Strand A – Stakeholders

What is a stakeholder?

A stakeholder is "any person or organisation which has an interest in a business" *GCSE Applied Business For OCR*

An individual or group with an interest in the success of an organization in delivering intended results and maintaining the viability of the organization's products and services. Stakeholders influence programs, products, and services www.ichnet.org/glossary.htm

A person, group, or business unit that has a share or an interest in a particular activity or set of activities.
www.georgetown.edu/uis/ia/dw/GLOSSARY0816.html

A stakeholder is a person or business with an interest in another business. They could have an interest in this business because it directly affects them, through how it operates. Stakeholders can be customers, employees, owners, shareholders, the local community, the government, pressure groups, suppliers and financers.

Examples of shareholders are:
Students are shareholders in their school
Doctors and patients are shareholders in their hospital

A stakeholder is any person or business that has an interest in another business. Stakeholders can be:

- Customers
- Employees
- Owners
- Shareholders
- The local community
- The government
- Pressure groups
- Suppliers
- Financers

Stakeholders and influence

As stated in *GCSE Applied Business For OCR,* "All stakeholders have some influence on the business, but this can vary hugely". Powerful stakeholders can majorly influence what happens in a business. Stakeholders with little power don't have a lot of influence on what happens in a business , and their views can virtually be ignored by the business.

Stakeholders and conflict

The different groups of stakeholders each want different things and so may be in conflict. E.g. Suppliers want high prices for products and customers want low prices. Businesses are likely to listen to the more powerful stakeholders, as they can help the business more.

Stakeholders can be good or bad for a business, depending on their interests. For example the local community can be a bad stakeholder for a business, because they may complain about things like air pollution, the company may then have to use more environmentally friendly, but more expensive methods of production this can cost the company a large sum, and so id not good for the business. However there are benefits to stakeholders such as customers, the customers buy the companies products, therefore they help the company to make money, they are beneficial to the company.

Businesses and stakeholders need to work to keep each other happy; conflicts between both stakeholders and business can cost both parties a considerable amount of time and money.

Understanding stakeholder groups

Customers as stakeholders

Customers are the key stakeholders in a company; this is because without them the business could not function. The customers are the people who use Asda as a retailer. Businesses use customers to make money, and so it important that they are kept happy, otherwise they will lose both customers and money. Unless the business was small, which Asda isn't, a single customer may not have much influence on a business, however, the customers as a collective can majorly influence the business, for example, if Asda stopped selling organic food, and 1000 customers stopped shopping at Asda, this would affect the business, whereas, if two people decided to shop at Tesco instead of Asda, this would not have much of an influence on the business.

Different customers have different amounts of influence on the business. For example, a customer of a supermarket that only buys small amounts of produce, once a month, is less influential than a customer who buys large amounts of produce once a week. The business will notice the large drop in sales more than the smaller drop in sales.

Different businesses may treat customers differently. How the business treats its customers depends mostly on the size of the business, as well as its activity and staff. A smaller business would treat each individual customer carefully, as most of its profits would depend on each individual customer. However a large supermarket such as Asda would not have to worry about this as much because one customer would not have much of an effect on the business, as explained above.

Customers as a collective can have a major impact on a business, as they determine whether the business survives or goes bankrupt. Customers can have an impact on both the number of sales, and the number of repeat sales (which are the people who visit the business more than once). Customers can also affect the businesses reputation. They pass on information, which can influence potential customers. Asda has to ensure that they have excellent customer service, otherwise their customers would not be satisfied, and would pass on bad information, to associates, who would then not want to use the business.

Customers are usually concerned with issues such as:

- "the opening hours and availability of staff
- the range of goods or service offered, the price of these and the quality, and the range of additional facilities and services such as free home delivery
- the attitude of staff
- the overall efficiency of the organisation, e.g. speed of service, staff expertise

- the overall performance of the organisation" *GCSE Applied Business For OCR.*

Employees as stakeholders

Employees, also called staff, or (in Asda's case) colleagues, are the people who work for the business; they in return, receive jobs, along with other, company benefits.

Employees have different interests in a business from customers. As business activ ities are usually influenced more by employees, the views of the employees will usually be taken into account by the business, more than a single customers view. If the employee union presents the view, then it is generally represented by a group of employ ees, and so will almost always be taken into account. Most employees are able to influence their company through their union or staff committee.

