Resources for Teachers

LC Business

Strand 1 : Exploring the Business Environment

1. Key stakeholders in business

Learning outcomes

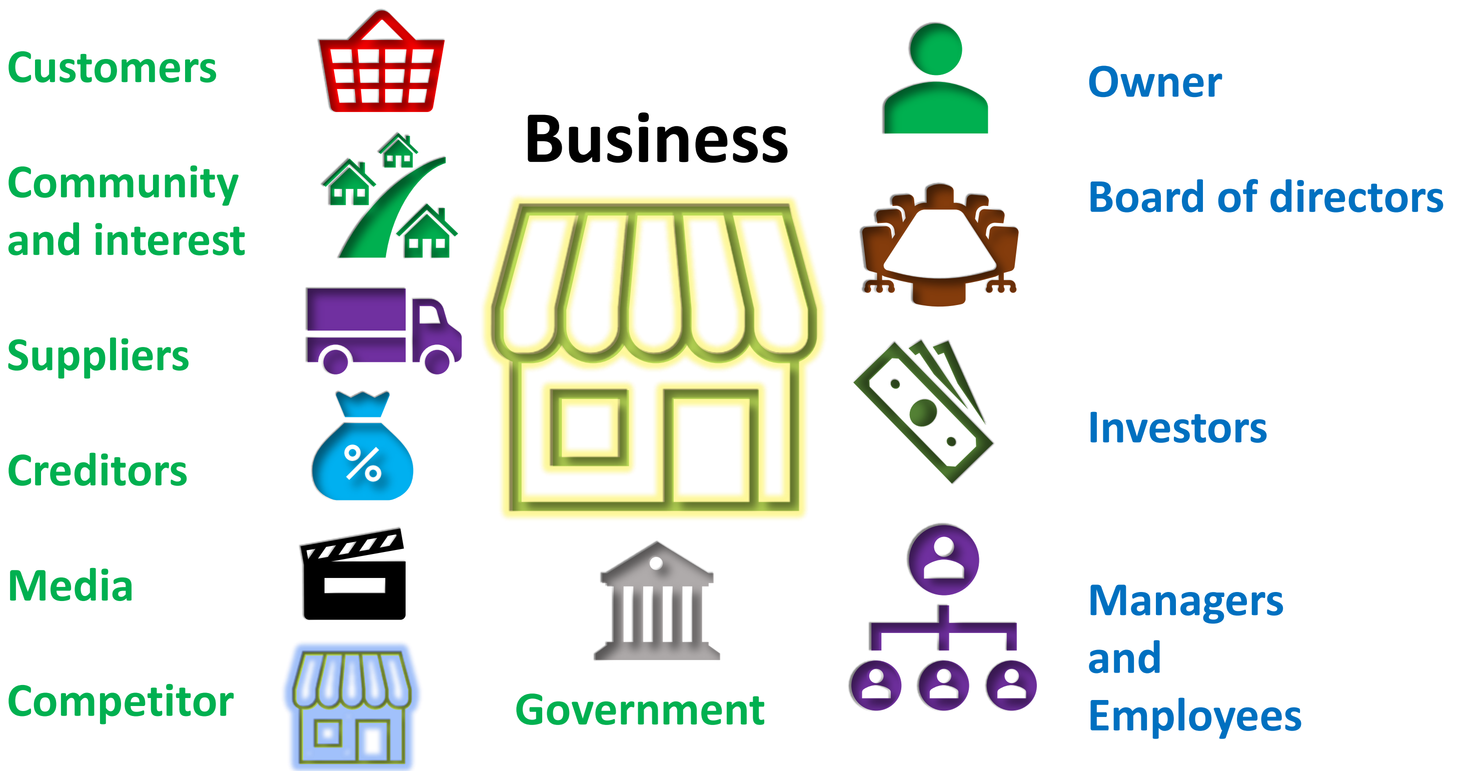
- Key **internal and external stakeholders** and their importance.
- How **stakeholders interact** and **potential conflict**.
- Ways of **avoiding and resolving conflict** between stakeholders.
- **Stakeholder mapping** and the prioritising of different stakeholder interests.

1. Key stakeholders in business

Who are stakeholders in a business?

