objectives may be focused more on growth and maximising profits.

3 The Type of Business

For example, not-for-profit businesses (see p.11) are more likely to focus on social or ethical objectives, rather than growth or profit.

Different businesses will aim to achieve different things...

Think about two different businesses. Have a think about the main features of each business, then jot down how their aims and objectives may be different and why this might be.



Business Aims and Objectives

The aims and objectives of a business aren't set in stone — they often change as the business and the world around it changes. Read on to find out more...

A Company's Objectives can Change over Time

- 1) A firm will alter its objectives as it evolves (changes). For example, when it is a new start-up business, objectives will be focused on survival. Once it is stable, objectives might be centred around growth and maximising profits for reinvestment. If it becomes a large, established business, it might aim to have the largest market share (dominate the market), or to expand into other countries. If it becomes a PLC, increasing shareholder value could become its most important objective.
- 2) The business environment is dynamic (ever-changing) — the law, the economy, technology and the expectations of customers may all change. Firms need to be able to keep up with these changes. They can do this by changing their objectives. For example:

1 New Legislation

Companies may need to adjust their objectives when new laws are introduced. E.g. in 2016, a new living wage was introduced. This affected many companies' profit objectives, as they had to pay higher wages.

2 Changes in the Economy

For example, if there's a recession, a company's growth objectives might be put on hold while it concentrates on survival.

3 Changes in Technology

Companies need to keep up to date with new technology, especially if their competitors are using it. They may need to alter their objectives so they spend more money on getting new equipment and training staff rather than investing in growth.

4 Environmental Expectations

Recently people have become more concerned about the impact a business has on the environment — objectives related to environmental impact have become more important for many companies to avoid losing customers.

Businesses Use Objectives to Monitor Success

- 1) Once a business has set objectives, it can check back after a period of time to see whether those objectives have been achieved. This is a way of measuring success.
- 2) A common objective to look at is profit — e.g. if the firm met a yearly profit target it's a sign of success.
- 3) There are loads of ways other than profit to measure success, depending on the firm's objectives. For example, a firm could count the number of employees it has to see if it's met its growth objectives, or look at the value of its shares on the stock market to see if it's met its shareholder value objectives.

Businesses need to respond to the world around them...

The business environment is always changing. Firms need to adapt to these changes or they may have problems.