

1.6 Business aims and objectives

When entrepreneurs start up new businesses, they will have aims and objectives which they set out in order to give a focus to their activities. These aims then become their targets and they can judge their progress against their stated aims.

In order to be successful, the business's aims have to be SMART:

- ▶ Specific
- ▶ Measurable
- ▶ Attainable
- ▶ Realistic
- ▶ Timed

Mission statement

The business's aims are usually summarised in a short statement known as a **mission statement**. This statement sets out the purpose of the business and how the business will carry out its activities. The mission statement shows members of the public what the business stands for and what its guiding principles are.

Activity

Study the following selection of mission statements and answer the questions.

McDonald's® Brand vision is 'To be the best quick service restaurant experience'. Being the best means providing outstanding quality, service, cleanliness, and value, so that we make every customer in every restaurant smile.

And our brand mission 'Is to be our customer's first choice, when it comes to, top quality products, outstanding service / cleanliness and great value for money'.

Accordingly our operations have been aligned around a strategy called the Plan to Win centering on five basics for an exceptional customer experience – People, Products, Place, Price and Promotion.

We are committed to improving our operations and enhancing our customers' experience, through our commitment to our people development & growth, giving back to the community in which we do business and delivering quality, service and cleanliness at the highest standards to all our customers.

You can help achieve this vision by being the best, embracing and reflecting our values in how you conduct yourself in everything you do.



Through our commitment to excellence, we will guarantee that every visit to the 5 star Culloden Estate and Spa in Belfast will be a special occasion.

Built for a Bishop....Fit for a King

The Culloden Estate and Spa, the flagship of Hastings Hotels, Northern Ireland's leading hotel Collection, is renowned as one of the finest hotels in Ireland.

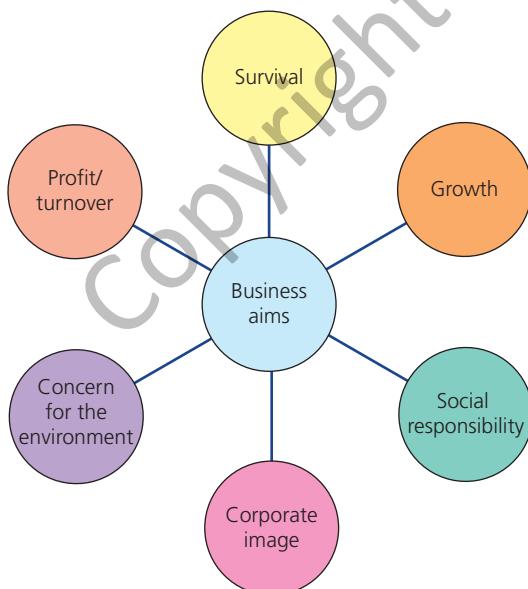
We enhance the magnificence and splendour of the Culloden by:

- the warmth, friendliness and professionalism of our dedicated team;
- continually investing in the quality of our guests' comfort and staff development;
- anticipating and exceeding our guests' expectations

- 1 What do McDonald's expect of their members of staff?
- 2 What would you, as a customer, be entitled to expect in a McDonald's restaurant?
- 3 The Culloden Hotel is a five-star hotel. In what way does the hotel's mission statement convey its high quality?

Business aims

The aims of each business will be different according to the size and type of the organisation, although there are usually some general aims and common ideas in most of them. The usual aims are detailed here.



Survival

When a business first opens it takes some time for it to become established in the market. During the period when it is becoming established it is unlikely to be in a profit-making position and its basic aim, at the early stage, would simply be to survive.

There are other times when established businesses may have difficulty in making sales revenue and even staying in business. This would occur at times when the country's interest rates are high making it difficult for customers to borrow money to purchase goods. The result is that consumers are able to buy fewer and less expensive goods.

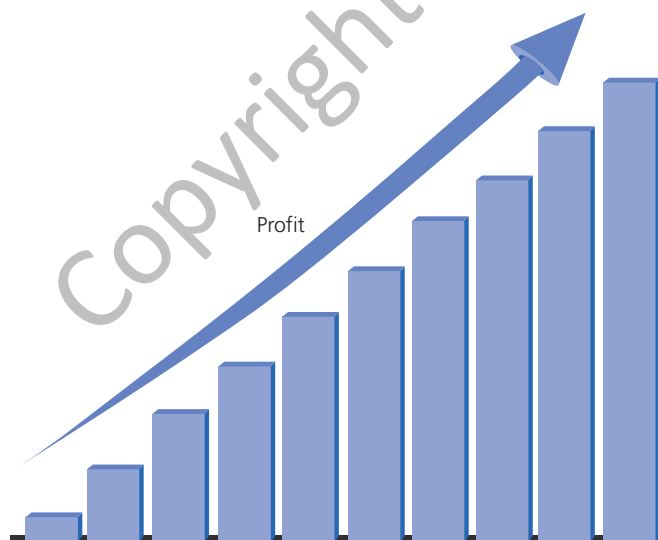
At such times the business simply aims to survive and stay afloat until economic conditions improve. In order to do so, the business may reduce prices as low as possible to hold on to their customers or it may reduce other expenditure as far as possible.

