1.3 BUSINESS OBJECTIVES SL/HL

The learning outcomes:

- ✓ Vision statement and Mission statement
- ✓ Common business objectives including:
  - ❑ Growth
  - ❑ Profit
  - ❑ Protecting shareholder value, and
  - ❑ Ethical objectives
- ✓ Strategic and tactical objectives
- ✓ Corporate social responsibility (CSR)

- A **vision statement** is inspiring or aspirational declaration of what an organization ultimately strives to be, or wants to achieve, in the distant future
- This usually includes, or at least indicates, the organization's core values.
- The vision statement is intended to act as a clear guide for key stakeholders when planning and implementing current and future corporate strategies.

Where is your business going?

- A **mission statements** complement vision statements by explaining what the organization does, right now, at the present time, in order to achieve its vision.
- If the vision statement expresses what the firm would like to accomplish, the mission statement describes what it actually does.

Where is your business going?

A few examples (just read)

Vision

At IKEA our vision is to create a better everyday life for the many people.

Mission

Our business idea supports this vision by offering a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them.

A few examples (Just read)

Vision

We seek to be Earth's most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators. **Amazon**

Mission

to serve consumers through online and physical stores and focus on selection, price, and convenience."

Role of Vision and Mission statements

- It give stakeholders of an organization a sense of purpose and direction.
- It can help to motivate employees, especially if the values of the organization are aligned with those of the workers.
- It serve to guide the organization's strategies and strategic objectives

Vision and mission statements are critical for everyday orientation in a business. They help employees to keep long-term goals and dreams in mind as they work through their operations.

Vision and mission statements are also read by interested parties outside the organisation, in order to better understand the organization's purpose and priorities. If a business does not live up to its vision and mission, it can lose credibility in the eyes of customers and other stakeholders.

