

Module 5 P1 – Introduction to the contemporary enterprise and managerial functions.

Case Study 1 – Who comes first?

The ethical approach to business and investment seeks to maximize profit and return on investment while minimizing and avoiding where possible negative social effects.

An ethical approach would normally incorporate a range of stakeholders. Categorization of core stakeholders is as follows:

- **Constituents** on whose behalf the organization exists and operates e.g. business owners
- **Employees** who conduct the organization's affairs
- **Customers** who receive the goods or services the organization produces
- **Suppliers** who provide the input materials for the organization's activities
- **Government** that guarantees an organization's rights and privileges enforces its responsibilities and regulates its behaviors through political processes.
- **Local Communities**
- **Competitors**
- **Media**
- **Financial Institutions**
- **Environmental and Consumer Protection Groups**
- **Religious Organizations**
- **Political Parties or factions etc**

Apart from the purposes of organizations being subject to ethical scrutiny, there are also issues concerning how these purposes are to be achieved. Successful strategy is determined through implementation, that is, what an organization seeks to achieve cannot be divorced from how it seeks to achieve its goals. In other words, strategic fit is the link between the 'what' and the 'how'.

Heightened public awareness of, and participation in, gambling has sparked considerable debate about its economic viability and its overall effect on society. The fundamental policy question is whether or not the benefits of legalized gambling outweigh the costs?

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Several factors, such as location, resort nature of the casino facility, monopolistic situations, and competitors from out-of-state need to be taken into consideration to understand the benefit–cost dynamics of casino gambling and the viability of future expansion.

The Social Benefits of gambling

Gambling may be considered a recreational outlet, similar to other entertainment and leisure products and services. Those who participate in gambling activities do so voluntarily and, in return, receive intrinsic benefits from their consumption. If consumers are gambling for entertainment purposes, they are purchasing gambling just as they would purchase cinema or symphony tickets. This may be considered a relatively harmless form of entertainment that provides a recreational outlet for participants.

Gambling may be exciting and socially engaging. For those who enjoy taking risks, the propensity for risk associated with gambling may be both stimulating and challenging. People gamble for a variety of reasons, whether for a break from their daily lives, the thrill of the chase, or the challenge of beating the odds.

Within the gambling arena, there are opportunities for gamblers to gain esteem both in their own eyes and in the eyes of others, although they may be losing money. Through gambling, participants gain an opportunity to test their skill in games of chance, and derive intrinsic pleasure from the thrill of the activity itself. One of gambling's main attractions appears to be the entertainment value of the activity involved.

The Social Costs of gambling

Despite the relatively small number of cases of pathological gambling, there are social costs attributable to those people who are unable to control their gambling behaviours. The social costs of gambling may be defined more precisely within specific cultural contexts. A social cost commonly attributed to gambling is that problem gamblers tend to have higher levels of debt and declare bankruptcy at higher rates than non-problem gamblers and non-gamblers.

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Economic Impact

The most often mentioned economic benefits associated with casino gambling are creating new jobs, attracting tourism, increasing business and tax revenues, and decreasing the tax burden on the residents of the community. The less often mentioned economic costs of casino gambling are the costs of crime, compulsive gambling, erosion of the work ethic and traffic congestion. Some of these "social costs" can be measured in euro - the cost of more police, legal and prison costs of criminal justice, the cost of social services for compulsive gamblers, lost job productivity and the added costs of traffic control - but the damage done to persons and families is not easily quantified.

In economically depressed areas, casinos are perceived as a sure way to draw tourists and create new jobs. Does casino gambling foster economic development in a community? While the casinos themselves may profit, are there also economic benefits for the community, such as the creation of new jobs and spin-off revenues for local restaurants and shops? MacIsaac doesn't think so: "Instead of rejuvenating a city, a casino can actually kill other businesses by sucking money out of the economy". He notes that "studies have shown that many of gambling's supposed benefits are nothing but the economic equivalent of a shell game." While casinos create new jobs, some existing jobs in other businesses are lost. As for revenue spin-off, "casinos draw vitality out of other sectors," according to James Hughes, Acting Dean at the School of Planning and Public Policy at Rutgers University. "They want all spending by patrons to remain inside the casino. There are no windows, no clocks on the wall. Once you're inside, they don't want you to leave."

For the specific case the management of the Casino Royal Game Club should take into consideration their responsibilities to other stakeholders when making decisions. The concept suggests that businesses can benefit significantly from cooperating with stakeholder groups, incorporating their needs in the decision – making process. In order to avoid problems with local communities and religious organizations, they have to communicate very carefully the costs and benefits of organization's operation and try to get their support.

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"Stakeholder management is critical to the success of every project in every organization. By engaging the right people in the right way in your project, you can make a big difference to its success...."

Case Study 2 – Take the money and run?

Shareholders make a financial investment in the corporation, which entitles those with voting shares to elect the directors. Shareholders do not normally have any rights to be involved directly in company management. Their connection to company management is typically via the Board of Directors. If shareholders are not satisfied with the performance of the directors, they may remove the directors or refuse to re-elect them.

Except for certain fundamental transactions or changes, shareholders normally do not participate directly in corporate decision-making and while, as a practical matter, boards want to know the views of the shareholders, strictly speaking, directors are not normally required to solicit or comply with the wishes of shareholders.

Shareholders as owner of the business, they have a right to know the challenges and opportunities that face their business. If management is reticent to share information, it may signal a tendency to view shareholders as a necessary evil instead of the true owners of the business.

Activist shareholders have lately been attempting to assert themselves in a struggle with management and regulators over control of corporate decisions. These efforts have met with mixed success. Meanwhile, shareholders have been pressing for changes in the rules governing access to the corporate proxy process, especially in regard to nominating directors.

The key issue which these events have brought to light is whether, in fact, shareholders will be better off with enhanced control over corporate decisions.

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Proponents of increased shareholder participation argue that such participation is needed to counter the agency problems associated with management decisions. Opponents argue that shareholders lack the requisite knowledge and expertise to make effective decisions or those shareholders may have incentives to make value-reducing decisions.

For the specific case, Sea Life's management should communicate to their shareholders, the vision, the mission and the goals of the company regarding this project and tries to ensure their approval by analyzing the costs and benefits.

The early participation of shareholders can offer a constructive dialogue and sense of ownership that may lead to positive interest utilized, increasing of credibility, more transparency and the early identification of constraints.