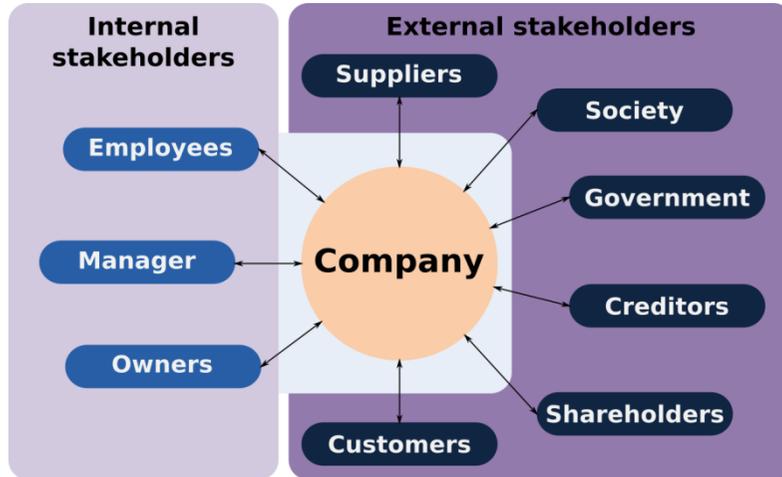


Topic 3.1.4 Stakeholders

Key Terms:

Stakeholder
Internal

Shareholder
External



Influence of stakeholders on business objectives

- **Owners** have a big say in how the aims of the business are decided, but other groups also have an influence over **decision making**. For example, the **directors** who manage the day-to-day affairs of a company may decide to make higher sales a top priority rather than profits.
- **Customers** are also key stakeholders. Businesses that ignore the concerns of customers find themselves losing sales to rivals.
- In a **small business**, the most important or **primary stakeholders** are the owners, staff and customers. In a large company, **shareholders** are the primary stakeholders as they can vote out directors if they believe they are running the business badly.
- Less influential stakeholders are called **secondary stakeholders**

What are stakeholders?

A **stakeholder** is anyone with an interest in a business. Stakeholders are **individuals, groups or organisations** that are affected by the activity of the business.

They include:

Internal

- **Owners** who are interested in how much **profit** the business makes.
- **Managers** who are concerned about their **salary**.
- **Workers** who want to earn **high wages** and **keep their jobs**.

External

- **Customers** who want the business to produce quality products at reasonable prices.
- **Suppliers** who want the business to continue to buy their products.
- **Lenders** who want to be repaid on time and in full.
- The **community** which has a stake in the business as employers of **local people**. Business activity also affects the **local environment**. For example, noisy night-time deliveries or a smelly factory would be unpopular with local residents.



TASK 1:

Define the key terms

Stakeholder

Shareholder

Internal stakeholder

External stakeholder

TASK 2:

Select 5 stakeholders and explain what their interest is in a business:

TASK 3:

HighSkies plc

HighSkies plc is a UK-based low cost airline set up by Petros Andreou. The business has seen rapid growth since it started in 1994 and it became a plc in 2003. Most of the growth has been achieved from takeovers. *HighSkies* has taken over two struggling budget airlines since becoming a plc and plans to take over a third airline. To do this, *HighSkies* needs to find £80 million of funding. At the moment, interest rates are low, which makes it cheaper to raise the money. The increasing cost of fuel, however, has made it more expensive to run an airline.

The number of passengers flying with *HighSkies* is increasing steadily. This is because passengers are unwilling to pay the high fares charged by the established airlines.

HighSkies has made major shareholder Petros a multi-millionaire, which was the objective of the business when he set the business up. However, *HighSkies'* objective has recently changed and is now as follows.

"To create an airline that respects the interests of all its stakeholders, especially its customers and those who work for HighSkies."

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"To create an airline that respects the interests of all its stakeholders, especially its customers and those who work for HighSkies."

Explain why HighSkies' shareholders might be unhappy with the company's new objective. (4mks)