

# 1.3 Business Objectives

## Continuation notes: cash flow, public sector objectives, CSR, and strategic vs tactical objectives

These pages turn the textbook material into revision notes you can scan quickly before class tests or structured essay questions. The focus is on clear definitions, worked chains of analysis, and evaluation points you can actually use in an exam.

Cash flow and liquidity

Public sector aims

CSR and ethics

Triple bottom line

Circular business models

Strategic vs tactical

### What you should be able to do

- Explain why cash flow matters and why long cash cycles create risk even for growing firms.
- Distinguish between public sector and private sector objectives using clear examples.
- Analyse why businesses adopt CSR and evaluate the trade-off between ethics and short-run profit.
- Apply the triple bottom line and circular business models to real business situations.
- Separate long-term strategic objectives from short-term tactical actions with confidence.

### Fast revision map

- Cash flow  $\neq$  profit
- Public sector aims: service first, finance second
- CSR goes beyond legal compliance
- People + planet + profit
- Strategy = long term, tactics = short term

## Managing cash flow

Cash keeps the business moving. A firm can appear successful on paper and still fail if it cannot meet wages, rent, loan repayments, or supplier bills on time.

**Cash flow** is the movement of money into and out of a business over time. **Liquidity** means having enough cash to meet short-term obligations. The **cash cycle** is the gap between paying for inputs and receiving cash from customers.

$$\text{Net cash flow} = \text{cash inflows} - \text{cash outflows}$$

### Why long cash cycles are risky

- Cash is spent on materials, labour, rent, or marketing before sales revenue arrives.
- The longer the gap, the greater the pressure on day-to-day liquidity.
- Firms may struggle to pay routine costs even if demand is strong.
- Industries with high up-front spending often feel this most sharply.

**Examples from the notes:** car manufacturing and event planning both involve major up-front costs before final payment is received.

### How businesses manage short-term cash pressure

- Prepare cash-flow forecasts so managers can predict shortages early.
- Encourage earlier customer payment, for example by offering a discount for advance payment.
- Use short-term finance such as an overdraft or commercial loan.
- Monitor receivables and payables carefully so timing does not spiral out of control.

**Exam move:** always explain the trade-off. An early-payment discount improves liquidity now, but it cuts the revenue earned on each sale.

### ANALYSIS CHAIN

#### How a long cash cycle can create a crisis

1

#### Spend early

Firm buys inputs and pays staff before any cash is received.

2

#### Wait for sales

Production or event preparation takes time.

3

#### Wait again

Customers or intermediaries may pay later.

4

#### Liquidity squeeze

Routine bills still fall due during the delay.

5

#### Action needed

Managers cut costs, borrow, or speed up cash collection.

#### Key idea

Cash flow is about timing, not just total money earned.

#### Exam distinction

A profitable firm can still run out of cash.

#### Useful support

Forecasts, discounts, and short-term finance.

#### Likely evaluation

Liquidity improves, but interest or lost revenue may rise.

**Watch out:** do not write “the firm is making profit, so cash flow is fine.” Profit is an income-statement measure; cash flow focuses on whether cash arrives in time.

## Business objectives in the public sector

Public sector organisations are owned or controlled by government. Their central purpose is usually service provision and social welfare, not profit maximisation.

**Core idea:** public sector organisations exist to provide essential goods and services, including in areas where private firms might not operate because returns are too low or costs are too high.

### 1) Universal access to essential services

- Services should be available to citizens regardless of income or location.
- Examples in the notes include public transport, healthcare, electricity, water, and education support.
- This objective matters especially for rural, isolated, or low-income communities.

### 2) Provide what may be unprofitable privately

- Some routes, regions, or services are too expensive for private businesses to supply at a commercial price.
- Government providers may still operate them because the social benefit is high.
- This is why “loss-making” does not automatically mean “useless” in the public sector.

### 3) Support development of weaker regions

- Investment in roads, utilities, transport, healthcare, and education can raise living standards.
- Regional support may attract further private investment later.
- In an exam, this becomes a chain: better infrastructure → more business activity → higher employment and incomes.

### 4) Financial efficiency still matters

- Public sector organisations do not normally aim to maximise profit.
- They still need cost control so they do not rely excessively on taxpayer support.
- Some aim to break even or generate a surplus that can be reinvested into service improvement.

### 5) Ethical and environmental objectives

- Because these organisations serve society directly, ethical behaviour is central.
- This can include fair wages, safe working practices, green energy choices, and lower emissions.
- These choices may raise short-run costs but support long-run social welfare.

### Why evaluation matters

- Public organisations can be criticised for inefficiency, bureaucracy, or weak financial discipline.
- However, pure profit logic may underprovide essential services.
- Strong answers weigh financial cost against social value, not just one side.

**Exam move:** link public spending to wider benefits such as improved mobility, lower inequality, better health, or regional growth.

# Public sector vs private sector objectives

The sectors may both care about efficiency, but they are judged differently because their ownership, funding, and core purpose are different.

