***Chapter 2 Summary Question Solutions***

1. A stakeholder is an individual or group that has a vested interest in the activities of an organisation. A customer is a stakeholder that wants to purchase high quality goods and services at a fair price.
2. Stakeholders from the macro environment:
   * Community / society: The community wants businesses operate in an ethical and socially responsible manner and in a way that is environmentally responsible. Businesses want to maximize their profit. Ethical and social/environmental responsibility is often expensive and is therefore not always a priority of businesses. Therefore, a conflict exists between the interests of the community and the business.
   * Government: Government are responsible for designing and implementing legislation (laws and regulations) that control business operations, and protect employees and consumers. Business managers are responsible for designing business strategies and processes that help the business to maximize its profitability. They would prefer not to have to follow the rules and regulations, which impose costs, limit what they can do and how they can do it. Therefore, a conflict exists between Government and the business.
3. Stakeholders from the operating environment:
   * Trade unions: Trade unions want to maximize the wages and working conditions of their members. The business wants to minimize costs in order to maximize profit. Wages are the cost of labour. There is a tension between the business wanting to keep wages down and trade unions wanting to push wages up.
   * Customers: Australian customers often prefer the goods and services they are purchasing to be made in Australia. They perceive that goods made in Australia are of higher quality than goods made elsewhere. However, Australian goods and services are often more expensive because businesses face higher labour and materials prices. Therefore, sometimes businesses make the decision to ‘offshore’ where they move some or all of their operations to a lower cost country. This is a tension between customers and the business.
   * Suppliers: Suppliers want to ensure that the businesses they deal are profitable, to ensure that they get paid for the supplies they provide. Suppliers hope to establish and retain a good relationship with their clients in order to maintain the business.
   * Competitors: Competitors want to differentiate their products and services in order to gain a competitive edge. Managers at competing businesses try to examine what their competitor is doing right (and copy it), and learn from their mistakes. Managers evaluate their own performance and try to compare it to the performance of their rival, in an effort to identify ways to improve performance and profit.
4. Stakeholders from the internal environment:
   * Shareholders: Shareholders are mainly interested in profit. The more profitable a business is, the more valuable its shares become. Shareholders make money when they can sell their shares at a profit. When a business is profitable, it is also more likely to provide its shareholders with a dividend (a small share of the overall profit). Shareholders pressure businesses to keep increasing profits year after year.
   * Directors: Directors want to gain personal power, status and remuneration. Directors develop strategies and make business decisions in order to enforce strict adherence to corporate governance, social responsibility and ethical behaviour. This ensures that the company makes a high profit that they can gain from.
   * Management: Management is closely involved with the growth and development of the business. While also working toward a fair remuneration package, including fringe benefits, management secures their position in the company through hard work that increases job satisfaction and career development.
   * Employees: Employees want to receive a fair wage and fair treatment for their work. They are motivated to adhere to company policy through feelings of acceptance, security in their position, the possibility of career advancement, an ethical environment and job satisfaction.
5. Corporate culture can be thought of as the system of shared values and beliefs of the people within a business. It can be thought of as the personality of the organisation. Corporate culture affects peoples’ attitudes at work, their appearance, and their behaviour towards one another.
6. Student answers will vary. Students should refer to differences in uniforms, policies, behaviours, people, rules, language used, symbols and rituals.
7. Observable factors that indicate an aspect of culture:
   * Manner of speech – the way employees talk to one another.
   * Appearance – how employees dress at work.
   * Company logo – public promotional material.
8. Non-observable factors that indicate an aspect of culture:
   * The values that determine people’s behaviours.
   * The assumptions or beliefs that people have about themselves and their colleagues.
   * Attitudes toward ethical and social responsibility within the workplace
9. Indicators of corporate culture:
10. Modern, non-traditional and informal corporate culture.
11. A culture that adopts affirmative action. Family / work-life balance oriented.
12. Profit focused, competitive culture.
13. Open and honest communication between employees is encouraged.
14. Modern, non-traditional culture with a relatively flat management structure.
15. Culture acknowledges environmental responsibility and adopts sustainable practices.