***2001 – Unit 1 – Question 1***

**Question: Contrast the relationship that exists between entrepreneurs and investors in a business enterprise (15).**

**Answer:**

***Entrepreneurs*** are people who take the initiative and bear the risk involved in setting up a business e.g. Padraic O’Ceidigh (Aer Arann) or Bill Cullen (Renault).

***Investors***, in contrast, are people who provide money to entrepreneurs to help them set up their business venture e.g. banks, private investors.

Investors take a financial risk, whereas entrepreneurs take a commercial risk.

Both entrepreneurs and investors rely on each other for survival. Their relationship is constantly changing and can be said to be *dynamic*. Both *co-operate*, where they act in a manner, which is of mutual benefit to all concerned. Entrepreneurs rely on investors to start their business, whilst investors rely on entrepreneurs to provide a good return on their investment.

They also *compete*, in that they pursue different aims to one another. Investors can charge high interest rates or withhold payments from the entrepreneur, whilst the entrepreneur may not be forthcoming in furnishing accounting or business information.

Entrepreneurs invest some of their own resources in the business venture to indicate their commitment to the project. They run, not only the financial risk involved should the business fail, but also the personal risk that goes along with failure. However, should the venture succeed, the reward for the entrepreneur is the resulting profit.

In contrast, investors put money into business by buying shares or giving loans, with the expectation of receiving a reward of dividends on shares or interest on loans. Unlike the entrepreneur, investors who lend money can reduce their risk by looking for collateral for the loan.

**2006 – Unit 1 – Question** 1

**Question: ‘The relationship between an enterprise and its stakeholders may be competitive or co-operative’. Discuss this statement, with appropriate examples.**

A relationship between an enterprise and its stakeholders, for example, producers, consumers, investors and suppliers, can be competitive or cooperative.

A **competitive relationship** means that the firm and the stakeholders are in pursuit of different aims i.e. it is a win/lose situation, as both are attempting to achieve different objectives at the expense of the other.

To **co-operate** means to act in a manner which is of mutual benefit to all concerned i.e. it is a win/win situation. A cooperative relationship between an enterprise and its stakeholders requires joint action or effort and can occur between people within an enterprise.

**Employees**

The enterprise and the employees may be co-operative and work hard together to increase the sales of the firm. This leads to greater profits for the enterprise and job security for the employees in the future.

A competitive relationship may exist when employees demand wage increases but the firm wants to keep wages at a minimum in order to keep their prices low and to remain competitive.

**Suppliers**

The firm and its suppliers may have a competitive relationship when negotiating prices for the goods that are supplied. The firm wants lower prices so they can keep their own selling prices down, whilst the supplier wants higher prices so that they can make a reasonable profit.

The firm and supplier may work cooperatively together to ensure high quality materials. The firm pays a fair price in return order large quantities of materials that have been produced to a high standard.

**Customers**

The firm may have a competitive relationship with consumers if they are not willing to pay for the goods supplied at the agreed time. The firm may charge them interest or threaten not to supply them in the future. Furthermore, if the consumer is unhappy with the price or service, they may take their business elsewhere.

The firm may work cooperatively with its customers by ensuring that all goods that are ordered are produced and delivered on time. This benefits the firm, as it keeps the customer happy and makes it likely that they will order again from the firm in the future. It also benefits the customer because they avoid delays in production.

Overall, the relationship between an enterprise and its stakeholders is dynamic i.e. ever changing. The relationships are a combination of cooperation and competition, depending on which aspect of their business relationship they are dealing with.