**2011 Question 1 – Unit 1 Relationships in Business**

Outline, using examples, the relationship that can exist between ‘Investors’ and ‘Entrepreneurs’ in business (15m)

**Answer:**

Investors: provide finance for the entrepreneur and expect a return from their investment in the form of interest or dividends. E.g. Chantelle McCoy, Dragon’s Den.

Entrepreneurs: use their initiative to set up a business, with a view to making a profit while bearing both financial and personal risk.

Relationships between stakeholders are dynamic i.e. ever-changing. They can be both co-operative and competitive.

Cooperative Relationship: means to act in a manner which is of mutual benefit to all concerned i.e. it’s a win-win situation.

For example: the relationship is cooperative when the entrepreneur provides transparent and honest information to the investor (e.g. cashflow statement) and the investor provides funds to the entrepreneur in exchange for a return on their investment.

Competitive Relationship: means stakeholders are pursuing different aims. It is a win-lose situation.

For Example: the investor may wish to receive a return on their investment while the entrepreneur wants to use the profits to take further risks and expand the business.