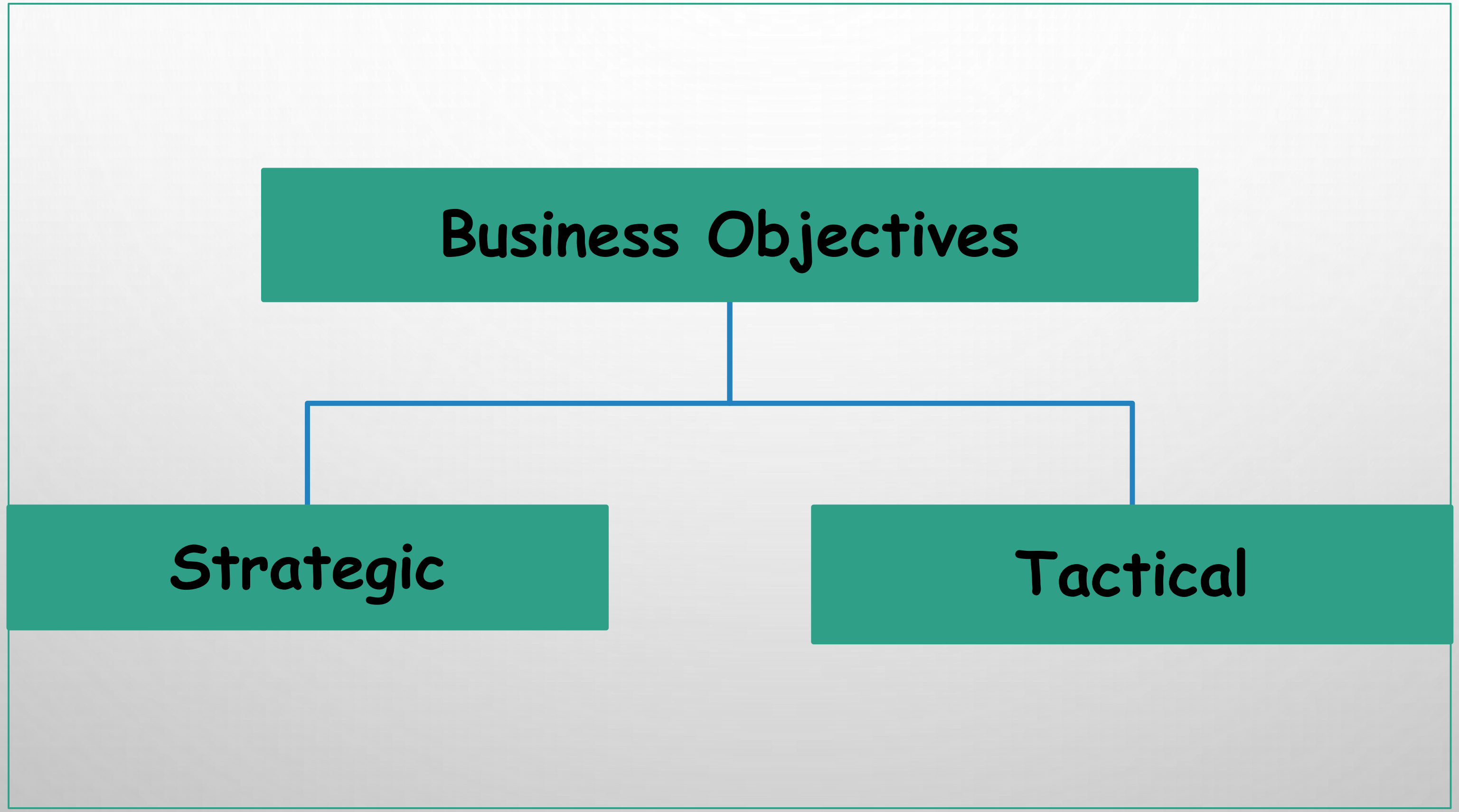
Common Business Objectives

- **Business objectives (or simply objectives)** are the clearly defined and measurable targets of an organization, used to achieve its overall goals
- **Business objectives are essential for all businesses so that people know where they are striving to go or what they are trying to accomplish.** They also enable managers and entrepreneurs to measure progress towards to their stated vision or mission statement.
- **These objectives are based on smart acronyms-specific, measurable, achievable, relevant and time-related**. An example of a SMART objective for a multinational company might be "to achieve sales of €10 million in European markets by 2023."

Common Business Objectives

- Growth=Sales revenue or by market share ↑
- Profit = Profit maximization for existence of business
- Protecting Shareholder value= earning profitable return for the shareholders
- Ethical objective= Acting morally towards different stakeholders

Business objectives can be categorized as long-term (strategic objectives) or short-term (tactical objectives).



Strategic and Tactical Objectives

- A **strategy** is a medium to long term plan or action for achieving an aim or objective. Strategies are generally considered to involve important decisions that may be risky and are taken by senior management.
- For example, a strategic objective might be to improve the market share of a company by expanding its product portfolio in a particular market. This will take a longer time to achieve than tactical objectives.

Strategic and Tactical Objectives

- A tactic is a short-term method for achieving an aim or objective. Compared to strategies, tactics usually involve fewer resources and may be less risky. They may therefore not involve senior management because they can be more easily reversed or modified compared to strategies.
- Typically, tactical objectives have a pre-determined time frame of less than a year. An example of such an objective is to improve labour productivity in the workplace by using non-financial methods to motivate the workforce.

The need Strategic objectives (Long- term goals of business)

- **Market standing-** Presence in the industry. Example, Walmart = World largest retailer. Apple = innovative products and designs, Toyota = Car producer.

  Good market standing gives competitive advantage

- **Image and reputation-** every business strive for image and reputation. A bad image can spoil customers and corporate image. That's why businesses strive to deliver improved levels of customer service and after sales service.

- **Market Share-** May strive to increase their market share. Market share is measured by expressing firm's sales revenue as a percentage of industry's total sales. Higher MS= higher market dominance and ability to compete against rivals.

