

Knockout.Economics by Kru P'Eve & Kru P'Da

# IGCSE -Business studies

**Businesses can have several objectives and the importance of them can change**



- Executive summary IGCSE Business studies
- Series of exam questions each chapter
- Exam Strategies and exclusive tips to achieve A\* from Knockout.Economics
- Exclusive Key Terms for IGCSE Business studies exam



# Overview

1. Need for business objectives and the importance of them
2. Different business objectives



# 1. Need for business objectives and the importance of them

**Business objectives** : are aims or targets that business would like to achieve.

## **Benefits**

- Business objectives can motivate workers or managers to achieve business aims.
- There are clear and measurable objectives e.g. Profit growth 10% can help every department in business toward the same goal.
- Business objectives can use for decision-making.

For example, owners make decision on pricing strategies in order to achieve profit growth by 10%

- Business managers can compare performance with the targets - to see whether the business can reach its aim or not

## 2. Different business objectives



## 2. Different business objectives

### Profit Maximisation

**Profit** : the difference between total sales revenue and total cost

**Benefits :**

- Higher profit means higher budget to reinvest in the business.

E.g. Invest in innovation and technology

Invest in training and education

- Higher dividend is paid to shareholders and owners as reward from taking risk.

- Higher wage & reward paid to workers

: This can increase motivation of workers and reduce chance to leave job.

### Return to shareholders

**Return to shareholders** :  $\text{Dividend} / \text{Share price}$

**Benefits :**

- It is easier to raise fund in the future
- : Since shareholders would like to invest in the company which can generate high dividend & high share price in the future.

## 2. Different business objectives

### Growth of business

**Growth** :is usually measured by sales revenue or output

**Benefits** :

- Growth of business can create more jobs to employees.
- Larger businesses can increase salary to managers and status.
- It increases opportunities to expand businesses (eg. Launch new products or expand to new market), this help to diversify risk.
- Growth allows businesses to have larger market share
- Larger size of businesses can achieve economies of scale. (Lower average cost when producing larger production)

## 2. Different business objectives

Survival	Market share	Non-Profit Organisation
<p><b>Survival :</b> Business can just makes revenue cover in total costs.</p>	<p><b>Market share%:</b> <math>\frac{\text{Company sales}}{\text{Total industry sales}}</math></p>	<p><b>Social enterprise :</b> They do not just have profit as an objective but for better standard of living in the society.</p>
<ul style="list-style-type: none"> <li>• It is a short term objective especially during economic recession</li> </ul> <p>or introduction stage.</p>	<p><b>Benefits :</b></p> <ul style="list-style-type: none"> <li>• Higher market share brings higher revenue and possible higher profit.</li> <li>• If the businesses have higher market share, businesses can dominate in the market.</li> </ul> <p>For example, easier to negotiate with banks or supplier.</p> <ul style="list-style-type: none"> <li>• The businesses are likely to be well recognised and reliable</li> </ul> <p>: they can charge high price to consumer.</p>	<p><b>Benefits :</b></p> <ul style="list-style-type: none"> <li>• Non-profit organisation can provide jobs for disabled / homeless group, this can reduce poverty and criminal situation.</li> <li>• Non-profit organisation can help to protect environment.</li> </ul>

## 2. Different business objectives

However, It is less likely for a business to have same objective forever !!!

For example,

1. When businesses perform in introduction stage, they might want just to be **survived** since still cannot enter to the market

: However, when businesses can enter to the market, the owner now aims to achieve **higher profit** or growth in other areas.

