

Chapter 1

Chapter 1 Ordinary Level Questions

Q1. Match each stakeholder to their correct description

Column 1: Terms		Column 2: Explanations	
A	Employee	1.	Provides capital in exchange for ownership or return.
B	Consumer	2.	Works in the business in return for wages.
C	Investor	3.	Buys the business's goods or services.

Match the two lists by placing the letter of the correct explanation under the relevant number below.

A	B	C
2	3	1

Q2. Outline the importance for a business of **two** of the stakeholders listed:

Suppliers, Investors, Consumers, Employees

1. Investors are vital because they provide funding that helps a business to grow or survive during difficult times. This capital may be used for buying stock, expanding premises, or developing new products.
2. Employees are essential as they carry out the daily operations of the business and bring expertise and effort to meet business goals. Their performance directly impacts productivity, customer satisfaction, and innovation.
3. Suppliers are important as they provide the necessary raw materials and stock the business needs to fulfil its orders. A strong relationship ensures reliable supply, potential discounts, and fewer disruptions.
4. Consumers are essential as they generate revenue for the business by purchasing products or services. Their feedback can also guide product improvements and innovation.

Q3. A supplier is unhappy because a business owner has delayed payment for goods. The business owner wants to wait until sales improve to pay off the stock that they have purchased.

What kind of relationship is this: a) Co-operative **b) Competitive**

Give a reason for your answer.

This is a competitive relationship because the business owner benefits by delaying payment to keep cash for the business's cash flow in the short term, while the supplier loses out by having to wait longer for money owed to them. One party's gain directly causes a loss for the other, which makes it competitive.

Q4. Identify examples of possible conflicts that could arise between the following stakeholders:

Employees and Employers - Employees may seek higher wages or better working conditions, while employers aim to control costs. For example, if employees demand a pay rise during a time of low profits, the employer may resist. If the employer refuses, employees may feel undervalued; if they agree, profits might decline, so only one side gains.

Government and Business Owner - The government may introduce stricter environmental regulations, while the business owner wants to avoid extra costs. If the government enforces compliance, the business faces higher expenses. If the business ignores the rules, it risks fines or closure.

Investors and Business Owner - Investors might want short-term returns through dividends, while the owner prefers reinvesting profits for long-term growth. If the business pays dividends, it limits its ability to expand. If it reinvests, investors may be dissatisfied.

Q5. (i) Outline one reason why communication is important when resolving a stakeholder conflict.

(ii) Explain one other method of resolving a stakeholder conflict.

Reason: Communication helps both parties understand each other's needs, clarify expectations, and avoid misunderstandings. It promotes respect and opens a channel for compromise. For example, regular meetings can help resolve tension between managers and staff over work schedules.

One other method: Mediation involves a neutral third party helping both sides reach a mutually acceptable solution. It allows each stakeholder to voice their concerns in a controlled setting that is informal.

Q6. Circle TRUE or FALSE to answer the following questions

Stakeholders with high power and high interest should be managed closely because they can significantly influence the success of a decision.	TRUE
Customers always have high power in stakeholder mapping because they can stop a business from making decisions.	FALSE
Suppliers with low interest and high power should be kept satisfied rather than ignored.	TRUE
Stakeholder mapping is only useful during a business crisis.	FALSE

Chapter 1 Higher Level Questions

Q1. (i) Outline the role of an investor in a business

An investor provides money to the business, usually in exchange for a share of ownership or a financial return. This funding supports key activities such as expansion, product development, or marketing. For example, a start-up tech firm may rely on investors to fund the launch its first app and enter the market.

(ii) Explain how the needs/wants of an investor in a business may change at different stages of business development.

At the start-up stage, an investor may accept higher risk in the hope of high future returns. They might focus on innovation and long-term growth. Later, as the business becomes established, they may prioritise regular dividends and stability. For example, an early investor in a food brand might support bold expansion, but later expect steady profits and risk management.

Q2. Outline the importance of a business' relationship with each of the following:

Employees play a key role in executing the business's strategy and serving customers. A positive relationship with employees can boost morale, reduce turnover, and improve service quality. E.g. businesses like Patagonia invest in staff wellbeing, which supports loyalty and productivity.

The Local Community supports the business by providing customers, employees, and public goodwill. A positive relationship helps build trust and enhances the business's reputation in the area. For example, if a business sponsors a local event or hires locally, it can foster loyalty and attract more support.

Consumers are essential because they directly impact a business's sales and profitability by purchasing its products or services. A strong relationship ensures brand loyalty, repeat business, and positive word-of-mouth.

Q3. *“A manager and employees may have different priorities in how their work is done.”*

Discuss one conflict that might arise between these two stakeholders and suggest a way the conflict could be resolved.

Conflict: A manager may want tasks completed quickly to meet targets, while an employee might want to follow a slower, more careful process to maintain quality.

How to resolve the conflict: One way to resolve it is to agree on a realistic timeline through negotiation, that balances both speed and accuracy. This ensures productivity while respecting the employee’s approach.

Q4. (i) Outline the importance of a business’ relationship with their suppliers.

A good supplier relationship ensures reliability in receiving raw materials or goods, which keeps production or sales running smoothly. Delays or inconsistencies in supply can disrupt operations and lead to lost revenue.

It can also lead to financial advantages like better credit terms or discounts for loyal customers. Businesses that maintain strong relationships may be prioritised during high demand or shortages.

(ii) If an issue arises with a supplier over the agreed terms and conditions of their contract, discuss two methods a business could use to resolve the conflict.

1. Negotiation involves both sides discussing the issue and reaching a new agreement. For example, if payment terms are disputed, they could agree on a staged payment plan.

2. Arbitration is when an independent third party reviews the case and makes a binding decision. This is useful when negotiations fail. For example, a construction firm disputing delivery dates could use arbitration to settle the issue fairly.

Back In Business

Q5. A long-standing clothes shop in a small town has announced that it will close its physical store and move fully online. The owner says it will reduce costs and reach more customers, but some local residents are disappointed, and employees are concerned about job losses.

(i) Conduct stakeholder mapping for the decision above and place the following stakeholders on a power-interest grid: local customers, employees, the business owner, local government.

(i) Business Owners have high power because they make strategic decisions that directly control the direction of the business.

They have high interest because their financial success and long-term goals are closely tied to the outcome.

Employees have high power because they can influence operations through actions such as strikes or resistance.

They also have high interest as their job security and working conditions depend on business decisions.

Local Customers have high interest because the store closure affects their convenience and access to goods.

They have low power as they cannot directly change the decision, though they may try to influence public sentiment.

Local Government has high power due to their authority over planning, zoning, or regulation.

They have low interest unless the change the wider community or local development



(ii) Outline two reasons why stakeholder mapping is important for a business when planning a major change.

1. Stakeholder mapping helps the business identify who to focus on during change. It allows the business to target communication and engagement efforts toward those who have the most influence. This can lead to smoother implementation of decisions, fewer obstacles, and better overall outcomes for the business.

2. It also helps prevent resistance by anticipating concerns and addressing them early. For example, involving employees in transition planning can reduce fear and improve cooperation, to help manage them closely and prioritise them.