



Cambridge Assessment
International Education

Teaching Pack

AO2 Application

Understanding business activity

Cambridge IGCSE™ Business 0450

This *Teaching Pack* can also be used with the following syllabuses:

- Cambridge IGCSE™ (9–1) Business Studies **0986**
- Cambridge O Level Business Studies **7115**



In order to help us develop the highest quality resources, we are undertaking a continuous programme of review; not only to measure the success of our resources but also to highlight areas for improvement and to identify new development needs.

We invite you to complete our survey by visiting the website below. Your comments on the quality and relevance of our resources are very important to us.

www.surveymonkey.co.uk/r/GL6ZNJB

Would you like to become a Cambridge International consultant and help us develop support materials?

Please follow the link below to register your interest.

www.cambridgeinternational.org/cambridge-for/teachers/teacherconsultants/

Copyright © UCLES 2019

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

UCLES retains the copyright on all its publications. Registered Centres are permitted to copy material from this booklet for their own internal use. However, we cannot give permission to Centres to photocopy any material that is acknowledged to a third party, even for internal use within a Centre.

Contents

Introduction	4
AO2: Application	5
AO Lesson: Applying business knowledge	6
Skill Development Lesson: Stakeholder groups	7
Independent lesson: Stakeholder case studies	9
Worksheets and answers	10

Icons used in this pack:



Assessment Objective (AO) lesson



Skill development lesson



Independent lesson

Introduction

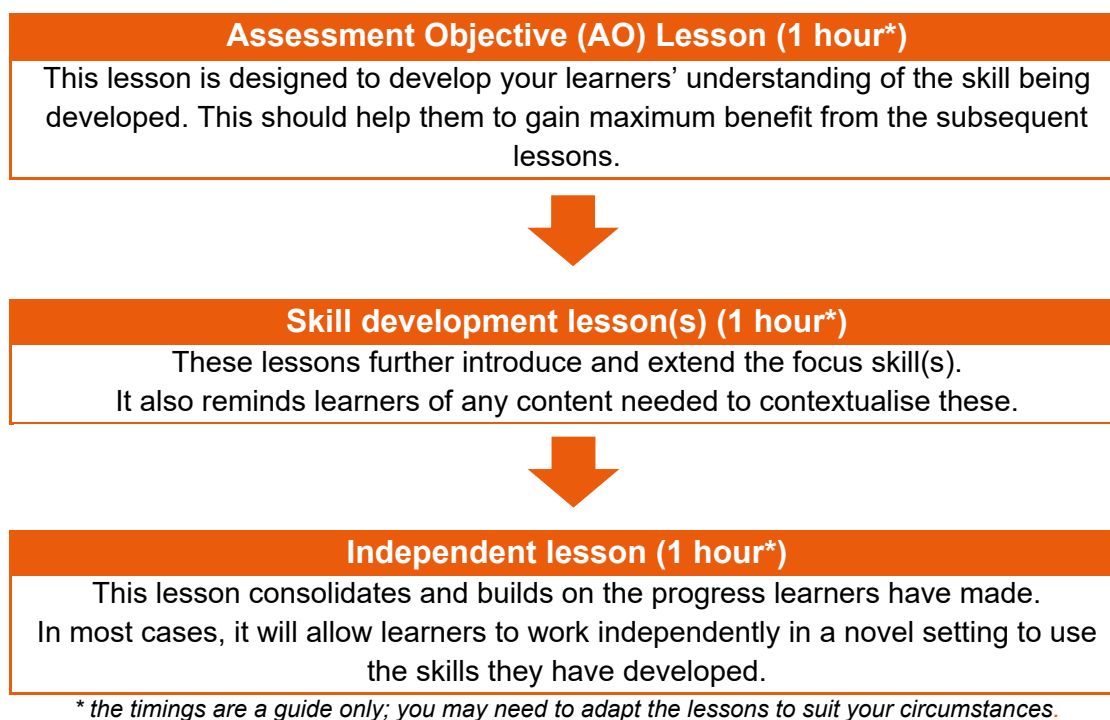
This pack will help you to develop your learners' higher order thinking skills as defined by AO2.

Important note

Our *Teaching Packs* have been written by **classroom teachers** to help you deliver lessons which develop higher order thinking skills. Use these materials to supplement your teaching and engage your learners. You can also use them to help you create lesson plans for other parts of the syllabus.

This is one of a range of *Teaching Packs*. Each pack is based on one assessment objective which is contextualised within one area of the syllabus. The packs can be used in any order to suit your teaching sequence.

The structure is as follows:



In this pack you will find the lesson plans, worksheets for learners and teacher resource sheets you will need to successfully complete the lessons.

AO2: Application

This *Teaching Pack* focuses on AO2 Application – apply knowledge and understanding of facts, terms concepts, conventions, theories and techniques

This *Teaching Pack* has links to the following syllabus content (see syllabus for detail):

- 1.5.2 The role of stakeholder groups involved in business activity

The lessons cover the following skills, adapted from **AO2: Application** (see syllabus for assessment objectives):

- Application of knowledge and understanding of stakeholder groups
- Application of knowledge and understanding to business situations, circumstances and scenarios

Please note that analysis and evaluation will feature in some activities, but these skills are focused on in more depth in other *Teaching Packs* and *Scenario Packs*.

