

External stakeholders

An external stakeholder is an individual or group that affects, or is affected by, an organisation, but who is not directly involved inside the organisation. For the most part, external stakeholders have less influence over the organisation than internal stakeholders. However, this does not mean that they can be ignored.

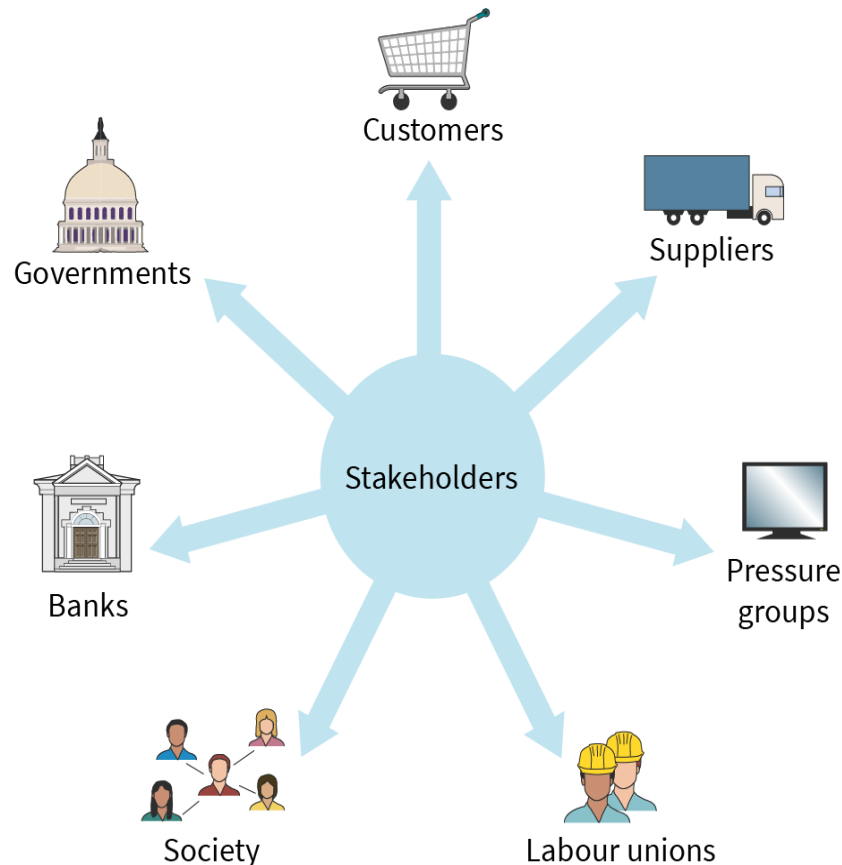


Figure 1. External stakeholders have less influence than internal stakeholders, but they cannot be ignored.

Customers include both individuals and other businesses that purchase the products of the organisation. They demand good service and quality products that are also safe and are sold at a reasonable price. Customers can be a driving force for a company to change its practices in order to be more ethical and sustainable. In many research surveys, the majority of people that respond say that they would switch brands if a business violated their values.

Activity

Learner profile: Principled

Approaches to learning: Research skills (media literacy)

Consumers can affect business decisions, but only if they are informed about ethical and sustainable business practices. An increasing number of platforms help consumers put their power to use.

One such platform is Ethical Consumer (<https://www.ethicalconsumer.org/food-drink/shopping-guide/ethical-chocolate>), a non-profit social enterprise that rates consumer goods.

1. Open the Ethical Consumer website (<https://www.ethicalconsumer.org/food-drink/shopping-guide/ethical-chocolate>), find a chocolate brand that you are familiar with and find its ranking based on cocoa and palm oil sourcing.
2. Find a chocolate brand similar to the one you have just accessed but that has a better rating.
3. How easy or difficult would it be for you to change your buying habits to a business with a better rating? Why?

Suppliers are the individuals and businesses that sell goods and services to another organisation. They want to be paid prices that are both fair and reasonable for these inputs. They also wish to maintain a stable business relationship with the companies they supply in order to ensure a reliable market for their goods. Suppliers are therefore concerned about the health and continued existence of the businesses to which they sell.

International Mindedness

In Subtopic 1.6 (</study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/the-big-picture-id-36876>) you will learn about multinational companies (MNCs). Since these businesses operate in more than one country, their stakeholders – such as customers, suppliers and employees – may be based in different countries. As a result, they may have different legal frameworks and also different expectations of what constitutes ethical and sustainable practices.

Governments regulate organisations in order to protect the public interest. They also enforce laws and reprimand businesses when necessary. In addition, governments, particularly local governments, are dependent upon businesses to provide tax revenues and employment. In some cases governments are also customers of businesses, as is the case for the defence industry and the pharmaceutical industry.

As you learned in Section 1.2.3 (</study/app/y12-business-management-a-sl-may-2024/sid-352-cid-174703/book/forprofit-social-enterprises-id-36841>), governments also sometimes hire for-profit social enterprises to provide essential public services, such as recycling.

Governments may also intervene to align the interests of stakeholders.



Figure 2. During the COVID-19 pandemic, governments introduced guidance and regulation to protect all stakeholders in an organisation.

Credit: Mixetto, Getty Images

Labour unions exist to protect the livelihoods and rights of employees; they are important stakeholders for many organisations. Unions usually represent employees in many different companies; that way they have more resources to defend employees' interests than the employees in a single company acting alone. You will study unions in **Subtopic 2.7**.

Banks and financial institutions lend organisations money so they can invest and carry out their operations. Banks want to be sure that these loans are paid back, with interest, on time. They will therefore monitor the organisation's financial health closely using final accounts (**Subtopic 3.4**). Banks will also pay attention to other indicators of the organisation's health as reported in the community and in the media. In the event of difficulty, companies may be able to renegotiate the payment schedules they have with their lenders. You will study these issues in **Subtopic 3.2**, Sources of finance.

Society as a whole, as well as the natural environment, is affected by business behaviour. When society's interests are not adequately met by businesses or defended by government, local communities, pressure groups (also called interest groups) and/or environmental organisations may step in to hold businesses accountable to communities and the environment. Local communities are most directly impacted by business

decisions to locate to a given area, or to shut down their operations there. These communities may benefit from jobs and tax revenues, but may also be disadvantaged by things like traffic and pollution.



Figure 3. Environmental or other groups will often protest against business or government behaviour.

Credit: E4C, Getty Images

Activity

Learner profile: Knowledgeable

Approaches to learning: Thinking skills (critical thinking)

Sort the following into internal and external stakeholders.

Local politicians

NG

Suppliers

Labour unions

Partners in a

Managers

✓ Check



Activity

Learner profile: Thinkers
Approaches to learning: Thinking skills (critical thinking, transfer)

Think of a local business with which you are familiar. It could be an on-campus store or a local cafe. Copy and complete the table below showing the interests of external and internal stakeholders in the business and discuss with a partner or submit to your teacher.

Local business name:			
Stakeholders	What do they expect from the business?	What structures and provisions exist to represent their interests?	What can they do to get what they want?
Internal stakeholders			
External stakeholders			