Profit and turnover

One of the most basic aims for a business is to make profit and turnover (sales) and to improve on the profit levels and turnover of previous years. Everyone involved in the business benefits – the owners and shareholders get larger returns on their investments, customers will have an improved variety of goods on offer in the business, while employees have job security and their morale is improved. In addition, making profit is the best way of guaranteeing the business's survival and it also has other benefits for the business since it allows it to expand in the future and to take advantage of economies of scale.

However, businesses have to be careful that, in trying to maximise profit and turnover, they do not price their goods so highly that consumers leave and take their custom away. This would cause the profit levels and turnover to fall and the custom would go to competitors instead.

The most successful business is one which is able to price and sell good quality items at prices which are fair. This will retain customers who will return to the business, thereby ensuring that it makes further profit.



▲ A graph showing rising profits and sales

Growth

If a business is successful, it will aim to grow and expand its market into new areas by opening more branches, by taking over other businesses, or by extending its range of products. A business would have several reasons for wishing to expand in these ways.

By opening new branches the business would have access to a larger market which would normally lead to increased sales and profits. Extension of the range of products, if successful, would also lead to increased sales and profits. Higher profits lead to greater job security for employees and to greater consumer confidence in the firm.

Another method of **business growth** is to eliminate competitors – either by merging with them, taking them over or causing them to close. With a competitor no longer in the market, the sales in the surviving business would increase.

Corporate image

A good corporate image is very important to a business and is one of its aims. This means that the business wants to be thought well of by its customers, by other companies and by members of the general public. This would give it a good reputation in the community for good service and value.

In order to enhance and maintain its corporate image, a business will make sure that it treats its customers fairly and with respect, and it will provide a number of customer services such as wheelchairs, a restaurant or a crèche. It will have well-trained staff who are helpful to customers and it may also contribute generously to the local community and have a high profile there.

Concern for the environment

Concern for the environment and global warming have become major issues for all of

us. All responsible businesses are aware of their responsibility to reuse and recycle. For example, all large supermarkets have either stopped using plastic bags or at least have limited their use by charging customers for them and introducing 'bags for life'. Some businesses place great emphasis on caring for their local environment and enhancing the area surrounding their premises.

In order to do this they landscape their grounds attractively and plant trees around their buildings which provide food for birds. As far as possible they will use natural light and natural ventilation in order to save energy.

Most businesses also use recycled paper and packaging materials and are careful that effluent and chemicals from their places of work do not contaminate local rivers and lakes.



▲ More and more people are investing in bags for life

Social responsibility

Businesses aim to be responsible socially in their local communities. Caring for the environment is one way in which they do this. In addition, they work with the community providing as much

local employment as possible. Other examples are that they work with local schools taking part in career meetings and competitions. Locally they sponsor community events such as marathons, and allow charities to organise collections in their premises. They will provide special facilities for the disabled, such as special opening sessions especially at busy times.

Activity

Match the most appropriate aim to the businesses listed, giving a reason for your choice. The first one is done for you as an example.

Description of business	Appropriate aim	Reason
Small boutique just starting up for the first time	Survival	As the business is new it will take some time to become established.
Large popular supermarket		
Factory situated in an area of natural beauty		
Hospital		
Hotel which is proud of its reputation for high quality		
Farmer who has been badly affected by poor weather		
Hairdresser who is well established and has regular customers		

Activity



The following list gives details of a number of businesses and names one aim which is important to each business. You are asked to complete the third column to show how that aim would affect the activities of that business. The first one has been done for you.

Description of business	Aim of business	How the business activities would be affected
Large grocery shop	Concern for the environment	Would plant trees in its grounds Would provide litter bins
Social enterprise	Public service	
Travel agency – during a recession	Survival	
International car manufacturer	Growth	
Small business which undertakes painting and decorating work	Profit improvement	
Up-market fashion store	Corporate image	

How the aims of a business may be in conflict

On occasions a business may find that its aims may be in conflict with one another. Keeping one aim can sometimes cause tension between the **stakeholders** or even with another aim. For example:

- ▶ Shareholders are most interested in profit improvement and may be unhappy about some of the profits being given to a worthy cause such as the Developing Countries. On the other hand, the donation to the Developing Countries would meet the business's social responsibility aim.
- ▶ Managers may aim to expand the business premises which would mean a reduction in profit in the short term. Shareholders may oppose this temporary loss of profit.

