	Conciliations	employer and employees (eg. ACAS)
	Share options and performance related pay	Aligns interest of shareholders and employees

Marketing Objectives

The process of identifying, anticipating and satisfying customer needs profitably

Corporate objectives	Grow revenue by 15% for next five years
M objectives	Increase UK market share to 17% Average customer spending by 5%
M strategies	Refocus product range on high margin items Introduce CRM systems into industrial division
M tactics	Improve agreements with key suppliers Conduct search engine advertising

Functional change	Supports marketing
Finance (raising finance)	Investment in products
Operations (introducing lean production, allocating specific production for new retail customer)	Improving product quality and profitability Expand product distribution and sales increase
HR (training programme for staff)	Improve customer service quality

Marketing Objectives

Maintaining or Increasing market share	
Developing new products	
Meeting the needs of customers	
Entering new market/ market positioning	
Gaining competitive advantage	

Internal Influence	External Influence
Corporate Objective • Most important	Economic environment • Determines demand due to exchange rates and recession (business cycle)
Finance • Financial position directly affecting scope and scale of marketing activities	Competitor's action • Effectiveness of competitor response
Human Resources • Quality and capacity of workforce, motivation and skill can create an advantage	Market dynamics • Size, growth and segmentation
Operational Issues • Compete on cost, efficiency, productivity and quality on revenue objectives	Technological change • Effects on product life cycles and innovative creation
Business Culture • Marketing or Production orientated culture resulting in management setting	Social & Political change • Legislation that create or prevent opportunities and have major

units produced, sales per shop • **Output per time period**: potential outputs • **Capacity utilisation**: the proportion of potential output being actually achieved • **Over lead times**: time taken between receiving and processing an order	$\frac{Total\ labout\ cost}{Total\ Output}$

Quality

In a competitive market, consumers are more knowledgeable, demanding, prepared to complain and share information about poor quality
Competitive advantage gained from high quality reputation

Targets

- Lower defects rates
- Reliability
- Customer satisfaction
- Number of customer complaints
- Customer loyalty, Repeat business
- Amount of on-time delivery

Environmental

• Increasingly important focus • Stringent environmental legislation • Customers may base their decisions on firms taking environmental responsibility seriously • Target closely integrated into firm's corporate social responsibility	Example targets • Efficient use of energy • Proportion of production packaging materials recycled • Compliance with waste disposal regulation and proportion of waste to landfill • Supplies of raw materials from sustainable sources

Internal Influence on Operational objective	
Corporate objectives	Objectives should align with corporate objectives
Finance	Financial position (profitability, cash flow, liquidity) affects the choices and operational investments available
Human Resources	Service businesses, quality and capacity of workforce is a key factor Productivity will be affected by the investment in training and effectiveness of workforce planning
Marketing issues	Nature of the product determines the operational set up Marketing mix changes on products may strain on operations, particularly if product is inflexible
External Influence on Operational objective	
Economic environment	Sudden or short-term changes in demand impacts the capacity utilisation, productivity etc. Interest changes; impacts on financing capital for investments Crucial for operation
Competitor's efficiency flexibility	Pressure on operations to deliver comparable performance; if competitors are more efficient and have higher quality
Technological change	Affects the length of product life cycle Innovation is rife Production process are costly
Legal & Environmental change	New challenges created from regulation and legislation of the market

	demand and future flexibility in capacity management decisions • Access to a labour force; able to meet workforce planning
Are cost (supply) issues more important than customer and revenues (demand) ?	

Industrial inertia

Once established business decides to stay in its original location even if other factors suggest a new location would be beneficial

- Existing location provides advantages from external economies of scale
- Over time, location or region would be associated with particular industry developing specialist skills and experience
- Pool of potential recruits, people with relevant training and experience
- Specialist suppliers are likely to be nearby

Relocation

Move to a new place and establish one's business there

- Recruiting and training staff in the new location
- Duplication property cost- remaining periods on the original lease and upfront payments on a new lease
- Cost of physical transfer- moving production equipment, transferring stocks, lost revenues
- Intangible

Multi-site location

Where business operates from more than one location; retailers, distributors and franchises

Examples of multi-site growth

- Retailer expands by launching the same format in other locations then across UK
- Manufacturers establishes regional distribution centres
- Franchisor expands by selling geographical territories to franchisees
- UK bank opens call centre operations overseas