Employees are usually concerned with issues such as:

- "The way staff are treated, e.g. you will ant to be trea ted fairly and to do interesting work. You will also want to work in a safe environment with an appropriate range of facilities. Staff would be unhappy if these rights were not delivered and so they would not be as motivated and would not work as well and efficiently.
- Rates of pay – and how often pay rise are awarded. You will want to be paid a fair rate in relation to other people of your own age, with the same qualifications and experience, who are doing the same type of job as you, and to receive sick pa y and holiday pay. Pay is often the most important benefit of the job for employees.
- Job security. If the business is doing well there are likely to be promotion opportunities. Where a business is performing poorly, there may be the threat of redundancy." *GCSE Applied Business For OCR.* Employees will want the business to be doing well; otherwise they would be worried about the threat of redundancy or being sacked.

If the business does not satisfy the employee's interests, then they may decide to collective ly go on a strike; this could cost the business a lot of time and money. For example employees of Royal Mail were unhappy with their, pay and so decided on a two week staggered strike, in order to force the company to increase pay. The company is estimated to lose billions. This is an example of how employees can majorly effect a business, and so how they are major stakeholders.

Employees can effect the number of sales a business makes by how they treat customers. If they provide a good customer service, then the customers are more likely to buy products, than if they receive a bad customer service. Also if employees ensure that products are of a good quality then the customers are more likely to buy them, and to come back for more

An individual employee may not have much of an influence on a business, because in a large business like Asda, there are many employees, and so a single employee will be easy to replace.

Owners and shareholders as stakeholders

Owners and shareholders have similar interests in the business, as they have both invested money. If the business is successful they will make money, if the business is unsuccessful, they will lose money. Shareholders try to make money in two ways. One way is, if the business does well then the value of the shares increases. The shareholders can then sell the shares, and make a profit, or they can keep the shares and hope that they increase further. However, there is a danger that the shares will decrease in value, if this happens then the shareholders could lose money. The other way is that the shareholders expect to be paid a dividend, by the company, twice a year. This is in reward for investing in the company. The dividend may vary, depending on how well the company is doing, and what is happening with in the company. For example, there may be no dividend, or a small dividend, if the company wanted to use the money to expand. In instances like this, the interests of the shareholders and the directors are likely to conflict. Shareholders are interested in raising the value of the shares. They want the company to do well, so that this will happen.

The amount of influence an individual shareholder has on a companies decision depends on two things:

- How much money the shareholder has invested. Some shareholders have only a few shares and so do not have much influence on a company, however some shareholders have many shares and so have a lot on influence on a company.
- 'The number and views of other shareholders' *GCSE Applied Business For OCR*. If a shareholder has a disagreement on a decision made by the company, then there may be a vote at the shareholders meeting. Even if not all of the shareholders agree, the shareholders with the most shares can still outvote the others!

1 Share = 1 Vote

So the more shares a person has, the more votes they have, and the more influence they have on the company.

Owners and shareholders are the biggest influence because they run the business. If Asda wasn't doing well, then the owners and shareholders could decide to sell the business. They make all of the decisions in the business; however, the other stakeholders influence them. For example, if a large number of customers or employees were not happy with Asda, then the owners and shareholders would be influenced to make deci sions which affect the other stakeholders positively, otherwise they may experience problems.

The Board of Directors is:

- **“Tony Denunzio, CEO**
  Before coming to Asda, Tony Denunzio worked for Pepsico and L'Oreal. He is currently a non-executive director of the MFI furniture group1, which used to be owned by Asda, and chairs the Retail Strategy Group.[2]
- Andrew Bond
- David Cheesewright
- David Downie
- David Smith
- David Dible
- Harold Scott Jr
- John Longworth
- John Menzer
- Angela Spindler
- Judith McKenna
- Company Secretary is John Longworth

Andrew Bond is also chairman of property developer Gazeley, also owned by Wal-Mart.[3]
John B Menzer is also a senior officer of Wal -Mart, holding the positions Executive Vice-President and President & CEO of the Interna tional Division.[4]
Auditors: Ernst and Young”
From http://www.corporatewatch.org/?lid=801

All of these people are stakeholders in ASDA, and work towards making it a better company.

http://archive.corporatewatch.org.uk/profiles/asda/asda5.htm
ASDA Annual Report – Search On Google

The local community as a stakeholder

The local community is interested in many of the bus inesses activities. For example, a resident may be very happy about a new supermarket opening up close to them, however they may also be concerned about light pollution from the store, or noise from late night delivery lorries. The local community may also be concerned about the business causing damage to the local environment. They may also be concerned with changes to the local environment, such as building on ‘green -field’ sites, as this may reduce the value of the resident’s property.

