

What is the business for, and who does it answer to? Objectives and stakeholders

AS Level 1.4 Business objectives · 1.5 Stakeholders in a business

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Running case: Nexa Refill, Lahore · 60 minutes

How this topic is examined

Paper 1 • Business concepts • 40 marks

Define the term CSR / stakeholder / ethics [2]
Explain one reason why objectives may change [3]
Analyse why there might be conflict... [5]
Essay: Analyse [8] • '...' Evaluate this view [12]

Paper 2 • Business decision-making • 60 marks

Identify one internal / external stakeholder [1]
Explain the term mission statement (line x) [3]
Analyse how two stakeholders might be affected... [8]
Evaluate possible conflicts between... [12]

Typical questions on this topic

Define the term triple bottom line. [2]
Explain two reasons why conflict might arise between different stakeholders. [3]
Analyse two advantages to a business of making ethical decisions. [8]
Evaluate the benefits to [business] of having CSR as a business objective. [12]
'Employees are the most important stakeholder group in...' Evaluate this view. [12]

By the end of this lecture you can...

- 1 Explain mission, vision, aims and SMART objectives, and how they link.
- 2 Compare objectives in the private sector, the public sector and social enterprises.
- 3 Explain CSR, the triple bottom line and the impact of ethics on decisions.
- 4 Explain why objectives change, and how they are turned into targets and communicated.
- 5 Identify stakeholders, their objectives, and a business's responsibilities to them.
- 6 Evaluate stakeholder conflict and which stakeholders matter most in a decision.

Starter: remember Part 2?

- Q1** Define the term limited liability.
- Q2** Give one difference between a private and a public limited company.
- Q3** Nexa buys its bottle supplier. What type of integration is this?
- Q4** Give two ways of measuring the size of a business.
- Q5** Who, apart from Amina, cares about what Nexa decides? List as many groups as you can.

Nexa Refill: the hotel pilot and competing claims

The situation

Nexa is starting a hotel pilot.

The hotel wants reliable deliveries at a competitive price. The container supplier wants payment on delivery.

An employee warns that the proposed late delivery route could create unsafe late finishes.

Whose claim should come first?

Data for this lecture	Figure
Hotel contract value per year	PKR 1.8m
Late deliveries the hotel wants	2 per week
Cost of an extra driver per year	PKR 420,000
Supplier payment per month	PKR 350,000
Target: repeat hotel orders by Dec	20
Target: cut single-use bottles	30%

Which of these figures are objectives, and which are constraints?

Case brief: Nexa Refill

Nexa's mission could be: "To make reliable household and hotel cleaning products easier to refill, reducing avoidable packaging while strengthening local livelihoods."

Amina wants higher repeat sales and less packaging: her targets are 20 repeat hotel orders by December and 30% fewer single-use bottles. She also needs Nexa to stay financially sustainable.

A hotel offers a contract worth PKR 1.8m a year but wants two late-night deliveries a week. The container supplier wants PKR 350,000 a month, paid on delivery. An employee warns that late finishes would be unsafe; an extra driver would cost PKR 420,000 a year.

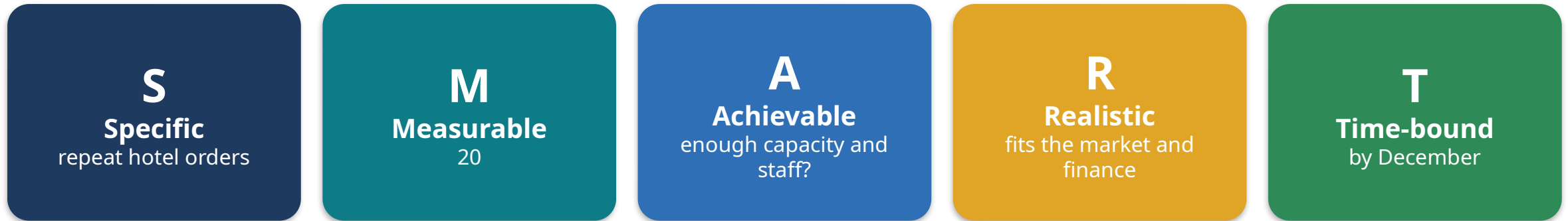
Amina must decide how to run the pilot so that it meets Nexa's objectives and is fair to its stakeholders.

From mission to objectives

Mission	why the business exists	Nexa: Easier refilling, less packaging
Vision	what it wants to become	Nexa: The leading refill brand in Pakistan
Aim	broad direction	Nexa: Expand the hotel service responsibly
Objective	measurable target	Nexa: 20 repeat hotel orders by December
Action	what people do	Nexa: Train drivers; schedule deliveries

A mission is qualitative; an objective must be measurable. Each level should support the one above.