Prior knowledge

Knowledge from the following syllabus topics is useful for the activities that follow

- 1.5.2 The role of stakeholder groups involved in business activities

Teacher notes

The suggested activities are to help engage your learners as they develop the skill of applying their business knowledge to a range of business scenarios and contexts.

Learners can find applying their business knowledge difficult. For example, the methods for motivating the workforce in a car manufacturing plant will be different to those used to motivate a team of sales people selling kitchens. Learners need to be able to take their business knowledge and apply it in the context of different businesses and business scenarios.

It is also important to consider the context of the size of the business when applying knowledge. For example, is it a 'for profit' or 'not for profit' business? Is the business well established or a start-up?

Learners need to focus on how to use the business knowledge they have in given situations. The Assessment Objective (AO) lesson, skill development lesson and the independent lesson activities will help them practice this.



AO lesson: Applying business knowledge

Resources

- PowerPoint presentation
- Worksheet A and Worksheet B

Learning objectives

By the end of the lesson:

- **all** learners should be able to draft an answer to a given question
- **most** learners should be able to write a full model answer to a given question
- **some** learners will be able to write a model answer to a given question, using what they have learnt and without the model

Timings

Activity



Starter

Introduce learners to the requirements of AO2 using the first slide. The whole focus of this lesson will be for them to understand what we mean by application.

Ask learners to create a list with their partner of all of the ways that a company could motivate its workers.

Now ask them to decide which of these would be most suitable for Company A and Company B as described on the slide. You can use slide 5 to develop a classroom discussion of some examples of motivational strategies and how they might relate to both companies.



Main lesson

Learners should look at the four stakeholder statements on [Worksheet A](#). They have to decide if the statements have been applied in a business context. They should record and explain their answers on the worksheet.



Give learners [Worksheet B](#). This is a structure that they can use to help to develop answers that are contextualised in a business setting. Read the case study and the practise question.

Take your learners through steps 1-3 and ask them to make notes on [Worksheet B](#) in the relevant boxes.



For step 4 give learners 10 minutes to write an answer in the box provided on [Worksheet B](#), using their notes from steps 1-3 to help them if they need it.



Plenary


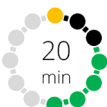
Choose 3 or 4 learners to read out their answers and ask the class to comment on how well they feel the information has been applied.



Show the possible answer so learners can self or peer-assess their answers. They should spend some time making any necessary corrections so that they all finish with a fully applied answer.





Skill development lesson: Stakeholder groups

Resources	<ul style="list-style-type: none"> Worksheet C, Worksheet D, Worksheet E, Worksheet F and Worksheet G
Learning objectives	<p>By the end of the lesson:</p> <ul style="list-style-type: none"> all learners should be able to identify at least one objective for each stakeholder group most learners should be able to identify a conflict of interest between two stakeholder groups in a given situation some learners will be able to make recommendations in a given scenario, which recognises why it is important for businesses to satisfy stakeholder objectives
Timings	Activity
	<p>Starter</p> <p>There are two options for the starter activity. Explain to learners that both options are activities designed to check / recap their knowledge and understanding of elements of core content from section 1.5.2 of the syllabus.</p> <p><u>Option 1</u> Give learners Worksheet C. They have to match the stakeholder to their objective.</p> <p><u>Option 2</u> Give learners Worksheet D and explain that this activity is to check / recap their knowledge and understanding of elements of from section 1.5.2 of the syllabus. Your learners should select the correct answer to each question. They could mark their own answers or each other's. They can use the quiz to identify areas that they need to develop.</p>
	<p>Main lesson</p> <p>Hand out Worksheet E. Introduce this activity by reminding learners that stakeholder groups have their own objectives that may be in conflict with other stakeholder's objectives. As a result different stakeholders may not be in agreement with each other on the decisions a business makes. Businesses do not want stakeholder conflict and try to avoid it, but this is not always possible.</p> <p>Stakeholders can influence business activity, and be affected by a business' decision making positively and negatively.</p> <p>Share the business scenario at the top of Worksheet E. Your learners should complete the table by identifying at least one objective for each FABRIX stakeholder.</p> <p>Learners will then outline the effects that the change in location of the business's new factory might have on stakeholders. They should ensure that they consider both positive and negative effects where relevant. This will encourage your learners to use their application skills and develop a balanced response. Get learners to feedback their answers.</p> <p>Some suggested answers are provided to support class feedback.</p>



