

# Stakeholders and Business Responsibility

IB / A Level exam-prep notes (AO1/AO2/AO3 + evaluation). Based on the provided passage.  
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## 1. Why stakeholder management matters

Businesses need legitimacy and cooperation from multiple groups. Expectations for transparency, ethics, and sustainability are rising; managing these well supports trust, competitiveness, and long-term success.

- Stakeholders want openness about working conditions, sourcing, and investment plans.
- Adaptability (e-commerce, delivery, diversification) can keep revenue stable during behaviour shifts.
- Ethical behaviour reduces legal/reputational risks and builds loyalty.
- Sustainability can lower costs (energy, waste) and protect supply chains.

## 2. Stakeholders: definition and types (AO1/AO2)

Stakeholder = any individual or group that can affect or is affected by the business.

Category	Who is included	Examples	How they influence outcomes
Internal	Within the business	Owners/shareholders, directors, managers, employees	Productivity, decision quality, retention, culture
External	Outside the business	Customers, suppliers, lenders, government/regulators, community, NGOs/media	Sales, supply reliability, finance cost, licence to operate, reputation

### Exam tip

- In case studies, pick 2–4 most relevant stakeholders and analyse them deeply rather than listing many.
- Show alignment/conflict between one internal and one external stakeholder.

### 3. Roles, rights and responsibilities (AO2)

Stakeholder relationships are two-way. Stakeholders have rights/expectations, but also obligations that help the business perform.

Stakeholder	Interests (want)	Rights/claims	Responsibilities (owe)
Employees	Fair pay, safe conditions, development, security	Employment contract; labour law	Work competently; follow procedures; serve customers
Owners/investors	Return, transparency, risk control	Information; voting rights (where relevant)	Provide capital; support long-term stability
Customers	Quality, value, safety, truthful marketing	Consumer rights; warranties	Pay on time; comply with terms
Suppliers/partners	Stable orders, fair terms, prompt payment	Contracts	Quality and reliability; timely delivery; compliance
Government/regulators	Compliance, tax, safety and environment	Inspections, sanctions, licences	Clear regulation; fair enforcement; infrastructure
Lenders	Repayment + interest	Loan agreements	Responsible lending; fair terms
Local community	Jobs, low pollution/noise, responsible waste	Planning and environmental protections	Constructive engagement; social licence

### 4. Stakeholder conflicts (AO3)

- Conflicts arise because stakeholders have different priorities and resources are limited.
- Managers must weigh trade-offs and aim for compromise that supports long-term objectives.

#### Common conflict examples

Conflict	Why it happens	Possible compromise
Owners vs employees	Reinvest profits vs higher wages	Phased pay rise + productivity bonus + investment plan
Customers vs business	Higher quality but no price rise	Value engineering + tiered product range
Business vs suppliers	Suppliers raise prices due to cost inflation	Long-term contract, shared forecasting, alternative sourcing
Community/NGOs vs business	Pollution/noise and sustainability concerns	Cleaner tech investment + reporting + community dialogue

## 5. Stakeholder power and impact on decisions (AO3)

Stakeholder influence depends on the firm's dependence on them, availability of alternatives, and the stakeholder's ability to coordinate action. Power can change quickly (shortages, regulation, viral campaigns).

- Customers: switching, negative reviews, boycotts
- Employees: resignations (especially scarce talent), unions, lower productivity
- Suppliers: delay supply, renegotiate terms, prioritize other buyers
- Investors/lenders: refuse funding, demand changes, raise cost of capital
- Government: inspections, taxes, fines, licensing
- Community/NGOs/media: reputational pressure and policy influence

### Power-Interest matrix (tool)

Quadrant	Examples	How to manage
High power / High interest	Regulators, unions, major investors, key customers	Manage closely; consult frequently
High power / Low interest	Large institutions with minor stake	Keep satisfied; targeted updates
Low power / High interest	Residents, advocacy groups, small customers	Keep informed; dialogue to reduce resistance
Low power / Low interest	Occasional customers, minor suppliers	Monitor; minimal effort

## 6. Accountability and business responsibility (AO3)

Accountability means being transparent, acting responsibly, and accepting responsibility for impacts on others. Businesses need credibility to prosper.

Two perspectives you can evaluate

Perspective	Core claim	Strengths	Limitations
Shareholder primacy	Main duty is maximizing shareholder returns within the law	Clear focus; may drive efficiency	Can encourage short-termism; reputational/ethical risks
Stakeholder approach	Long-run success requires balancing many stakeholder interests	Builds trust and resilience; supports sustainability	May increase costs; harder to satisfy everyone

Why accountability matters (AO3)

- Misleading ads, unsafe products, or poor working conditions can quickly damage brand image.
- Strong ethics can reduce penalties, attract talent, and strengthen customer loyalty.
- Transparent reporting supports investor confidence and long-term funding.

## 7. Exam toolkit

### Key definitions (AO1)

- Stakeholder: any group/individual affected by or able to affect the business.
- Internal stakeholder: inside the organization (employees, managers, owners).
- External stakeholder: outside the organization (customers, suppliers, government, community).
- Accountability: responsibility to explain decisions and accept consequences; transparency + ethical conduct.

### 10/12-mark answer structure (AO3)

- 1) Brief context + define key term(s).
- 2) Identify 2-3 key stakeholders and their interests.
- 3) Analyse impact of the decision on each (cause → effect).
- 4) Use power/interest to predict reactions and influence.
- 5) Evaluate trade-offs (short vs long run; ethics/sustainability vs cost).
- 6) Conclude with a justified judgement.

### Practice questions

- Explain why stakeholder interests might conflict in a price increase decision.
- Analyse how outsourcing could affect employees, customers, and shareholders.
- Discuss whether a business should prioritize shareholders over other stakeholders.
- Evaluate how stakeholder power might change during a supply shortage or recession.