The local community may be concerned with:

- "the building of ring roads and motorways which would damage the environment and might result in increased traffic in residential areas
- air-borne pollution from factories, chemical sites and nuclear processing plants – and fears about long term health and safety
- the building of prisons or remand centres in semi -residential areas – because of the fear of escapes." *GCSE Applied Business For OCR.*

If the local community opposes something that the company is doing, then there are a number of options that they may consider. Some of these are:

- If the business depends on customers, then the local community can boycott the company
- The community can publicise its views, using the local and national media, this may make the company back down
- The community can gain support from other groups of stakeholders
- The community can talk to their local MP or councillors. The councillors are generally very powerful, and can make changes quickly.
- The community can make a formal appeal against the company; this is the most likely course of action.

While the local community is not a major influence on the business, they can cause the business to have to comply with certain restrictions, as a result of complaints about noise, light and sound pollution. Also many employees come from the local community, and so if the local community isn't happy, it is likely that some of the employees aren't happy.

Businesses should try to keep the local community happy as many of the customers and potential customers are in the local community.

The government as a stakeholder

The governments policy is to have a strong UK economy, this means that UK businesses have to do well, for this to happen. This means that the government is a shareholder in every type of business, f rom large global, to small local business.

Governments are also interested in businesses because they can help them to retain power, by keeping the economy healthy. Businesses have to pay tax, so the more businesses there are the more tax is being paid in to the government, and so the government makes more money. Businesses also have to employ people, and the people who are employed have to pay tax, which means even more profit for the government, and as there are less people unemployed, the government have to pay less benefits, which again means

The more profit a business makes, the more business tax they have to give to the government.

Pressure groups as a stakeholder

A pressure group is "An interest group that endeavours to influence public policy and especially governmental legislation, regarding its particular concerns and priorities" http://www.thefreedictionary.com/pressure+group. Pressure groups are organised groups, which aim to infl uence 'more powerful bodies'. These 'bodies' could include the government, local authorities and large businesses. Pressure groups aim to influence powerful decision makers.

Pressure groups in England include:

- Trade unions and the TUC
- Most charities, such as shelter and the NSPCC
- Famous environmental groups, such as Greenpeace
- Local groups, such as neighbourhood watch and Residents Associations, which focus on issues within their own neighbourhood

The interests of different pressure groups depend on whom th ey represent. E.g.:

- "The TUC and trade unions represent the views of employees and campaign on issues such as health and safety, employment rights and working hours.
- Environmental groups may campaign about large businesses that may be damaging the environment, such as Shell and BP.

Pressure groups not only influence businesses into decisions, but they can influence businesses to stop doing certain things. Such as if the company is damaging the environment, the business can convince them to stop doing this.

Pressure groups mainly work to benefit something or someone be this a community or group of people, the environment or workers. For example, Greenpeace works to improve environmental conditions. This benefits people, the environment, animals, everyone!

Suppliers as stakeholders

Without customers businesses cannot survive. Businesses buy from suppliers, so they are like the suppliers customers. The suppliers want the business to do well so that they keep buying from the suppliers. If the business did not do well, then it might be because the products were not of a good quality. If this was the reason, then the business would stop using that supplier and so the supplier would lose money.

Suppliers are more likely to be more powerful, and able to keep thei r customers (the businesses) buying from them, if:

- "There are few other companies supplying the same item or no substitutes for it" *GCSE Applied Business For OCR.* This means that if the supplier is a major supplier, and the only one that the business can buy the product from, then they are likely to be able to keep their customers.
- They have many customers (businesses buying from it), and the companies wanting to; stop using the supplier, lower prices, ect only place a few small orders.

Financers as stakeholders

People or organisations that put their money into a business are called financers, because they finance the business. Financers provide grants or loans, and how much influence they have on the business depends on *how* they finance the business. Grants do not have to be repaid as they are monetary aids, given to the business, financers who give grants do not have as much influence on the business. Loans however, do have to be repaid and so financers of loans can have a lot of influence on a business, until the loan is paid off.

Sometimes financers offer a trade or money for shares or influence in a company, this interest in the company makes them shareholders.

Financiers can be:

- The government - The government finances business in the public sectors, including schools and hospitals. These businesses provide services for the community and are financed to do this. The businesses have to produce special accounts, to show that they are using the finance provided wisely and are not misusing the finances.
- Local authorities and The EU
- Banks
- Venture Capital Companies
- Business Angels