

What are aims and objectives in business?

All businesses have aims and objectives. These give a business **direction** and provide a **purpose** for what the business does each day. A business **aim** is the overall target or goal of the business, whereas business **objectives** are the steps a business needs to take to meet its overall aims. A business may have several different objectives that will help it to meet its aim.

An example of a business aim is 'to make £120,000 profit'. An example of a business objective is 'to make £10,000 profit each month for the next year'.

Business aims and objectives fall into two main categories: financial and non-financial.

Business objectives are often created using the SMART acronym:

- S – Specific
- M – Measurable
- A – Agreed
- R - Realistic
- T – Time-bound

All businesses create aims and objectives to give them goals or targets to achieve. Businesses usually have a mixture of financial and non-financial objectives.

Financial aims and objectives

Financial aims and objectives are linked to money. Their goal is to either make sure the business can afford to keep running or help it to make a profit. An entrepreneur may have more than one financial aim or objective that they use to give their business direction.

Financial aims and objectives cover:

- **Business survival** is a very common objective for a small business. Business survival refers to keeping the business operating for a certain amount of time. Most businesses initially aim to survive their first year.
- **Profit** refers to any money left over after all costs have been taken away from any revenue made by a business. Businesses usually aim to make a profit within the first two years.
- **Sales** refer to an amount of a product or service sold by a business. A business will set a target for how much it wants to sell each month and year. This gives the business a target to aim for and a purpose to what its employees do each day.
- **Market share** refers to the percentage of the market that a business occupies. The market is the industry that a business operates in, for example the fast food industry. An example of an objective for market share might be 'to have 5% share of the fast food market within a 100-mile radius in the first 12 months'.

- **Financial security** relates to a business being able to afford to pay off all its costs and have enough cash left to survive. It also relates to an entrepreneur achieving a level of income that will allow them to keep the business operating.

All businesses create aims and objectives to give them goals or targets to achieve. Businesses usually have a mixture of financial and non-financial objectives.

Non-financial aims and objectives

Non-financial aims and objectives are linked to anything other than making money for the business. These are usually linked to personal reasons behind an entrepreneur setting up a business.

Non-financial aims and objectives are categorised as:

- **Social objectives** are linked to doing things in an ethical or environmentally friendly manner, or having a business whose sole purpose is to meet a social need. For example, an entrepreneur may aim to provide only products that are sustainably sourced or use only solar energy to power their business.
- **Personal satisfaction** relates to an entrepreneur feeling satisfaction that they have created a successful business. It may be that an entrepreneur is able to make a business out of a hobby or personal interest.
- **Challenge** relates to an entrepreneur setting up a business with the intention that making it successful will challenge them or take them out of their comfort zone.
- **Control** relates to an entrepreneur's goal of being able to control the business and make decisions about how it is run. These aims and objectives may relate to decisions around what the business sells, where it buys raw materials from, and how much its product or service is sold for.
- **Independence** relates to an entrepreneur working for themselves and running their own business. It is also to do with them making their own key business decisions. A desire for independence is a common reason for an entrepreneur to set up a business.

Why aims and objectives differ between businesses

Aims and objectives are tailored to the particular business. The main reasons that aims and objectives differ between businesses are that businesses operate in different sectors, and business operations vary in size and scale.

Different sectors

The term 'sector' relates to whether a business provides goods or a service and the type of goods or service it offers.

The fact that businesses operate in different sectors is one of the main reasons that their aims and objectives differ. For example, a restaurant called Rachel's Pizzas might aim to sell 10 varieties of pizza, but this aim would not be applicable to a florist or a website designer.

Business size and scale

The size and scale of a business has a huge impact on its aims and objectives. For example, a new business will most likely be aiming for survival, whereas an already established business may aim for profit. Some small businesses may have objectives linked to expanding as a business and increasing the scale of their operations.

Task A Business Theory

1. Read the following information about aims and objectives and underline any words you do not understand.
2. Using a dictionary to find out what these words mean and write it down on this sheet so it will help you understand the whole text
3. Do the 10 multiple choice questions written below

Business aims and objectives - Edexcel test questions - Edexcel

1

What is the difference between an aim and an objective?



An aim is the overall goal and objectives are the steps to achieve it



An objective is the overall goal and aims are the steps to achieve it



A aim is where the business wants to be in 10 years and the objectives are where the business wants to be in five years

2

What are the two main types of objective?



Short-term and long-term objectives



Big objectives and small objectives



Financial and non-financial objectives

3

Which of the following is one of the two main reasons that each business has different aims and objectives?



The owners want different amounts of profit



Different businesses operate in different sectors



Different businesses sell different amounts of products

4

Which of these objectives for a small business follows the SMART acronym?



To earn £100,000 in 2020



To earn £1,000 profit each month for the next year



To earn £150,000 profit each week for the next month

5

What is the difference between financial and non-financial objectives?



Financial objectives mostly relate to money, whereas non-financial objectives relate to things other than money



Financial objectives relate to profit, whereas non-financial objectives relate to the types of products a business sells



Non-financial objectives relate to money, whereas financial objectives relate to things other than money

6

Which of these is a financial objective?



To make a profit of £6,000 in the first 12 months



To use 100% renewable energy within the first two years



To use 100% organic coffee beans in all coffee sold in the first 12 months

7

What does 'business survival' mean?



Making a profit after 12 months



Breaking even within 12 months



Keeping operating

8

What are the five types of non-financial objective?



Social concerns, personal satisfaction, challenge, control and independence



Social concerns, personal satisfaction, survival, control and independence



Social concerns, personal satisfaction, challenge, ethical considerations and environmental challenge

9

What does 'profit' mean?



Profit is the money raised from selling products



Profits is the amount of money a business brings in



Profit is any money left after all costs have been taken away from revenue

10

Which of these is a non-financial objective?



To make a profit of £6,000 in the first 12 months



To use 100% renewable electricity within the first two years



To have a 5% market share of the coffee industry within 100 miles in 12 months

Task B Your Business Plan

1. Using this information, you have learnt about business aims and objectives apply this to your business plan under the section **What is the purpose of the business e.g to make a profit, to be independent, to be a charity.**

If you have a computer and a saved copy of the business plan you can use word. If you do not have a computer you can use the paper template, I have given you. If the paper template is too small for all of your work or it looks too untidy you can copy the heading and use your own paper version

