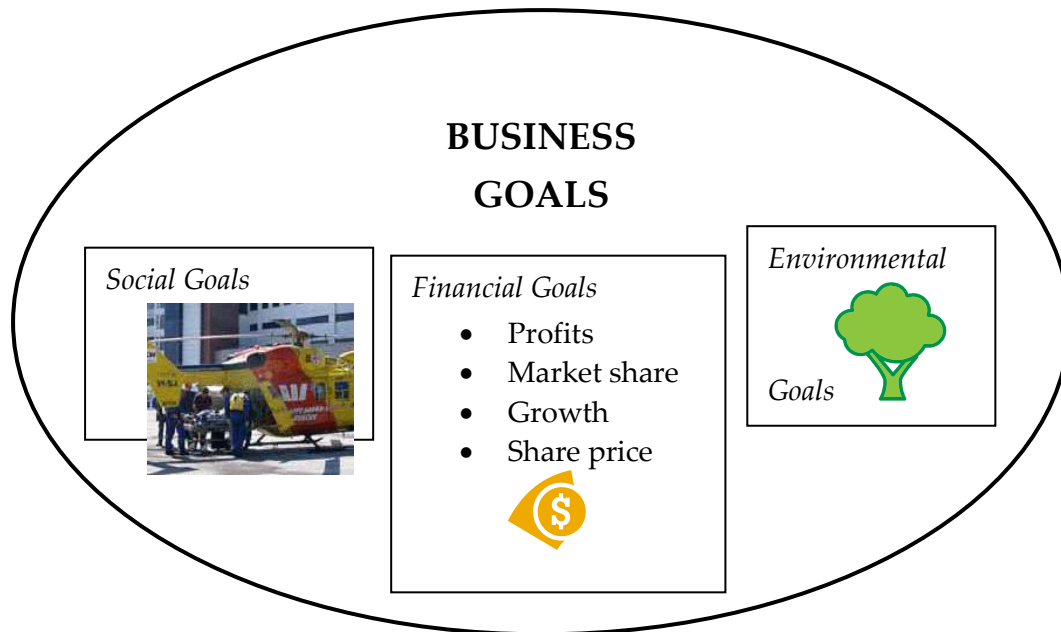


Business goals

[Notes and exercise adapted from Sykes (2000) and Hickey et al (2005) and Rybolt Educational Resources]



Goals are the future targets businesses wish to achieve. One of the major roles of management is to develop goals that are suitable to their business. Goals should have both quantitative and temporal aspects, that is, they should be able to be recognized in terms of 'how many' or 'how much' and have a time perspective attached. Goals may be long term and general in direction or short term and much more specific.

Financial goals relate to the financial performance of the business such as profitability, return on investment (ROI) and growth.

Profit is the difference between the cost of the business and the income of the business. It is the reward for taking risk. Maximising **profit** is often the main aim of a business.

Profitability is often measured by the return on investment (ROI). It is the percentage return from a particular project or for the business as a whole. It is also the level of profit an investor receives based on the amount that the investor has invested.

For example:

1. Don invested \$200,000 in a café and received a net profit of \$50,000 in his first year.
 $\$50000/\$200000 = 25\%$.
2. Cheryl invested \$100,000 in a clothing store and earned a net profit of \$50,000.
 $\$50000/\$100000 = 50\%$.

They received the same amount of profit but Cheryl used less money to do so. Her ROI was higher.

Another financial goal is **growth**. Growth can involve selling more products, employing more people, installing more equipment and/or increasing market share.

Market share is the percentage of sales a business has compared with its competitors in a particular market.

When the business is a company it may be looking to improving the **share price**. The share price reflects the perceived value of a firm. Owners/investors like to be able to sell shares at a much higher price than what they originally paid for them in the first place to maximise their gain.

Social goals are concerned with benefiting the community. They can include sponsorship of sporting and cultural events, funding various services (eg Westpac's Care Flight helicopter) and being environmentally responsible.

Personal goals relate to the personal expectations the owner intends to gain from operating the business. Esteem, status and power are some goals owners want to achieve personally.

List examples of the three types of goals in this table:

Financial	Social	Personal
•	•	•
•	•	•
•	•	•