2. A businesses have achieved **growth the business in other areas**

: And now owners change to make **higher return to shareholder.**

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# IGCSE -Business studies

## The role of stakeholder groups involved in business activity



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# Overview

1. Main internal and external stakeholder groups
2. Objectives of different stakeholder groups
3. How these objectives might conflict with each other, use examples



# 1. Main internal and external stakeholder groups

**Stakeholder** : means a party who has an interest in the performance and activities of a business.

## Internal Stakeholders

(Individual & parties, within the organisation)

- Owners
- Workers
- Managers

## External Stakeholders

(Outside parties, which get affected by business activities)

- Consumers
- Banks
- Suppliers
- Government
- Society

## 2. Objectives of different stakeholder groups

### 2.1 Internal Stakeholders

#### Owners

- Share of the profit : owners can gain rate of return from investment.
- Growth of business. :  
**Benefits**
  - High reputation
  - Increase in value of business

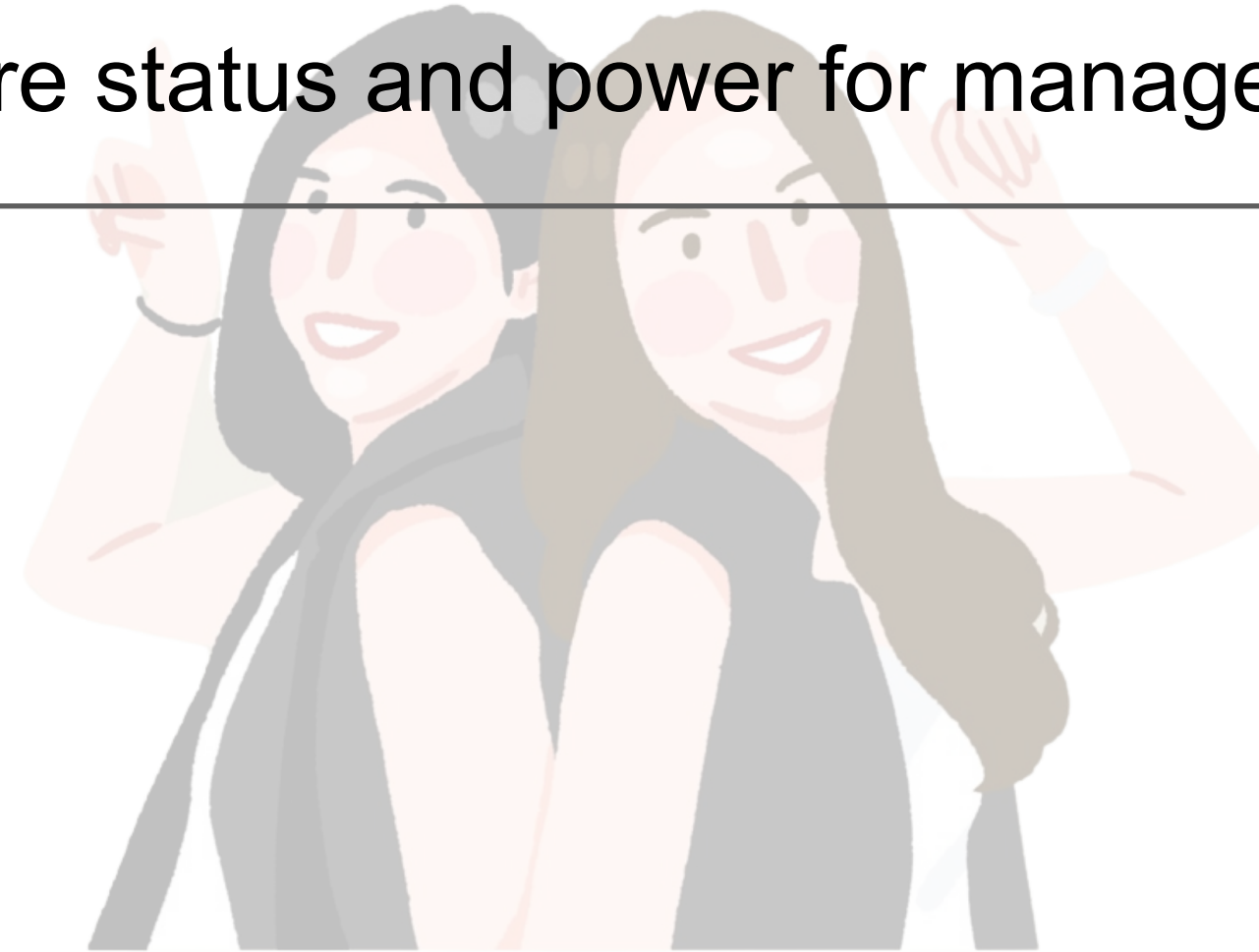
#### Workers

- Workers prefer high salary and bonus.
- Workers also want job security.
- Workers would like to work in company which has good working conditions, better welfare.
- Workers would like to have job satisfaction. (Enjoyment of work)

