Stakeholders

A stakeholder is an individual or group who has an interest in and is affected by the activities of a business.

Stakeholders include:

- **Shareholders (owners)**
- **Managers**
- **Employees**
- **Customers**
- **Local community**
- **Suppliers**
- **Pressure groups**
- **Government**

NOTE: Shareholders are examples of stakeholders

Stakeholder conflict

In some situations the interests of stakeholders may conflict with each other.

Examples

1. Employees may want a pay rise **but …**
   Owners want to keep costs low and profits high

2. Managers want to reinvest profits **but …**
   Shareholders might want higher dividends

3. Pressure groups might want the business to use stop using plastic packaging **but ….**
   Managers may want to keep the packaging the same to keep costs down by

Principles on Consumer Law

Governs all aspects of how business interacts with its customers

- Products sold must be of a good quality
- Information about products must be accurate
- Goods should be delivered safely
- Consumers can return or reject goods
- Services should be provided with reasonable care

Principles on Employment Law

Governs how business interacts with its employees

- Recruitment should be fair and avoid Discrimination
- All pay should be fair and meet minimum requirements
- Health and safety requirements should be met
- Redundancy procedures should be fair
- Disciplinary issues and grievances should be fair

Businesses cannot discriminate against people on the grounds of Age, Gender, Disability, Race, and Religion

The impact of legislation on businesses:

● **Cost**
Meeting legal requirements can incur extra costs (e.g. Training, pay, safety equipment etc.)

● **Consequences of legal obligations**

Changes in the law can have positive and negative consequences on business

Positive consequences

- The business can gain a positive reputation
- Employees feel they are treated fairly
- Customers feel valued
- Higher sales due to having a good reputation
- Better candidates for jobs

Negative consequences

- Business may be taken to court
- Negative media stories
- The business is closed down (temporarily or permanently)

Technology and business

Technology creates new opportunities for businesses to gain a competitive advantage

E-Commerce
- Allows access to a larger market, 24/7

Social media
- Allows businesses to target specific consumers and gather feedback from them

Digital communication
- Businesses can communicate easily with customers and other stakeholders.
- It allows employees to work from home through
  File-sharing and video conferencing

Digital Payment systems
- Allows businesses to process payments quickly
- They are more convenient for customers
- Can be expensive and vulnerable to fraud

How technology influences business activity

Sales
- Using the latest technology in products can help boost sales
- Using e-commerce and digital communication can help boost sales

Costs
- Technology is initially very expensive,
- Can increase efficiency and reduce costs in the long term

Marketing mix
- Using new technology to constantly innovate new improved products
- Customers can easily compare prices online forcing businesses to lower their prices
- E-commerce allows businesses to meet the needs of more customers and offer increased customisation
- Using digital promotions and Social media to promote products

Economic Activity

The performance of the national economy will affect lots of factors that have a direct impact on business

- **UNEMPLOYMNET**
- **LEVELS ON CONSUMER INCOME**
- **INFLATION**
- **INTEREST RATES**
- **GOVERNMENT TAXATION**
- **EXCHANGE RATES**

Unemployment

Unemployment exists when people who want to find work cannot do so.

Impact of unemployment on business

High levels of unemployment can lead to …

- Less people in work
- Making it easier to recruit new employees
- Lower consumer demand for most products
- Consumer demand falls -> falling revenue

Low levels of unemployment can lead to …

- More people in work
- Making it harder to recruit new employees
- Higher consumer demand for most products
- Consumer demand increases -> higher revenue

Inflation

Inflation is the change in the average level of prices in the economy

It is measured using the consumer price index (CPI)

Impact of inflation on businesses

- An increase in inflation will cause business costs to increase
- Increase costs results in lower profits or higher prices (less sales)
- An increase in inflation reduces customers disposable income
- Falling disposable income results in fewer sales

Government Taxation

Tax is the proportion of an individual's income or business's profits that must be paid to the Government

Effects of increased Taxation

Increased Income Tax – consumers have less disposable income (Lower demand for products)

Increased Corporation Tax – businesses have less profit to reinvest to improve the business

Exchange Rates

An exchange rate is the price of one currency in terms of another.

Calculating the cost of exchange

- **When exchanging from £ to $ = Multiply**

Example

£1000 in $ at an exchange rate of £1 = $1.20

£1000 x $1.20 = $1200

- **When exchanging from $ to £ = Divide**

Example

$3000 in £ at an exchange rate of £1 = $1.20

$3000 / $1.20 = £2500

Effect of a fall in the value of the pound

S - Strong
P - Pound
I - Imports
C - Cheaper
E - Exports
D - Dearer

Rise in the value of the pound

- Exporters products are more expensive abroad – meaning lower sales
- Imports are cheaper – meaning importers costs are lower

Fall in the value of the pound

- Exporters products are cheaper abroad – meaning higher sales
- Imports are more expensive – meaning importers costs are higher

Level of Demand

Refers to the level of spending in the economy

If Demand increases

Business sales increase meaning a lower risk of failure

If Demand falls

Business sales fall meaning a higher risk of failure

Factors affecting Demand

- Level of economic activity
- Changes in Interest Rates
- Changes in Exchange Rates
- Changes in consumer income
- Changes in taxation

Interest Rates

An interest rate is the percentage payment that is paid by borrowers on loans.

The cost of borrowing

Businesses often need to borrow money to start up or to expand.

Banks will offer loans or overdrafts.

The business will repay the loan with interest.

Impact of Interest rates on business

Rising Interest Rates

Increasing Interest Rates are bad for business

- Loan repayments are higher
- Higher fixed costs -> lower profits
- Small businesses less likely to expand
- Customers less likely to spend money
- Consumer demand falls -> lower sales

Falling Interest Rates

Decreasing Interest Rates are good for business

- Loan repayments are lower
- Lower fixed costs -> higher profits
- Small businesses more likely to expand
- Customers more likely to spend money
- Consumer demand increases -> higher sales