

Exercise walk-through

1.1

Organisations and stakeholders

University Business

1

The method

Method — Why do organisations exist?

Markets can coordinate almost anything by contracts – so why does anyone hire staff instead of contracting every loaf, every shift, every task? Because searching for, negotiating and checking each transaction costs time and money. An **organisation** internalises the repeated parts: people who already know the recipes, the suppliers and each other.

The boundary is a judgement, not an ideology: Nimbus bakes bread itself (its core, repeated, know-how) but buys flour from a mill and its year-end accounts from an accountant – those are cheaper to contract than to own.

Method — Stakeholders: interests differ from power

Stakeholders are the people and groups who affect, or are affected by, the organisation. The honest map records both columns – what each wants, and what they can actually do about it:

Stakeholder	Main interest	Power over Nimbus
Owner-founder	profit, reputation, growth	decides
Customers	quality, price, convenience	choose competitors
Staff	fair pay, stable hours	can leave
Landlord, suppliers	paid on time	can withhold

Exercise 2.1

2.1 For Nimbus, classify each of these as a stakeholder or not, with the main interest of each: (a) the flour mill; (b) a tourist who once bought a loaf; (c) the local food-safety inspector. [3]

Exercise 2.1

2.1 For Nimbus, classify each of these as a stakeholder or not, with the main interest of each: (a) the flour mill; (b) a tourist who once bought a loaf; (c) the local food-safety inspector. [3]

2.1

- (a) Stakeholder – the mill: paid on time, wants a reliable relationship.
- (b) Borderline: not a stakeholder in the running business – a single past purchase gives no ongoing affect/affected relationship.
- (c) Stakeholder – the inspector: food safety compliance; can restrict or close the operation.

Exercise 2.2

2.2 Place these on an influence/interest grid (high/low on each axis) for the Sunday-opening decision: the owner, the regular morning customers, the landlord, a neighbouring gift shop.

[4]

Exercise 2.2

2.2 Place these on an influence/interest grid (high/low on each axis) for the Sunday-opening decision: the owner, the regular morning customers, the landlord, a neighbouring gift shop. [4]

2.2

- Owner: high influence, high interest (it is their decision and their money).
- Regular morning customers: low influence, high interest (affected directly; power only through switching).
- Landlord: high influence (permitted-hours clause), low interest (paid regardless).
- Neighbouring gift shop: low influence, low interest (affected only via street footfall, if at all).

Exercise 2.3

2.3 State, with one reason each, whether each of these objections is a veto or a prediction:
(a) the lease forbids Sunday trading; (b) a staff member believes Sundays will not cover their wage cost. [3]

Exercise 2.3

2.3 State, with one reason each, whether each of these objections is a veto or a prediction:
(a) the lease forbids Sunday trading; (b) a staff member believes Sundays will not cover their wage cost. [3]

2.3

- (a) A veto – the lease’s terms legally constrain what Nimbus may do; the decision is not available without renegotiation.
- (b) A prediction – a claim about future costs and revenues, to be checked with arithmetic and evidence, not obeyed or ignored.
- The discipline: separate “can block” from “believes it will fail” before acting.

Exercise 3.1

3.1 Nimbus plans a delivery service using app-based riders. The parties: the owner; customers within 2 km; the riders (paid per delivery by the app, not by Nimbus); the app company (takes 25% of each order); the council, which licenses food delivery in the borough.

Draw (describe) a stakeholder map for this decision: name each party, their main interest, and their power over the decision. Then identify which single party's non-cooperation is closest to a veto, and justify an engagement order (who to secure first, second, third) with one sentence per choice.

[7]

Exercise 3.1

3.1 Nimbus plans a delivery service using app-based riders. The parties: the owner; customers within 2 km; the riders (paid per delivery by the app, not by Nimbus); the app company (takes 25% of each order); the council, which licenses food delivery in the borough.

Draw (describe) a stakeholder map for this decision: name each party, their main interest, and their power over the decision. Then identify which single party's non-cooperation is closest to a veto, and justify an engagement order (who to secure first, second, third) with one sentence per choice. [7]

3.1

- Map with interest and power per party: owner (profit/growth; decides); customers within 2 km (convenience; can decline to use the service); riders (per-delivery income, pickup speed; can decline shifts); app company (its 25% and volume; sets the platform's rules); council (licensing and enforcement; can prohibit).
- Closest to a veto: the council – without the licence the service cannot legally run; everyone else's non-cooperation raises cost or lowers demand, but does not remove the option.
- Engagement order: (1) council – confirm licence conditions first, since it gates everything; (2) the app company – its commission and terms set the economics before any customer sees the service; (3) riders and customers – design pickup times and pricing that answer their interests once the option actually exists.

Exercise 3.2

3.2 "Every firm should bake its own bread, mill its own flour and keep its own accountant – control beats contracts."

Assess this claim using the reasoning about why organisations exist. For each of the three activities, state whether contracting or in-house is the better default for a two-shop bakery, with one reason each. Conclude by naming the condition under which your answer for flour would flip. [6]

Exercise 3.2

3.2 "Every firm should bake its own bread, mill its own flour and keep its own accountant – control beats contracts."

Assess this claim using the reasoning about why organisations exist. For each of the three activities, state whether contracting or in-house is the better default for a two-shop bakery, with one reason each. Conclude by naming the condition under which your answer for flour would flip. [6]

3.2

- The claim misapplies the reason organisations exist: in-house is worth it when the activity is repeated, core to the know-how, and cheaper to coordinate internally than through contracts.
- Bread: in-house – the bakery's core skill, repeated daily, defines the product.
- Flour: contract – milling needs scale and capital far beyond two shops; the mill's contract is cheaper than owning the capability.
- Accountant: contract – year-end expertise used occasionally; contracting buys the skill without a salary.
- Conclusion stated against the reasoning: control is a cost, not a virtue in itself.
- Flip condition for flour: if Nimbus' demand grew large and stable enough that internal capacity (or a committed supplier contract) beat market buying on cost or quality – e.g. a chain of shops with daily guaranteed volume.