

1.5.1. Business Stakeholders

Stakeholders – this is anyone who may have an interest in a business. They can be internal (within the business) and external (outside) to the business.

Internal Stakeholders- stakeholders that are within the business itself, these include:

- ❑ **Business Owners**- This is the owner(s) who started the business up. Their interest tends to be if the business will make a profit.
- ❑ **Employees**-These are the people who work for the business owners. Their main concern could be job security to ensure they can pay for their own living expenses. Another interest would be that of a promotion
- ❑ **Managers**- Managers are a employee but they may have a further interest in if the business is making a profit. This may be to the fact that they could receive a bonus if sales targets are met.



1.5 Understanding External Influences On Business

External Stakeholders- stakeholders that are outside the business itself, these include:

- ❑ **Suppliers**- A suppliers main interest is making sure their invoices are being paid by the business on time
- ❑ **Local Community**- The main interest being whether there is a lot of pollution, noise or if the business is affecting the local business trade.
- ❑ **Government**- They are ensuring taxes are paid as well as laws are being followed e.g. Health and Safety
- ❑ **Shareholders**- They want the business to be as profitable as possible so they receive more dividends
- ❑ **Customers**- Interested if the business can provide goods and services they need at a reasonable price.
- ❑ **Pressure Groups**- they want to make sure the business is operating ethically

Stakeholders and Businesses

Stakeholders of a business can be affected by the activities of a business. Some examples:

Employees	→	can influence the success of an organisation by their productivity and efficiency in the tasks they do everyday. They can also resort to industrial action (strike) if they disagree with working conditions, pay or company policies
Suppliers	→	can decide whether to raise prices for orders which can obviously affect a firm's profits. Also a supplier's reliability could affect production.
Government	→	can influence a firm by introducing new laws that can affect operations such as the National Minimum Wage, or they can raise Corporation Tax which would eat into a firm's profits
Customers	→	can influence a business by deciding to continue to purchase goods and services from the organisation. They can choose to take their custom elsewhere.
Local community	→	can influence a business by protesting against the building of premises

Possible Conflicts Between Stakeholders

Stakeholders can often have conflicts which occur some of these include:

- ❑ **Employees** may want to receive a higher wage, however **shareholders** would want more profit from the business. The conflict being that profits will be affected if the employees receive a higher wage
- ❑ **Shareholders** may want to cut jobs in order to reduce costs. This will affect the **employees** as they want to keep their jobs
- ❑ **Customers** want low prices for high quality goods, but **owners** and **shareholders** will want to charge more for the higher quality products
- ❑ The **local community** will want reduced pollution and noise. This may mean an increased cost for the **business owner** therefore affecting profits for **shareholders**
- ❑ **Suppliers** may increase their prices which increases the business **owners** costs which can then lead to them charging the **customers** more for their goods
- ❑ **Shareholders** may want to invest in new machinery to make production more efficient. However **employees** may not as it could result in job cuts.



1.5.2. Technology & Business

Different Types Of Technology Used By Business

There are a variety of different types of technologies that a business can make use of.

- ☐ **E-commerce**- this simply means shopping online, this is another method of selling as well as having a physical shop. The online business will also be able to take orders 24/7 compared to a shop.
- ☐ **Social Media** – Businesses can use social media to interact with their customers as well as promote new products.
- ☐ **Digital Communication** – This can be in the form of text, emails, video communication. These methods will be used to communicate with the customers.
- ☐ **Payment Systems** – These are needed to take payments, this can be for credit and debit cards as well as for paying employees wages. Services such as PayPal would also be used to pay for goods online



1.5 Understanding External Influences On Business

How Technology Influence Business Activity

Technology can influence sales in a business in numerous ways:

- ☐ **Sales**- the use of technology (e-commerce) can influence sales as customers who want to shop from home can do via a website. They won't need to get to the shop during opening hours as the website operates 24/7.



- ☐ **Costs** – Using ecommerce means that most people can start a business easily. The start up costs are reduced as you won't have to pay for a physical building. You can also use a service like PayPal to take your payments



- ☐ **Marketing Mix**- Technology influences the marketing mix as companies can now have online campaigns which have a wider reach (audience) and this allows customers to interact with them online. This could be through a social media platform like Facebook.

1.5.3. Legislation & Business

The Purpose Of Legislation

On the whole goods and services which are sold should be:

- ☐ **As Described**- The goods which have been provided must match up to any descriptions that have been given.
- ☐ **Fit For Purpose**- goods should be fit for the purpose they have been purchased for.
- ☐ **Satisfactory Quality**- Goods should be of a satisfactory quality and not be damaged or faulty in any way.

Principles of consumer law

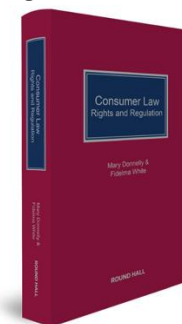
If a customer has purchased a product (new or second hand) and something has gone wrong with it they could be entitled to a **refund**, their **money back** or a **repair**.

