People in Business

A **business** is any organisation set up to provide goods and services to its customers.

Motives for business:

- To make a profit
- To increase market share
- To provide employment
- To provide goods and services
- To satisfy consumer demand
- To export goods and services

Types of Businesses:

Commercial Businesses are those which have profit as their primary motive.

-If they can't make a profit they will close down.

Private Sector Businesses are owned and controlled by private individuals who invest capital into them and hope to receive a share of the annual profits. This share of profits is called a **dividend.**

State Owned Businesses are run by the government. ESB is highly profitable. The profit goes to the state or is reinvested into the business.

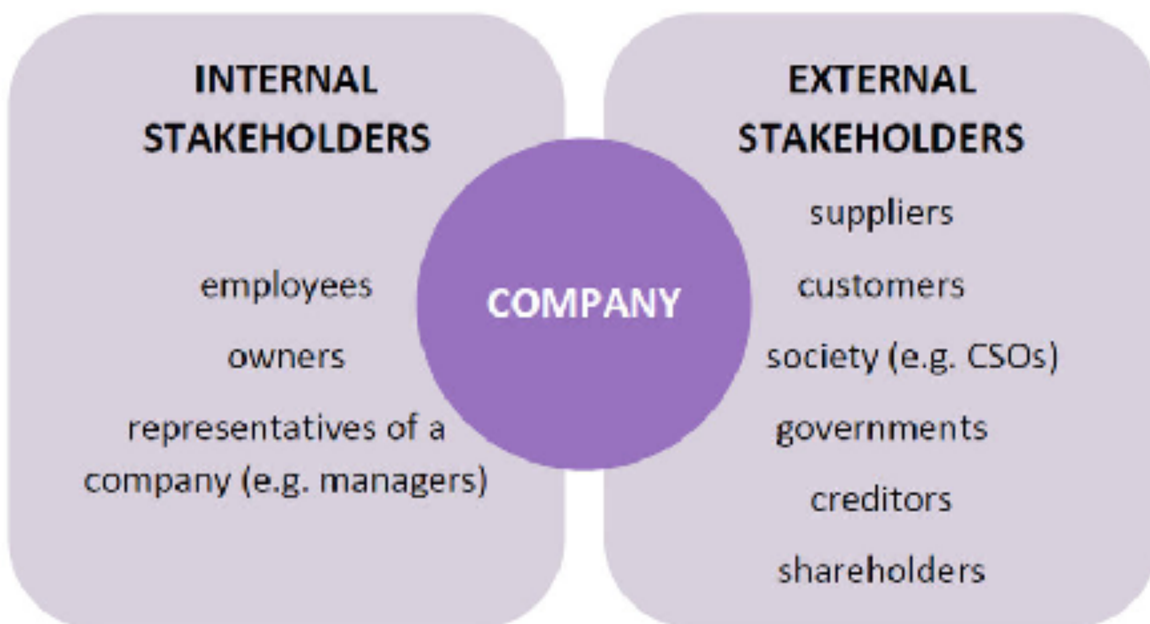
Non Commercial Businesses are not driven by a strong motive for profit and are often set up to provide an important service to society such as charities like Trocaire and Concern.

The **Public Sector** refers to any business or organisations which are set up or funded by the state e.g schools and hospitals.

Stakeholders are individuals or organisations, both inside and outside the firm, involved in or affected by a business' activities.

The stakeholder group contains both internal and external stakeholders and is made up of the following:

- Entrepreneurs/Shareholders
- Investors
- Suppliers/Service Providers
- Employees/Managers
- Consumers
- Government
- Local Community/Society



Entrepreneurs are the individuals who spot gaps in the market and comes up with an idea that they can turn into a business. An entrepreneur takes financial and personal risks when setting up a business. They hope to earn a profit for their successful business idea.

Investors are the people who take a risk by investing money into a business. They provide assistance to entrepreneurs who lack the capital for a business start-up or expansion. In return for their investment they expect to receive regular interest payments.

- **Owners' Capital** in money invested by people or companies. In return they become part owners of the business and are entitled to a share in future profits.

- Also known as **equity capital**

- **Loan Capital** is finance provided by banks or other lenders and has to be repaid, with interest, within a certain time period.

- A **Grant** is a gift of money that does not have to be repaid long as certain conditions are met, such as creating a certain number of new jobs.

- Grants are usually provided by State agencies such as Enterprise Ireland and Local Enterprise Offices.