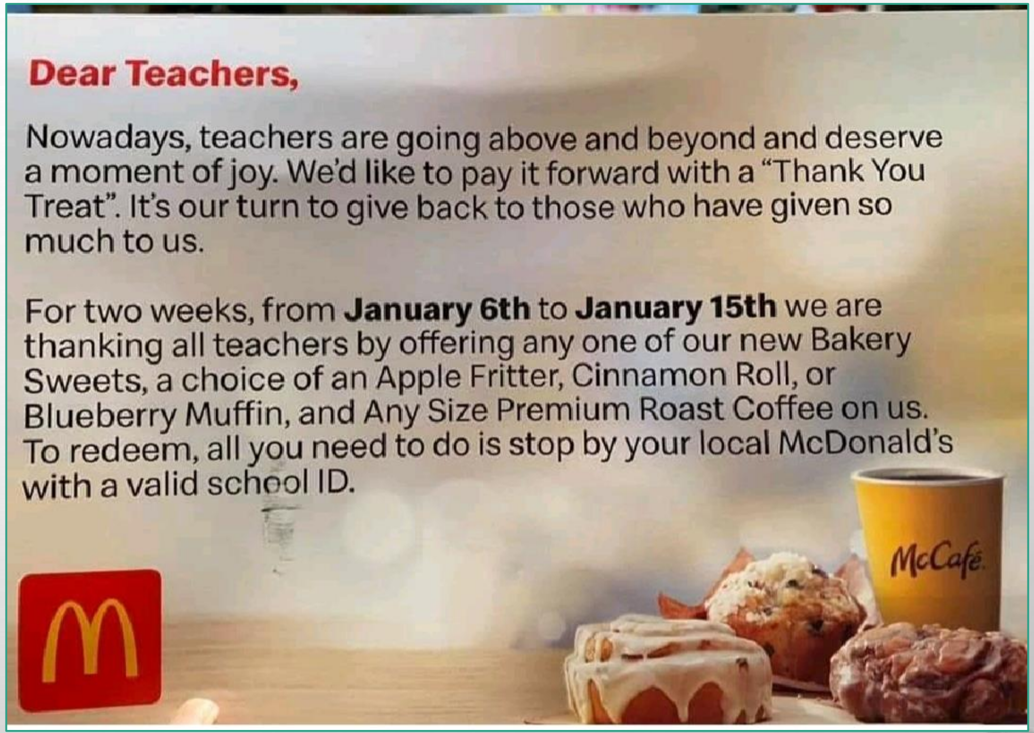
The need tactical objectives (short term goals of business)

- **Survival-** new and unestablished business have problems like lack of brand recognition, small customer base and rivalry from existing firms. Hence survival becomes a key tactical objectives.

- **Sales Revenue maximization-** New businesses strive to maximise their sales revenue to establish in new market. Sales staff and agents in real estate and insurance favour tactical as their earnings are linked with the value of sales revenue.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility (CSR) refers to the value, decisions, and actions taken by a business that impact society in a positive way. It is about an organization's moral obligations to its stakeholders, the community, society as a whole, and the natural environment. CSR is about an organization using ethical objectives to commit to behaving in a socially responsible way towards its internal and external stakeholders, not just to the owners or shareholders of the business.



EVALUATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Advantages (How do companies benefit from having a strong CSR policies)	Disadvantages (How do companies suffer from having a strong CSR policies)
Improved corporate image: Acting ethically and in a socially responsible way can help to enhance the corporate image and reputation of the business.	**Compliance cost:** The cost of being socially responsible are potentially very high. It costs more money and time to produce using environmental friendly items.
Increased customer loyalty: It will <u>attract more customers and profit</u> as they are likely to be try, stay loyal to	**Lower profits:** If compliance cost cannot be passed on to the consumers in the form of higher prices, the firm's profitability is likely to fall.
Improved staff morale and motivation: Ethical business can help a business to attract and retain highly motivated staff. People are more likely to be proud of the firm they work for if it acts ethically and within the law	**Stakeholder conflict**: **S**hareholders, and investors may be interested in short term profits like dividends rather than long term profits by acting ethically.
Cost cutting: Ethical behavior can cut certain costs, e.g. being environmentally friendly can reduce the amount of (excess) packaging	**Delay in decision making**: The added level of bureaucracy in following CSR codes of practice and formal company policies can delay decision-making