

A level Business: Lesson 2

Why Businesses Exist



Why Businesses Exist ...

A business is any organisation that is involved in any organised form of trade, industrial or professional activities.

Complete a spider diagram to show reasons why businesses exist. Try to think of a range of reasons not just the most obvious ones.



Business Objectives

Businesses exist in order to achieve business objectives. These include:

- Profit – e.g. Make £50,000 profit in 2020.
- Growth – e.g. Five new shops opening by October.
- Survival – e.g. To survive the trials of 2020 and still be trading in December.
- Cash flow – e.g. Manage cash to pay suppliers on time throughout this year.
- Social – e.g. Create 20 new jobs in 2021.
- Ethical – e.g. Become carbon-neutral in three years.

Objectives are quantifiable targets or goals to be achieved within a given time frame.

SMART Objectives

Objectives should be 'SMART'

What do you think this means?

1. S _ _ _ _ _
2. M _ _ _ _ _
3. A _ _ _ _ _
4. R _ _ _ _ _
5. T _ _ _ _



SMART Objectives

Objectives should be 'SMART'

1. S_pecific – does it apply to something the business does or can do?
2. M_easurable – can it be quantified?
3. A_chievable – do the key stakeholders who will be involved in delivering the objective agree with the objective?
4. R_ealistic – is it something that can be achieved in the time frame allowed?
5. T_imed – when does it need to be achieved by?



Mission Statements



“A **mission statement** is a brief written statement of the purpose of a company or organisation. Ideally, a mission statement guides the actions of the organisation, spells out its overall goal, provides a sense of direction, and guides decision making for all levels of management.”

View Nintendo's Mission Statement here:

<https://www.nintendo.com/corp/mission.jsp>

Putting it together

The relationship between mission and objectives



Making a profit?

A business can only survive in the long run if it makes a profit, although most businesses do not exist solely to make the greatest possible.

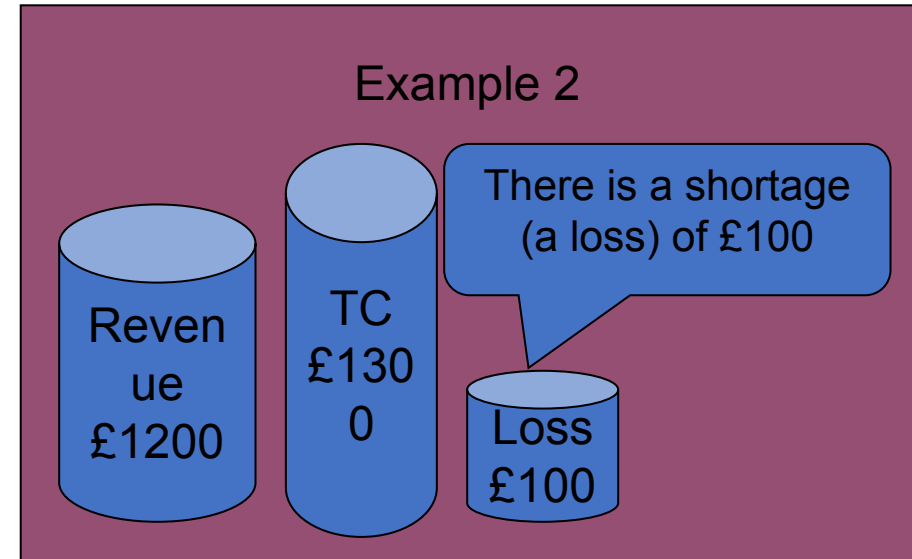
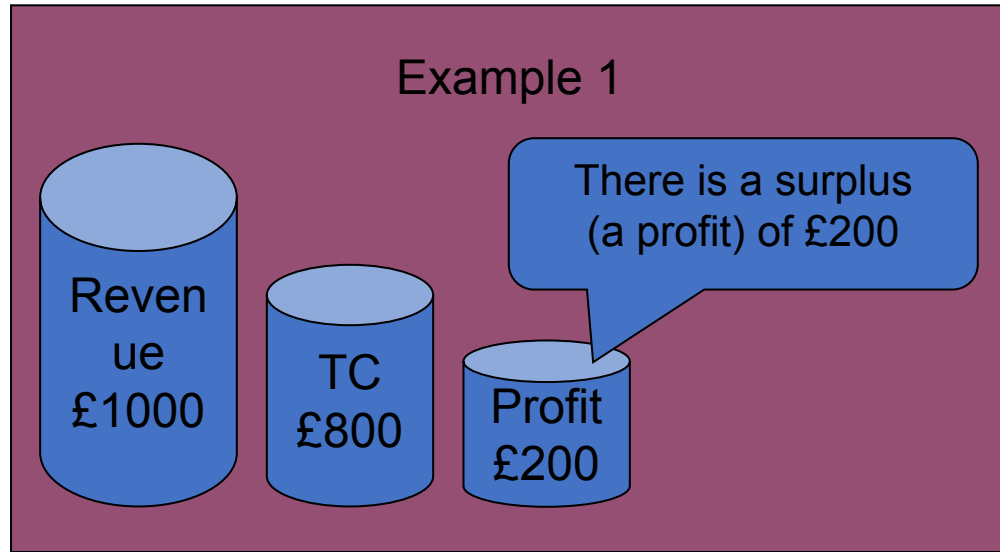
Profit is revenue minus total costs.



- **Revenue** is the money coming in from the sale of goods and services.
- **Total costs** is the money going out to provide for and generate those sales.

Making a profit?

The relationship between costs and revenue will determine if the business makes a profit or a loss.



Why Businesses Exist ... Activity

Research **5 different business**, ideally covering retail, manufacturing and services. For each determine. (*Ideas are on the next page – if you struggle to find any*)

1. Its Mission/vision
2. Their stated objectives
3. Explain why they have chosen those objectives, most should link directly to their Vision/Mission statement
4. Choose 2 of your businesses and look at their history. Explain why their objectives will have changed over time.

Suggestions for Contrasting Businesses

(You are welcome to chose your own – they just need to contrast)

Retail	Manufacturing	Services	Other
Any Supermarket Any clothing retailer such as NEXT, Marks & Spencer	Samsung Heinz Apple IKEA (is also retail) Any mass market car company such as Ford, Citroen Unilever	Netflix BBC Any Bank, savings company, life Insurance cpy Accountancy firms Restaurant chain	A football/rugby club (big or small) A School/university you are familiar with A charity such as OXFAM, Save the children, UNICEF A company focusing on a niche market such as Gucci, Rolls Royce