Stakeholders are people or groups that have **an interest** in a business. They may be **involved** or **affected** by the activities of the business.

Examples: Owners, investors, employees, customers, suppliers, creditors, competitors, communities, media, public interest groups and government.



1. Key stakeholders in business

Internal and External stakeholders

Internal stakeholders – are individuals who have a **direct relationship** with the business. Examples are owners, managers, employees and investors.
External stakeholders – are **not directly involved** with a business but are **affected by** the actions and outcomes of the business. Examples are customers, suppliers, creditors, local communities, public interest groups and government.

External stakeholders

Affected by

- Customers
- Local community
- Interest groups
- Suppliers
- Creditors
- Media
- Competitors
- Government

Internal stakeholders

Direct relationship

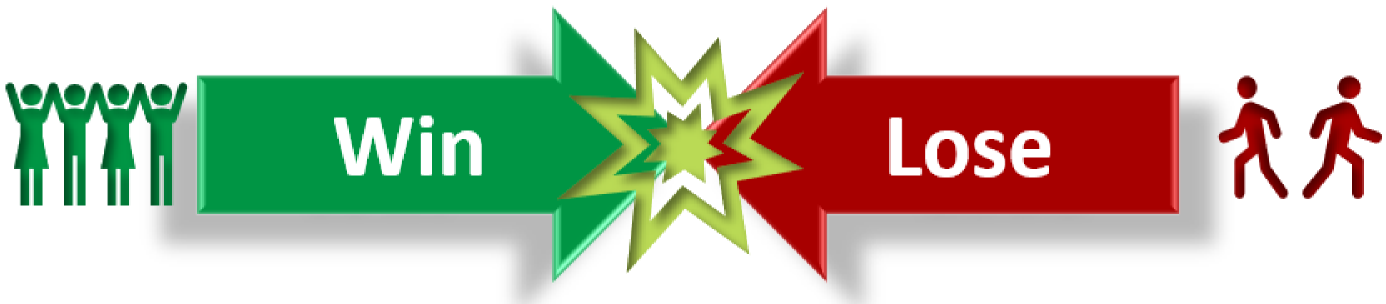
- Owners
- Board of directors
- Investors
- Managers
- Employees

1. Key stakeholders in business

Stakeholders' interaction and possible conflict

Stakeholders depend on each other. Decisions made by one stakeholder **<u>can affect the interests of another</u>**. This relationship can be **cooperative** or **competitive.**

A cooperative relationship - both parties **work together to achieve a common goal**. It is a win/win relationship where both sides gain and are better off afterwards.



A competitive relationship - both parties **<u>pursue different objectives</u>** to each other or **at the expense of each other**. This is a win/lose relationship.

1. Key stakeholders in business

Avoiding and resolving possible conflict

Stakeholders	Possible areas of conflict	Avoiding conflict	Resolve conflict
Supplier	• Quality of materials supplied • After sales service • Prices	• Supply a consistent quality of goods • Provide good after sales service • Clear pricing	• Agreed quality • Clear expectations of after sales service • Negotiate prices
Business manager	• Fails to pay for goods purchased • Creates debt for the supplier	• Offers a fair price • Pays on time • Agree timescales for payments • Limit credit	• Agree on budget and prices • Improve payment timescales • Reduce credit for supplier

