

# FACULTY OF JURIDICAL SCIENCES

# Lecture-6



# Business Objectives

Objectives represent the purpose for which an organization has been started. Objectives guide and govern the actions and behavior of businessmen.

According to William F. Glueck, “Objectives are those ends which the organization seeks to achieve through its existence and operations.”

Another term for objectives is goals. Logically, objectives ought to specify ends or results sought that are derived from and congruent with the mission the organization has set itself. Attempts to set objectives should always be guided by references to the mission they are meant to fulfill.

Business objectives are something which a business organization wants to achieve or accomplish over a specified period of time. These may be to earn profit for its growth and development, to provide quality goods to its customers, to protect the environment, etc.

It is generally believed that a business has a single objective. That is, to make profit. However, any business unit cannot ignore the interests of its employees, customers, the community, as well as the interests of society as a whole.

The objectives of business may be classified as:-

- A. Economic Objectives
- B. Social Objectives
- C. Human Objectives
- D. National Objectives
- E. Global Objectives

## **A. Economic Objectives:**

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

### **(i) Profit Earning:**

Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time.

Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits. In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

### **(a) Creation of customers:**

A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

### **(b) Regular innovations:**

Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more customers because of improved products.

Reduction in cost and increase in sales gives more profit to the businessmen. Use of power looms in place of handlooms, use of tractors in place of hand implements in farms etc. are all the results of innovation.

**(c) Best possible use of resources:**

As we all know, to run any business we must have sufficient capital or funds. The amount of capital may be used to buy machinery, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines.

The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. Employing efficient workers. Making full use of machines and minimizing wastage of raw materials, can achieve this objective.

**B. Social Objectives:**

Social objective are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society.

If business activities lead to socially harmful effects, there is bound to be public reaction against the business sooner or later. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

**(i) Production and Supply of Quality Goods and Services:**

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business he objective of business should be to produce better quality goods and supply them at the right time and at a right price It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers.

They should charge the price according to the quality of e goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

### **(ii) Adoption of Fair Trade Practices:**

In every society, activities such as hoarding, black-marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits.

This is an unfair trade practice. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

### **(iii) Contribution to the General Welfare of the Society:**

Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges, better education, opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

## **C. Human Objectives:**

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

### **(i) Economic Well-being of the Employees:**

In business employees must be provided with fair remuneration and incentive for performance benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

### **(ii) Social and Psychological Satisfaction of Employees:**

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right

person in the right job and reducing the monotony of work Opportunities for promotion and advancement in career should also be provided to the employees.

Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

**(iii) Development of Human Resources:**

Employees as human beings always want to grow. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programs for its employees.

**(iv) Well-being of socially and Economically Backward People:**

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programs may be arranged to improve the earning capacity of backward people in the community. While recruiting its staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

**D. National Objectives:**

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

The following are the national objectives of business.

**(i) Creation of Employment:**

One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

**(ii) Promotion of Social Justice:**

As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. He/ She are also expected to provide equal opportunities to all the employees to work and progress. Towards this objective special attention must be paid to weaker and backward sections of the society.

**(iii) Production According to National Priority:**

Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

**(iv) Contribute to the Revenue of the Country:**

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

**(v) Self-sufficiency and Export Promotion:**

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business units should aim at increasing exports and adding to the foreign exchange reserves of the country.

**E. Global Objectives:**

Previously India had very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export-import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced.



This change has brought about increase in competition in the market. Today because of globalization the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

**(i) Raise General Standard of Living:**

Growth of business activities across national borders makes quality goods available at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

**(ii) Reduce Disparities among Nations:**

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries it can foster their industrial and economic growth.

**(iii) Make Available Globally Competitive Goods and Services:**

Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

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