## 2. Objectives of different stakeholder groups

### Managers

- Managers prefer high payment.
- Managers also want job security.
- Managers want to control a bigger part of businesses. This can provide more status and power for managers.



## 2. Objectives of different stakeholder groups

### 2.2 External Stakeholders

#### Consumers

- Consumers would like to consume safety and reliable products.
- Consumers seek for value for money.
- Consumer would like to consume well-designed & good quality products
- Consumers would like to receive reliable after-sales services.

#### Banks

- Banks expect businesses (borrowers) to repay debt on time and full amount.

#### Suppliers

- Suppliers would like to have a good relationship with businesses.
- Supplier would like businesses pay money on time.
- Supplier would like to have regular order from businesses.

## 2. Objectives of different stakeholder groups

### Government

- Government wants domestic firms to be successful.
  - : Job can be created, reduce unemployment rate.
  - : More profit can be made, government can receive higher tax revenue.
  - : More output in the economy.
- Government wants all businesses to stay within the laws and regulations.

### Society

- Businesses should create job to society.
- Businesses should provide safety products and make better standard of living. E.g. Organic food - make people healthy
- Process of production from business should not damage the environment.

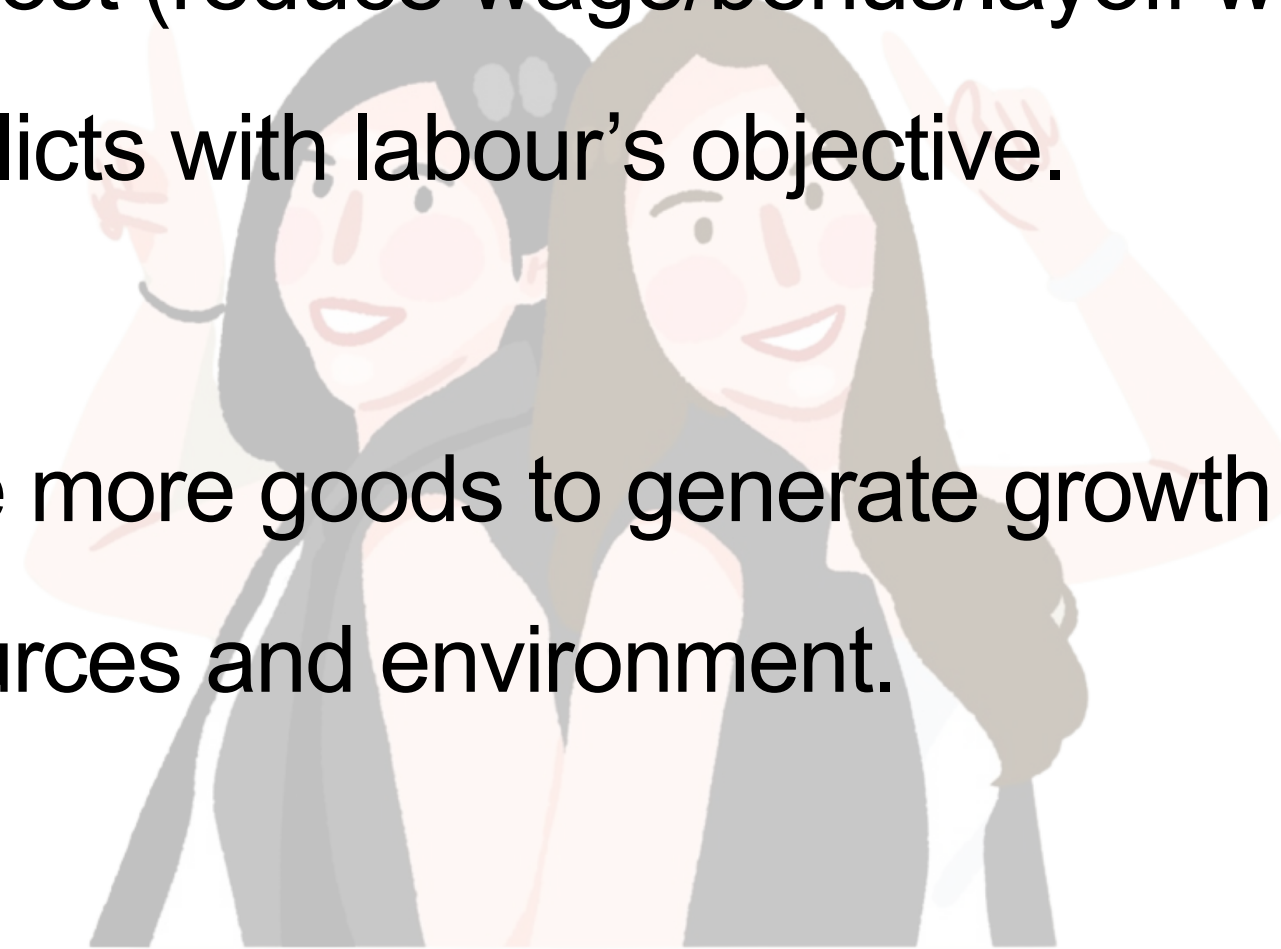
### 3. How these objectives might conflict with each other, use examples

