



## Internal, External and Connected Stakeholders

This document shares examples of internal, external and connected stakeholders to consider when identifying key stakeholders to manage and the most appropriate engagement strategy for each group.



This knowledge paper is supportive of Procurement professionals operating at operational level of the CIPS Global Standard



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# Internal, External and Connected Stakeholders

## Internal Stakeholders

Internal stakeholders include general groups such as managers and employees (and/or volunteer workers or other types of members, in not-for-profit organisations). For example, the procurement function may have to market itself to senior management or management teams, or may have to communicate changes in purchasing policy and procedures to all staff.

The interests and influence of various internal stakeholder groups are summarised in the table below:

STAKEHOLDER	INTERESTS/NEEDS/DRIVERS	INFLUENCE/CONTRIBUTION
<b>Directors/ managers</b>	<ul style="list-style-type: none"> <li>The organisation's profitability, survival and growth</li> <li>Fulfilment of objectives and projects for which they are responsible (requiring purchasing inputs and/or support)</li> </ul>	<ul style="list-style-type: none"> <li>Formal authority over planning</li> <li>Shape the commitment and motivation of staff</li> <li>Influence through politics, networking and influencing skills</li> </ul>
<b>Staff/team members or other organisation members</b>	<ul style="list-style-type: none"> <li>The organisation's profitability and survival, for continued employment</li> <li>Support, information and inputs to fulfil task goals and earn rewards</li> <li>Healthy and safe working environment</li> <li>Fair and ethical treatment</li> </ul>	<ul style="list-style-type: none"> <li>Scarce resource: competitive edge in times or areas of skill shortage</li> <li>Threat of withdrawn labour</li> <li>Potential to add value through skilled, motivated performance, flexibility etc (especially in services)</li> </ul>
<b>Technical/design function</b>	<ul style="list-style-type: none"> <li>Accurate fulfilment of specifications</li> <li>Timely, relevant, expert advice on price and availability issues</li> <li>Connection to suppliers who might contribute innovation and expertise</li> </ul>	<ul style="list-style-type: none"> <li>Determine specifications and materials which the buyer will have to translate into purchase orders</li> </ul>
<b>Manufacture/ production/ operations function</b>	<ul style="list-style-type: none"> <li>Right inputs at right price and right quality, delivered to right place at right time to maintain efficient flow of production</li> <li>Supplier management and SCM to support flexibility, JIT supply, innovation etc.</li> <li>Sourcing and procurement services (eg for capital equipment) or consultancy</li> </ul>	<ul style="list-style-type: none"> <li>Key internal customer: purchasing performance measured by fulfilment of 'five rights'</li> <li>Provision of feedback on quality of inputs to aid supplier and contract management</li> </ul>
<b>Sales and marketing function</b>	<ul style="list-style-type: none"> <li>Quality, customisation and delivery levels that will satisfy customers</li> <li>Fulfilment of promises made to customers; responsiveness to feedback and demands</li> <li>Information on products and delivery schedules for promotions</li> <li>Sourcing and procurement services (eg printing services, office supplies, sales force cars) or consultancy (eg for own media space buying or agency selection)</li> </ul>	<ul style="list-style-type: none"> <li>Provision of market research and customer feedback information to influence product specifications and quality management</li> <li>Promises made to customers via marketing communications, which purchasing must contribute to delivering</li> </ul>
<b>Finance/admin function</b>	<ul style="list-style-type: none"> <li>Adherence to financial procedures (eg budgetary control, invoicing arrangements)</li> <li>Notification of terms negotiated with suppliers (eg discounts, payment terms)</li> <li>Support for cost control and/or reduction</li> <li>Provision of info for budgetary control, costing, credit control etc</li> <li>Sourcing and procurement services (eg for IT systems and stationery) or consultancy</li> </ul>	<ul style="list-style-type: none"> <li>Control or influence budget allocations</li> <li>Action payment of suppliers</li> <li>May impact on supplier relationships (eg if payment for supplies is late or withheld)</li> <li>May be leaders or champions of cost control and reduction initiatives</li> </ul>
<b>Storage and distribution (or logistics) – if not part of purchasing and supply function</b>	<ul style="list-style-type: none"> <li>Timely info about incoming and outgoing orders, for transport and storage planning</li> <li>Policies for 'green' transport planning, safe goods handling etc.</li> <li>Sourcing and procurement services (eg for equipment) or consultancy</li> </ul>	<ul style="list-style-type: none"> <li>Control or influence timely flow of incoming and outgoing deliveries</li> <li>Influence on wastage, damage and obsolescence of supplies (eg through safe, secure, efficient transport and storage)</li> </ul>

## External Stakeholders

Businesses are increasingly aware of the need to maintain a positive reputation in the marketplace, and this may require a more inclusive approach to stakeholder management, which recognises the legitimate needs and concerns of wider, secondary or ‘indirect’ stakeholders.

