



Stakeholders

Objective

AS Business

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Who is a stakeholder?

- Any individual or group of people who are directly or indirectly related to the business.
- Examples, customers, employees, shareholders, government, banks, suppliers, local community etc etc

Shareholders and Stakeholders

- ***Shareholders are the people who own the business.*** This term is generally used for people who have ownership in private and public limited companies.
- Stakeholders are the people who are directly or indirectly related to the business. Hence technically anyone who has some type of stake in

the business will be classified as stakeholders.

- They are also a stakeholder in the business but stakeholders also include all the other people who are related to the business including employees, customers, government, suppliers, banks, local community etc.

Stakeholders Objective

- Different stakeholders have different expectations from the business for example customers want high quality products at reasonable prices and employees want higher salaries, better working conditions etc.
- Similarly, business also has some expectations from these

stakeholders in return.

<i>Customers</i>	They want high quality products at reasonable prices. They also expect the business to provide them after sale service in case the nature of the product is such and to address their complaints about the product quality etc.
<i>Employees</i>	They want decent salaries, perks like paid vacations, health insurance, etc, better working conditions and more promotion prospects.
<i>Government</i>	Government acts as a regulator in any economy and the purpose of government is to make regulations to ensure that private sector is not doing anything that is harmful for the society. Consumer Laws, Employments Laws, Environmental Laws etc.
<i>Banks</i>	Expects business to pay their interest payments on time and not to default on their payments etc.
<i>Suppliers</i>	They expect business to make their payments on time. They also expect the business to have more long term relationship with them.
<i>Shareholders</i>	Shareholders expect business to earn them higher profits and so would want the business to maximize their return.

Managers	Managers expect to have more decision making authority and to have more benefits in terms of salaries and perks.
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Customers Business will expect the customers to be more brand loyal – when customers repeatedly buy from the same business. Moreover, the business will also want the customers to not bad mouth the company in case there is some conflict because obviously that will severely damage the business reputation.

Employees The business expects the employees to be hardworking and to deliver their work on time without any excessive flaws. The business also expect their workers to be well-behaved and responsible in their professional tasks.

Government The business will want the government to be more supportive in its ventures / projects by not imposing unnecessary regulations so that businesses can better focus on their core activities.

Banks Business expects more lenient repayment schedule so it does not have negative effect on the business cashflows etc. Business might also expect the bank to be more helpful in terms of better banking facilities.

Suppliers The deliver of goods / equipment should be on time, the goods should be good position to be used. Moreover, business also expects the suppliers to charge more reasonable prices etc.

Shareholders Business expects the shareholders to be more understanding of the fact that other stakeholders also

require business attention which at times might take the business away from strict profit maximization behavior.

Managers To be more responsible and creative in terms of coming up with new ideas that increase business efficiency.

Conflict Between different Stakeholder Objectives

- Shareholders being the investors want higher returns from the business but then if that involves charging higher prices to your customers that might not be a very good idea especially thinking about the long term business prospects.

How will the conflicts between different

stakeholders of the business be resolved?

- Managers are primarily responsible for resolving conflicts between different stakeholders which should be done in an unbiased approach.
- On other instances the situation might be more complicated and so it is managers responsibility to find a middle ground.

Corporate Social Responsibility

- Corporate Social Responsibility is when businesses are mindful of the fact that their responsibility is towards all the stakeholders and not just the shareholders. This approach will make them take better decisions which really benefit the company in long term.