- **Venture Capitalists** are a particular type of investor. They take a shareholding in a new business and hope to see the value of that investment grow as the business grows e.g. Dragon's Den.

Suppliers/Service Providers provide the raw materials or other essential support services to businesses.

-Without the availability of raw materials, fuel, packaging. Insurance and delivery services, many businesses would not be able to meet the needs and expectations of their customers.

Employers recruit staff to work for them in return for a wage or a salary.

Employers rights include:

- Recruiting employees when they need them
- Directing employees to do work required
- Dismissing employees fairly according to the Unfair Dismissals Act 1977 to 2007

Employers responsibilities include:

- Providing a written contract of employment
- Paying wages as agreed in the contract of employment
- Providing safe working conditions
- Complying with all employment laws

Employees/Managers are the workers who bring a range of skills and expertise to the business. In return for wages and salaries they are willing to work hard to help the business achieve its goals.

-Some businesses reward employees with bonuses and profit-sharing schemes.

Employees rights include:

- Receiving a written contract of employment
- Being paid the agreed wage
- Working in a safe and healthy workplace
- Freedom to join a trade union

Employees responsibilities include:

- Following instructions (as long as legal and reasonable)
- Doing a fair day's work for a fair day's pay
- Being honest and loyal to their work

Managers are a specific group of employees who are given responsibility for planning, organising and controlling the operations of the business. They lead, motivate and communicate with all the staff to ensure the future success of the business.

Consumers are people who purchase goods and services for personal use.

-Consumers want good quality at competitive prices and they would like to think that a competitive business environment will provide both choice and value for money.

Customers are people who purchase goods for a business from a business for their own use or for resale to others.

-Businesses need top satisfy these consumer demands while also generating profits for shareholders.

Government: The government plays a role in creating a positive economic environment in which businesses can prosper. The state invests heavily in infrastructure such as roads, public transport, education and public utilities (water, gas and telecommunications networks).

-Governments also impose taxes on businesses and have the power to offer tax incentives which promote certain business activities.

-The government also regulates industry by enhancing laws such as :

- The Consumer Protection Act 2007
- The Unfair Dismissals Act
- The Data Protection Act

- **Government** refers to local and national authorities that set the rules and regulations which business must operate.

The Government want people to:

- Provide **jobs**
- Pay their fair share of **taxes**
- Obey the **law**

Local Community/Society: Businesses have an impact on the lives of all those who live in close proximity to them, and the consequence of some business activities can be felt far beyond those local communities.

-Employment generation, sponsorship programmes, pollution and waste disposal are a number of areas in which businesses can have either a positive or a negative impact on those around them.

- **Society** refers to both local community where the business is located and to wider society, both nationally and globally.

Stakeholder	Brings to business	Wants from business
Entrepreneur/Shareholder	Ideas, initiative and capital	Profit, independence and control
Investor	Capital and expertise	Return on investment
Supplier/Service Provider	Raw materials and services	Prompt payment for goods, services and loyalty
Employee/Manager	Labour skills and expertise	Wages, job security and safety
Consumer	Sales revenue and loyalty	Good Quality and prices
Government	Legislation, advice, infrastructure and stability	Taxes and compliance with legislation
Local Community/Society	Customers and support	Social and environmental responsibility

Types of Stakeholder relationships:

The relationship that exists between stakeholders can be complex and dynamic.

- A **dynamic relationship** is one that is likely to change over time.
  - A relationship that starts out positive and co-operative may eventually become more negative and this is usually due to stakeholders having different goals and aspirations for the business.

- A **Competitive Relationship** tends to pit one stakeholder against another i.e. competition. In this situation each tries to improve their own position or rewards at the expense of other e.g. a business may try to increase its profit by charging high prices to consumers for poor-quality goods.

Example: The owners of a business may attempt to reduce operating costs by keeping staff wages at a minimum.

- A **co-operative relationship** involves both parties working towards shared goals and for mutual benefit i.e. a win/win.

Example: A business that provides excellent pay and conditions for its staff may be rewarded by increased productivity and motivation. The employees benefit from high levels of income and job security on offer whilst the company should see higher profits resulting from increased productivity and fewer industrial disputes.

An **interest Group** is an organisation that represents a particular group of people who have similar needs or objectives.

- An interest group may oppose or support the activities of a business.

They attempt to promote the interest of their members through lobbying.

Lobbying is a strategy which involves impressing the stakeholder's viewpoint on those who have powers to make decisions.