Advantages	Disadvantages
• Proximity to customer, competing in geographical markets • Greater potential promotion amongst junior management • Locally done, easier recruitment • Marketing & Management economies of scale- costly resource can spread across business locations, customers and revenues • Easier to flex capacity- adding or removing locations • Less risk of the business disruption from problems at just one location • Understanding of local market cultures &	• Potential duplication of activities (diseconomies of scales) • Controlling operation, but IT system can simplify it • Communication is challenged • Increase risk; unable to understand the local markets

Purpose	Easy to finance long term assets or short-term increase in stock
Cost	Loan finance incurs interest costs Share capital also has a cost; dividends required by shareholders
Flexibility	Types of repayment required
Ownership structures	Limited companies, easier to find compared to the sole traders
Period required	Short term vs medium term vs long term

Equity	**Debt**
Finance from shareholders Share capital	Short, medium or long term loans Bank overdraft, Bank loan
• Return: dividends+ share price growth • Highly flexible • Best suited for long-term finance • No obligation to repay	• No loss of ownership • Require security, collateral • Interest cost • Repayment is an obligation

Internal	**External**
• Retained profits • Sale of assets & leaseback • Reduced working capital	• Bank overdraft • Bank loan • Debentures • Issue shares

Retained Profits
Most important and significant source of finance for an established, profitable business

Advantages	**Disadvantages**
✓ Cheap 'Cost of capital' is the opportunity costs ✓ Flexible Management in control reinvestment Shareholders control proportion retained ✓ Doesn't dilute the ownership of the company	× Danger of holding cash × Shareholders may prefer dividends if the business is not making sufficient return on investment × High profits and cash flow would suggest the business could afford debt (a higher gearing percentage)

Sale on assets
Selling spare or surplus assets, achieving a short term boost to cash flow
e.g. spare land, surplus equipment but not all business have spare assets
Surplus: amount of something left over when requirements have been met; excess production

✓	×

Sale and leaseback
Specialist method of raising cash, selling fixed assets then leasing them back from new owner
Involving properties, e.g. hotels, supermarkets, offices) but can only be done once

✓	×

Working capital
Reducing working capital; one off benefit from lower working capital, but can it be sustained
Finance often wasted in excess stocks and trade debtors
Low stock turnover ratio or high debtor days

✓	×

Raising finance from suppliers
Provide goods and services in advance of payment, trade creditors
Amount owed to supplier may increase due to expansion
Strong relationship with suppliers allows better payment terms

Profit quality
Looks at whether the reported profit can be sustained

High quality profit	Low quality profit
Profit which can be repeated and sustained Not reliant on one-off profits Shareholders can have some confidence in profit trends	Difficult to repeat Includes one-off profits (e.g. sale of surplus assets) Shareholders need to adjust reported profit to assess what the likely profit is for next year

Balance sheet

A snapshot of the business's assets and liabilities on a particular day
Double entry; every financial transaction results in an equal change in assets or liabilities

Non-current assets
items that have a lifespan of over a year and reflects the cost of capital expenditure
e.g. machinery, property, plant, equipment

Depreciation
Allowance for the wearing out of a non-current asset over time
Treated a cost or fixed assets wearing out

Intangible assets
Assets that have actually been bought and can be included in the balance sheet

Current assets
Assets owned by the business, which circulate on a daily basis and can be turned into cash within a year
e.g. inventories, receivable (debtor) and cash

Inventories; least liquid, valued at the cost they were bought, stock obsolescence
Trade receivables; trade debtors, amounts owed by customers on credit
Late payment is a common problem and provision should be made debtors
Cash and cash equivalents; most liquid, BS shows cash held at period-end and window dressing manipulation may occur

Current liabilities
Short term debts scheduled for repayment within a year

Trade payables; amounts owed to suppliers, important to take available supplier credit, worth comparing level of trade payables with trade receivables
Short term borrowings; bank overdraft, proportion of loans and other borrowings, remaining amounts owed are shown in non-current liabilities
Current tax liabilities; amounts owed in tax IR&CE
Corporation tax, estimate of tax owed on profit for the period
Income tax and VAT, balance owed at end of month or quarter

Provision
Where business make allowance for future costs and liabilities, based on the accounting concept of 'prudence
e.g. potential cost of legal or customer disputes
cost of reorganisation to which business is committed

