

88. Stakeholders

1. Missing words:

A firm's stakeholders are individuals or _____ with an interest in how the business is run. Even a small, new business will have customers, suppliers and possibly employees. It may have also taken out _____ from the bank. These groups are sometimes referred to as _____ stakeholders, because they are seen as being essential to the firm's success or failure. Secondary stakeholders, on the other hand, are those groups who feel they are involved in the business, such as pressure groups or the local community. Perhaps the stakeholder with the most interest in the performance of the business is the owner or owners. These are known as _____ if the business is a _____ company.

Hint: words from: limited, loans, primary, shareholders, groups

2. True or false – earn a bonus mark for giving the correct reason:

2.1 Only the owners of a business are classed as primary stakeholders T / F

Reason _____

2.2 Looking after the interests of staff may increase costs in the short run but lead to falling costs in the longer term

T / F

Reason _____

2.3 A business that improves the quality of service provided to customers may experience a fall in profits in the short term but an increase in profits in the longer term

T / F

Reason _____

3. Short answer questions:

Read the short passage below and answer the questions that follow:

Two years ago, Jo Freeman opened a small café in the centre of the village where she lives. The business has been so successful that she is thinking about keeping the café open in the evenings until 10 pm and extending the premises to create more space. She intends to hire two new staff to add to the three people she currently employs. All employees will be expected to work some evening shifts. Jo plans to finance the move by using a bank loan.

3.1 Identify two stakeholders in Jo's business who are likely to benefit if the proposed expansion is a success (justify your answer):

3.2 Identify two stakeholders in Jo's business who are likely to suffer if the proposed expansion is a success (justify your answer):

4. Multiple choice questions

4.1 Moonpig sells greetings cards that customers can order and customise on-line. Which **two** of the following stakeholders are most likely to suffer in the short-term from the company's decision to switch its printing from London to Guernsey?

- a) Moonpig's shareholders
- b) The firm's customers
- c) The printing staff employed in London
- d) Guernsey's Government
- e) The firm's bank: Natwest

4.2 A UK firm producing luxury goods has decided to outsource its production to a lower cost business, based in India, in order to reduce costs. Which **one** of its stakeholders is most likely to benefit in the short term?

- a) Its employees
- b) Its existing suppliers
- c) Its customers
- d) Its shareholders

88. ANSWERS – Stakeholders

1. Missing words – interest, suppliers, primary, future, shareholders, limited

2. True or false:

2.1 FALSE – any group, including employees or customers, that are considered essential to a firm's future success are primary stakeholders

2.2 TRUE – this may involve improving wages, training or staff conditions but may lead to lower wastage and higher productivity

2.3 TRUE – again, it may require increased costs of staff training but may result in higher revenues

3. Short answer questions

3.1 Jo – the owner – increased profits; new and existing workers – greater job security; suppliers – more orders; other local businesses – more customers attracted to the area

3.2 Existing employees – expected to work unsociable hours; local residents – increased noise and traffic

4. Multiple choice questions

4.1 b) c)

4.2 d)

www.igcsebusiness.co.uk