Feature	Public sector focus	Private sector focus
<b>Ownership</b>	Government, public authorities, or the state.	Individuals, families, partners, or shareholders.
<b>Main objective</b>	Service provision, social welfare, and fair access.	Profit, survival, growth, and shareholder return.
<b>Geographic coverage</b>	May operate in remote or low-income areas despite weak revenue.	Usually chooses markets where demand and profit potential are strongest.
<b>Financial aim</b>	Cover costs efficiently; sometimes break even or generate a surplus.	Generate profit and often increase business value over time.
<b>Success indicators</b>	Access, reliability, quality, affordability, development impact, and cost control.	Revenue, market share, productivity, profit, cash flow, and share price.
<b>Big tension</b>	How to serve everyone without wasting public funds.	How to grow returns without harming long-run reputation or ethics.

**EVALUATION CHAIN**

**Why public sector “inefficiency” can be overstated**

- Serving remote or low-income regions is expensive.
- That can make financial performance look weak.
- But wider benefits may include employment, access to healthcare, and regional development.
- Therefore, judging public services only by profit is too narrow.

**EVALUATION CHAIN**

**Why finance still cannot be ignored**

- If costs rise continuously, service quality may fall or taxpayers must cover the gap.
- Poor financial control can reduce trust and crowd out future investment.
- So effective public management balances access with efficiency and accountability.

Best phrase for a balanced paragraph: *“Although the public sector may accept lower financial returns, this can be justified when the social benefits of universal access are significant.”*

# Corporate social responsibility (CSR)

CSR means that a business considers its social and environmental impact, not just its legal duties and financial results.

**CSR** is the idea that businesses should operate in ways that positively affect employees, customers, communities, and the environment. It goes **beyond legal compliance**.

## Beyond the law

- Following the law is the minimum requirement.
- CSR includes broader choices such as fair sourcing, lower waste, better labour standards, and community engagement.
- It is about moral responsibility, not just avoiding penalties.

## Why businesses adopt CSR

- Build brand trust and customer loyalty.
- Improve employee motivation and recruitment appeal.
- Reduce reputational risk and strengthen stakeholder relationships.
- Respond to changing consumer expectations and investor pressure.

## Ethical objectives in practice

- Reduce environmental damage.
- Pay fair wages and ensure safe conditions.
- Treat suppliers honestly and source materials responsibly.
- Design products that last longer or are easier to repair and recycle.

## Trade-offs and limitations

- Sustainable materials or ethical sourcing may increase short-run costs.
- Managers may face lower short-term profits if they choose responsibility over the cheapest option.
- However, stronger reputation can support long-run demand and loyalty.

**Exam move:** evaluate by timescale. Short-run margin may fall; long-run customer trust and brand strength may rise.

### CASE SNAPSHOT

#### Lush

Handmade products, recyclable packaging, and opposition to animal testing show CSR built into the brand identity.

### CASE SNAPSHOT

#### Fairphone

Uses conflict-free materials, promotes fair labour, and designs phones to be repairable and longer-lasting.

### CASE SNAPSHOT

#### Patagonia

Higher costs from greener materials can reduce short-term profit, but strengthen long-term reputation.

**Watch out:** CSR is not just philanthropy or advertising. In exam answers, show how it affects sourcing, operations, labour standards, product design, or waste reduction.

## Triple bottom line and circular business models

The strongest CSR answers show that responsible business is not one isolated policy. It is a whole way of measuring success and designing operations.

### TRIPLE BOTTOM LINE

#### People

- Fair wages and safe working conditions
- Respect for suppliers and communities
- Inclusive employment and staff wellbeing

### TRIPLE BOTTOM LINE

#### Planet

- Lower emissions, less waste, cleaner materials
- Recycling, reuse, and renewable energy
- Reduced environmental footprint across the supply chain

### TRIPLE BOTTOM LINE

#### Profit

- Stay financially viable and competitive
- Generate returns to reinvest and grow
- Use resources efficiently so responsible choices are sustainable

**Circular business model:** a model based on reducing waste and keeping products and materials in use for longer through repair, reuse, redesign, and recycling.

### How circular models work

- Design products for durability and repair.
- Recover materials instead of treating them as waste.
- Encourage second-hand markets, take-back schemes, or refurbishment.
- Reduce the need for new raw materials and lower disposal costs.

### Why businesses still need care

- Circular systems can require redesign, training, reverse logistics, and new infrastructure.
- Benefits may take time to appear.
- There is also a risk of “greenwashing” if marketing claims are stronger than the real operational changes.

Illustrative example from the notes	Responsible action	Likely business effect
<b>Starbucks</b>	Ethical sourcing and reusable cup / waste-reduction initiatives.	Improves reputation, but may raise operating costs.
<b>Interface</b>	Sustainable manufacturing plus fair treatment of workers and communities.	Supports triple-bottom-line positioning and brand differentiation.
<b>Nike / Levi's</b>	Recycling, reuse, and second-hand or take-back systems.	Extends product life and appeals to sustainability-conscious consumers.