SMART objectives and the hierarchy



Corporate → departmental → individual

Corporate objectives guide departmental objectives (e.g. operations: on-time delivery 98%), which guide individual targets (a driver's route).

Benefits of objectives: direction, a measure of performance, coordination, motivation, better decisions. But objectives that are unrealistic or ignore safety can cause harm.

Sector objectives, CSR and the triple bottom line

Private sector

Profit · survival · growth · market share · shareholder value

Public sector

Service quality · affordable prices · social goals · financial targets

Social enterprise

Social or environmental aim first; surplus reinvested

CSR and the triple bottom line

CSR: taking responsibility for effects on society and the environment, beyond the law.

Triple bottom line: judge performance by economic (profit), social (people) and environmental (planet) outcomes. Nexa's 30% packaging target is a planet objective.

Check 1

1

Is Nexa's mission statement a SMART objective?

Answer: No: it is qualitative and not measurable or time-bound.

2

Give one objective of a public sector organisation.

Answer: Quality of service; affordable prices; social benefit; breaking even.

3

Name the three parts of the triple bottom line.

Answer: Economic (profit), social (people), environmental (planet).

Why objectives change, and how they are used

Why objectives change

Internal: new owners, new managers, growth, objectives achieved, poor results

External: recession or boom, new competitors, new laws, technology, social and environmental pressure

Turning objectives into action

Set targets for each department

Allocate budgets and responsibilities

Communicate: induction, team meetings, written plans

Review progress and adjust

Change the target, not just the pressure: if Nexa cannot deliver safely, it should review staffing or the schedule rather than push drivers to finish later.

Ethics and business decisions

Ethics moral principles that guide decisions: what is right, not only what is legal or profitable.

Benefits of ethical decisions

- + Reputation and customer loyalty
- + Easier to recruit and motivate staff
- + Ethical investors and big customers
- + Avoids fines and pressure group action

Costs and limits

- Ethical suppliers may cost more
- Profit may fall in the short run
- Claims must be proved, not just said
- Shareholders may object

Nexa: an environmental claim needs evidence. If a refill claim was overstated, Nexa should correct it and change the process.

Nexa's objectives for the hotel pilot

Objective	Type	Risk
20 repeat hotel orders by December	Economic / growth	Late deliveries may be unsafe
30% fewer single-use bottles	Environmental	Deposit system costs money
Remain financially sustainable	Economic / survival	PKR 350,000 a month paid before the hotel pays
Safe workloads for drivers	Social	Extra driver costs PKR 420,000 a year

Check 2

1

Give one external reason why a business might change its objectives.

Answer: Recession; new competitor; new law; new technology; social or environmental pressure.

2

Define the term ethics.

Answer: Moral principles guiding decisions beyond what the law requires.

3

Give one cost of making ethical decisions.

Answer: Higher supplier costs; lower short-term profit; checks and audits cost money.

Stakeholders and their objectives

Stakeholder an individual or group with an interest in, or affected by, the activities of a business.

Stakeholder	Main objectives	Type
Owners / shareholders	profit, dividends, growth	Internal
Managers and employees	pay, security, safe work, career	Internal
Customers	quality, price, reliability	External
Suppliers	regular orders, prompt payment	External
Lenders	repayment with interest	External
Government and community	tax, jobs, legal compliance, low pollution	External

Responsibilities to stakeholders, and their influence

A business's responsibilities

Employees: safe work, fair pay, consultation

Customers: safe, honest products

Suppliers: clear specifications, paying on time

Community: limiting pollution, local jobs

Who has most influence?

Power: can they stop or change the decision?

Interest: how much are they affected?

High power + high interest = manage closely

Importance changes with the decision

Nexa: when choosing a safe filling process, employees and regulators matter more than a distant potential investor. When raising capital, the investor matters more.

Stakeholder conflict, and how to manage it

Shareholders vs employees

higher profit vs higher pay or job security

Customers vs shareholders

lower prices vs higher margins

Community vs owners

less pollution vs lower costs

Hotel vs employees

late deliveries vs safe finishes

Managing conflict

Clarify the decision and the evidence · consult affected groups · identify non-negotiables (safety, the law) · compare alternatives · compromise or phase the change · support those who carry extra costs · review the outcome.

Some objectives are shared: every stakeholder gains if the business survives.

Applying it to Nexa Refill

Stakeholder	What they want	What it means
Hotel (customer)	Reliable late deliveries at a low price	PKR 1.8m a year; helps the 20-order target
Employees	Safe workloads; no unsafe late finishes	Safety is a non-negotiable
Supplier	PKR 350,000 a month, paid on delivery	Strains cash before the hotel pays
Amina (owner)	Repeat sales, less packaging, financial stability	Must balance all three objectives

Check 3

1

Give one internal and one external stakeholder of Nexa.

Answer: Employees or Amina / the hotel, supplier, bank, government or community.