Skill development lesson: *continued*

Timings	Activity
 20 min	<p>The next activity is based on the scenario of a new Gym opening in their local area called FitToGo.</p> <p>Learners should work in groups of 4-5. Each member selects a stakeholder card from Worksheet F and assumes that role. Learners should be familiar with the interests and objectives of their stakeholder in business activities from the earlier task, but you could give them a minute or two to make notes on the back of their card.</p> <p>Introduce the groups to FitToGo by handing out and reading together the business scenario on Worksheet F.</p> <p>The aim is for learners to advise FitToGo on what they need to do to meet the objectives of each stakeholder group and to explain why it is important for the company to try and satisfy the objectives of each stakeholder. Learners should record their ideas on the back of their cards.</p> <p>Stakeholders from each group then seek out their equivalent stakeholder in the other groups to discuss their recommendations. Together they should write a set of recommendations for their stakeholder group on what FitToGo need to do to satisfy their objectives and why each is important. They should do this using Worksheet G. This set of recommendations will be put to the owner / shareholders of FitToGo (you will assume this role) in the plenary.</p> <p>Remind learners to apply their knowledge on stakeholders in the context of the business and not to generalise their answers as learnt in the previous lesson.</p>
 10 min	<p>Plenary</p> <p>Each stakeholder group takes it in turn to present their recommendations to the owner / shareholders of FitToGo.</p>



Independent lesson: Stakeholder case studies





Resources

- Worksheet H, Worksheet I and Worksheet J

Learning objectives

By the end of the lesson:

- all** learners should be able to use at least one case study to identify the key stakeholders and their objectives in that business context
- most** learners should be able to identify from case study material which stakeholders may have conflicting objectives
- some** learners will be able to justify whether the conflict between two stakeholders is likely to occur

Timings	Activity
 10 min	<p>Starter</p> <p>The <i>PastiPalace</i> is a small chain of shops in the East of England that specialises in making and selling different types of pasties (a pasty is a savoury food item consisting of pastry folded in half with a savoury filling inside). They make the pasties on site in each shop to sell direct to customers. They have a number of business decisions to make and know that some of these decisions will affect their stakeholders in different ways – some positively and some negatively. Your learners will need to apply their knowledge and understanding of stakeholders to work out which stakeholders are likely to be affected by the decisions and whether the impact will be a positive or negative one.</p> <p>Hand each learner a business decision-making statement from Worksheet H.</p> <p>Learners have to decide which stakeholder(s) would be affected by the business decision they have on their card, how it would affect them and whether it would affect them in a positive way or a negative way. Ask learners to explain their answers in the context of the business and its scenario.</p>
 20 min  20 min	<p>Main lesson</p> <p>Read the case study together on Worksheet I and then ask your learners to answer the questions.</p> <p>Hand learners Worksheet J. It introduces an individual task to enable learners to practise the skill of applying their business knowledge and understanding.</p>
 10 min	<p>Plenary</p> <p>Ask learners to feedback their answers on Worksheet J. Try to engage all learners by building up a final set of answers on the board by taking points from each of them. You could use the suggested answer sheet for Worksheet J to help draw out content for the answers.</p>

Worksheets and answers

	Worksheets	Answers
For use in <i>assessment objective lesson</i>:		
A: Stakeholder statements	11	29
B: Applying business knowledge	13	–
For use in <i>skill development lesson</i>:		
C: Card sort	15	31
D: Quiz	16	32
E: FABRIX	18	34
F: Stakeholder role play cards	21	37
G: Stakeholder recommendations	22	–
For use in <i>independent lesson</i>:		
H: Business decision making	23	38
I: Case study application Activity 1	24	39
J: Case study application Activity 2	27	42



Worksheet A: Stakeholder statements

Read the four stakeholder statements. For each of them, you should decide if they have been made in context or not. You need to explain your answer.

Statement 1

The local residents of Winwell are not happy about the new 'J&T' depot being built in their town due to the pollution and traffic congestion their lorries will bring.

"We are told the depot will be operating 24 hours a day, which means noise from the lorries coming in and out of the depot could be disruptive for residents".

I know this statement has / has not been made in a business context because

.....

.....

.....

.....

.....

.....

Statement 2

Businesses building new premises in a town might upset the local community.

I know this statement has / has not been made in a business context because

.....

.....

.....

.....

.....

.....



Worksheet A: continued

Statement 3

The workers will be more motivated if they are paid a decent wage and have good working conditions.

I know this statement has / has not been made in a business context because

.....

.....

.....

.....

.....

.....

Statement 4

The workers at 'The Bean Box' coffee factory will be more motivated if they are paid a good and fair wage for the work they do. From the information given, we can see that one of the things the workers complained about was not having a pleasant environment to socialise in during their breaks. If the working conditions are good and the staff room could be made to be a pleasant environment in which to relax, the workers are likely to feel more valued and work more quickly. This would increase productivity.

I know this statement has / has not been made in a business context because

.....

.....

.....

.....

.....

.....

Worksheet B: Applying business knowledge



Use this worksheet to make notes as we go through the different elements of building an answer to the question shown below:

Explain the impact on Paula's business if the price of silver was to rise.

Step 1 – Identify what the question is asking

.....

.....

.....

.....

.....

.....



Step 2 – Context of the business

.....

.....

.....

.....

.....

.....



Worksheet B: *continued*



Step 3 – The content of your answer

.....