External stakeholders are likely to have quite diverse objectives and degrees of influence.

Some of the interests and influence of these groups are summarised in the table below:

STAKEHOLDER	INTERESTS/NEEDS/DRIVERS	INFLUENCE/CONTRIBUTION
<b>Government and regulatory bodies</b>	<ul style="list-style-type: none"> <li>• Corporate tax revenue</li> <li>• Healthy level of economic activity</li> <li>• Compliance with legislation and regulation</li> <li>• Reports and returns</li> <li>• Support for community development and employment</li> </ul>	<ul style="list-style-type: none"> <li>• Power to enforce requirements through legislation, regulation, penalties</li> <li>• Control over tax levels and public funding (eg via grants)</li> <li>• Bargaining power as a large customer or supplier of goods or services</li> <li>• Support and guidance for business</li> </ul>
<b>Pressure groups (eg Greenpeace) and interest groups (eg consumer associations, trade unions)</b>	<ul style="list-style-type: none"> <li>• Promotion and increased awareness of a cause or issue (eg fair trade, environment)</li> <li>• Protection of rights and interests of members</li> <li>• Access to information and accountability</li> <li>• Sponsorship or donation funding</li> </ul>	<ul style="list-style-type: none"> <li>• May shape policy (eg via lobbying)</li> <li>• Inform and mobilise public and consumer opinion for or against the organisation</li> <li>• Source of info re issues and impacts</li> <li>• May collaborate to enhance ethical credentials of the firm or brand</li> <li>• Power to mobilise protests or boycotts</li> </ul>
<b>Community and society at large</b>	<ul style="list-style-type: none"> <li>• Access to products and services, employment</li> <li>• Product safety</li> <li>• Affordability of essential goods and services</li> <li>• Socially responsible business and environmental practices: harm minimisation</li> </ul>	<ul style="list-style-type: none"> <li>• Pool of current and potential customers, suppliers and employees</li> <li>• Power to mobilise government policy and consumer opinion</li> </ul>

## Connected Stakeholders

Connected stakeholders often have a significant stake in organisational activity, by virtue of their contractual or commercial relationships with the organisation.

Some of the interests and influence of these groups are summarised in the table below:

STAKEHOLDER	INTERESTS/NEEDS/DRIVERS	INFLUENCE/CONTRIBUTION
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• Return on investment, dividends</li> <li>• Corporate governance: transparency, accountability, directors protecting their interests</li> </ul>	<ul style="list-style-type: none"> <li>• Owners and financiers of firms</li> <li>• Voting power at company meetings</li> <li>• Power to sell shares (influencing share price, perceptions of financial markets)</li> </ul>
<b>End customers</b>	<ul style="list-style-type: none"> <li>• Satisfaction of a complex bundle of expectations and motives for purchase (eg value for money, quality, service experience) – NB different for consumer and business or industrial buyers.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus of all business activity</li> <li>• Source of sales revenue and profits</li> <li>• Source of feedback information (via surveys, complaints etc)</li> <li>• Power to switch or withdraw custom</li> </ul>
<b>Intermediary customers (eg agents, distributors, retail outlets)</b>	<ul style="list-style-type: none"> <li>• Ethical, efficient trading practices and systems</li> <li>• Sales support: product info, reliable supply, promotional support, sales force training</li> <li>• Earnings and profits (eg through discount margins, fees or commissions)</li> <li>• Mutually beneficial ongoing relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Help to promote and distribute products</li> <li>• Part of total customer 'value delivery system' for competitive advantage</li> <li>• Potential for collaborative promotion</li> <li>• Source of feedback info on sales, customers etc</li> <li>• Power to withhold distribution or promotion, or to aid competitors (eg with exclusive distribution deals)</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Clear specifications (fewer disputes)</li> <li>• Efficient transaction and relationship handling</li> <li>• Fair procedures for awarding contracts</li> <li>• Timely payment of debts</li> <li>• Opportunities for reasonable profit taking</li> <li>• Opportunities for development through regular trading, alliance or partnership</li> <li>• Feedback info to support service</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of potentially key inputs (at required quality, price, time)</li> <li>• Power to withhold or restrict supply</li> <li>• Expertise (eg for product development and specification)</li> <li>• Potential for added value (eg via JIT, lean supply, collaborative waste reduction, continuous improvement)</li> </ul>
<b>Financial institutions/ lenders</b>	<ul style="list-style-type: none"> <li>• Financial strength and stability of the company (for security of the loan)</li> <li>• Return on investment (eg via interest)</li> <li>• Mutually beneficial ongoing relationship</li> </ul>	<ul style="list-style-type: none"> <li>• Short-term and long-term loan finance to maintain and develop operations</li> <li>• Added value services (eg insurance, currency management)</li> <li>• Power to restrict or withdraw credit facilities</li> </ul>