#### 1. Owners ≠ workers

- : Business owners would like to achieve maximise profit.
- : So, they might need to reduce labour cost (reduce wage/bonus/layoff workers)
- : Therefore, reducing cost of labour conflicts with labour's objective.

#### 2. Owners ≠ society

- : Business owners would like to produce more goods to generate growth and profit
- : Higher production might damage resources and environment.



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# IGCSE -Business studies

## The objectives of public sector



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# Overview

## 1. The objectives of public sector



# 1. The objectives of public sector

## Financial

- Government may set target as profit.
- Government can use budget to reinvest in infrastructures, healthcare and education which can generate benefits to society.

## Service

- Government need to provide services to people in the economy. And quality need to achieve targets set by the government.  
E.g. Healthcare and Education  
Postal services need to be reliability and punctuality.

## Society

- Government secures and creates job in the economy- especially for rural areas.

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# IGCSE -Business studies

## Exercise : Business objectives and stakeholder objectives



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# Exercise

1. Triple X is a successful **small business**. It has **five shops which sell kitchen equipment such as cooking pots and knives**. Most of its products are sold to **restaurants and hotels**. The company has received a takeover offer of \$500 000 from a large competitor. Triple X's shareholders have been looking at the accounts. They are not sure whether shareholders would benefit from the takeover. Triple X's return on capital employed was 5% in 2015 and 10% in 2016.

(A) **Identify** two stakeholder groups (other than shareholders) and explain how they might use Triple X's accounts. [6marks]

**Command word :**

**Identify - Name, select and recognise**

**Explain : Set out purposes or reasons / make the relationships between things clear / say why and/ or how and support with relevant evidence**

Stakeholder group 1: .....

Explanation :

Stakeholder group 2: .....

Explanation :

# Exercise

2. Eco Company is a **social enterprise**. Eco Company employs 50 people in **four small towns in different parts of the country**. They work from home and make a **range of bags from pieces of old fabric**. Elisa started the business three years ago using micro-finance. Last year Eco Company's revenue was \$500. Elisa said: 'Our external stakeholders want Eco Company to employ people in **five more towns**. Getting a bank loan to expand the business will be a problem. What will I do about management? How will I inform workers about possible expansion?'

(B) **Identify** four external stakeholder groups. [4 marks]

Command word :

**Identify - Name, select and recognise**

Stakeholder group 1: .....

Stakeholder group 2: .....

Stakeholder group 3: .....

Stakeholder group 4: .....

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