

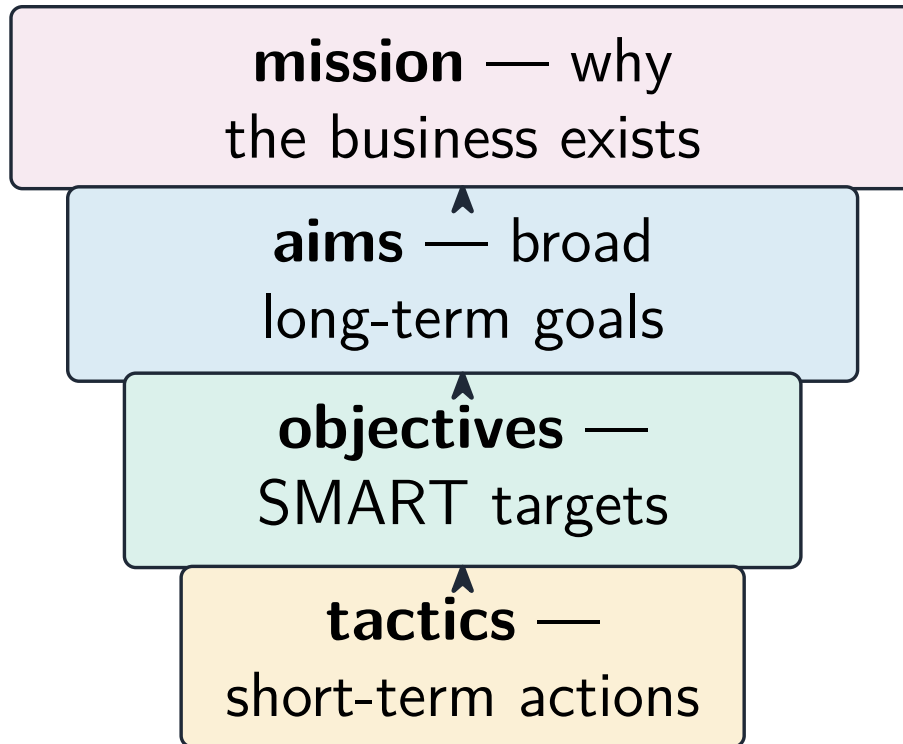
Exercise walk-through

1.4

Business objectives

A-Level Business

Aims, objectives and mission



Mission → **aims** →
objectives → tactics.

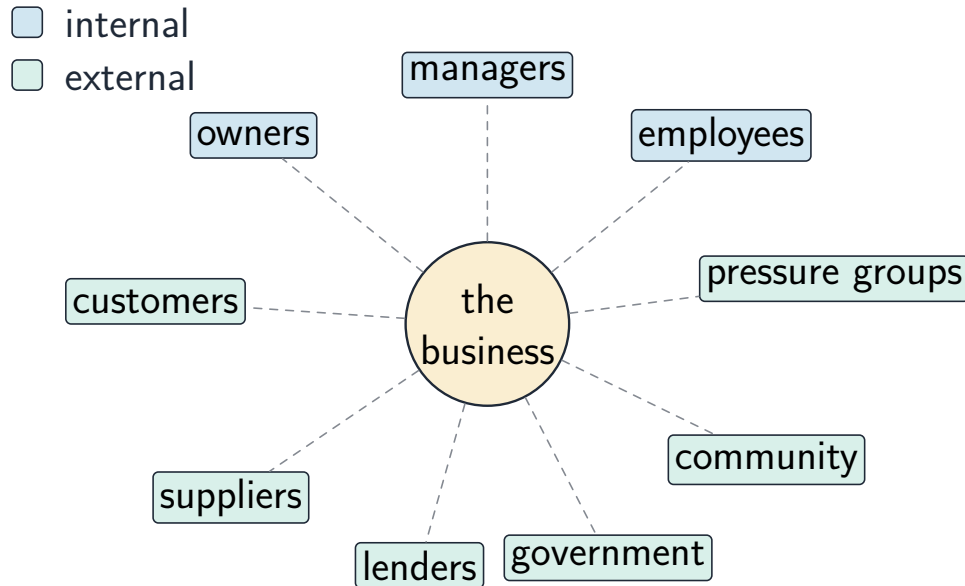
Good objectives are **SMART**:
Specific, Measurable, Achievable, Realistic, Time-bound.