.....

.....

.....

.....

.....



Step 4 – Your answer to the question

.....

.....

.....

.....

.....

.....

Worksheet C: Card sort



Match each stakeholder from the selection below to the correct objective.

Stakeholder	Stakeholder Objective(s)
	Job security, promotion and career development, increase in salary / bonuses, job satisfaction, successful departments
	Employment opportunities, to minimise any negative impacts such as pollution – clean environment
	High profits as a reward for risking their investment – good return on their investment, increase in the value of their shares
	Job security, Fair wage for what they do, pay rises, good working conditions, promotion prospects
	Repayments of loans to be paid on time – financial stability
	Quality products, variety, value for money
	Prompt payment, repeat orders, fair dealings when negotiating prices with businesses they are supplying
	To receive taxes on time

Owners / shareholders	Lenders	Employees
Managers	Suppliers	Government
Local community		Customers



Worksheet D: Quiz

Select the correct answer for each question

1 What is a stakeholder?

- ☐ an individual or a group which has an interest in a business
- ☐ a person or a business who owns shares in a company
- ☐ someone who takes the financial risk of starting their own business

2 Which of the following is an example of an **internal** stakeholder?

- ☐ lenders
- ☐ suppliers
- ☐ owners / shareholders

3 Which of the following is an example of an **external** stakeholder?

- ☐ local community
- ☐ managers
- ☐ owners / shareholders

4 Which stakeholder has the objective of a fair wage, good working conditions and job security?

- ☐ suppliers
- ☐ employees
- ☐ government

5 Which stakeholder has the objective of wanting variety, good quality products and value for money?

- ☐ lenders
- ☐ managers
- ☐ customer

6 Which of the following two stakeholders would have conflicting objectives if a new business brought with it road congestion and air and noise pollution?

- ☐ suppliers would conflict with owners / shareholders
- ☐ owners / shareholders would conflict with the local community
- ☐ government would conflict with employees



Worksheet D: *continued*

7 Which stakeholder might make the following statement?

'We want businesses to pay taxes and to pay them on time and hope the business will provide employment to help keep our spending on unemployment benefits to a minimum'

- ☐ government
- ☐ managers
- ☐ lenders

8 Which stakeholder might make the following statement?

'We hope to get salary increases and the opportunity for promotion, career development and our departments to be successful. If the business performs well we might get a bonus. We want our jobs to give us status'

- ☐ employees
- ☐ owners / shareholders
- ☐ managers

9 Select which two stakeholder objectives conflict if one wants lower prices and the other higher profits?

- ☐ owner / shareholder will conflict with employees
- ☐ customers will conflict with owners / shareholders
- ☐ customers will conflict with suppliers

10 Select which two stakeholder objectives conflict if one wants paying on time and the other wants extended credit terms to delay payment?

- ☐ suppliers will conflict with owner / shareholder
- ☐ owner / shareholder will conflict with managers
- ☐ local community will conflict with suppliers

Worksheet E: FABRIX



Scenario

FABRIX is a business that manufactures cotton bags. FABRIX manufactures them for retailers to sell and they customise them to the retailers' requirements. Due to the increased pressure to reduce the use of plastic bags, worldwide demand for their cotton bags has increased significantly. FABRIX wants planning permission to build a new factory in your local area. A range of stakeholders will be affected by FABRIX's location decision. The business decisions and activities of FABRIX may have both positive and negative effects on its stakeholders.

1. Complete the table below identifying at least one objective for each FABRIX stakeholder and then outline the effects that the location of their new factory might have. Remember the effects can be positive and negative. The first one has been done for you.

Stakeholder group	Objective(s)	How the stakeholder could be affected by FABRIX's location decision
FABRIX owners / shareholders	<ul style="list-style-type: none"> • High profits as a reward for risking their investment • Increase in the value of their shares • Good return on their investment 	+ Potential for increased profit in the long term as FABRIX expands – In the short term some of the profits they may have received as a dividend may be re-invested into the expansion of FABRIX, but long term profits should increase as demand for cotton bags continues to rise.
FABRIX managers
FABRIX workers (employees)

Worksheet E: *continued*



Stakeholder group	Objective(s)	How the stakeholder could be affected by FABRIX's location decision
Lenders (FABRIX bank manager)
FABRIX'S suppliers
FABRIX customers (<i>think carefully here who their customers are</i>)
The government

Worksheet E: continued



Stakeholder group	Objective(s)	How the stakeholder could be affected by FABRIX’s location decision
Local residents (local community)

2. Explain why the objectives of FABRIX shareholders / owners and FABRIX workers might be in conflict with each other.
-
-
-
3. Which FABRIX stakeholders would be in conflict with each other if FABRIX made the following decisions? Give reasons why they would be in conflict with each other.
- a. Increase the selling prices of their bags to maximise profits
-
-
- b. Increase trade credit terms from 30 days to 90 days
-
-
- c. New technology to increase production rates
-
-

Worksheet F: Stakeholder role play cards



Scenario

FitToGo is a gymnasium which has recently opened. It is a multi-purpose centre which has some of the latest gym equipment on the market. They also run a range of different fitness classes, offer a personal trainer service and have a swimming pool. They have a small shop which stocks a range of gym wear and health foods.

