

The problem of scarcity

1	What is the problem of scarcity?	Human wants are infinite, but resources are scarce
2	Resources	Resources include land, labour, capital and entrepreneurship
3	Choices and trade-offs	As a result of scarcity people have to make choices which lead to trade-offs.
4	Choices and opportunity costs	When decisions are made alternatives are given up (foregone). There is an opportunity cost to every decision

CSR

Corporate social responsibility is seen as an increasingly important aspect of doing business

Businesses often use it to garner positive publicity (cynics would say)

Examples: investing in local communities such as building schools, subsidising hospitals/healthcare and caring for employees and their families.

Business objectives

1	Profit maximising
2	Sales maximisation
3	Satisficing
4	Survival
5	Market share
6	Cost efficiency
7	Return on investment
8	Employee welfare
9	Customer satisfaction
10	Social objectives

Stakeholder conflicts

Owners vs staff – Owners want to pay lower wages in order to maximise staff whereas staff want higher wages.

Owners vs customers – customers want to pay low prices whereas owners want to charge high prices to maximise profits

Locals vs owners – Locals don't want the business to be successful because it will lead to greater congestion, noise, etc...the business wants the opposite

Suppliers vs owners – suppliers want to charge as high prices as possible whereas the owners want to pay the lowest possible

Analysing objectives

1	New business or existing?
2	Does it operate in a competitive environment?
3	Is the business fighting for survival?
4	Could this be a short-term objective? In the long-term will it lead to profit maximisation?
5	Are there social media pressures to behave in a particular way?
6	Does the business have a USP they can exploit?

Stakeholders

1	All businesses have stakeholders who have an interest in or are affected by the business
2	Owners, shareholders, customers and staff are important stakeholders of businesses
3	Stakeholders can have conflicting interests

KEY VOCABULARY

SCARCITY	The idea that resources are limited
TRADEOFFS	The option we give up to obtain what we want
OPPORTUNITY COST	The next best alternative given up when making a decision
STAKEHOLDERS	Someone that has an interest in or is affected by a business
CSR	Activities promoted by businesses that involve charitable, ethical or philanthropic activities.
FACTORS OF PRODUCTION	Used by businesses to make goods i.e. land, labour, capital and enterprise
STAKEHOLDER CONFLICT	When two or more stakeholders have opposing interests in the business