To illustrate this point let us consider the following business.

Case study



A large meat processing factory is situated near a residential area of a major town. The factory is prosperous, profits are good and it provides employment for over one hundred local people. However, the local residents are unhappy because heavy traffic to the factory is causing dangers for the children and is damaging the surface of the road past their houses. They also complain about a bad smell coming into their houses from the factory.

The factory is due to be extended because it is so successful. The directors also have plans to install new processing machinery which would eliminate the smell. The residents formed a pressure group and have asked their MLA and the Local Authority to help them to ensure that the factory does not get planning permission for the extension. It seems impossible to satisfy all the people concerned!

Activity

Consider each of the following courses of action and complete the spaces to show one group who would be in favour of the action and a second group who would be opposed to it.

Action	Those in favour	Those opposed
The factory closes and moves to a different area		
The factory expands on its present site and installs the new processing machinery		
The factory stays as it is		
The factory spends a large sum of money widening and improving the road		

If you were the Managing Director of this factory, state which action you would recommend to your board, giving your reasons.

Comparison of public sector and private sector aims

The aims of businesses in the private sector and businesses in the public sector are very different. In general, the differences are as follows:

Sector	Aims
Private sector – Sole trader Partnership Franchise Private Limited Company Public Limited Company	To create and improve profit To grow and expand To give customer satisfaction To have a good corporate image
Public sector	To provide a service To break even
Social enterprise	To contribute to the community To relieve social problems

Activity

In the following table, name the sector (public or private) to which each person belongs and state an aim which he/she would have.

Business	Sector	Aim
A small shopkeeper trading near a large supermarket		
A public limited company		
Divine Chocolate		
A man owning a small business and working on his own cleaning windows		

Why aims and objectives are helpful to businesses

Having aims is helpful to a business because they:

- ▶ define what a business is and what it aspires to be
- ▶ serve as a guide for the business's activity in the future
- ▶ provide targets for the business to achieve
- ▶ act as a standard against which the business may compare its progress.

Ethical issues associated with business aims

Obviously the majority of businesses wish to make profit – that is the basic reason for being in business. However, they also aim to deal fairly and honestly with their customers, employees and suppliers. That is their ethical duty.

Quite apart from morals and ethics, would you ever go back to a business which had treated you dishonestly by giving you shoddy

goods and refusing to change them, or by giving you less change than you were entitled to? Of course not, and businesses know that customers will return to them if they are treated fairly and honestly. Businesses do not pursue the aim of profit creation at the expense of these issues and will be willing to reduce their profit a little for that reason.

Ethical issues in business aims fall under the following headings:

Environmental issues

Businesses share the responsibility of caring for the environment. For this reason, they landscape their grounds, plant trees, provide litter bins and encourage people to use them, use recycled paper and packaging, sell biodegradable products in their shops and do not provide free plastic bags.

Employee working conditions

Businesses pay their employees fair **wages** – minimum wage levels are laid down in legislation but good employers will pay the Living Wage rates. Most businesses see their employees as their most valuable resource and provide good working conditions.

Equality

Businesses aim to treat all customers equally and give the best service to everyone. They aim to treat male and female workers equally in terms of pay and conditions. They also aim to treat able and disabled persons equally in terms of the working environment and working conditions.

Social responsibility

Many businesses refuse to trade in goods which have been made in countries where

workers are exploited and many businesses sell 'Fair Trade' products. For example, the Body Shop has always refused to sell any product which was tested on animals.

Examination question

Banland Leisure Centre operates in the public sector. Explain one way in which the aims of Banland Leisure Centre differ from the aims of a similar business in the private sector. (4 marks)

How to answer this question

State one aim of the public sector leisure centre (2 marks) and then explain one aim of the leisure centre in the private sector, showing the contrast between them. (2 marks)

Checklist

At this stage you should be able to:

- ☐ describe and explain the business aims and objectives of survival, profit and turnover, growth, corporate image, concern for the environment, social responsibility
- ☐ analyse how the aims and objectives of a business affect its activities
- ☐ analyse how, on occasions, these aims may be in conflict
- ☐ compare and contrast the aims and objectives of private and public sector organisations
- ☐ analyse why aims and objectives are helpful to businesses
- ☐ analyse the ethical issues associated with business aims.