

## **Chapter 21 : Business Objectives**

### **1. Business Objectives**

: The goal or targets that need to be met in order to achieve an aims. Businesses need to have objectives for the following reasons

- Employees need something to work towards. Objectives help to motivate people. For example, sales staff might get bonuses if they reach certain sales target.
- Without objectives owners might not have the motivation needed to keep the business going.
- Objectives help owners decide where to take a business and what steps are necessary to get there and what steps are necessary to get there.

: It is easier to assesses the performance of a business if the objectives set are

**SMART.** This means that they should be

- Specific : stating clearly what is trying to be achieved.
- Measurable : can be measured quantitatively
- Agreed : have the approval of everyone involved
- Realistic : able to be achieved given the resources available
- Time Specific : have a stated time by which they should be achieved

### **2. Survival**

: eg. When the business first starts trading it may be particularly at risk. It often takes time for people to recognize the existence of a new business.

: eg. Global economy when turned down, demand in the market decreased. Therefore, business may hope to survive first.

### **3. Profit Maximization**

: Some business focus on profit more aggressively, usually because the owners want to make as much profit as they possible. Higher profit means higher budget for reinvestment and high returns.

#### **To achieve Profit maximization**

- Reduce cost (eg. Wage / raw material )
- Increase in selling price (from improve quality of goods etc)

One criticism:

- Maximise profit : too short objective

- Profit maximise can also damage relationships with other stakeholders, such as employees and customers

#### **4. Other objectives**

##### **4.1 Sales Maximisation**

: It involves a business selling as much as it possible can in a particular period of time. Sales levels are important measure of performance and generally growing sales in a healthy signs for business.

: Also sales maximization can also increase market shares and also reduce inventory

##### **4.2 Market Share**

: Most business would prefer a large market share to a small one. Larger market share can increase sale revenue and profit.

##### **4.3 Cost efficiency**

: From time to time businesses may consider how to reduce their costs. It is an objective that might be pursued when trading conditions become difficult due to competition or economic downturn. However, business look to cut costs all time since if lower cost , can encourage higher margin.

##### **The method to cut cost**

: Lay off staff to cut labour costs

: Find new supplier to get cheaper resources

: Increase the usage of recycle material

: Develop new working practices that use fewer resources

: Develop ways of saving energy

**Evaluation** : Drawback of cutting cost is that product quality drop or customer might suffer

**4.4 Employee welfare** : a number of measures can be taken to achieve this, including : Improving the working environment by cleaning, less noisy and less crowed

**4.5 Customer satisfaction**: Most business try to meet the customer needs. In order to win their loyalty

**4.6 Social Objectives**: A business promote prosperity and develop strong relationship with the local community so it can co-existing. This might involves

: Keep noise level down

: Maintaining sensible opening hours

: Demonstrating responsibility to the environment by minimising pollution

: Providing employment for local people

: Maintaining open channels of communicate between business and the local community so that issues can be raised and discussed

: Making contributions to community life such as visiting local schools, sponsoring local events or donation

