



## Section 1.3

### Activity 1.3.1

Research task.

### Activity 1.3.2

1. 'SMART objectives' are operational business objectives that are: Specific, Measureable, Achievable, Realistic and relevant, and Time-specific.
2. The corporate objectives for Domestic Detergents are SMART objectives on the basis that they are:
  - Specific – 'enter a new market every 18–24 months' is specific
  - Measureable – 'achieve 30% of sales each year from products not in the company's product line five years earlier' is measureable
  - Achievable – 'highest quality producer in the household products industry' (but the outcome is unknown)
  - Realistic – 'achieve a 15% average annual growth in sales' (but the outcome is unknown)
  - Time-specific – 'increase annual sales from \$1 billion to \$2 billion in five years' is time-specific.
3. The benefits to Domestic Detergents of specific time-limited objectives might be:
  - Clear objectives
  - Easily measureable
  - Managers know if they are achieved or not.

The limitations might be:

- Difficult to know what is specifically achievable in a set time
- Business environment might change
- No account is taken of non-specific/time factors.

### Activity 1.3.3

1. A 'corporate code of ethics' is the set of ethical standards and values which a business states and operates by.
2. SCG and its employees might benefit from a corporate code of ethics in the following ways:
  - It might make the company more attractive to customers
  - More attractive to new potential employees
  - Good publicity



- Less likely to attract negative government attention
- Employees are motivated by the ethical nature of their work.

3. A business like SCG might use unethical methods if it is a way of:

- Gaining customers
- Accessing suppliers
- Setting up production
- Hiring employees.

These methods may be justified if the benefits to the country they are setting up in are greater than the costs of the unethical methods.

## Activity 1.3.4

1. a. Business ethics are the set of ethical standards and values a business sets out in the way it operates.

b. A socially responsible business is one whose strategic objectives, decision-making and operations include the welfare of all its stakeholders.

2. Factors that might encourage a business to adopt socially responsible objectives and strategies could be to:

- Attract the best employees
- Positive publicity
- Increase the stock market valuation of the business.

3. The benefits of Shell working towards being the 'leading multinational in economic, environmental and social responsibility' might be to:

- Attract the best employees
- Increase the stock market valuation of the business
- Attract customers
- Gain positive publicity
- Reduce government interference.

The costs might be:

- Financial costs
- Losing certain customers and contracts
- Making projects more complex
- Reducing opportunities in certain markets.



4. Businesses should change their strategies to become more responsible over time if they want to:

- Attract the best employees
- Increase the stock market valuation of the business
- Attracting customers
- Gaining positive publicity
- Reducing government interference.

### Activity 1.3.5

1. Virgin Atlantic is trying to reduce the amount of jet fuel it uses to be more socially responsible, which might:

- Attract customers
- Gain positive publicity
- Satisfy the socially responsible desire of the management and employees.

2. The extent to which Virgin Atlantic will benefit from its attempts to reduce air pollution and be more socially responsible might depend on whether it:

- Attracts the best employees
- Increases the stock market valuation of the business
- Attracts customers
- Gains positive publicity
- Reduces government interference.

But the policy may have the following consequences:

- Financial costs
- The company may lose certain customers if prices rise
- It may make operations more complex.

### Activity 1.3.6

1. a. A 'mission statement' outlines the overall purpose of an organisation.

b. STS's new, socially aware mission statement might have the benefit of:

- Attracting customers
- Gaining positive publicity.



2. a. SMART objectives are operational business objectives that are: Specific, Measureable, Achievable, Realistic and relevant and Time-specific.  
  
b. Problems that might arise from STS not having SMART objectives could be:
  - They do not give specific direction to managers and employees
  - It is difficult to see whether they have been achieved.
3. The extent to which STS is being successful in achieving its objective 'to maximise returns to shareholders through a strategy of aggressive growth' might be assessed on:
  - \$5m rise in sales each year
  - Sales revenue is rising at a faster rate (14%) than market growth (12.5%)
  - Market share is growing
  - 100% increase in net profit for 2013–14
  - The falling number of employees reduces costs.

