

# Stakeholders: large firms essay sample



It could be said that “ large corporations abuse their power against stakeholders e. g. customers, employees, suppliers, public, communities”.

Do you agree or disagree? Explain what your answer is and why have you reached that conclusion. You are to include a clear rational argument for your case that has strong examples to support your thinking.

Unlike shareholders who are solely interested in return dividends and share price growth, stakeholders have wide variety of interests in how companies operate. Freeman (1984) stated that stakeholders are, “ any group or individual who can affect or is affected by the achievement of the organization’s objectives”. The main objective for firms is profit maximization and for this reason I agree to a certain extent that large corporations abuse their power against stakeholders.

Firstly, Customers, “ provide the lifeblood for the firm in the form of revenue.” (Freeman 1984). Firms are reliant on customers as they indirectly fund the development and growth of firms. However, customers want value for money and “ cheap” prices. There are many companies that exploit the customer and as a result gain supernormal/abnormal profits. For example, the company British gas, who reported an 11% increase in profit to £606m despite the energy cost increases. As a result many questions were asked over the fairness of energy bill increases especially in this economic climate. Therefore this highlights that the large corporation has abused the stakeholder in this instance.

Employees expect security, benefits and wages in return for their work. Their economic well being is fully reliant on the firm, making them important

stakeholders. However, many firms exploit workers in order to generate high profit or simply replace workers with machines and technology. For example, the Taiwan iPhone manufacturer was accused of ill treatment and low wages (5p per hour) to its employees after a spate of suicides among its employees. Now the company have replaced workers with robots. By doing so they overcame this problem but brought on the issue of redundancies.

Recently there have been many tax avoidance campaigners holding protests in Starbucks cafes after the discovery that they were avoiding tax. The knock-on affect is immediate loss of consumer loyalty. Margret Hodge stated that it was, “ completely and utterly immoral.” The Public feel as if they are being scammed by the company. This example illustrates how the large corporation, Starbucks have been acting for their benefit and not recognizing the public interest. Therefore once they were discovered to be acting immorally they had to act fast in, “ a desperate attempt to deflect public pressure.”

Large firms can have the power to exploit smaller business' for their own benefit. The chemist chain Boots were accused of, “ exploiting its suppliers to improve its cash flow.” They decided to start charging a 2.5% “ settlement fee”, which is simply a charge for paying the bills, an action which comes at no cost! The worry is that if all large companies treat their suppliers in this manner that many small suppliers will be out of business as a result of the large firms abusing their power. However this is not always the case, many suppliers and companies have close ties which enable them to help each other. For example, Chrysler was said to have close ties with its supplier and when Chrysler was on the verge of failure the suppliers

accepted late payments. Nevertheless I believe that this is an anomaly and the majority of large firms continue abusing their power over small suppliers.

For a firm to build factories they need the local community to grant them the right to go ahead, and with this the firm are expected to treat the community well, for example a benefit to the community would be: increase in jobs available in the area. However the negatives outweigh the sole benefit of increased labour. This is due to the negative externalities of factories, in the form of noise or air pollution and bad odours. Furthermore, in some cases there is not perfect information and so if a firm is forced to leave the community the consequences are devastating due to a loss of so many jobs. The worst affected area is Associated Octel in the South Wirral which releases more than 5, 300 tones of pollutants per year. This results in lower quality of life and increase in health risks. As a result of these statistics it is clear that large firms endanger communities through building certain factories.

In conclusion, after gathering information from articles, critics and theory it is clear that large corporations have one main goal, which does not include the interest of stakeholders. In some cases we can see that the stakeholders are of importance, i. e. Chrysler, and although stakeholders have to be taken into account by large firms, the majority of stakeholders are relatively powerless which leads to the large corporations being able to abuse their power against them.

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