

Difference Between Internal and External Stakeholders



Business exists in a large environment and many factors affect the business directly and indirectly. Every organization has its stakeholders, irrespective of its size, nature, structure and purpose. The stakeholders can be any person or entity, who influence and can be influenced by the company's activities. In a business environment, stakeholders are classified into two categories, Internal Stakeholders, and External Stakeholders. **Internal stakeholders** refer to the individuals and parties, within the organization.

On the other hand, **external stakeholders** represent outside parties, which affect or get affected by, the business activities.

Due to the complexity of the business environment, it is very difficult to identify that which factor is considered as the internal or external stakeholder. So, here in this article, we are presenting you the differences between internal and external stakeholders.

Content: Internal Stakeholders Vs External Stakeholders

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Comparison Chart

BASIS FOR COMPARISON	INTERNAL STAKEHOLDERS	EXTERNAL STAKEHOLDERS
Meaning	The individual and parties that are the part of the organization is known as Internal Stakeholders.	The parties or groups that are not a part of the organization, but gets affected by its activities is known as External Stakeholders.
Nature of impact	Direct	Indirect
Who are they?	They serve the organization.	They get influenced by the organization's work.
Employed by the entity	Yes	No
Responsibility of the company towards them	Primary	Secondary
Includes	Employees, Owners, Board of Directors, Managers, Investors etc.	Suppliers, Customers, Creditors, Clients, Intermediaries, Competitors, Society, Government etc.

Definition of Internal Stakeholders

Internal Stakeholders are those parties, individual or group that participates 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 organisation. **Primary Stakeholders** is the second name of the Internal stakeholders.

Internal Stakeholders are dedicated to providing services to the company. They are highly affected by the decisions, performance, profitability and

other activities of the company. In the absence of internal stakeholders, the organisation will not be able to survive in the long run. That is why they have a great impact on the company. Further, they are the ones who know all the secrets and internal matters of the entity. The following are the list of internal stakeholders:

- **Employees:** Employees are the group of people who work for the company, for remuneration.
- **Owners:** The individual or group who owns the organisation. They can be partners, shareholders, etc.
- **Board of Directors:** They are the group of individuals who governs the incorporated entity. They are elected by the members of the company at the AGM (Annual General Meeting).
- **Managers:** The person who manages the entire department is known as Manager. **For example** Sale Manager, General Manager, etc.
- **Investors:** The individual or group who invest their money in the organisation are investors.

Definition of External Stakeholders

External Stakeholders are those interested parties, who are not a part of the management, but they indirectly affected by the work of the company. They are the outside parties which form part of the business environment. They are also known as **Secondary Stakeholders**. They are the users of financial information of the company, in order to know about its performance, profitability, and liquidity.

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. Given below is the list of external stakeholders:

- **Suppliers:** They provide inputs to the organisation like raw material, equipment, etc.

- **Customers:** They are considered the king of business because they are the one who is going to consume the product.
- **Creditors:** They are the individual, bank or financial institution who provides funds to the organisation.
- **Clients:** They are the parties, to whom the company deals and provides its services.
- **Intermediaries:** They are the marketing channels that create a link between the company and customers like the wholesaler, distributors, retailer, etc.
- **Competitors:** They are the rivals who compete with the organisation for resources and the market as well.
- **Society:** A firm has its responsibility towards society as well because the enterprise uses its valuable resources.
- **Government:** A firm is guided and controlled by government rules and regulations like it has to pay taxes and duties that are levied on the business.

Key Differences Between Internal and External Stakeholders

The following are the major differences between internal and external stakeholders:

1. The individual or group that works for the organisation and they actively participate in the management of the company are known as Internal Stakeholders. External Stakeholders, on the other hand, are the individual or group that is not employed by the organisation but they get affected by its activities.
2. Internal Stakeholders serves the organisation, but External Stakeholders deals with the company externally.
3. Internal Stakeholders are directly influenced by the company's activities because they are the part of the organisation which is just opposite in the case of External Stakeholders.
4. Internal Stakeholders are employed by the company, but external stakeholders are not.

5. Internal matters of the company are known to internal stakeholders. However, external stakeholders are not known about such matters.
6. Internal Stakeholders are the primary stakeholders whereas External stakeholders are the secondary stakeholders.

Conclusion

Every enterprise operates in an environment, and there are some factors in that environment. The company has to deal with those factors and fulfil the responsibilities towards them like it is the responsibility of the company to pay fair wages to the workers and should not discriminate between employees. Similarly, it is the duty of the company to pay money to suppliers, deliver goods to customers, pay taxes to local authorities on time. They are the readers of the financial statement of the company so the company should provide a true and fair view of its financial statement along with transparency in their accounts. The trade union is a combination of both internal and external stakeholders.