**EFFECTIVE FINANCIAL MANAGEMENT**

**Learning Outcome 1: ACTIVITY 3**

**Stakeholder theory of financial management**

Freeman and Reed (1983) define stakeholders as persons, groups or organisations that have an interest in a business, that can affect a business or that are affected by a business. Stakeholders can be internal or external to the business.

#### Required: In small groups

Identify a business with which you are familiar. This could be a multinational company from which you have purchased goods/services, a business that owns your favourite brand or the business for which you work (or wish to work in the future).

From your research:

1. Identify key stakeholder groups for your chosen business.
2. Classify the stakeholders that you identified in (1) as either internal stakeholders or external stakeholders.
3. Outline the stakeholder theory of financial management.
4. Discuss how stakeholders can make important contributions to the success, or otherwise, of the business.
5. Prepare a short presentation on your findings.