

# Business objectives and stakeholders objectives

# Business Objectives

- An aim or a target to work towards.

- Businesses are started by

- either People...
- or Governments

for different reasons and purposes.

**What do you think are possible reasons for starting a business?**



# Business Objectives

- The most common objectives are:
  1. To make a profit
  2. To increase added value
  3. To expand the business
  4. To achieve business survival
  5. To provide a service to the community



#1

## Business Objectives: Profit

- Businesses owned by *private individuals* rather than the *government* are run to make profits.
- The owners will each take a share of the profits.
- Owners of a business will aim for a satisfactory level of profits.
- Profits are needed to return to the owners... without profits, they are likely to close the business.



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# #3

## Business Objectives: **Growth**

- Owners and managers of a business may aim for growth in the size for a number of reasons:



# #3

## Business Objectives: Growth

- Growth will only be achieved if the business's consumers are satisfied with the products or services being provided.



# #4

## Business Objectives: **Survival**

- A firm is always trying to survive



- Possible threats to the business
  - A firm recently launching in the business
  - Economy is in financial trouble (recession)
  - New competition in the market

# #5

## Business Objectives: **Providing a Service**

- In some countries, important businesses are owned by the government.
- The main aim of these businesses is focused towards providing a service rather than making profit.
  - For example, water or electricity supply, transportation, educational institutions, public hospitals.

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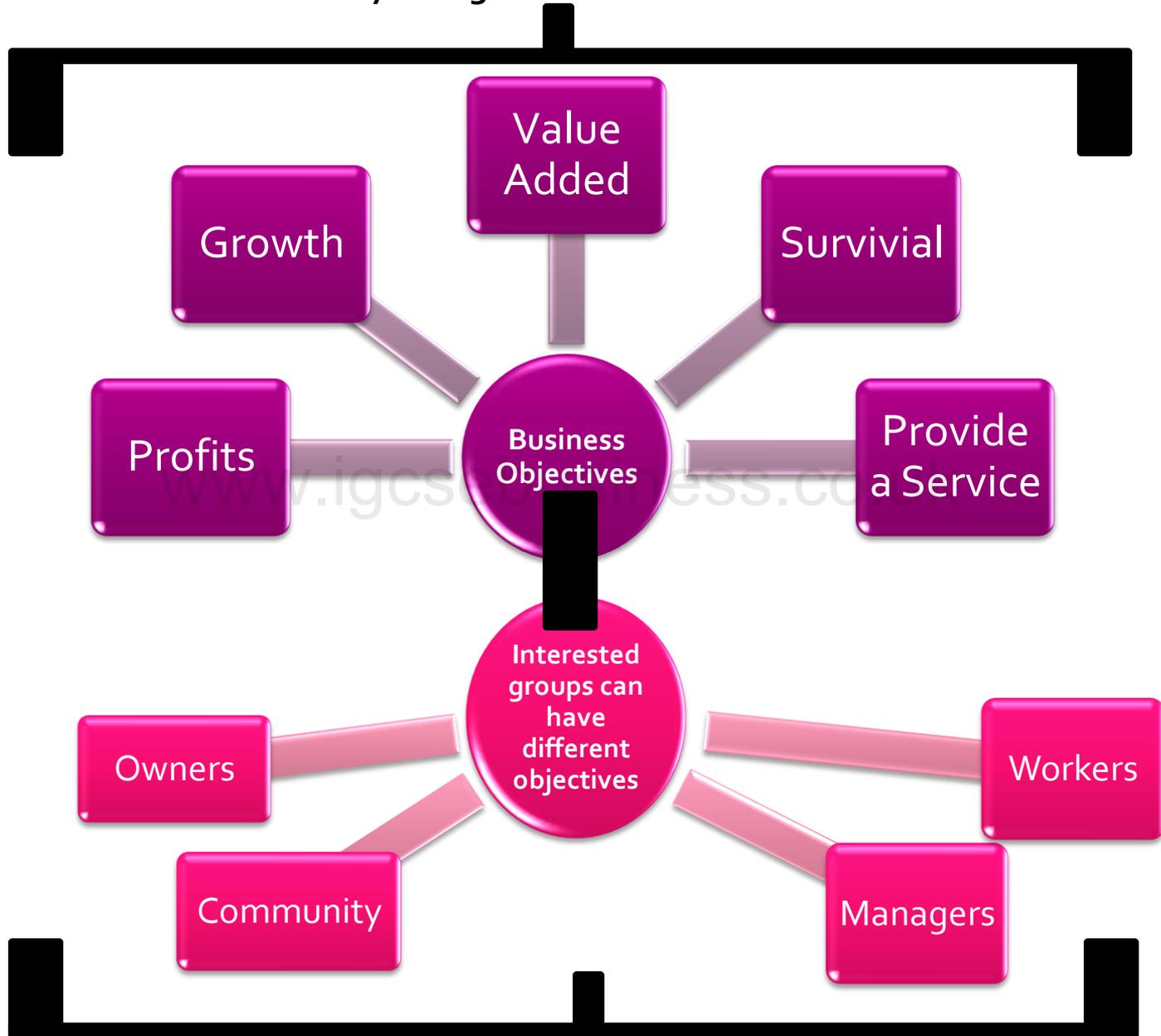
# Business Objectives: **When a conflict rises**

