Exercise walk-through

Business objectives and stakeholder objectives ▪ 1.5

eXercise

You must be able to

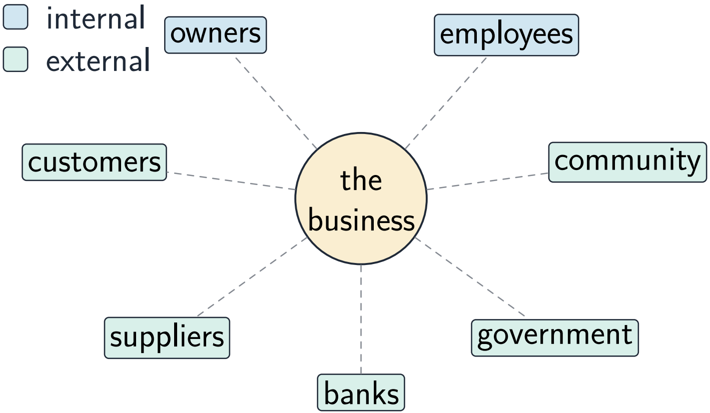
- state common business objectives
- identify a business's stakeholders and what each wants
- explain why stakeholder objectives conflict

Method — Stakeholders and conflict

- **Objectives:** survival, profit, growth, **market share 市场份额**, customer service, social objectives.
- **Stakeholders 利益相关者**: owners (profit), employees (pay, security), customers (quality, low price), suppliers (paid on time), government (tax, law), community (jobs, no pollution).
- **Conflict 冲突**: owners want higher profit, but employees want higher pay — and higher pay lowers profit.

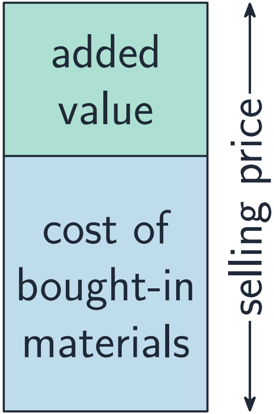
Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

Method — Stakeholders and conflict



Internal and external stakeholders all have an interest in the business

Method — Stakeholders and conflict



added value
= selling price
− materials cost

Added value is the selling price minus the cost of bought-in materials

Practice 2.1 ▪ 2 marks

Define the term *stakeholder*.

Solution 2.1

Worked steps

any person or group that is affected by a business or has an interest in it (2 for a clear definition; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

Identify two objectives a business might have.

Solution 2.2

Method: Stakeholders and conflict

Worked steps

any two of: survival; profit; growth; market share; customer service; social objectives $(1 + 1)$.

Practice 2.3 ▪ 2 marks

State one objective of (a) employees and (b) the local community.

Solution 2.3

Method: Stakeholders and conflict

Worked steps

(a) employees: fair pay / safe work / secure jobs; (b) community: jobs / no pollution or noise $(1 + 1)$.

Exam-style 3.1 ▪ 2 marks

Identify two stakeholders of a business.

Solution 3.1

Method: Stakeholders and conflict

Worked steps

any two of: owners/shareholders; employees; customers; suppliers; government; local community; banks $(1 + 1)$.

Exam-style 3.2 ▪ 6 marks

Explain two reasons why the objectives of different stakeholders might conflict.

Solution 3.2

Method: Stakeholders and conflict

Worked steps

[6] For **each** of two reasons: K 1 + An up to 2 — e.g. *owners vs employees*: owners want higher profit so push for lower wages, but employees want higher pay $\rightarrow$ the two aims cannot both be met. *Owners vs community*: cutting costs may raise pollution, which the community opposes. Maximum 3 each.

Exam-style 3.3 ▪ 6 marks

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.

Solution 3.3

Method: Stakeholders and conflict

Worked steps

[6] Both sides + judgement using stakeholders. **For:** machines cut costs and raise output → owners gain higher profit, customers may get lower prices. **Against:** workers lose jobs (employees and community suffer), and there is a high set-up cost. **Judgement (Ev):** the decision helps owners and customers but harms employees and the community — whether it is "good" depends on the size of the cost saving and how the firm treats the workers who lose jobs.