FitToGo stakeholders

FitToGo lenders

FitToGo suppliers

FitToGo employees

FitToGo customers

Local residents

Worksheet G: Stakeholder recommendations



Use this worksheet to record your recommendations to FitToGo based on the discussions of your stakeholder group.

Recommendations to FitToGo	
Stakeholder group	
.....	
How you can meet our objectives	Why this is important
.....
.....
.....
.....

Worksheet H: Business decision making

Invest in new equipment to improve efficiency
Open up new PastiPalace shops in another region
Run a sales promotion every month
To stop producing certain pasties
Look at options to have a centralised production facility
To diversify into a new market
Increase PastiPalace employee wages by 5%

Worksheet I: Case study application Activity 1



Scenario

There is a new restaurant opening in your local area that will be selling cuisine from around the world. It will be based on a self-service buffet style which has proved popular in the other areas they already have established this style of restaurant.

The business is family run and owners Steve, Sarah, Jason and Lindsey, have been able to expand due to the success of the other restaurants. This will be their eighth '**Around the World Cuisine**' restaurant. Each restaurant employs an average of 3 chefs and 10 servers, operating a shift pattern of working.

They are open from midday to 11pm. So far the owners have located their restaurants in town centres, but this new restaurant opening will be in a more built up residential area and they are aware they need to keep the local residents happy. They have used some retained profit to help with the financing of the new restaurant, and have taken out a small business loan from the bank for the remaining amount needed.

They would like to continue to use the same supplier for most of the items they need, but some of the stock for the new restaurant will be obtained from local suppliers. Providing customers with variety and good value is important for the business. As they have done with the other restaurants, they have carried out market research to help localise some of their dishes to meet customer needs.

Please answer the questions below. Remember to apply your knowledge on stakeholders in the context of the business and its circumstance.

- 1) Underline or highlight in the text above the '**Around the World Cuisine**' stakeholders
- 2) Using the case study, outline two **internal** stakeholders

.....

.....

.....

.....

- 3) Using the case study, outline two **external** stakeholders '**Around the World Cuisine**' has

.....

.....

.....

.....



Worksheet I: *continued*

- 4) Make three suggestions to help the owners of '**Around the World Cuisine**' to meet the objectives of their employees.

.....

.....

.....

.....

.....

.....

.....

.....

- 5) Make three suggestions to help the owners of '**Around the World Cuisine**' to meet the objectives of the local community.

.....

.....

.....

.....

.....

.....

.....

.....

- 6) Select **two** stakeholders from the case study and explain how their objectives might be in conflict with each other.

.....

.....

.....

.....

.....

.....

Worksheet I: continued



7) How likely is the conflict between the two different stakeholder groups going to occur?
Please justify your answer.

.....

.....

.....

.....

.....

.....

8) Why is it important for ‘**Around the World Cuisine**’ to minimise conflict with its stakeholders?

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....



Worksheet J: Case study application Activity 2

Scenario

The BodyWorks is a sports therapy business started by two brothers 10 years ago – John and Bradley Craven. They invested all their savings into their business venture. They specialise in treating people with a range of sports related injuries. Their business has been a great success allowing them to expand, offering their services in three other towns in the region.

They understand the importance of keeping their stakeholders happy. This can be difficult when some stakeholder objectives can be in conflict with each other.

- 1) Consider an objective of each of the following stakeholder groups of **The BodyWorks**

One objective of owners (John and Bradley Craven)

.....

.....

.....

.....

.....

.....

One objective of their clients (customers)

.....

.....

.....

.....

.....

.....

One objective of their employees

.....

.....

.....

.....

.....

.....

Worksheet J: continued



2) Do you think there is conflict between the objectives of each of these stakeholder groups? Justify your answer. This means putting an argument forward to support your answers.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

Worksheet A: Answers



Read the four stakeholder statements. For each of them, you should decide if they have been made in context or not. You need to explain your answer.

Statement 1

The local residents of Winwell are not happy about the new 'J&T' depot being built in their town due to the pollution and traffic congestion their lorries will bring.

"We are told the depot will be operating 24 hours a day, which means noise from the lorries coming in and out of the depot could be disruptive for residents."

I know this statement has / ~~has not~~ been made in a business context because

.....

.....

.....

.....

.....

.....

Statement 2

Businesses building new premises in a town might upset the local community.

I know this statement ~~has~~ / has not been made in a business context because

.....

.....

.....

.....

.....

.....

Worksheet A: Answers



Statement 3

The workers will be more motivated if they are paid a decent wage and have good working conditions.

I know this statement ~~has~~ / has not been made in a business context because

.....

.....

.....

.....

.....

.....

