1.1 Organisations and stakeholders

Name: _____ Class: _____ Date: _____ **Total: 23 marks**

KEY WORDS organisation • stakeholders • veto • prediction

Objective

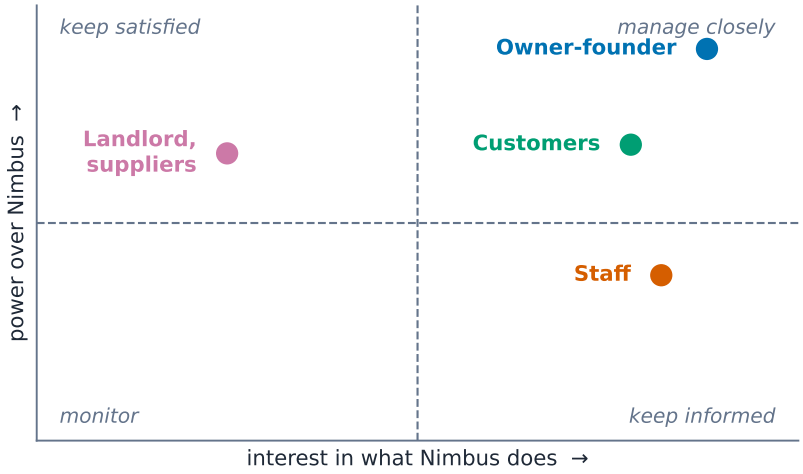
Explain why organisations exist at all, map a firm's stakeholders with their interests and power honestly, and use the map to change a decision – distinguishing whose objection is a veto and whose is a prediction.

1 Key knowledge and worked examples

■ 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.



■ 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

Note the asymmetries: customers cannot tell Nimbus what to do, but they can quietly defeat it; the landlord has a narrow interest and real leverage over exactly one thing.

■ A map earns its place by changing a decision

A map is a tool, not a poster. It changes decisions when it tells you whose expectations to manage first – and it enforces one discipline above all: an objection from a stakeholder with power over the decision is a **veto**, while an objection from one who merely has an opinion is a **prediction** to be weighed like any other claim about the future.

Worked example. Nimbus plans Sunday opening. Staff opinion matters (retention, morale) but cannot block; the council licensing office and the lease's permitted-hours clause can. Engagement order: confirm the lease and licence first, then design a rota that answers the staff's stated interest – not the reverse.

2 Practice

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]

2.2 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]

2.3 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]

3 Exam-style questions

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]

3.2 "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]

Solutions

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.

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).

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.

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.

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.