## Activity 1.3.7

1. Peugeot Citroën's aims fit the SMART criteria in that they are:
  - Specific – 'profit margin to increase from 2% to 7% by 2015'
  - Measureable – 'to reach 4 million car sales by 2015'
  - Achievable – unknown
  - Realistic and relevant – unknown
  - Time-specific – 'one million car sales in emerging markets by 2015'.
2. The importance of the chairman not only setting an overall aim but setting departmental objectives might be:
  - Departments have clear targets
  - The performance of departments can be measured
  - If each department achieves its target the overall objective might be met
  - It is possible for the management to see why overall objectives are not met or exceeded.
3. The needs of Peugeot Citroën's shareholders might be higher dividends and a rising share price. The following objectives might deliver this by increasing sales, reducing costs and increasing profits:
  - 'Profit margin to increase from 2% to 7% by 2015'
  - 'To reach 4 million car sales by 2015'
  - 'One million car sales in emerging markets by 2015'
  - '8000 job losses'
  - 'Fixed manufacturing costs cut by 30%'
  - 'Cost of purchasing car parts cut by 4–6%'
  - '12 new models launched in the Chinese market'.



## Activity 1.3.8

1. SWOT analysis of LVM:
  - Strength – automation of the screen assembly plant
  - Weakness – restricted factory space
  - Opportunity – expanding market in Asia
  - Threat – rising interest rates.
2. SWOT analysis to a business such as LVM might be beneficial in strategy formulation in the following instances:
  - Matching a business's strengths to a competitive market
  - Understanding the weakness it has to overcome
  - Seeing opportunities in the market it might exploit
  - Being aware of external threats it has to deal with.
3. Strategic options LVM might choose based on the SWOT analysis might be:
  - Expanding its market into Asia. This has the opportunity of an expanding market in Asia, using an efficient assembly plant. Increasing capacity might be difficult with restricted factory space and there is a threat of a changing exchange rate.
  - Reducing its exposure to loan finance if interest rates increase by using government grants. This is an opportunity for low-cost finance but there is the threat of government intervention. The strength is the reputation of the business, but there are cash flow concerns.

## Activity 1.3.9

1. Caffè Nero and Asda might need long-term plans to help them achieve their objectives because:
  - It gives managers and employees long-term direction
  - It can assess its long-term achievements against the objectives it sets.
2. a. Three aspects of the Turkish consumer market Caffè Nero might find useful in its strategic decision making are:
  - How much coffee consumers drink
  - The type of coffee that is most popular
  - How regularly consumers drink coffee in coffee shops.

b. An understanding of the Turkish consumer market might be useful to Caffè Nero because:

  - It might help them to know how many coffee shops to open
  - It might help them to know the type of coffee to sell.



3. Caffè Nero and Asda have used Ansoff's matrix in the following way:
  - Caffè Nero is looking to sell its existing coffee shop product in a new market (Turkey)
  - Asda is using market penetration by marketing its existing supermarket brand through reducing its prices, and by product development through selling non-food products in its shops.
4. The long-term plans or strategies adopted by Caffè Nero and Asda might be affected by:
  - Changes in consumer tastes
  - New competition in the market
  - Substitute products
  - Rising supplier costs
  - The availability of new employees
  - Economic factors like economic growth, inflation and unemployment
  - Developments in technology.

## Exam practice question

1. Nike might have a mission statement to set out its core aims that motivate its employees.
2. Strategic objectives Nike might try to achieve could be to:
  - Increase shareholder returns
  - Increase market share
  - Increase net profits.

(These objectives may have a set value and time period.)
3. The main components you might expect to see in an environmental audit could be:
  - Health and safety record
  - Contribution to local community events
  - Proportion of suppliers that come from ethical sources
  - Feedback from customers on the organisation's ethical standards.
4. The advantages of Nike becoming socially responsible might be that it:
  - Attracts the best employees
  - Increases the stock market valuation of the business
  - Attracts customers
  - Gains positive publicity
  - Reduces government interference.



The disadvantages of Nike becoming a socially responsible might be that it:

- Increases financial costs
- Loses certain customers if prices rise
- Makes operations more complex.

## Key concept question

Organisation objectives might differ between two cultures in terms of:

- Vision statement
- Mission statement
- Corporate/strategic objectives
- Divisional objectives
- Departmental objectives
- Individual targets.

The different cultural objectives may include:

- Profit maximisation
- Profit satisficing
- Growth
- Market share
- Survival
- Ethical objectives.