Good evaluation sentence: “CSR is strongest when responsible actions are embedded in the business model rather than treated as a marketing add-on.”

## Strategic vs tactical objectives

Strategic objectives set the long-term direction. Tactical objectives are the shorter-term actions used to put that direction into practice.

**Strategic objective:** a broad, long-term objective that shapes the future direction of the business.

**Tactical objective:** a short-term, specific action or target that helps implement the wider strategy.

Feature	Strategic objective	Tactical objective
<b>Time horizon</b>	Long term; often several years.	Shorter term; weeks, months, or one year.
<b>Scope</b>	Whole business or major division.	Department, team, or project level.
<b>Risk and resources</b>	Usually involves major investment and uncertainty.	More operational and focused on execution.
<b>Typical wording</b>	Enter a new market, become market leader, build digital capability.	Open stores, launch campaign, hire staff, add app features.
<b>Role</b>	Sets direction.	Turns direction into action.

### WORKED EXAMPLE

#### From strategy to tactics

1

##### Strategic aim

Increase customer base by 40% over five years.

2

##### Chosen strategy

Expand into new geographical areas.

3

##### Tactical objective

Open 15 stores in a target region within year one.

4

##### Further tactics

Recruit staff, run local promotion, and monitor early sales.

#### Why tactical objectives matter

- They make the strategy measurable and manageable.
- They assign responsibility and deadlines.
- They allow managers to review progress before too much money is committed.

#### Common confusion to avoid

- **Objective** = what the business wants to achieve.
- **Strategy** = the broad plan for achieving it.
- **Tactic** = short-term, detailed action.

## How objectives evolve and why ethics matters

Objectives are not fixed forever. Businesses revise them when leadership changes, markets shift, or new ethical expectations emerge.

### Internal reasons objectives change

- New leadership may bring a different vision or risk appetite.
- Changes in finance, staff skills, or technology can open new possibilities.
- A start-up may move from survival to growth once it becomes established.

### External reasons objectives change

- Economic downturns can shift attention from growth to survival.
- New competitors may force changes in pricing or differentiation.
- Consumers may demand greener products, better data protection, or ethical sourcing.

### When aggressive objectives create ethical risk

- Very high sales or output targets may tempt employees to mislead customers or cut corners.
- That can lead to mis-selling, unsafe behaviour, false claims, or poor treatment of workers.
- Short-run gains may be outweighed by fines, reputational damage, or lost trust.

### How firms reduce this risk

- Use clear codes of ethics and train staff properly.
- Set realistic targets and provide resources to achieve them responsibly.
- Reward behaviour as well as results, not just sales volume or output alone.

### CASE APPLICATION

#### Using Starbucks as an illustration

In these notes, Starbucks is presented as a business combining growth with CSR. A strategic objective might be global expansion while maintaining ethical sourcing and sustainability standards.

Tactical objectives could include opening a set number of stores, auditing suppliers, and expanding reusable packaging programmes.

### EVALUATION LINE

#### Balanced judgement

A business should not treat ethics as separate from performance. Ethical objectives can raise costs in the short run, but they may also reduce risk, protect brand reputation, and support sustainable growth.

Nice conclusion line for essays: *“The best objectives are ambitious enough to move the business forward, but realistic and ethical enough to be achieved without damaging stakeholder trust.”*

# Practice questions, glossary, and final checklist

Use these prompts to turn the notes into exam answers: define, apply, and then evaluate.

## 1. Explain why cash flow management matters more than profit for some short-term decisions.

- Define cash flow and liquidity.
- Use a long cash-cycle example and one management method.

### Cash flow

The inflow and outflow of cash over a period.

### Cash cycle

The time between paying for inputs and receiving cash from sales.

## 2. Analyse why a public sector organisation may continue to provide an unprofitable service.

- Link service provision to social welfare.
- Evaluate cost and efficiency.

### Liquidity

Ability to meet short-term financial obligations.

### CSR

Responsibility for social and environmental impact beyond legal requirements.

## 3. Discuss whether CSR improves business performance.

- Short run: higher costs and possible lower margins.
- Long run: stronger reputation and lower risk.

### Triple bottom line

Success judged by people, planet, and profit.

### Circular model

Repair, reuse, redesign, and recycle to reduce waste.

## 4. Distinguish between a strategic objective and a tactical objective using one business example.

- Show timescale difference.
- Show how tactics turn the strategy into measurable actions.

### Strategic objective

Long-term direction-setting objective.

### Tactical objective

Short-term action that supports a strategy.

## Final self-check

Can I separate cash flow from profit problems?

Can I explain why public sector objectives differ from private sector ones?

Can I define CSR, people, planet, and profit in an applied way?

Can I spot the difference between objective, strategy, and tactic?

Examples in these notes are included as revision illustrations from the source material. In essays, adapt them to the case study or business named in the question.