- Businesses are not as clear-cut as this and are usually aiming to satisfy more than one party as shown below



# Revision Summary

May change over time



# Who is interested in TIS?

**Owner**

**Management**

**The Community**

**Government**

**Customers**

**Employees**





## Who is interested in the business?

1. Owners [www.igcsebusiness.co.uk](http://www.igcsebusiness.co.uk)
2. Workers
3. Managers
4. Consumers
5. Government
6. The community as a whole

These groups are called the stakeholders of the business. They have a direct interest in the performance and the activities of a business.

# #1

## Stakeholders: Owners

- They...
  - Are the risk-takers!
    - Put capital up (during setup and expansion)
    - Take a share of profits if there is success
    - If the business fails, they will lose the money they invested.
- And so their objectives are...
  1. They want a **share of the profits** so that they may gain a rate of the return on their investment
  2. **Growth of the business** so that the value of their investment increases

# #2

## Stakeholders: Workers

- They...
  - Are the employees!
    - Follow management regulations.
    - Need training for the work.
    - Employed full or part-time or temporarily or permanent.
- And so their objectives are...
  1. Regular *payment* for their jobs.
  2. *Job security*
  3. A job that gives *satisfaction* and provides *motivation*

# #3

## Stakeholders: Managers

- They...
  - Are also employees!
    - Control the work of others.
    - Make important **decisions**.
      - If a decision is successful, it could lead to great results.
      - If a bad decision is made, it could lead to failure.
- And so their objectives are...
  1. High **salaries** for their jobs.
  2. **Job security**
  3. Growth of the business so that managers can control a bigger and better business. They seek **power** and **status**.

# #4

## Stakeholders: Customers

- They...
  - Buy the goods and services that the business produces/provides.
  - Most successful businesses often find out ***what the customers want before*** they start making the goods and the services. (Market research).
  
- And so their objectives are...
  1. ***Safe*** and ***reliable*** products.
  2. ***Value*** for money
  3. Well-designed products of good ***quality***
  4. ***Reliability*** of service and maintenance

# #5

## Stakeholders: Government

- They...
  - Are responsible for the economy of the country.
  - They pass laws to protect workers and consumers.

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- And so their objectives are...
  1. *Successful businesses which will **employ workers**, **pay taxes** and **increase the country's output**.*
  2. Expect firms to stay within the laws.

# #6

## Stakeholders: The Whole Community

- They...
  - Are greatly affected by business activity.
  - Businesses provide jobs, allowing higher standards of living.
  
- And so their objectives are...
  1. **Jobs** for the working population.
  2. Production that does not damage the environment.
  3. Safe products that are **socially responsible**.