Consumers have rights if an item is:

- ☐ Broken/Damaged (Not of satisfactory quality)
- ☐ Unusable (not fit for purpose)
- ☐ Not as described

Consumers do not have rights if an item is:

- ☐ Damaged from wear or misuse/accident
- ☐ A fault was known when the product was bought
- ☐ They have changed their mind



Principles Of Employment Law: Recruitment

When recruiting new members of staff businesses will usually advertise a job vacancy. Then an interview and selection process will take place.

The Equality Act 2010 ensures that there is no discrimination with regards to age, gender, race etc.

Principles Of Employment Law: Pay

Workers within a business must be paid at least the minimum wage. This will change every year. The current rates for 2018 are:

Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
April 2018	£7.83	£7.38	£5.90	£4.20	£3.70

The national living wage is higher than minimum wage, this is given to workers that are aged over 25. As of April 2018 it is £7.83 per hour.

Principles Of Employment Law: Health & Safety

All workers have a right to work in a safe environment. Employers are responsible for ensuring that the work environments are safe for the employees.



1.5 Understanding External Influences On Business

The Impact Of Legislation On Businesses

Legislation can impact on a business in numerous ways, this can include:

- ☐ **Cost** - a small business will have to meet all of the laws set out. This can include staff training e.g. for health and safety. They also may have to invest in new equipment to meet new safety requirements. This means higher costs for a business, which can impact on the profits.
- ☐ **Consequences** – Failure to follow these laws can result in heavy fines, imprisonment and even a disqualification

1.5.4. The Economy & Business

Changing Levels Of Consumer Income

As consumer incomes rise, they choose to buy better products – **Luxuries**



As consumer incomes fall, they will need to buy cheaper products – **Inferior Products**



Consumer Income

Consumer incomes can affect the demand for products and services. If income is lower consumers may travel via a bus, however if their income is higher they may travel via a car.

Unemployment

When unemployment is rising it means that more people do not have a job. This means:

- ☐ People have less income to spend
- ☐ Disposable income is lower (this is money that is left over after all bills are paid)
- ☐ Lower income can mean less or no luxuries
- ☐ The unemployment rate is the % of the working population that is out of work

Consequences Of Unemployment On Business

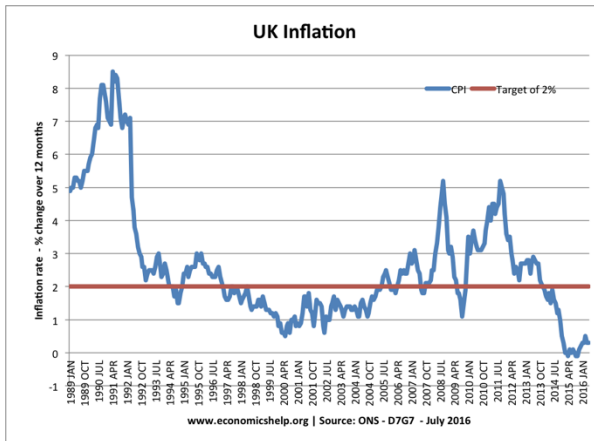


Inflation

Inflation is a general rise in the prices of goods and services. It is usually measured every 12 months to see the rise in prices. The target for inflation is 2%.

Impact Of Inflation Rates

- ☐ If inflation rate goes up customers will feel poorer as the price of goods has increased above what they are used to paying.
- ☐ If a consumers wage increase is larger than the inflation % then they will have more disposable income to spend
- ☐ If a consumers wage increase is lower than the inflation rate then they will not have more disposable income as the costs of goods is higher than their wage increase.



1.5 Understanding External Influences On Business

Interest Rates

Interest rates are the cost of borrowing money. If customers can borrow money they can afford more luxuries for example cars, clothes, holidays etc.



If the costs of borrowing increases (interest rate goes up) customers tend to save instead of spend their money .



Interest rates are set by the bank of England, interest rates will affect the following types of loans:

- ☐ Mortgage Rates
- ☐ Loans
- ☐ Overdrafts
- ☐ Credit Cards

Businesses may be affected as they may have to borrow money.

- ☐ If interest rates **rise** then the cost of borrowing will rise and this will mean that the cost of supplies for a business may increase 
- ☐ A **fall** in interest rates means that the cost of servicing debt falls which may lead to an increase in profits (costs less to borrow so less to pay back) 

Government Taxation

Corporation Tax

The government has a range of taxes which a business must pay.

Corporation tax means that 20% of profits must be paid by **all UK limited companies**. This has a major impact on the business profits.

VAT (Value Added Tax)

If a business earns **over £83,000** a year they must register for VAT. This means that they must **charge VAT (20%)** on their goods and services and then pay this to the government.

Exchange Rates

The exchange rate is the price of one currency in exchange for another.

For example you can get \$1.38 for every £1 you have.

