Exercise walk-through

Stakeholders in a business ▪ 1.5

eXercise

You must be able to

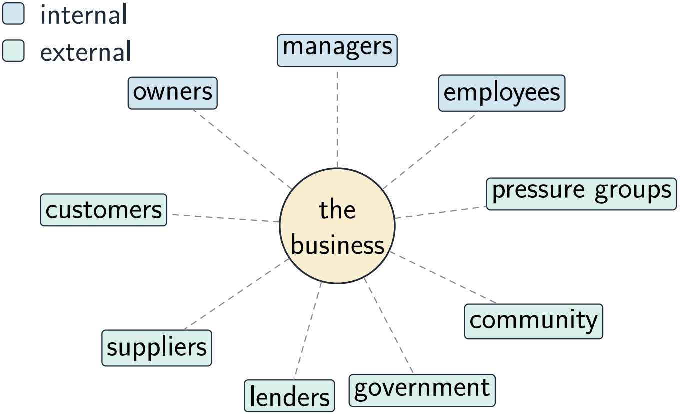
- name internal and external stakeholders and their main objectives
- explain why stakeholder objectives conflict
- analyse and evaluate a decision from different stakeholders' points of view

Method — Who the stakeholders are

- **Internal:** owners (profit), managers (growth, bonuses), employees (pay, security).
- **External:** customers (quality, fair price), suppliers (paid on time), lenders (repayment), government (tax, law), community (jobs, low pollution).
- **Conflict:** owners want higher profit, but employees want higher pay — and higher pay lowers profit.

Answer shapes: an **Evaluate [12]** answer on a decision should view it from **more than one stakeholder**, weigh the gains and losses, then judge *in context*.

Method — Who the stakeholders are



Internal and external stakeholders all have an interest in the business

Practice 2.1 ▪ 2 marks

Define the term *stakeholder*.

Solution 2.1

Worked steps

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).

Practice 2.2 ▪ 2 marks

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

Solution 2.2

Method: Who the stakeholders are

Worked steps

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

Practice 2.3 ▪ 2 marks

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

Solution 2.3

Worked steps

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

Exam-style 3.1 ▪ 3 marks

Explain one reason why the objectives of two stakeholder groups might conflict.

Solution 3.1

Method: Who the stakeholders are

Worked steps

[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).

Exam-style 3.2 ▪ 8 marks

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

Solution 3.2

Method: Who the stakeholders are

Worked steps

[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.

Exam-style 3.3 ▪ 12 marks

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

Solution 3.3

Method: Who the stakeholders are

Worked steps

[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).