Types: profit, growth, **survival**,
market share, **CSR**.

How conflict can be managed

- keep good communication with every group.
- **compromise** – give each group part of what it wants.
- **negotiation** – talk until the groups reach an agreement.
- decide which stakeholders matter most for each decision, and act on that.

Stakeholders



A **stakeholder** has an interest in the firm.

- **internal**: owners, managers, employees
- **external**: customers, suppliers, lenders, government, community

Their aims **conflict** ;
manage by communication & **compromise** .

Internal and external stakeholders

Internal stakeholders

Internal stakeholders

– inside the business, and paid by it.

: owners, managers and employees

External stakeholders

External stakeholders

government, local communities

: customers, suppliers, lenders,

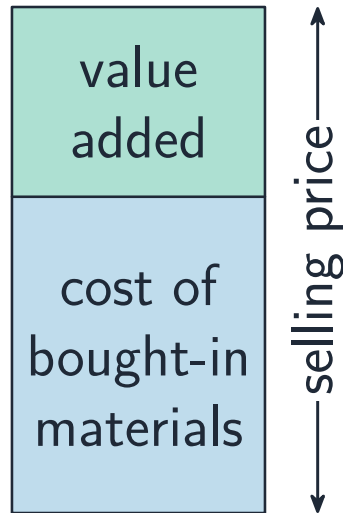
, and pressure groups

Where they conflict

Higher wages against higher dividends; lower prices against supplier margins; expansion against the neighbourhood.

Name the stakeholder *and* the interest. “Stakeholders will be affected” scores nothing; “suppliers face longer payment terms” scores.

Adding value, continued



$$\begin{aligned} \text{value added} \\ &= \text{selling price} \\ &\quad - \text{materials cost} \end{aligned}$$

Value added is the selling price minus the cost of bought-in materials

Exercises 2.1-2.3

2.1 State what the letters **SMART** stand for.

[2]

2.2 Define the term *corporate social responsibility (CSR)*.

[2]

2.3 State the difference between an *aim* and an *objective*.

[2]

Exercises 2.1-2.3

2.1 State what the letters **SMART** stand for. [2]

2.1

- Specific, Measurable, Achievable, Realistic, Time-bound (2 for all five; 1 for three or four)

2.2 Define the term *corporate social responsibility (CSR)*. [2]

2.2

- the idea that a business should act in the best interests of society and the environment, not only make profit (2 for a clear definition; 1 for a partial idea)

2.3 State the difference between an *aim* and an *objective*. [2]

2.3

- an aim is a broad, long-term goal; an objective is a specific, measurable target that helps reach the aim (2 for a clear difference; 1 for a partial idea)

Exercises 3.1-3.2

3.1 Explain one benefit to a business of setting SMART objectives. [3]

3.2 Analyse two reasons why a business's objectives might change over time. [8]

Exercises 3.1-3.2

3.1 Explain one benefit to a business of setting SMART objectives. [3]

3.1

- [3] **AO1** 1 – name a benefit (clear targets; motivates staff; lets the firm measure progress). **AO2** up to 2 – develop it, e.g. a measurable, time-bound target lets managers check progress and act early if the firm falls behind (2 developed / 1 limited)

3.2 Analyse two reasons why a business's objectives might change over time. [8]

3.2

- [8] For **each** of two reasons: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains – *firm grows older/larger*: survival is secure
- it can now aim for growth or higher profit. *External change* (recession, new competitor): falling demand
- the firm switches back to a survival objective to protect cash. Maximum 4 per reason, 8 total

Exercise 3.3

3.3 'A business should always put profit before social responsibility.' Evaluate this view. [12]

Exercise 3.3

3.3 'A business should always put profit before social responsibility.' Evaluate this view. [12]

3.3

- [12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For** profit first: profit funds survival, investment and rewards owners; without it the firm closes. **Against:** CSR builds reputation, customer loyalty and staff motivation, and avoids fines or boycotts – which can raise long-run profit. **Judgement:** profit and CSR are not opposites; the right balance depends on the firm's size, market and stakeholders – a pure short-term profit focus can damage long-term success