Effect of exchange Rates

Strong Pound

- ☐ Imports are cheaper as you get more of the foreign currency per pound
- ☐ Exports are more expensive as the countries will need to pay more in order to make up the money in £s for a product made in the UK

Weak Pound

- ☐ Imports are more expensive as you get less of the foreign currency per pound
- ☐ Exports are cheaper as foreign currency is worth more than the pound

1.5.5 External Influences

Responses By The Business To Changes In:

Technology

Business needs to adapt the way it works to changes in technology. Examples being e-commerce. A new way of shopping online and through multiple devices e.g. phones and tablets



Email and social media have a platform for communication which is faster that can be utilised by a business making sharing information easy. They can also provide another level of customer service to interact with customers. Customers however can post negative comments about a business which can damage their reputation.



Technology also allows for communication in different countries e.g. through video conferencing. This reduces the carbon footprint of a company as they don't need to travel to a destination. This will help improve a company's reputation as they will appear to be "greener".



1.5 Understanding External Influences On Business

Responses By The Business To Changes In:

Legislation

Businesses will need to ensure that they are following and keeping up to date with any new laws that are being put into play.

If they are not following these they could be at risk of fines, imprisonment and a poor reputation amongst consumers.

Some new laws businesses may have had to adapt to include:

- ☐ **Changes in consumer law** – 2015 introduced a law stating that if you receive a faulty good you are entitled to a repair or full refund within 30 days
- ☐ **Employment Law**- businesses need to make sure they are paying the correct wage to their staff. Minimum wage must be met
- ☐ **Tax Law**- You must pay all the taxes as a business and if you earn over £83,000 you must be VAT registered.
- ☐ **Health and Safety**- Laws must be followed in order to keep your workers safe
- ☐ **Pensions** – as of 2008 businesses must have a pension scheme for their workers and pay into it.



Responses By The Business To Changes In: **Economic Climate**

The economy is outside of the control of the business. The business can only respond to the changes in the economy.. Factors include:

☐ High Unemployment Rate

1. More applicants for a vacancy
2. Lower wages as unemployed will work for less
3. Less demand for luxury goods
4. More demand for inferior goods
5. High training costs to increase workers skills

If unemployment is low then opposite happens

☐ Interest rates

1. If **interest rates are low** the cost of **borrowing is cheaper** and people will spend more
2. If **interest rates are high** the cost of **borrowing is higher** and people tend to save their money

☐ Exchange Rates

1. This is important for businesses that import and export products
2. If the pound gets stronger the exports are expensive but imports are cheaper
3. If the pound is becoming worth less (weaker) then exports are cheaper but imports are more expensive

Revision Questions

These questions are based around the previous slides. Test your knowledge to see if you can answer them!

1. What is a stakeholder? [1]
2. What is an internal stakeholder?[1]
3. What is an external stakeholder [1]
4. Give an example of an internal stakeholder[1]
5. Give an example of an external stakeholder [1]
6. Give 4 examples of stakeholders to a supermarket [4]
7. Explain how the following stakeholders can have an affect on the business [4]
 - ☐ Employees
 - ☐ Suppliers
 - ☐ Government
 - ☐ Pressure groups
8. How can technology affect a business? Give examples of the following: [4]
 - ☐ E-commerce
 - ☐ Social Media
 - ☐ Digital Communication
 - ☐ Payment Systems
9. How can technology have an affect on the following factors of a business:
 - ☐ Sales
 - ☐ Marketing mix
 - ☐ Costs
10. When selling goods what 3 factors does legislation say [3]
11. What does consumer law cover customers for? And what does it not cover customers against [6]

1.5 Understanding External Influences On Business

12. What impact can legislation have on a business? [4]
13. How does the unemployment rate affect a business?[4]
14. What is inflation? How does it affect consumer spending? [4]
15. How can interest rates affect a business [4]
16. What are some of the taxes a business must pay [2]
17. When recruiting new employees a business must ensure which 3 of the following?[3]
 - ☐ The workplace is a safe environment
 - ☐ All workers must be paid the same
 - ☐ The workers are paid at least minimum wage
 - ☐ There is no discrimination in the recruitment process
 - ☐ The workers must all work the same amount of hours
18. Explain the impact of exchange rates on imports and exports for a business [4]
19. Explain how a business must react to changes in the following[8]
 - ☐ Technology
 - ☐ Economic Climate
 - ☐ Legislation
20. A business must charge VAT when the following is true[1]
 - ☐ The business makes more than £93,000
 - ☐ The business makes more than £83,000
 - ☐ The business is a partnership
 - ☐ The business has more than one location



Tips

For an essay style question use the following tips to ensure that you are maximizing your marks:

- ☐ Read through the question underlining any key points
- ☐ For these types of questions an extended answer is expected.
- ☐ Discuss both the advantages and disadvantages of the given context
- ☐ When discussing a point ensure that you contextualise your answer. This means give examples which relate to the scenario
- ☐ Remember to give a well reasoned conclusion

21. Brandon is conducting research on behalf of a business that buys and sells dairy products. He has been asked to look into the possible conflicts which can occur between the stakeholders of the business.

Using your knowledge of stakeholders evaluate the possible conflicts which can occur between stakeholders [12]