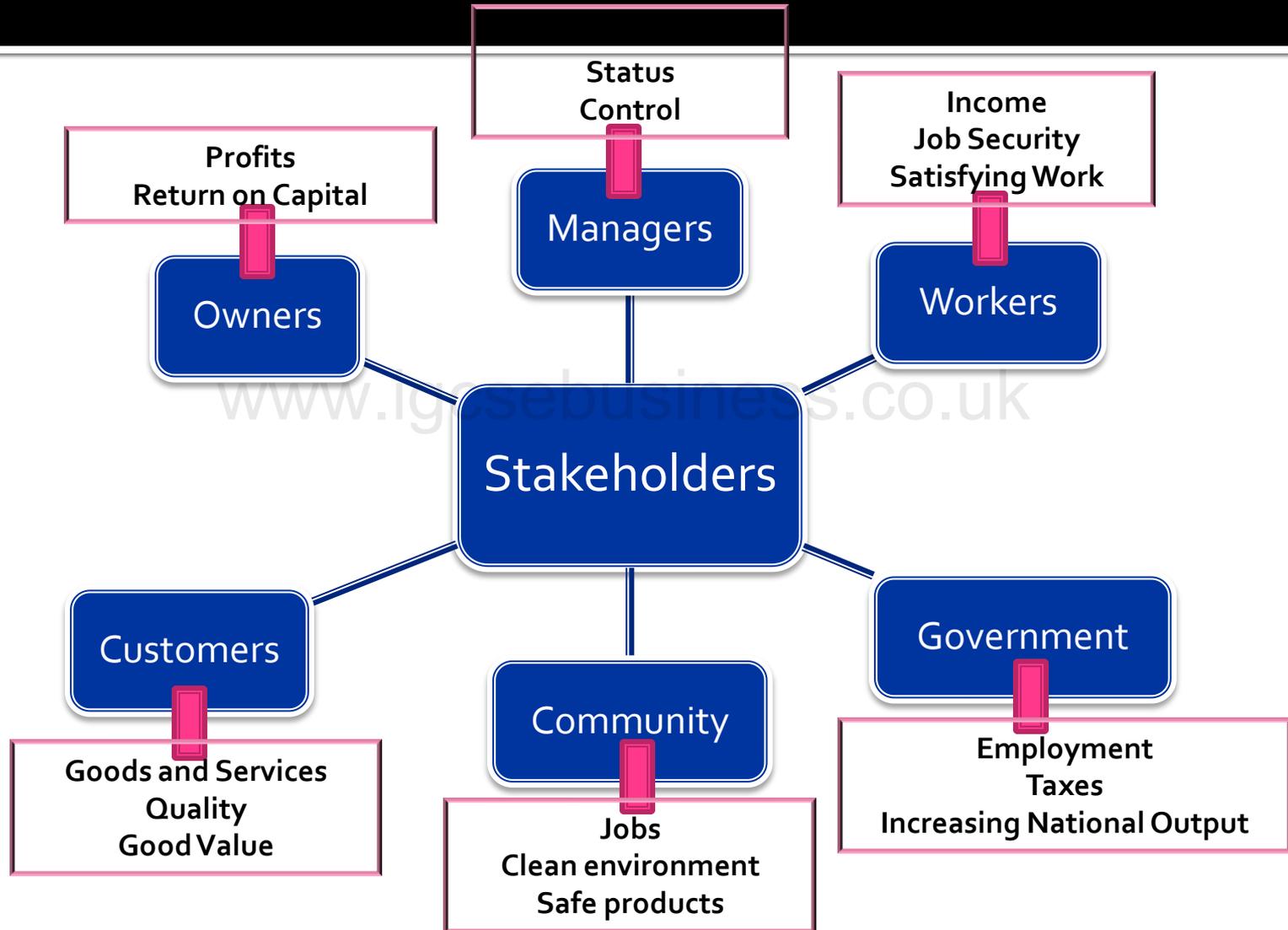
So.... How  
can we make  
everyone  
satisfied?



WE CAN'T... Managers therefore MUST  
compromise when they decide on the best  
objectives for the business.

## Revision Summary:

# Business Stakeholders and their aims



# Booklet Past Papers: Model Answers

1. Mirex is a large company that sells a range of insurance policies to businesses and the general public. The market for insurance is very competitive and Mirex are always looking for ways to cut their costs. Recently they have invested heavily in new technology.

The management of Mirex could consider the needs of all stakeholders when making decisions.

- a. Explain what is meant by a stakeholder.

2 marks

## Booklet Past Papers: Model Answers

- A stakeholder is any person or group with a direct interest in the performance and activities of a business. For example, owners, managers, workers, government, customers and the local community.



