

Exercise walk-through

1.5

Business objectives and stakeholder objectives

IGCSE Business Studies

Entrepreneurs and ownership

the entrepreneur

takes **risk** , is **innova-**
tive ; writes a **business**
plan to raise finance

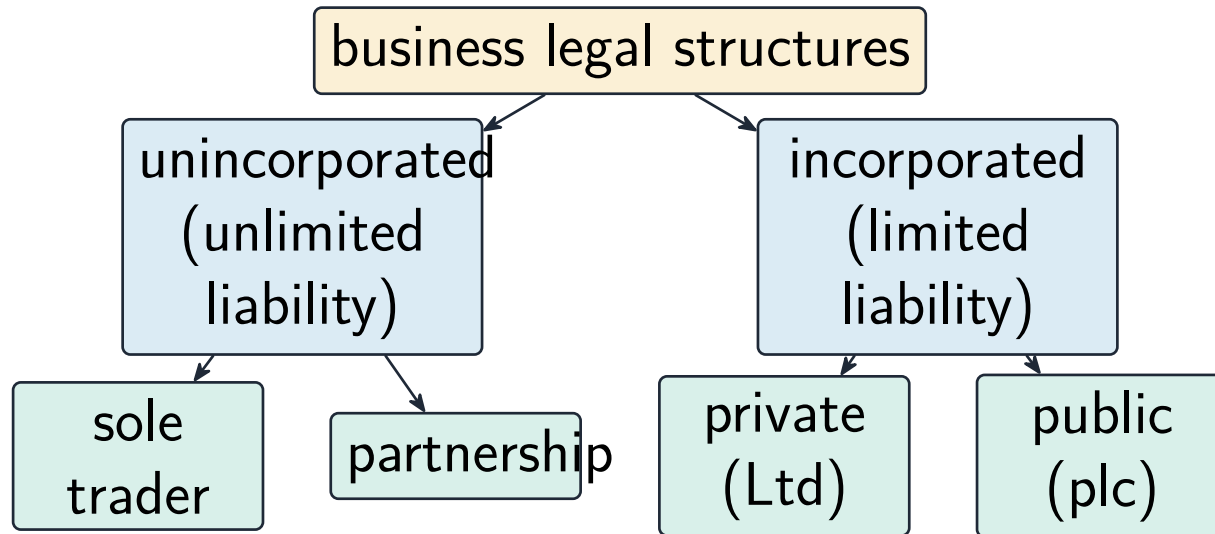
two sectors

private aims
for **profit** ; **pub-**
lic provides services

Business organisation

Owners split by **liability** :

- **sole trader** & **partnership** – **unlimited** liability
- **limited company** – **limited** liability



Government support for start-ups

A **start-up** is a brand-new business.

- **grants** – money given that does not have to be paid back,
- low-interest **loans** – money lent on easy terms,
- training and advice for new owners,
- lower taxes in the first years.

Franchises, and the public sector

franchise

the **franchisee** pays to use the name, products and methods of an existing successful business (the **franchisor**)

why take one

a known brand and a proven method – so the risk of failure is far lower

the cost

a fee plus a share of the revenue, and **little freedom** to change anything

public corporation

owned and run by the government – a national rail or postal service

its aims

a **service to everyone** rather than the largest profit – which is why it may run routes no private firm would

A public corporation is judged on different objectives from a private firm. Comparing them on profit alone misses the point of the question.

Staying small or growing

Some businesses stay small on purpose: the owner wants to keep control, the market is small, or the product is specialised.

- **Internal growth** (also called organic growth): the business grows by itself, by selling more, opening new branches, or adding new products. It is slower but lower-risk.
- **External growth** : the business joins with another business. This is faster.

Exercises 2.1-2.2

2.1 Define the term *stakeholder*.

[2]

2.2 Identify two objectives a business might have.

[2]

Exercises 2.1-2.2

2.1 Define the term *stakeholder*.

[2]

2.1

- a **stakeholder** is any person or group **affected by** a business or with an **interest** in it (K)
-

2.2 Identify two objectives a business might have.

[2]

2.2

- any **two** of: survival / profit / growth / market share / customer service / social objectives (K, K)

Exercises 2.3-3.1

2.3 State one objective of (a) employees and (b) the local community. [2]

3.1 Identify two stakeholders of a business. [2]

Exercises 2.3-3.1

2.3 State one objective of (a) employees and (b) the local community. [2]

2.3

(a)

- employees: **fair pay** / safe work / secure jobs (K)

(b)

- community: **jobs** / no pollution or noise (K)

3.1 Identify two stakeholders of a business. [2]

3.1

- any **two** of: owners / employees / customers / suppliers / government / community / banks (K, K)

Exercises 3.2-3.3

3.2 Explain two reasons why the objectives of different stakeholders might conflict. [6]

3.3 A business plans to replace some workers with machines to cut costs. Do you think this is a good decision? Justify your answer, using the views of its stakeholders. [6]

Exercises 3.2-3.3

3.2 Explain two reasons why the objectives of different stakeholders might conflict. [6]

3.2

- for **each** of two reasons: K + An, max 3 each
- e.g. **owners vs employees**: owners want lower wages for profit; employees want higher pay
- e.g. **owners vs community**: cutting costs may raise pollution

3.3 A business plans to replace some workers with machines to cut costs. Do you think this is a good decision? Justify your answer, using the views of its stakeholders. [6]

3.3

- **for**: machines cut costs → owners gain profit, customers may get lower prices
- **against**: workers lose jobs; high set-up cost
- **judgement (Ev)**: helps owners and customers, harms employees and the community
 - it depends on the saving and how workers are treated