WK02 Discussion-Stakeholder Impact

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Course

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Date

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In business, there are various stakeholders tasked with playing different roles for overall success of an organization. A stakeholder in business refers to an individual or group with an interest in the organization and its outcomes. Examples of business stakeholders include customers, employees, suppliers, general public, bond holders, and stockholders. Although it can be argued that businesses exist with the goal of serving their customers, the customers are corporate stakeholders since the quality of services and products affect them. The customer receives a product, good or service from the vendor, seller, or supplier through a financial transaction. As a stakeholder, the client or customer exchanges their money for some valuable consideration derived from the corporation or business.

Customers are important stakeholders because they help in driving revenues, and without them, the continued existence of business could be a challenge. Furthermore, businesses compete with one another to attract customers, either through aggressive advertising of products or lowering prices to expand the customer base. As demonstrated by Gitman et al (2018), every business should understand customers because happy customers have the likelihood of awarding an organization repeat business. As a result, corporations monitor relationships with their customers closely to get feedback on the methods they can use to improve products. There are two categorizations of customers and these include external or internal. External customers do not have any association with business operations and only want to purchase the goods and services that a company produces. On the other hand, internal customers refer to businesses or individuals already integrated into operations of the business. The internal stakeholders exist as either functional groups or employees within the corporation.

Customers are important as stakeholders because they depend on corporations to supply them with products and services. In addition, customers support a business with every purchase made, and the purchases show corporations the services and products in which they should invest. Bourne (2016) observes that customers are important in guiding the direction of small business. Also, customers share their experiences and opinions with the customer service representatives in the organization. Furthermore, customers can directly request changes to be made in the services or products. Since customers interact directly with business owners, businesses are given an opportunity to understand what the customer wants. Moreover, meeting the needs and demands of customers in a business is considered an essential area of concern because it guarantees business success.

The loyalty of customers to a company helps in the achievement of business goals. According to Regina, Jolita, & Pranas (2018), the revenues generated from purchases made by clients ensure that businesses achieve their strategic objectives. Besides, the annual sales targets set by businesses are achieved when customers purchase large volumes of products and services. The quality of goods and services provided by businesses to customers also reflect the achievement of strategic objectives in a business. In addition, customers are crucial stakeholders in increasing stakeholder wealth. The wealth of stakeholders is increased when customers purchase more units of a product. When fixed costs are kept constant or at a lower rate than sales growth, the cost per-unit is reduced and this creates value to shareholders. Customers are likely to purchase products from businesses that engage in corporate social responsibility (CSR) actions. Through CSR, organizations have the potential to sustain the require rate of return on investment for shareholders. Moreover, businesses engaging in CSR efforts are perceived as providers of quality products by customers.

References

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