

1.3: Who Is Interested in International Business?

LEARNING OBJECTIVES

1. Know who has an interest in international business.
2. Understand what a stakeholder is and why stakeholder analysis might be important in the study of international business.
3. Recognize that an organization's stakeholders include more than its suppliers and customers.

The Stakeholders

As you now know, *international business* refers to a broad set of entities and activities. But who cares about international business in the first place? To answer this question, let's discuss stakeholders and stakeholder analysis. A **stakeholder** is an individual or organization whose interests may be affected as the result of what another individual or organization does. Mason Carpenter, Talya Bauer, and Berrin Erdogan, *Principles of Management* (Nyack, NY: [Unnamed Publisher](#), 2009), accessed January 5, 2011, www.gone.2012books.lardbucket.org/printed-book/127834. **Stakeholder analysis** is a technique you use to identify and assess the importance of key people, groups of people, or institutions that may significantly influence the success of your activity, project, or business. In the context of what you are learning here, individuals or organizations will have an interest in international business if it affects them in some way—positively or negatively. Management Sciences for Health and the United Nations Children's Fund, "Stakeholder Analysis," *The Guide to Managing for Quality*, 1998, accessed November 21, 2010, erc.msh.org/quality/ittools/itstkan.cfm. That is, they have something important at stake as a result of some aspect of international business.

Obviously, Google and its managers need to understand international business because they do business in many countries outside their home country. A little more than half the company's revenues come from outside the United States. (Statista: Revenue distribution of Alphabet 2015 - 2020 by region, statista.com/statistics/266250/regional-distribution-of-googles-revenue/ accessed December 2021). Does this mean that international business wouldn't be relevant to Google if it only produced and sold its products in one country? Absolutely not! Factors of international business would still affect Google—through any supplies it buys from foreign suppliers, as well as the possible impact of foreign competitors that threaten to take business from Google in its home markets. Even if these factors were not present, Google could still be affected by price swings—for instance, in the international prices of computer parts, even if they bought those parts from US suppliers. After all, the prices of some of the commodities used to make those parts are determined globally, not locally. Beyond its involvement in web advertising, which requires massive investments in computer-server farms around the world, Google is increasingly active in other products and services—for example, cell phones and the operating systems they use.

A business and its managers should understand international business, regardless of whether their organization sells or produces products or services across borders. Who else might be an international business stakeholder beyond Google and its management? First, Google is likely to have to pay taxes, right? It probably pays sales taxes in markets where it sells its products, as well as property and payroll taxes in countries where it has production facilities. Each of these governmental stakeholders has an important economic interest in Google. Moreover, in many countries, the government is responsible for protecting the environment. Google's large computer-server farms consume energy and generate waste, and its products (e.g., cell phones) come in disposable packaging, thus impacting the environment in places where they are manufactured and sold.

Beyond the company and governments, other stakeholder groups might include industry associations, trade groups, suppliers, and labor. For instance, you've already learned that Google is an Internet search-engine company, so it could be a member of various computer-related industry associations. Labor is also a stakeholder. This can include not only the people immediately employed by a business like Google but also contract workers or workers who will lose or gain employment opportunities depending on where Google chooses to produce and sell its products and services.

Did You Know?

FAt about the same time Google was experiencing difficulty protecting individuals' privacy in China, its managers in Italy were being convicted of violating consumer-privacy laws. Google executives had been accused of breaking Italian law by allowing a video clip of four boys bullying another child to be posted online. "Google Bosses Convicted in Italy," *BBC News*, February 24, 2010, accessed November 21, 2010, <http://news.bbc.co.uk/2/hi/8533695.stm>. The video had originally been posted by the boys themselves and Google removed the video when Italy's Interior Ministry requested its removal. J. R. Raphael, "Italy's Google Convictions Set a Dangerous Precedent," *PCWorld*, February 24, 2010, accessed November 21, 2010, http://www.pcworld.com/article/190191/italys_google_convictions_set_a_dangerous_precedent.html. The three Google executives

were absolved of the defamation charges but convicted of privacy violations. Colleen Barry, “Three Google Employees Convicted in Italian Court of Privacy Violations,” *Associated Press*, February 24, 2010, accessed November 21, 2010, www.cleveland.com/world/index.ssf/2010/02/three_google_employees_convict.html. Google said that the conviction of its top Italian managers “attacks the ‘principles of freedom’ of the Internet and poses a serious threat to the web.” Paul McNamara, “Conviction of Google Execs in Italy Sheer Madness,” *PCWorld*, February 24, 2010, accessed April 5, 2010, http://www.pcworld.com/article/190125/conviction_of_google_execs_in_italy_sheer_madness.html. Following the conviction, several privacy advocates stepped up to speak out in Google’s defense—a position quite contrary to their typical stances in Google privacy stories. Jaikumar Vijayan, “Conviction of Google Execs Alarms Privacy Advocates,” *PCWorld*, February 24, 2010, accessed April 5, 2010, http://www.pcworld.com/article/190175/conviction_of_google_execs_alarms_privacy_advocates.html.

KEY TAKEAWAYS

- Beyond yourself, as an international business student and future international business person, you can identify the people and organizations that might have an interest in international business if their interests are affected now or in the future by it. Such international business stakeholders include employees, managers, businesses, governments, and nongovernmental organizations.
- Stakeholder analysis is a technique used to identify and assess the importance of key people, groups of people, or institutions that may significantly influence the success of an activity, project, or business.

EXERCISES

(AACSB: Reflective Thinking, Analytical Skills)

1. What is a stakeholder?
2. Why is stakeholder analysis important in international business?

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