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Research Paper

The Effect of Internal and External Stakeholder Management on the Competitiveness of a Firm

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ABSTRACT: *Managing stakeholder demands is not without its complications. The aims and demands of different stakeholders within a project can sometimes be each other's opposites. A stakeholder management process manages conflicts that arise between the conflicting aims of different stakeholders.Both internal and external stakeholders can be key stakeholders, if the issue is salient to them. The salience is based on three attributes: the stakeholder's power to influence the firm, the legitimacy of stakeholder's relationship with the firm, and the urgency of stakeholder's claims. However, it is ultimately the firm's managers who decide which stakeholders are salient and will receive attention. Stakeholders can affect the product demand, and they enable product delivery to the final users and the support throughout the life cycle of product .Stakeholders must be prioritized in decision-making, as their interests conflict, resources are often limited, and requirements have to be balanced.*

Key words: *Internal stakeholders, External stakeholders, Trade association, Regulators, Owners*

I. INTRODUCTION

There is a plethora of classification of stakeholders have been suggested in literature. It seems that none has been generally accepted. Nevertheless, they contribute to our understanding of both stakeholder and the stake from different angles. Internal stakeholders are those that are directly affected by the business's performance. External stakeholders are individuals, groups, and organizations that are not directly affected by the business's performance.Both academics and practitioners have demonstrated their growing interest in stakeholder analysis and stakeholder management.

II. INTERNAL STAKEHOLDERS

Internal stakeholders participate in the management of the company. They can influence and can be influenced by the success or failure of the entity because they have vested interest in the organization. Internal stakeholders are also known as primary stakeholders. Employees and managers are internal stakeholders impacted by organizational strategy and success, with some influence on the organization's decisions. Owners have a larger impact on organizational management, and take a larger amount of accountability compared to managers and employees. When it comes to developing and keeping a good relationship with internal stakeholders, a vital practice in business, the best thing an organization can do is act with good, sound ethical practices. If a corporation is unconcerned with today's social issues and makes no effort to tie it in with the local community, it is unlikely to receive much public support, and it's pretty difficult to build a strong customer base (and generate revenue, consequently) without a positive image.
The following are major internal stakeholders:

2.1 Employees

Employees are primary internal stakeholders. Employees have significant financial and time investments in the organization, and play a defining role in the strategy, tactics, and operations the organization carries out. Well run organizations take into account employee opinions, concerns, and values in shaping the strategy, vision, and mission of the firm. Having a good reputation among employees is an important aspect of a strong reputation [1](Davies, Chun, & Kamins, 2010), because the greatest reputation leverage can be achieved through them, as they shape other stakeholders' perceptions of the firm. But what companies can and should do

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to improve their reputation in the eyes of existing employees is unclear. By investing in the community and showing interest in social issues, an organization is showing a strong ethics code, and this will not go unnoticed by the internal stakeholders. It is not uncommon now for businesses to draw up extensive, specific ethics programs and issue an ethics manual to every employee on the date of hire. Ethical issues will always arise in business settings, but by having a basic outline on how the company should handle certain moral situations, major disasters are much easier to snuff out before they have a chance to take place[2]

2.2 Managers

Managers play a substantial role in determining the strategy of the organization, and a significant voice in operational decisions. Managers are also accountable for the decisions made, and act as a point of contact between shareholders, the board of directors, and the organization itself.

2.3 Owners

Owners (who in publicly traded organizations can include shareholders) are the individuals who hold significant shares of the firm. Owners are liable for the impacts the organization has, and have a significant role in strategy. Owners often make substantial decisions regarding both internal and external stakeholders.[3]

III. EXTERNAL STAKEHOLDERS

External stakeholders are not directly involved in decision making and other business affairs and, therefore, may or may not be affected by the company’s decisions or operations. External Stakeholders, do not participate in the day to day activities of the entity, but the actions of the company influence them. They deal with the company externally. They have no idea about the internal matters of the company are.

3.1 Customers

Customers are one of the most immediate external stakeholders that a company must consider. The primary purpose of providing goods and services is to fill needs. Understanding the needs of an organization's core customer base, and optimizing operations to best fill those needs, is therefore a significant part of managing a business. Attracting, retaining and generating loyalty from core consumer markets is critical for competitiveness.

3.2 Regulators

Regulators and communities are closely tied external stakeholders. Companies operate within communities, and their activities affect more than just customers. Businesses pay taxes, but they are also informally expected by residents to operate ethically and with environmental responsibility. Regulators can in fact be considered primary stakeholders, considering the profit motive involved. Regulators also provide regulatory oversight, ensuring that standards, procedures, ethical practices, and legal concerns are being handled responsibly by business representatives. Communities also like to see businesses get involved in events and local charitable giving. Regulators make decisions that can significantly impact a company's operations. It is important, therefore, for company managers to maintain good relationships with local officials to anticipate legal or regulatory changes or community developments that may affect them.

As a result of the digital and global economy, a business can have a significant impact on society at large. Manufacturing facilities in developing nations are transforming entire ecosystems. Social networks are also collecting vast amounts of data. All of these concepts are not intrinsically good or bad, but managing them to ensure outcomes are positive for society as a whole is a critical responsibility.

3.3 Suppliers

Suppliers have become more critical stakeholders in the early 21st century. More often, companies build a number of small, loyal relationships with suppliers and associates. These strategic alliances are interdependent, where the success of one will impact the success of another. As a result, suppliers are closely related to organizations as key external stakeholders. Trade buyers and sellers can effectively collaborate to deliver the best value to end customers, which is beneficial to each partner. Additionally, trade partners expect that you operate ethically to avoid tarnishing the reputation of companies with whom your business associates.

3.4 Trade association

An industry trade association participates in public relations activities such as advertising, education, political donations, lobbying and publishing, but its main focus is collaboration between companies, or standardization.

Associations may offer other services, such as organizing conferences, networking or charitable events or offering classes or educational materials. One of the primary purposes of trade groups is to attempt to influence public policy in a direction favorable to the group's members. This can take the form of contributions to the campaigns of political candidates and parties, contributions to "issue" campaigns not tied to a candidate or party, and lobbying legislators to support or oppose particular legislation. In addition, trade groups attempt to influence the activities of regulatory bodies. Almost all trade associations are heavily involved in publishing activities, whether in print or online[4].

IV. CONCLUSION

Value capture is determined by the bargaining power between the firm and its internal and external stakeholders. Based on the resource based view of competitive advantage, value creation and value capture are influenced by the bargaining power between the firm and its internal stakeholders, such as employees and shareholders. Regarding external stakeholders, porter’s five force framework is a useful analytic tool. It is worth noting that barriers that prevent competing firms from imitation not only moderate the influence of competitors but also impact on the bargaining power of the focal firm

In addition to the issue of unclear definition of stakeholders, the concept of stakeholder management has attracted other criticisms. First, having multiple objectives from stakeholders is not feasible for managers. It is argued in literature that stakeholder management does not provide a single valued measure of the manager’s performance. Moreover, the argument of stakeholder theory may allow managers too much discretion which is not appropriate to allocate shareholder wealth.

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