



Business Objectives

AS Business

Objectives

- Business objectives refer to long and short term goals of any business.

MEGA LECTURE

Why is setting business objectives important?

- 1. *It provides a direction to businesses*** like what actually needs to be achieved. For example if any business objective is to earn 10% profit next year then it can see if it was successful in achieving this objective or not.
- 2. *Evaluate Performance of the company as a whole*** – if a business fails to achieve its objective the managers can dig deep into the problem to see why was the business not able to achieve its objectives and so can improve the business performance overtime.
- 3. *Evaluate the performance of employees*** – employees are given clear objectives to achieve and so their actual performance will show how much they are motivated to achieve their work related objectives.

Hierarchy Of Objectives

- Is a graphical depiction of how business objectives are broken down in different levels.
- **Management By Objectives:** is an approach that breaks the larger and long term aim / mission of the organization in smaller and shorter term objectives to ensure more coordination among the workforce.

MBO – Example - Amazon

- **Aim** - Mission – to replace 80% conventional shopping with their online buying
- **Corporate Objective**: wants to increase sales by 20%
- **Departmental Objectives**: Marketing wants to increase its customers by 100%, similarly the finance department wants to arrange more finance to establish more warehouses.
- **Individual Objectives**: my objective might be to identify more useful social media platform for advertisement.

Advantages of MBO	Disadvantages of MBO
More clarity with employees as to what their manager wants them to pursue.	Might be difficult and very time consuming process to break down corporate objectives in individual objectives.
More accountability – by assigning clear targets to employees the managers will be able to track their progress and helps managers to establish greater accountability of employees	If the market circumstances change drastically like as per now due to outbreak of COVID then the entire practice of doing MBO will be useless.
Managers can identify weak areas in the business and improve those over time to achieve better results.	

Why is making Hierarchy of Objectives a good idea?

- ***To effectively and clearly communicate your business objectives to your employees***
- ***Is to keep employees accountable of their performance:*** managers keep a track of employees' performance through evaluating the extent to which they achieved their objectives.
- ***To make sure everyone in the organization is working towards same goals / targets:*** when everyone in the organization knows what exactly they are expected to achieve then there will be more coordinated effort towards achieving the final aim / mission.

Characteristics of Objective - SMART

S - Specific

M - Measurable

A - Attainable

R - Realistic

T – Time Specific

Possible Business Objectives

- Survival
- Break Even
- Higher Sales / Attracting more customers
- Higher profits
- Lower Costs
- Improved Marketing
- Higher Market Share
- Corporate Social Responsibility - CSR

Survival

- Survival refers to a business making enough to at least cover its VARIABLE COST.
- Since the demand of the newly established business is not expected to be very highly in the start so it cannot expect to make profit.
- However over time when business attracts more customers then they can consider charging higher prices and start making profit.

Break Even Point

- Break Even Point is the level of output at which the business makes no profit no loss.
- Hence to break even a business needs to make just enough sales to cover its costs, meaning revenue is equal to cost.

Higher Sales

- Sales refers to the total amount received by the business from the sale of its product.
- With higher revenue the business will be able to attract more customers which will help it get higher profits eventually.

Higher Profits

- Higher profits will help businesses generate more finance for future expansion and will also provide better returns to shareholders.

Higher Market Share

- More successful brands have more market share hence businesses aim for higher market share.
- Moreover higher market share will help in achieving higher sales and therefore higher profit.

Corporate Social Responsibility

- CSR approach says that businesses should be more ethical and careful about their impact on the environment for instance treating their employees in a good and fair manner, not polluting the environment and not causing inconvenience to the local community etc.

What factors influence the choice of business objectives?

- 1. *The owner's personality*** – strict profit maximization versus more corporate socially responsible approach
- 2. *Circumstances in which a business is operating*** – in initial days business aims for survival whereas later it hopes for profit etc.
- 3. *Culture of the business***: the mindset of managers will have a huge influence on the type of objectives that the business will set.