- Relocating production or service abroad
- Skills surplus, leaving skilled workers with same skills unemployed and perhaps even lowering the salary

Shortages and surpluses of skills can be caused by having too many or little workers in the country.
No. of people who've **left** the UK **minus** people who've **come** into the UK
If there are lots of jobs available, it's better if immigration is higher than emigration, vice versa if jobs are scares

Political Environment

Government roles in economy

- Provide services, education, healthcare and defence
- Support businesses and individuals with tax credits and subsidies
- Legislate, make laws and regulation
- Consumer, buy its products and services
  Fiscal policies, monetary policy and supply-side policies to keep economy under control

Taxation and Economic activity
Tax levels depends on the **income elasticity** of goods or services as a tax rise hits luxury goods harder than staple goods

- **Income tax** paid by individuals, sold traders and partnerships
- **Corporation tax** on profits of limited companies, both are **direct taxes**
- **Business rate tax** based on the value of their premises; same rate all over country but since **property values** are higher in the South, they generally end up paying more and reduce their competitiveness
- **Indirect taxes on spending** e.g. VAT, pollution tax, tobacco tax, alcohol tax
- **Local taxes e.g. congestion charges** (aim to reduce traffic) affecting local competitiveness
- **High taxes;** discourage spending and expanding as increase income tax reduces spending power, cuts demand and lowers economic activity
- **Lower tax or subsidies(financial assistance);** encourages expansion

Fiscal policy

Sets a balance tax rates and amount of government spending
Tax changes affects the spending levels. Low rates of tax give more profit and encourage business activities and new start-ups.

- Easy to predict effects on direct taxation
  e.g. rising income tax reduces customer spending and raising taxes reduces economy
- Indirect taxation is harder to predict
  Short term causes inflation because higher tax increase cost of product and service
  Long term, a rise in VAT decreases consumer spending and prices have to fall to meet drop in demand causing deflation

Government spending on social services, health, education ect. To pump more money into the economy

- Changing expenditure on welfare benefits has quick impact on the economy as the poorer people will change spending habits immediately
- Expenditure on infrastructure, slower effect on the economy

- The European Parliament is involved in **making new laws**
    - European parliament directly elected, some democratic legitimacy to EU laws
    - Most decisions on new EU laws are made jointly by the Council of Ministers and European Parliament
- The European Central Bank **controls the euro**
    - ECB decides monetary policy in eurozone
    - Only Eurozone countries have a say in the running of the bank
- European Court of Justice interprets EU law
    - European Court of Justice makes sure EU law is applied in line with Treaty of Rome that says how EU must be run
    - Sorts out disputes between member states
    - Court decision take precedence over the laws of each member state

Social Environment

The **demographic change** of the UK population has an **impact on the workforce**.
Currently the UK has an **aging population**, meaning the number of people available to work is falling, affecting **business' efficiency**. However it also creates **opportunitie**s for some firms, such as, healthcare providers and holiday companies
Consumer taste can also change over time, e.g. rise of cookery programmes, influenced supermarkets to stock far more exotic ingredients or the switch from CD to MP3 downloads

Changes in Employment Patterns
Work-life balance concept becoming more important; workers given more choice over where, when and how they work

1. Flexible working; choice of when and how many hours they want to work. Popular mums who have to fit working hours with childcare, good for reducing absenteeism and increase potential employees but can increase administration costs
2. Homeworking; new technology becoming more common, reduces labour turnover and absenteeism but can be hard to monitor employee's performance. Morale can be drip by not being in a social working environment

Business Ethics

- **Consumer concerns** lead to firms to consider their **ethical behaviour** but will have mixed opinions. Unethical **child labour** but differs in unethical trade of cigarettes despite the cancerous risks
- **Manufacturing issues**; the balance between **capital and labour**, increased use of automation tends to increase **redundancies numbers**
- Ethical behaviour can **affect profit**; paying higher ethical supplies **increases costs** and could lower profit margins but can attract customers approving the approach, becoming a **unique selling point** to premium pricing and good PR
- **Growth** objectives affect ethical behaviours; speed of growth of fair trade clothes likely to have **longer lead times** than non-fair trade company. The **delay in stocking** new trends might stop it expanding rapidly
- **Accommodating their employees**' spiritual needs, providing separate kitchen facilities for employees with religious dietary needs or a quiet place to pray
- **Sweatshops** are a big ethical issue currently; **overseas factory** force to work **long hours** in poor and **unsafe conditions** for **low pay**. E.g. Marks and Spencer, voluntarily promised not to buy from sweatshops but other companies either still use them or have only stopped following pressure/ **boycotting from customers**. Another is that businesses aren't very good at checking up on behaviour of their suppliers

