

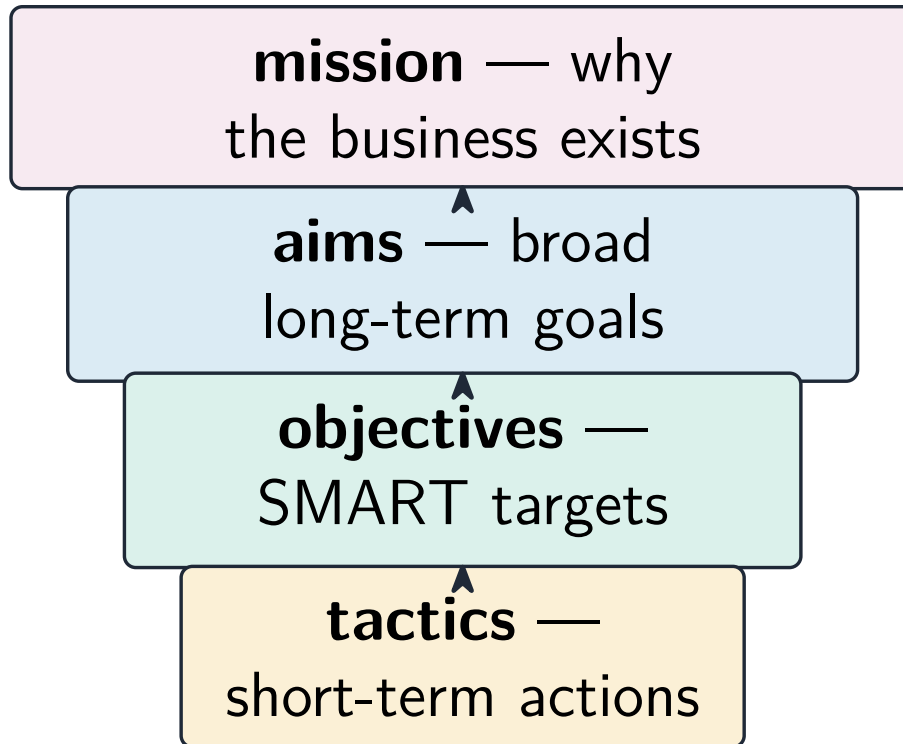
Exercise walk-through

1.5

Stakeholders in a business

A-Level Business

Aims, objectives and mission



Mission → **aims** →
objectives → tactics.

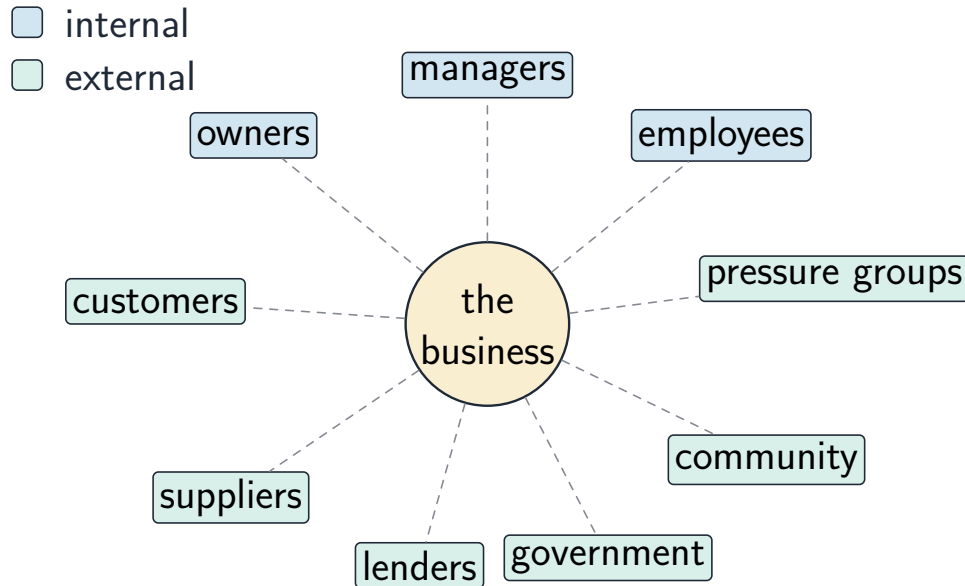
Good objectives are **SMART**:
Specific, Measurable, Achievable, Realistic, Time-bound.