**1 mark for the definition, 1 mark for the example.**

# Booklet Past Papers: Model Answers

1. The management of Wang Electricals are thinking of expanding their business into another country. Two alternative methods are being considered, namely either to set up a franchise or to operate a joint venture.

The stakeholders of Wang Electricals are watching the expansion plans with interest.

- a. List two stakeholder groups.

Stakeholder group 1: \_\_\_\_\_

Stakeholder group 2: \_\_\_\_\_

2 marks

- b. Do you think that these two stakeholder groups would benefit from the company's expansion? Justify your answer.

4 marks

# Booklet Past Papers: Model Answers

- a. Two stakeholder groups:  
Owners – management – employees-government – customers – community

**2 marks; 1 mark for each example.**

- b. Growth is the expansion of a business. This may be beneficial to the various stakeholders.
- **Owners** are stakeholders who invest their money in the business and take risk. Growth is important for them as it is an indication that the business is successful and is seeking for more market share, new possibilities and new markets. This will benefit them in the long run as they will gain a share of the profits and a rate of return on the money put into the business. Their value of investments will also increase. Also more status, prestige and control of a larger business will occur. Whereas, in the short run they will not be satisfied as expansion may require that a high portion of profits will be ploughed back in the business which means less profits will be given to them in the short run.

**2 marks for each example and justification.**

# Booklet Past Papers: Model Answers

2)b)

**Managers** are employees who control the work of others. They are the ones that take important decisions which if successful will lead to the growth of the business. Growth would benefit them since they will gain higher salaries. Their jobs will be more secure. They will be also able to control a bigger and more known business which will give them more status and power.

**Workers** are employed in the business to perform certain tasks. If the business is not successful they will be made redundant. Accordingly growth of business will benefit them as it will allow them to take regular payment for their work, more secure jobs and be able to do tasks that give them more satisfaction and motivation.

**The Government** is responsible for the whole economy. It wants businesses to succeed and grow as they will employ more workers, pay taxes and increase the country's output / GDP.

**The customers** are important to every business because without them businesses will not be able to sell their products and succeed. Success and growth of the business may lead to providing them with safe , reliable good quality products with reasonable prices.

However, if the new venture failed then all stakeholders would lose out. So some risks are attached to the growth of a business.

# Booklet Past Papers: Model Answers

3. J.T. Enterprises is a large private sector business that owns a number of farms in country A. The business breeds a variety of animals such as cows and sheep as well as growing crops. They employ many workers and the business is successful and profitable.

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Using an example from J.T. Enterprises explain what is meant by added value.

3 marks

## Booklet Past Papers: Model Answers

3) Value added is the difference between the selling price of a product or service and the cost of bought in materials and components. An example is the difference between the selling price of cows and sheep and the cost of rearing them.

**2 marks for the definition, 1 mark for the example.**

# Booklet Past Papers: Model Answers

4. Isaiah had been to college to study business. His tutors told him that added value was very important if a business was to be successful and profitable. Table 2 shows a task given to Isaiah by his tutors.

Type of Business	Raw Material	Process of Added Value	End Product or Service
Petrol Supplier	Oil	Oil Refining	Petrol
Restaurant			Meal

- a. Complete Table 2 above by filling in the two gaps for the restaurant business.

2 marks

# Booklet Past Papers: Model Answers

Type of Business	Raw Material	Process of Added Value	End Product or Service
Petrol Supplier	Oil	Oil Refining	Petrol
Restaurant	Food	Cooking	Meal

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## b. What is meant by 'added value?'

It is the difference between selling price of a product or service and the cost of bought in materials and components.

# Booklet Past Papers: Model Answers

**c. Do you think that if Isaiah adds value then his business will be successful and profitable? Justify your answer.**

Value is added to materials and components by working on them and turning them into much more expensive finished articles.

The firm will have extra costs to pay, but they should be able to increase price by more than costs.

This means that the firm's value of output rises as it sells goods in a more expensive market and it has a chance to earn higher profits as long as it increases prices by more than costs.

Added value is a step towards being profitable. However, being profitable is more than just making profit. It implies getting a return on capital that is acceptable. If the volume of work that he carries out is very small then ,although value is added the total outcome may be unsatisfactory.

Q

What is the point of increasing 'added value'?



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