- Gather information about their customers; loyalty cards or online accounts to ensure effective targeted promotion to increase sales through mailing lists for direct marketing campaigns
- Loyalty cards and social networking website helps businesses understand the target audience more
- New technological products can also increase their product life cycle

Technology and Business culture

- **Communications technology** have a big impact on employee's motivation levels, speed and ease of communication
- **Flexi-working**; remote access means employees can now access their work computer form their home
- **Business software**; can monitor exactly what employees are doing on their computers, affecting productivity and trust between employee and employer
- **Automated production process**; loss of creativity and problem solving. Quality assurance can help with this
- **Technological developments** encourages innovation and firm may pursue a diversification strategy and encourage risk taking

Disadvantages of New Technology

- Advance computer system **does not guarantee the success** in the market place
- **Difficult to integrate** new technology with existing machines; may even be less efficient and takes time to coordinate multiple system
- **Retraining of workers**; expensive and has opportunity costs
- **Less reliant on workers**; leading to redundancies and loss of motivation in organisation
- Level of customer service provided, automated telephone switchboards and answering machines are cheaper but will **lose personal contact** with consumers

Internal causes of change

- Growth causes big changes to businesses; relocating to bigger premises
- New leaders or owners; small changers like flexible working hours or bigger changes like redundancy
- Bad performances; manages likely to make changes to improve business performances e.g. fall of sales or mangers might change the customer services policy to retrain staff

Organic Growth

When business grows naturally (internal growth)

- Business size usually measured by revenue or number of employees
- If a business is successful, it will grow naturally as demand for company's products grows
- Organic growth; able to finance growth by reinvesting profits into the business. External finance, easier to get hold of if they can demonstrate the viability of the plan
- Slower and gradual than external growth (mergers and takeovers), easier to adapt to growth

Growth Problems

- Ltd to Plc, the original owners won't find it easy to maintain control as there is a wider range of shareholders
- Plc it's more open to being taken over, anyone with enough money could buy enough shares to take a controlling interest

- Retrain employees to feel comfortable about new role
- Involve employees in making decision; make employees in control and less fearful

Effective leaders can meet the needs of the workforce and the demands of the business. Good leadership is really important for a successful business

- Listening to the workforce, happier and productive employees leads to increased profits
- Employees trust their leader; feel secure and loyal to company by working hard and adapting to change, low staff turnover is good for morale
- Look for future, see potential for expansion, consider options and take sensible risks for the good of organisation. Not complacent, take every opportunity to help business grow
- Think 'outside the box', finding creative solutions to problems and inventive new ways to expand the business, allowing firm to stay ahead of competitors

Organisational culture

The way business does things and the way that people in the business expect things to be done; shaping expectations and attitudes

- Affects staff behaviours
- Reinforces company rules and managerial attitudes and recruitment policies
- identified by looking at its heroes, stories told repeatedly with the company's values

Strong culture

Employees believe in corporate values of the company

- employees need less supervision, behaviour will naturally fit with company values
- staff are more loyal to business, low staff turnover
- increases motivation and productive work

Weak culture

Employees don't share company values and have to be forced to comply with them

Charles Handy's four types of organisational culture

1. **Power culture**; decision making authority is limited to small number of people
   Business objectives reflect person up top
2. **Role culture**; bureaucratic where authority is defined by job title
   Avoid risk for fear of failure and develops cautious aims and objectives
   Lose out in new or expanding markets as they fail to exploit opportunities
3. **Person culture**; loose organisations of individual workers, professional partnerships
   Objectives defined by personal ambitions of the individuals involved, ensuring they all have a common goal
4. **Task culture**; emphasis on task, small teams together to work on a project but there may be conflict between teams and have many projects
   Supports objectives based on products
   Respond well to management objectives, specific targets for each department and each individual employee

Manager's reason for change

- New manager; wants to change to a previous and similar environment, for familiarity
- Change of culture to be more competitive; power culture slowed to save money and increase efficiency, into entrepreneurial culture

Changing period

- Workforce's resistance to change