

6.6: Reading- Business Stakeholders

What Is a Stakeholder?

A stakeholder is an individual or group that has a legitimate interest in a company. A corporate stakeholder is an individual or group who can affect or be affected by the actions of a business. The stakeholder concept was first used in a 1963 internal memorandum at the Stanford Research Institute. It defined stakeholders as “those groups without whose support the organization would cease to exist.”

In the last decades of the twentieth century, the word “stakeholder” has become more commonly used to refer to a person or group that has a legitimate interest in a project or entity. In discussing the decision-making process for institutions—including large business corporations, government agencies, and non-profit organizations—the concept has been broadened to include everyone with an interest (or “stake”) in what the entity does.

Internal Stakeholders

Internal stakeholders are groups within a business or people who work directly within the business, such as employees, owners, and investors. Employees want to earn high wages and keep their jobs. Owners are interested in maximizing the profit the business makes. Investors are concerned about earning income from their investment.

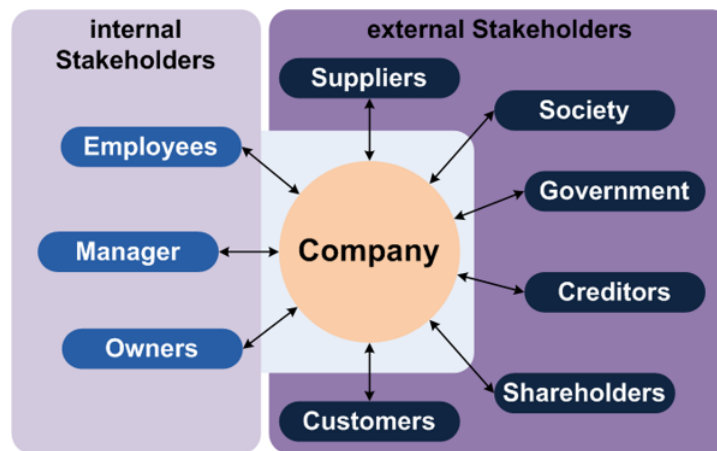


Figure 6.6.1: The picture shows the typical stakeholders of a company. The stakeholders are divided in internal and external stakeholders.

External Stakeholders

External stakeholders are groups outside a business or people who are not directly working within the business but are affected in some way from the decisions of the business, such as customers, suppliers, creditors, community, trade unions, and the government. The government wants the business to pay taxes, employ more people, follow laws, and truthfully report its financial conditions. Customers want the business to produce quality products at reasonable prices. Suppliers want the business to continue to buy their products. Creditors want to be repaid on time and in full. The community has a stake in the business as employers of local people.

KEY TAKEAWAYS

- A corporate stakeholder is a person or group who can affect or be affected by the actions of a business.
- Internal stakeholders are groups within a business or people who work directly within the business, such as employees, owners, and investors.
- External stakeholders are groups outside a business or people who are not directly working within the business but are affected in some way from the decisions of the business, such as customers, suppliers, creditors, community, trade unions, and the government.

GLOSSARY

corporate stakeholder:

A corporate stakeholder is that which can affect or be affected by the actions of the business as a whole.

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in this section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

<https://assessments.lumenlearning.com/assessments/153>

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