Importance of stakeholders

The objectives of a business should be set by the owners. It is their business and everyone working within it should aim to meet their needs. If the owners want more profits, this is what everyone should aim for. However, the final decisions the owners take are likely to be influenced by the different stakeholders connected to the business. A **stakeholder** is an individual or organisation that affects and is affected by the activities of an organisation. Stakeholders include the owners, employees, buyers, suppliers, the local community, the government and distributors (see Figure 1.4). All of these groups will have their own objectives and these may influence the targets set by businesses. For example:

> **Key term**
>
> **Stakeholders** are individuals and organisations that are affected by and affect the activities of a business.

* **Employees** may want the business to grow so they have promotion opportunities. They may want the business to behave ethically because that is the sort of business they want to work for. These aims may affect the types of objective the business sets.
* **Suppliers** may want to be paid on time. The business may therefore set a target to pay all bills within a given period of time.
* **The community** may want the business to behave responsibly. The business may therefore set a target in areas such as recycling, noise, waste reduction and even trying to employ local people.
* **The buyers** of the products can also have an important role to play. Small firms may be reliant on relatively few customers and therefore these buyers become quite powerful. A small firm selling to a large supermarket may have to accept the terms offered by the supermarket if it wants to win the order. This means the buyers can affect what constitutes a realistic objective for the start-up business in terms of, say, the likely level of sales and profits.

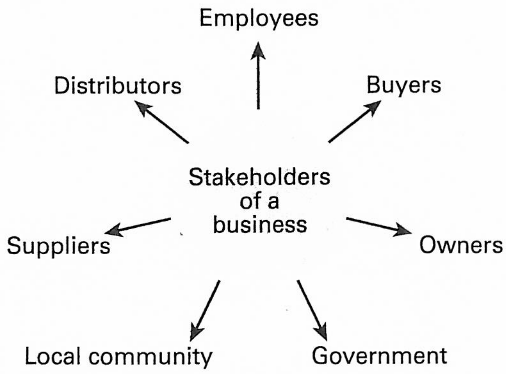

Figure 1.4 Summary of the different stakeholder groups

Stakeholders can influence a business in many ways, such as:

* **Negotiation.** Employees may negotiate for better pay and suppliers may demand better terms and conditions.
* **Direct action.** Customers can stop buying the products of a business if they are unhappy with the way it behaves. Employees can go on strike and refuse to work if they do not get what they want.
* **Refusal to cooperate.** Local councils can refuse to cooperate with a business if they do not like its behaviour. For example, they could refuse planning permission for it to redevelop or expand its operations. Employees could resist any changes that the owners suggest and could show they were unhappy by not working hard.
* **Voting.** The owners of a business can make their views clear and can vote on what the organisation should do next. For example, if three people set up a business it may be that two of the owners outvote the other one when deciding what should be done.

> **Examiner's tip**
>
> To decide how particular stakeholders can affect the objectives of a business, you need to consider what power that group has and what actions they could take to affect the business if it does not pay attention to them.

> **Business insight**
>
> The aims of the Metropolitan Police in London include:
> - to make places safer
> - to cut crime and the fear of crime
> - to uphold the law
>
> What other objectives do you think the Metropolitan Police might set?