Business Stakeholders – their objectives and aims.

A stakeholder in a business, is any group or individual who can benefit or lose from the activities of a business. The most commonly accepted stakeholders are business owners (shareholders), staff, and managers. To these traditional stakeholders can be added a wider group who will include customers, suppliers, the government, those who live locally to business operations and even those affected in the wider community by a business' operations.

Theses stakeholders are not all driven by the same objectives, in fact it is likely that different stakeholder groups will want very different things from the business concerned. Therefore it is not unusual to find different stakeholders and stakeholder groups coming into conflict over a businesses activities and objectives.

Shareholders.

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Shareholders are of course the owners of a limited company. On the face of it, all shareholders share the common objective of sustained long term growth, giving both capital gain and increasing income. But the reality is that even shareholders can come into conflict. Institutional shareholders (investment and pension funds) are often driven by the need to achieve in the short term. So this means that they require from the firms that they have invested in, high dividends and strategies to achieve short term growth. But these strategies may be at odds with achieving long term growth through reinvestment of profits and investing in brand value, which are what the individual, long term investor is looking for.

Unfortunately for the little guy, the institutional view is the one that more often than not wins the day.

Managers.

The focus of managers should be on achieving long term business objectives, using the resources under their control to achieve maximum benefit for the business, getting the most from the assets that they manage. Unfortunately for business, the main long term objective of many managers is the protection of their position.

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This idea of self-preservation is often the main motivator for any middle manager. This drive for self-preservation may result in heroic efforts, such as working 60 hour weeks, or alternatively it can result in the establishment of whole layers of hierarchy who role is to preserve the status quo.

For more senior managers this idea of self-preservation can be extended to the idea of empire building. Empire building means developing the power of influence of a department for the sake of the department and it's bosses, not for the good of the business as a whole. Empire building managers will continually seek to increase their budgets, their spend, their staff, and their influence. And of course at the top of the tree we have the 'fat cat' managers, whose only objectives seem to be to maximise their salaries and benefits, whilst cutting costs through redundancies and rationalisations.

Other staff

Staff as stakeholders are protected by a range of employment and health and safety laws. This legislation has a major influence on employment practices, even more so with the UK adoption of the Social Chapter of the Maastrict treaty, the minimum wage, Working Time Directive and so on.

The primary concern of staff is job security. With many firms seeking to incorporate technology, and reduce workforce size, there will be obvious conflicts in stakeholder views. In the past this conflict would have more often than not, led to industrial action. But over the last decade it seems that the labour force has become more aware of the realities of modern employment, and are willing to move jobs, relocate and retrain.

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The second most important aspect of employment is a decent income. Of course firms, as a general rule, wish to minimise costs, and this view contrasts with the demands of employees. Whether conflicts arise depends upon two factors. Firstly, whether managers are willing to see workers as real assets (theory y) and reward accordingly. And secondly, the compliance of workers, are they militant willing to fight for better pay and conditions, or are workers forced by labour market pressures into taking what they can get?

Customers

Customers are perhaps the key stakeholder, after all satisfying customers' needs profitably, should lead to the financial strength to satisfy the other stakeholders Customers want efficient service and a quality product, at a competitive price. These requirements should not be at odds with good business practice, but unfortunately sometimes they are. Short-termism of businesses, can mean that achievement of immediate profit comes ahead of long term customer satisfaction. Also customers like to feel needed and respected, it is all too easy to alienate your customer base, as Gerald Ratner and to a lesser extent Marks and Spencer have found to their cost.

Suppliers

Suppliers want a fair price for their products, businesses wish to minimise costs. Following supply and demand theory, each market should achieve an equilibrium price, which in a competitive market should allocate rewards between supplier and buyer efficiently. But unfortunately for suppliers, the power in the market often rests with the buyer, and we are seeing this market imperfection more and more. The big four supermarkets dominate the

UK's farming industry, continually forcing down the prices they pay to producers, reducing farm incomes.
The situation is often worse when suppliers are based in developing countries, with the original producer receiving a tiny proportion of the products final sale value. Fair trade goods, such as Dubble chocolate, try to make the supplier – buyer relationship more balanced. But in the end, if the interests of the producer are to be fully taken into account, it is up to the final consumer, the supermarket customer, to make ethical buying decisions.

Government.

For government, business success, means, increased tax revenues, higher employment, and lower benefit payments. But the same economic success also means increased pollution, increased traffic, and loss of green field sites through development. In the past the priority was invariable given to growth, but increased environmental awareness has forced the government into limiting developments, encouraging development of brown field sites, and into imposing taxes such as the Climate Change Levy, and the Landfill Tax. These taxes on business, increase business costs, reduce competitiveness, and potentially increase unemployment.

As a stakeholder the government has to balance business and economic growth, against external costs of business activity..

Local population.

There are both costs and benefits to a local population that come from local business activity. Benefits include employment, increased regional wealth, improved facilities and infrastructure. Costs can involve potential pollution, environmental damage, and loss of open space. The local stakeholders who make their views known, are often the educated middle classes, who will perhaps, benefit little from new commercial developments. They can therefore protest with no heed to the loss of potential jobs, or filtering down of wealth. They view developments not as a necessary evil, but as simply unnecessary. The term NIMBY, 'not in my backyard' was coined to describe the views of this voluble minority.

Notes