Statement 4

The workers at ‘The Bean Box’ coffee factory will be more motivated if they are paid a good and fair wage for the work they do. From the information given, we can see that one of the things the workers complained about was not having a pleasant environment to socialise in during their breaks. If the working conditions are good and the staff room could be made to be a pleasant environment in which to relax, the workers are likely to feel more valued and work more quickly. This would increase productivity.

I know this statement has / ~~has not~~ been made in a business context because

.....

.....

.....

.....

.....

.....

Worksheet C: Answers



Stakeholder	Stakeholder Objective(s)
<i>Managers</i>	Job security, promotion and career development, increase in salary / bonuses, job satisfaction, successful departments
<i>Local community</i>	Employment opportunities, to minimise any negative impacts such as pollution – clean environment
<i>Owners / shareholders</i>	High profits as a reward for risking their investment – good return on their investment, increase in the value of their shares
<i>Employees</i>	Job security, Fair wage for what they do, pay rises, good working conditions, promotion prospects
<i>Lenders</i>	Repayments of loans to be paid on time – financial stability
<i>Customers</i>	Quality products, variety, value for money
<i>Suppliers</i>	Prompt payment, repeat orders, fair dealings when negotiating prices with businesses they are supplying
<i>Government</i>	To receive taxes on time

Worksheet D: Answers



Select the correct answer for each question

1 What is a stakeholder?

☐ an individual or a group which has an interest in a business

2 Which of the following is an example of an **internal** stakeholder?

☐ owners / shareholders

3 Which of the following is an example of an **external** stakeholder?

☐ local community

4 Which stakeholder has the objective of a fair wage, good working conditions and job security?

☐ employees

5 Which stakeholder has the objective of wanting variety, good quality products and value for money?

☐ customer

6 Which of the following two stakeholders would have conflicting objectives if a new business brought with it road congestion and air and noise pollution?

☐ owners would conflict with shareholders and the local community

7 Which stakeholder might make the following statement?

'We want businesses to pay taxes and to pay them on time and hope the business will provide employment to help keep our spending on unemployment benefits to a minimum'

☐ government

8 Which stakeholder might make the following statement?

'We hope to get salary increases and the opportunity for promotion, career development and our departments to be successful. If the business performs well we might get a bonus. We want our jobs to give us status'

☐ managers



Worksheet D: Answers

9 Select which two stakeholder objectives conflict if one wants lower prices and the other higher profits?

☐ **customers will conflict with owners / shareholders**

10 Select which two stakeholder objectives conflict if one wants paying on time and the other wants extended credit terms to delay payment?

☐ **suppliers will conflict with owner / shareholder**

Worksheet E: Answers



FABRIX is a business that manufactures cotton bags. FABRIX manufactures them for retailers to sell and they customise them to the retailers' requirements. Due to the increased pressure to reduce the use of plastic bags, worldwide demand for their cotton bags has increased significantly. FABRIX wants planning permission to build a new factory in your local area. A range of stakeholders will be affected by FABRIX's location decision. The business decisions and activities of FABRIX may have both positive and negative effects on its stakeholders.

Stakeholder group	Objective(s)	How the stakeholder could be affected by FABRIX's location decision
FABRIX owners / shareholders	<ul style="list-style-type: none"> • High profits as a reward for risking their investment • Increase in the value of their shares • Good return on their investment 	+ Potential for increased profit in the long term as FABRIX expands – In the short term some of the profits they may have received as a dividend may be re-invested into the expansion of FABRIX, but long term profits should increase as demand for cotton bags continues to rise.
FABRIX managers	<ul style="list-style-type: none"> • Job security • Promotion and career development • Increase in salary/bonuses • Job satisfaction – successful department 	+ Promotional opportunities, increased status, possible salary increase – But if latest technology to manufacture the bags is brought in and replaces some workers, likely to be less managers needed so little promotional opportunity and threat of loss of jobs for FABRIX workers on the production line.
FABRIX workers (employees)	<ul style="list-style-type: none"> • Job security • Fair wage for what they do • Pay rises • Good working conditions • Promotion prospects 	+ Job security if, possible promotional opportunities – But if latest technology is brought in to manufacture the bags, risk of job losses

Worksheet E: Answers



Stakeholder group	Objective(s)	How the stakeholder could be affected by FABRIX's location decision
Lenders (FABRIX bank manager)	<ul style="list-style-type: none"> • Prompt/reliable payment • Repeat orders • Good relationship with FABRIX • Fair dealings when negotiating prices with FABRIX 	<ul style="list-style-type: none"> + More orders for raw materials to make the bags due to expansion, meaning increased production – Might increase the bargaining power of FABRIX as they will be increasing the quantity of raw materials they purchase
FABRIX'S suppliers	<ul style="list-style-type: none"> • Good quality bags to sell on to their customers • Value for money 	<ul style="list-style-type: none"> + Cheaper prices as economies of scale could bring down the unit cost of each bag – Potential opportunity for FABRIX to open a factory seconds shops allowing them to sell direct to the consumer
FABRIX customers (think carefully here who their customers are)	<ul style="list-style-type: none"> • To receive taxes from FABRIX on time 	<ul style="list-style-type: none"> + More taxation if profits increase + More employment so less financial support needed from the government in the form of unemployment benefit – If new technology is used and requires less workers in FABRIX factories, employment in the local area may be less than expected
The government	<ul style="list-style-type: none"> • Prompt/reliable payment • Repeat orders • Good relationship with FABRIX • Fair dealings when negotiating prices with FABRIX 	<ul style="list-style-type: none"> + More orders for raw materials to make the bags due to expansion, meaning increased production – Might increase the bargaining power of FABRIX as they will be increasing the quantity of raw materials they purchase