1. Key stakeholders in business

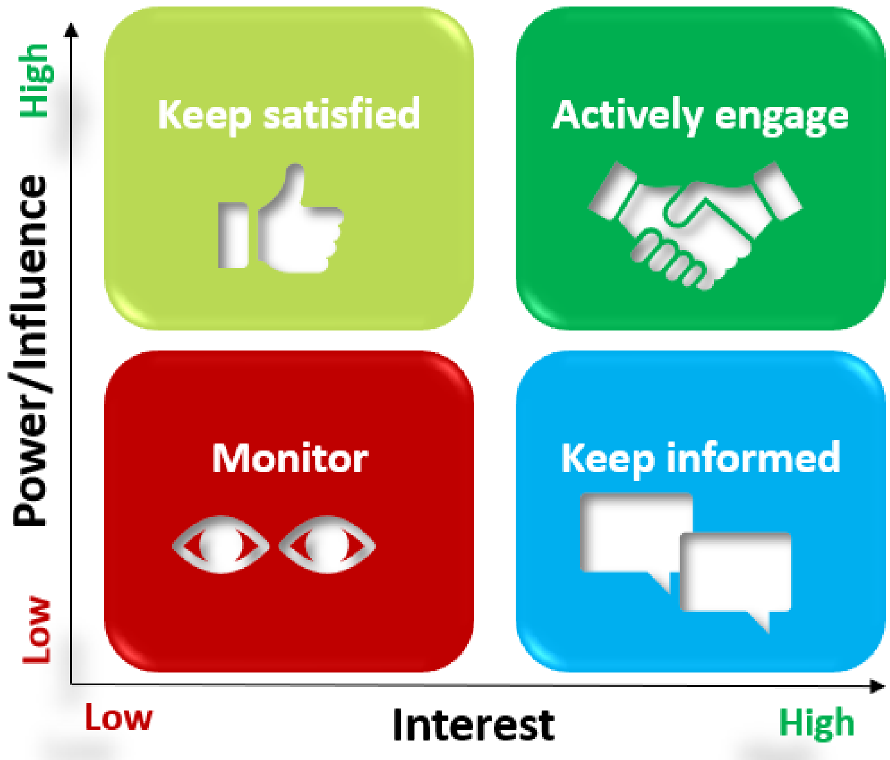
Stakeholder mapping

Stakeholder mapping is a process used to **identify and understand stakeholders**

The goal is to figure out how much interest, influence or power they have.

Kept satisfied - they are often regulatory bodies and need to be kept satisfied. They have ***low interest and high power***

Monitored - they have little interest, power or influence but need to be monitored in case things change. They have **low interest and low power**.



Actively engaged - they need to be closely managed and have ***high interest and high power***

Kept informed - they need to be informed of developments and have ***high interest and low power***

1. Key stakeholders in business

Stakeholder mapping using a power and influence grid

It is useful to analyse the levels of power, influence and interest in a project

The grid represents the **relative importance or influence** of different stakeholders in a project.

Example: A power and influence grid for a new product launch.

Keep satisfied
High power
Low interest

- Regulators
- Government
- Local authorities

Monitor
Low interest
Low power

- Local businesses
- Competitors
- Suppliers
- General public

Actively engage
High interest
High power

- Executive team
- Board of Directors
- Product team
- Major investors

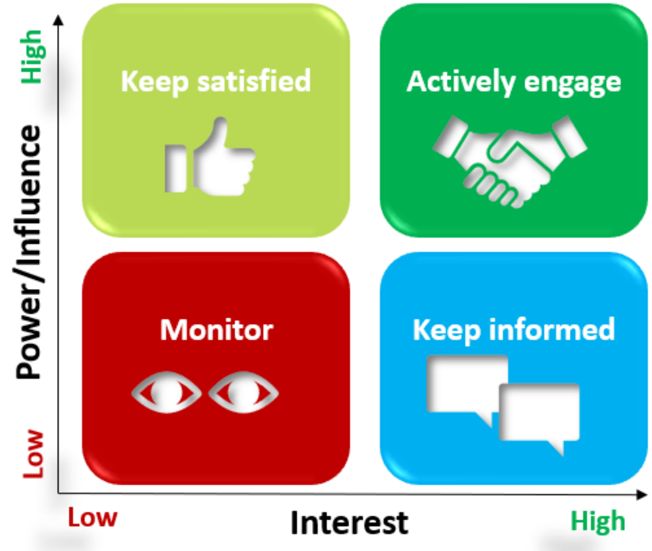
Keep informed
High interest
Low power

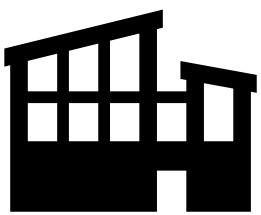
- Customers
- Sales/marketing
- Media
- Influencers
- Local community

1. Key stakeholders in business

Follow up tasks:

Challenge 1: Carry out a **stakeholder mapping** for a construction project to build a new school. Use the headings of high influence/high interest, high influence/low interest, low influence/high interest and low influence/low interest.





Challenge 2: Consider where possible **stakeholder conflicts** may arise for this new school construction project. How may they be avoided or resolved?

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