2

Give one responsibility Nexa has to its suppliers.

Answer: Clear specifications; paying on time; not shifting unfair risk.

3

Give one way to reduce stakeholder conflict.

Answer: Consultation; compromise; phasing the change; support for those affected.

Back to Nexa: make the decision

A

Accept the hotel's two late deliveries a week with the current drivers

B

Hire an extra driver for PKR 420,000 a year to cover late deliveries safely

C

Negotiate daytime deliveries with the hotel, even at a lower price

D

Delay the pilot until Nexa has the cash and staff to run it safely

Discuss: Which ONE option should Amina choose? Which stakeholders win and which lose?

Use the case: PKR 1.8m contract, PKR 420,000 driver, PKR 350,000 a month to the supplier, 20-order target, safety warning.

Judge: which objective is non-negotiable, and which can be adjusted?

How you earn the marks



Define	[2]	Full, precise definition; an example alone is not enough
Identify	[1]	One valid point
Explain	[3]	AO1 1 + AO2 2: one point, developed (in the case for Paper 2)
Analyse	[5]	AO1 1 + AO2 2 + AO3 2
Analyse two...	[8]	AO1 2 + AO2 2 + AO3 4 (levels): two developed chains
Evaluate	[12]	AO1 2 + AO2 2 + AO3 2 + AO4 6: two sides, then a supported judgement in context

Worked answer: Analyse how two stakeholders... [8]

Exam-style question Analyse how two stakeholders of FP might be affected by its decision to stop selling the small box size. [8]

The business: Fresh Plates (FP) delivers boxes of fresh vegetables. It plans to stop selling its small \$15 box, bought mainly by older customers who live alone, to focus on large family boxes.

Customers: Customers lose a product they want: older customers living alone may find the family box too big and expensive, so they switch to rivals, which reduces FP's sales and reputation for serving the community.

Shareholders: Profit may rise: FP can pack fewer, larger boxes, cutting packing and delivery cost per \$ of sales, so margins and dividends may rise, as long as lost small-box sales do not outweigh the savings.

Level 2 analysis: show HOW each stakeholder is affected and the consequence for the business.

Worked answer: Evaluate this view [12]

Exam-style question 'Employees are the most important stakeholder group in a primary sector oil and gas business.' Evaluate this view. [12]

Note: This is a Paper 1 question: no case. Apply your answer to oil and gas: dangerous work, huge investment, strict government licences and strong environmental pressure.

Employees run dangerous, skilled operations; one mistake on a rig can cause an explosion or spill, so safety and skills directly decide whether production continues.

But government and shareholders also matter: the government grants drilling licences and shareholders fund billions of dollars of investment, so without either, there is no business for employees to work in.

Overall, employees are the most important for day-to-day safety and output, but government is more important for long-term survival because it controls licences. It depends on the decision being made.

AO4: a judgement that says what it depends on. The full answer develops each side further.

Where students lose marks

✗ Mission = objective

A mission is qualitative; an objective is measurable.

✗ SMART letters listed only

Apply each letter to the business's target.

✗ "Shareholders = stakeholders"

Shareholders are ONE stakeholder group.

✗ CSR always raises profit

It may raise costs now; benefits are uncertain.

✗ Conflict stated, not explained

Explain WHY aims clash and the consequence.

✗ One-sided "evaluate"

Weigh both sides, then say what it depends on.

Exam drill: try it under time

Exam-style question

Spice Street Restaurants (SSR) has one restaurant and an objective to “increase profit by 20% within two years”. It made a profit of \$50 000 last year and plans to open a second restaurant in a busy city centre.

- (a) Explain the term SMART objective. [3]
- (b) Calculate the profit SSR is aiming for in two years. [3]
- (c) Analyse two possible impacts on stakeholders of SSR if the second restaurant is successful. [8]

Timing rule

About 1.5 minutes per mark.

- (a) + (b): 9 minutes
- (c): 12 minutes

Swap and mark each other's answers with the AO1–AO4 grid.

Homework: the Part 3 practice paper.

Exit ticket

- 1 Define the term stakeholder. [2]
- 2 Turn “grow the hotel business” into a SMART objective for Nexa.
- 3 Which option should Amina choose for the hotel pilot, and which stakeholder loses most?

This completes Chapter 1. Next: Chapter 2, Human resource management (AS 2.1).

Summary: key terms from Part 3

Mission statement	Purpose and values	Aim	Broad long-term intention
SMART objective	Specific, measurable, achievable, realistic, timed	Corporate objective	Target for the whole business
Triple bottom line	Profit, people, planet	CSR	Responsibility beyond the law
Ethics	Moral principles in decisions	Stakeholder	Interested in or affected by the business
Internal / external	Inside / outside the business	Stakeholder conflict	Aims that cannot all be met