Worksheet E: Answers



Stakeholder group	Objective(s)	How the stakeholder could be affected by FABRIX's location decision
Local residents (local community)	<ul style="list-style-type: none"> Local employment opportunities To minimise any negative impacts such as pollution – clean environment 	<ul style="list-style-type: none"> + Jobs for the local community (residents where FABRIX is locating) + More money brought into local area as other businesses benefit from the workers spending money with them – Noise, traffic, air pollution – environmental impact

2. Explain why the objectives of FABRIX shareholders / owners and FABRIX workers might be in conflict with each other.
Shareholders/owners want profits to be maximised to increase the dividend they get and workers want higher wages and good working conditions which costs money
3. Which FABRIX stakeholders would be in conflict with each other if FABRIX made the following decisions? Give reasons why they would be in conflict with each other
 - a. Increase the selling prices of their bags to maximise profits
Owners / shareholders and managers would be in conflict with customers. FABRIX owners / shareholders increase the amount of profit and therefore see their dividend increase. FABRIX managers are responsible for the performance of the business – maximised profits could mean promotion, bonuses increase in salary. FABRIX Customers (retailers) will not want to pay more for their stock as this means they will have to either absorb the cost themselves reducing profit margins or pass the cost on to their own customers.
 - b. Increase trade credit terms from 30 days to 90 days
Managers and bank would be in conflict with suppliers. Increasing the trade credit terms would help with cash flow which will please FABRIX managers and FABRIX lenders, but FABRIX suppliers want prompt payments rather than delayed to reduce cash flow problems for themselves
 - c. New technology to increase production rates
Owners / shareholders would be in conflict with FABRIX workers. Owners / shareholders might believe this will maximise profits and increase dividends, but the workers would be concerned about job losses on the production line.

Worksheet F: Answers



These are suggested ideas that learners might put on the back of their cards regarding how the stakeholder objectives could be met and why this is important.

<h3>FitToGo lenders</h3> <p><i>Make loan repayments on time and have financial stability and we may be able to assist you with further funding for expansion of FABRIX</i></p>	<h3>FitToGo suppliers</h3> <p><i>Provide us with repeat orders and pay promptly.</i></p> <p><i>Our success depends on your success as we need repeat orders from you and prompt payment for our cash flow stability and survival</i></p>
<h3>FitToGo employees</h3> <p><i>Treat us fairly, pay us a good wage for the contribution we make to the business and provide job security, and we will work hard for you increasing the production rate of FABRIX bags</i></p>	<h3>FitToGo customers</h3> <p><i>Provide us with good value, a variety of services in your gym and excellent customer service, and we will stay loyal to you and will come back</i></p>
<h3>Local residents</h3> <p><i>Provide employment opportunities for us and keep the local environment in which we live in clean and minimise noise pollution. Many of the local community will want to use your gym and will be your customers</i></p>	



Worksheet H: Answers

Invest in new equipment to improve efficiency

Owners/shareholders – Increased production, maximises profits = bigger dividends

Employees (workers) – Potential loss of jobs in the PastiPalace shops

Lenders – Financial stability – pay loan repayments on time

Open up new PastiPalace shops in another region

Local Community – employment for local people

Owners/shareholders – short term reduction in profits due to investment, but long term increase as customer base widens

Lenders – Lending for expansion, long term increased profits = financial sustainability

Employees (workers) – promotional prospects – shop managers

Customers – more choice and variety in their local areas

Run a sales promotion every month

Owners/shareholders – potential reduction in profit in short term due to reduced prices, but long term aim to achieve customer loyalty and increase in profits

Managers and Employees – increased job security due to increase in sales of pasties

Customers – better value for the same quality pasty they expect

Suppliers – bigger orders of ingredients and other stock, due to increased sales = bigger profits

To stop producing certain pasties

Customers – less choice of pasty

Owners/shareholders – risk of loss of revenue if customers start buying from another bakery/shop

Suppliers – Reduced order of certain ingredients – potential loss of revenue

Look at options to have a centralised production facility

Local community – less jobs for local people, increase in noise and air pollution at the site of bigger centralised production facility

Owners/shareholders – improved efficiency = maximise profits, increased dividends

Employees and Managers – loss of jobs locally, but promotion prospects in new facility, but may require re-location

Customers – Pasties may reduce in quality as not made freshly on site

To diversify into a new market

Owners/shareholders – short potential reduced dividends if retained profit ploughed back into the business for diversification. Long term increased profit from additional source of revenue

Lenders – additional source of revenue, financial stability if costs are kept in check