-Very often this takes the form of meeting with politicians or running extensive media campaigns to gain public support.

Example of interest groups representing stakeholders in Ireland:

- Entrepreneurs: Irish Business and Employers Confederation (IBEC)
- Trade Unions(Employees): Services Industrial Professional and Technical Union (SIPTU) and The Irish Congress of Trade Unions (ICTU)
- Managers: Irish Managements Institute (IMI)
- Consumers: Consumers Association of Ireland (CAI)

Some interest groups represent many businesses within the same type of industry end are regarded as **trade associations** e.g. The Irish Farmers Association (IFA)

Conflict:

There is an inevitable tension caused by conflicting needs and aims. When any stakeholder places the pursuit of its own independents goals above the pursuit of collective goals, a competitive relationship will develop. In these circumstances conflict will occur.

If and when conflict arises, businesses need to implement strategies to resolve it. They can avail of both legislative and non-legislative solutions.

- A **legislative solution** is one which has a clear legal basis. Normally this involves applying the provisions of a relevant law of involving an agency set up by law to resolve the issue.

Example: If a consumer conflict is resolved using the provisions of the Sale of Goods and Supply of Services Act 1980, this is regarded as a legislative solution.

- A **non-legislative solution** does not rely on direct application of the law and is generally achieved through negotiation and compromise.

-This negotiation may involve only the conflicting parties or may be facilitated by an independent third party.

Example: If a customer returns to a shop with faulty goods and negotiates a resolution with the manager this represents a non-legislative solution.

Causes of Conflict between Stakeholders:

- **Different Objectives:** Where there are differences between the objectives of stakeholders, conflict is likely to arise.
- **Negotiating Style:** An aggressive style is likely to cause an aggressive reaction, leading to unnecessary conflict. An assertive style without intimidation is much more likely to produce a reasonable response and agreement.
- **Lack of Trust:** When trust is lacking, conflict is more likely to arise.

Mediation:

Mediation can take the form of either **conciliation** or **arbitration.**

Both involve an independent third party and both represents attempts to resolve a dispute between stakeholders.

Arbitration is when a third party investigates a dispute between two parties and makes a decision or recommendation to resolve the dispute.

Conciliation is when a third party investigates a dispute and works with the parties to achieve mutual understanding and hopefully a voluntary agreement.

Law of Contract:

A **contract** is a legally binding agreement between two or more parties. This means that a court of law may intervene to ensure the terms of a contract are carried out.

Elements of a legally binding contract:

- Offer and acceptance (agreement)
- Consideration
- Intention to contract
- Consent to contract
- Capacity to contract
- Legality of form
- Legality of purpose

- An **offer** is a proposal which becomes legally binding if accepted. An offer maybe written, oral or implied.

An example of an implied offer occurs when consumers bring goods to the checkout in a shop.

- **Acceptance:** The original offer must be accepted unconditionally and unaltered. If changed its regarded as a **counter-offer**.
- **Consideration:** Something of value must be exchanged between parties to the contract.
- **Intention to Contract:** Making a contract must be deliberate or intentional. Social arrangements are not legally binding but all businesses agreements are legally enforceable.

Example: Verbal agreement between friends for fuel costs, but one friend does not pay. It is not possible to take legal action as it was a social arrangement and not legally binding.

- **Capacity to Contract:** All parties to a contract must have the legal ability to enter freely into it.

Individuals who are minors or mentally incapacitated do not have the legal capacity to contract.

Example: Ordering fireworks from N.Ireland to the R.O.I. It would not be possible to take court action to ensure the goods are delivered as the courts would not recognise the validity of the contract.

- **Legality of form:** In order to be legally valid some types of contact must be in writing.

Examples include insurance policies and contracts for the sale of property.

Termination of Contract:

A contract may be ended in a number of ways:

- **Performance:** Each party does what they are contracted to do
- **Frustration:** Some event happens which makes it impossible to carry out the contract e.g. the death of one party or bankruptcy
- **Agreement:** Each party agrees to end the contract
- **Breach:** One party breaks a condition of the contract

A **condition** is a clause in a contract that is so important because breaking this clause is the same as breaking the contract.

A **warranty** is a clause that if broken does not break the contract itself.

Remedies for breach of contract:

- Sue for damages
- Rescind the contract- Means the contract is cancelled and all parties are released from their contractual obligations.
- Ask a court to instruct the other party to go through with the contract as agreed- **specific performance.**