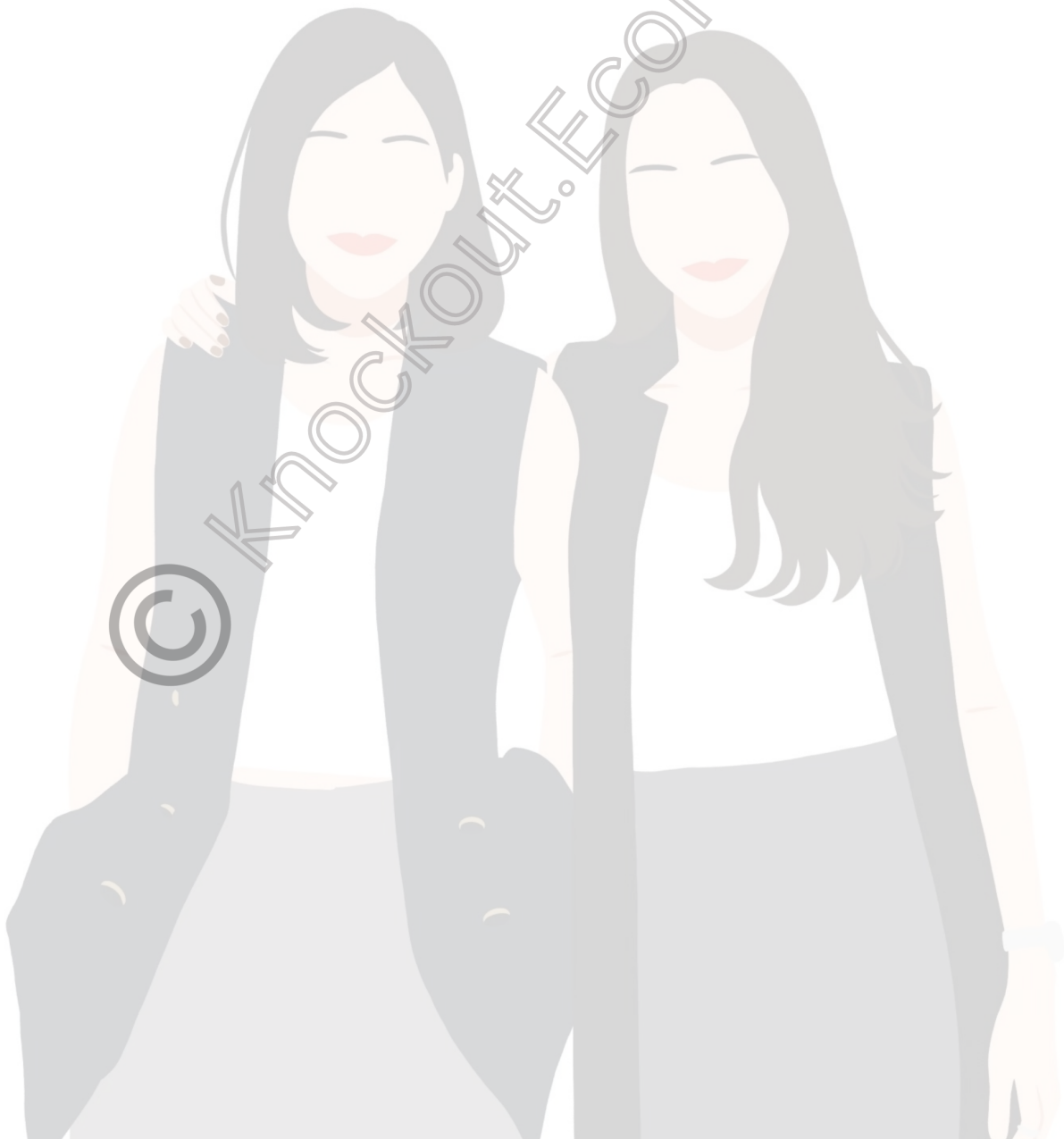


Chapter 5: Business objectives and Stakeholder objectives

Key terms

1. Business objectives: are the aims or targets that a business works towards.
2. Profit: is total income of business(sales revenue) less total costs.
3. Market share: is the proportion of total market sales achieved by one business.
4. Social enterprise: has social objectives as well as an aim to make a profit to reinvest back into the business.
5. Stakeholder: is any person or group with a direct interest in the performance and activities of a business.



1. Why need to set a business objective?

Business objectives: are the aims or targets that a business works towards.

- Providing motivation to people (workers/managers) to achieve the target
- Comparing performance whether the business is successful or not
- Using in making decision

2. Business objectives:

2.1 Profit maximization

Benefits:

1. Using for reinvestment
2. Paying dividend to shareholders

2.2 Market share

Benefits:

1. Higher market share brings higher revenue.
2. If the business has higher market share, it is easier to negotiate with banks and suppliers.
3. The businesses with high market share are likely to be well recognised and reliable, then they can charge high price.

2.3 Business Survival

: Normally it is a short term objective especially during an economic recession or introduction stage.

2.4 Growth of business (Measured by value of sales or output)

Benefits:

1. Growth of business can create more jobs for employees.
2. Large businesses can increase salary to managers.
3. It increases opportunities to expand businesses to diversify risk
4. Growth allows businesses to have larger market share.
5. Large size businesses can achieve economies of scale (lower average cost).

2.5 Return to shareholders

Benefits:

1. It is easier to raise funds in the future as shareholders want to invest in the company which generates high dividends.

2.6 Non-profit organization

Benefits: Non-profit organizations can provide jobs to society and help poverty in rural areas and protect the environment.

3. The role of stakeholder groups involved in business activity:

Stakeholder group: a person or a group with a direct interest in activities of a business.

2 types of stakeholder group

- **External stakeholder:** person/group are outside business eg. consumer/ government / suppliers.
- **Internal stakeholder:** person/group are inside business eg. owners/employees.

External stakeholder	
Stakeholder group	Objectives
1. Customer	Cheap products / responding demand / safety
2. Government	High tax revenue / providing jobs
3. Bank	Expecting that business pays back principal money plus interest on time.
4. Community	Safe products / environmental friendly products / job creation.
Internal stakeholder	
Stakeholder group	Objectives
1. Owners	Maximize profit which can be used to reinvest in business and pay dividends to shareholders.
2. Workers and Managers	Higher salary, bonus and also job security.

4. Conflict of stakeholders' objectives.

E.g. The owners objectives is profit maximization which may conflict with the community. As the business may damage environment.

E.g. The owners want to introduce new machines to produce products faster and they may lay off some workers to reduce cost which may conflict with workers' objective.

