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STAKEHOLDERS

Q. Discuss the conflicts of objectives amongst the stakeholders of the business.

Ans. Stakeholders are individuals or groups of people who have a direct or indirect interest in the running of the business. They are the owners/shareholders, directors, workforce, customers, suppliers, competitors, government, banks and the community as a whole. Each of the groups have different objectives and are affected differently by the business activity. Due to the differences of their objectives, conflicts may arise amongst the stakeholders.

One type of conflict may be between owners and directors. The directors of a company are the actual managers. They control and plan the resources and are the actual decision makers. Their main objectives would be to retain control and increase their status and power. This would be possible by increased growth of the organization. So in order to achieve their interests they might overlook the interests of the owners or shareholders who are the real risk takers as they have invested into the company. So, the shareholders would want greater returns in the form of dividends while the directors may decide that less dividends should be paid and greater percentage of profits re-invested to induce technological change. Also the directors may be paying themselves higher salaries and organizing their time to meet their own interests. This would result only in a satisfactory level of profits while the owners would want a higher level of profits. This conflict is the major reason of the divorce between ownership and control in the limited companies.

Conflicts also occur between the interests of the owners and the workforce. The workforce wants higher salaries and wages. They also want good working conditions like hygiene as well as moderate temperatures which would include fans. They would want proper safety equipments and clothing if their jobs are dangerous as in nuclear power plants. All these things would increase costs of the business and reduce profits while owners want higher profits and may even be thinking of reducing the wags and salaries. This also causes a conflict of workforce and managers / directors. The directors would want to keep prices low while the costs of satisfying the objectives of the workforce would force price to increase and the sales would drop. The director whereas want sales increase. The directors and owners may also want to increase the production which they may want to increase the working hours of the employees or introduce technological change and use more efficient machinery. This would again be in conflict with the objectives of the workforce who would want fever working hours and job security while more capital - intensive methods mean the redundancy of workers that lead to frustration and insecurity.

Conflicts may also arise between the suppliers and the owners or directors. The directors and owners want increased working capital for the development of innovative products and upgrading of older products to increase market demand and share. For this they may wish to buy goods on credit for longer periods of time. However the suppliers on the other hand would want to receive payment on time specially if they are small business because this causes severe hardships for the small suppliers as they too have to pay their employees and return loans. There it may be that suppliers aren't able to deliver the goods on time and are delayed. The owners and directors want the supplies to be delivered on time as late deliveries halt production and cause many difficulties for a business including wastage of time.

Customers and business may also disagree on several aspects. The major area of conflict is the price. The owners and directors wish to maximize profits for which they may increase prices if the quality of product is good or if too many resources of production had to be used. The customers however, want to have the best quality of products at a low price. If there is competition in the market as is the case with clothes, then prices are low. However, when competition is low like in the computer market then

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customers are forced to pay higher prices charged by owners. Then at times customers may not be satisfied with the quality of goods they bought as they may not be what customers had expected seeing the adverts. So the customers may wish to return the goods and receive a refund. However, the owners and directors may not agree to accept the returned goods or may not wish to return the money to the customer. Also, customers like to have after – sales service for certain expensive goods such as electric gadgets e.g. mobiles or MP3 player. However, the business in order to save costs may not offer these services or if the gadget breaks down after its first weak of use, conflict occurs if the owners refuse to investigate the matter or compensate the customer.

One other type of conflict is between the owners and the community. The community wishes to live in a clean and pollution. – free environment. It would want the industries and factories located away from residential areas and nature parks. However, conflict occurs if the owners decide to start a factory close to houses. This would cause a lot of noise pollution firstly because of construction and then because of the running of the factory. Air pollution is also possible from smoke-emitting factories that endanger the health of the community. So the community would rise against the business and may form pressure group to ruin the reputation of the business which is the last thing the owners want as it results in falling sales and profits and loss of goodwill. Also the community wishes the businesses to run in an environmentally friendly manner and dispose of its wastes clearly. This would decrease the profits as costs of the business increases a limit expansion chances which is conflict with the owners and directors objectives. The community would also want a business to run ethically and may rise against it if they use animals to do research e.g. for testing new food types. This would be against the objectives of owners who wish to research new types of products and must use the animals experimentally. A business activity would always lead to conflict due to the diverse objectives of the stakeholders. A good strong and successful management is one which is able to deal with all the stakeholders and still run the business efficiently by reaching agreements to minimize conflicts e.g. the owners could get employees to agree on them with good working conditions to show that they are cared for. Profit – sharing with employees could be done in good years to increase their loyalty. For this the owners shouldn't chose aggressive objectives like maximizing profit but keep it at a moderate level!

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