Types: profit, growth, **survival**,
market share, **CSR**.

How conflict can be managed

- keep good communication with every group.
- **compromise** – give each group part of what it wants.
- **negotiation** – talk until the groups reach an agreement.
- decide which stakeholders matter most for each decision, and act on that.

Stakeholders



A **stakeholder** has an interest in the firm.

- **internal**: owners, managers, employees
- **external**: customers, suppliers, lenders, government, community

Their aims **conflict** ;
manage by communication & **compromise** .

Internal and external stakeholders

Internal stakeholders

Internal stakeholders

– inside the business, and paid by it.

: owners, managers and employees

External stakeholders

External stakeholders

government, local communities

: customers, suppliers, lenders,

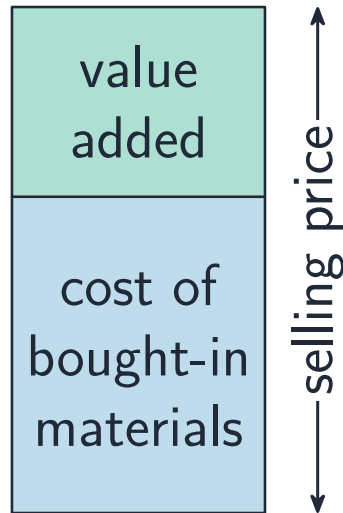
, and pressure groups

Where they conflict

Higher wages against higher dividends; lower prices against supplier margins; expansion against the neighbourhood.

Name the stakeholder *and* the interest. “Stakeholders will be affected” scores nothing; “suppliers face longer payment terms” scores.

Adding value, continued



$$\begin{aligned} \text{value added} \\ &= \text{selling price} \\ &\quad - \text{materials cost} \end{aligned}$$

Value added is the selling price minus the cost of bought-in materials

Exercises 2.1-2.3

2.1 Define the term *stakeholder*.

[2]

2.2 State two **internal** stakeholders of a business.

[2]

2.3 State one objective of a **supplier** and one objective of the **local community**. [2]

Exercises 2.1-2.3

2.1 Define the term *stakeholder*.

[2]

2.1

- any person or group with an interest in a business and how well it performs (2 for a clear definition; 1 for a partial idea)

2.2 State two **internal** stakeholders of a business.

[2]

2.2

- any two of: owners/shareholders; managers; employees (1 + 1)

2.3 State one objective of a **supplier** and one objective of the **local community**.

[2]

2.3

- supplier – regular orders and to be paid on time; local community – jobs with little pollution or noise (1 + 1)

Exercises 3.1·3.2

3.1 Explain one reason why the objectives of two stakeholder groups might conflict. [3]

3.2 A factory plans to introduce night-shift working to raise output. Analyse the impact of this decision on **two** stakeholder groups. [8]

Exercises 3.1-3.2

3.1 Explain one reason why the objectives of two stakeholder groups might conflict. [3]

3.1

- [3] **AO1** 1 – identify two groups whose aims clash. **AO2** up to 2 – develop the conflict, e.g. owners want a higher profit margin so they push for lower wages, but employees want higher pay, so the two aims cannot both be met fully (2 developed / 1 limited)

3.2 A factory plans to introduce night-shift working to raise output. Analyse the impact of this decision on **two** stakeholder groups. [8]

3.2

- [8] For **each** of two stakeholder groups: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains – *employees*: night shifts
- unsocial hours and tiredness
- lower morale, but possible shift premium pay. *Owners*: higher output
- more sales and profit, but higher wage and energy costs. Maximum 4 per group, 8 total

Exercise 3.3

3.3 A business is deciding whether to close a loss-making factory and move production abroad. Evaluate this decision from the viewpoint of its stakeholders. [12]

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3.3

- [12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Gains:** owners cut losses and lower costs abroad; customers may keep lower prices. **Losses:** local employees lose jobs; the community loses income; suppliers lose orders; reputation may fall. **Judgement:** the decision can be right for the owners' survival, but the social cost is high – so it depends on the size of the loss, the alternatives, and how the firm manages the closure (e.g. retraining, notice)