Customers – More choice and variety of pasty for brand loyal; customers

Suppliers – increase in orders, helps with their own cash flow and profits

Local Community – jobs for local people

Increase PastiPalace employee wages by 5%

Employees – increase in wages provides them with more disposable income as long as inflation is running at a lower rate



Worksheet I: Answers

- 1) Underline or highlight in the text above the '**Around the Wold Cuisine**' stakeholders
Owners Steve, Sarah, Jason and Lindsey
Employees (Chefs and Servers)
Residents in the local community
Suppliers of stock for the restaurants
Customers of the restaurant
Bank which lent the owners money to for the eighth restaurant
- 2) Using the case study, outline two **internal** stakeholders
The owners Steve, Sarah, Jason and Lindsey
Employees (Chefs and Servers)
- 3) Using the case study, outline two **external** stakeholders '**Around the World Cuisine**' has
Any two of the following, but not limited to:
 - *The bank that have lent the owners money to expand*
 - *The suppliers who will supply the restaurant with ingredients and stock*
 - *The local residents in the community*
 - *The customers who will use the restaurant, some of which will be the local community*
- 4) Make three suggestions to help the owners of '**Around the World Cuisine**' meet the objectives of their employees.
Give them a fair and decent wage for the job they are doing
Pay rises
Good working conditions
Promotion opportunities as front of house supervisors, duty team leaders
- 5) Make three suggestions to help the owners of '**Around the World Cuisine**' to meet the objectives of the local community.
Keep noise pollution to a minimum, particularly after 9pm
Keep the environment around them clean, disposing of waste in the correct manner
Build positive relationship with them – support local charities and events

Worksheet I: Answers



- 6) Select **two** stakeholders from the case study and explain how their objectives might be in conflict with each other.

Answers might include:

*Owners Steve, Sarah, Jason and Lindsey and Employees (Chefs and Servers)
High profits, profit maximisation v higher wages*

*Owners Steve, Sarah, Jason and Lindsey and local residents
Staying open after 9pm to meet customer needs v noise pollution, traffic congestion*

*Suppliers and Owners Steve, Sarah, Jason and Lindsey
Suppliers want to secure repeat orders and charge a price giving them good profit margins v owners wanting a good deal with low prices*

- 7) How likely is the conflict between the two different stakeholder groups going to occur?
Please justify your answer.

This answer will depend on which two stakeholders learners have chosen but answers might include:

*Owners Steve, Sarah, Jason and Lindsey and Employees (Chefs and Servers)
If the restaurants remain successful then employees are likely to get a pay rise as a reward for the contributions they have made to the success of the business. They also get job security. If the business is not, then pay rises, promotion and job security will be threatened.*

*Owners Steve, Sarah, Jason and Lindsey and local residents
The owners will want to stay open later on the weekends particularly, but that might bring noise pollution and more traffic congestion for local residents, depending on available parking. Many of the local residents will also be customers so putting a notice up in the restaurant to ask customers to be respectful when leaving the premises after 9pm could minimise this potential conflict*

Worksheet I: Answers



- 8) Why is it important for **'Around the World Cuisine'** to minimise conflict with its stakeholders?

Owners Steve, Sarah, Jason and Lindsey need to have good relations with all their stakeholders for the following reasons, and therefore keeping conflict to a minimum is important to the success of the business

Their employees (chefs and servers) are providing the service the customers are paying for. Having a happy and motivated workforce helps provide good customer service

Suppliers supply the stock and ingredients the restaurant needs. They need good quality supplies that arrive on time and at a good price. Unreliable suppliers can damage the restaurant, so forming good working relationships with them is important

The bank are likely to be the future lenders for further expansion

Many of the local residents will use the new restaurant and the financial sustainability of it will rely on having the restaurant full and lots of repeat customers

Worksheet J: Answers



Relevant points might include, but are not limited to:

- 1) Consider an objective of each of the following **THREE** stakeholder groups of **The BodyWorks**

One objective of owners (John and Bradley Craven)

Invested savings to start the business, want rewards of profit as a reward for the financial risk. Will want to provide a high quality service to their clients (customers)

One objective of their clients (customers)

Good quality treatments that make a difference, value for money and good customer service

One objective of their employees

Good working conditions, pay rises, high wages in line with the contribution they make to the success of the business. Job security and promotion prospects.

- 2) Do you think there is conflict between the objectives of each of these stakeholder groups? Justify your answer. This means putting an argument forward to support your answers.
Learners' answers should consider potential conflicts between the stakeholder groups and whether the conflict between the different stakeholder groups is likely to occur.

Conflict points could include: employees will want job security so they have an income in the form of their wage working at The BodyWorks. This is likely to be the case if the business continues to be successful, but if not at any point, there is a risk of them losing their jobs as the owners John and Bradley try to reduce their costs.

Cambridge Assessment International Education
The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom
t: +44 1223 553554
e: info@cambridgeinternational.org www.cambridgeinternational.org

™ IGCSE is a registered trademark.
Copyright © UCLES March 2019