The Internet Moderating Impact among Stakeholders in Modern Organizations: A Conceptual Analysis of Service Management Environment

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ABSTRACT

The Internet has a significant impact on service organizations their way they are managed. This article examines the role of Internet in moderating the relative importance of various stakeholders such as customers, suppliers, distributors, stockholders, managers, and employees in service management environment. A detailed analysis to the stakeholders involved based on previous studies and carrying it over to the Internet age. The analysis highlights the changing role of each stakeholder in any organization and how these stakeholders influence service management decisions is examined. The article provides today’s management with a clear vision of the changing business environments and in devising a plan to lead their organizations in the Internet era.

Keywords: Internet, Service Management Environment, Stakeholders

INTRODUCTION

The Internet has grown to touch every aspect of doing business today. A wealth of research has been written on the importance of the link between organizations and their stakeholder’s (customers, suppliers, distributors, stockholders, managers, communities). Atkinson, Waterhouse, & Wells (1997) cite research on the impact of the relationship between an organization and its stakeholders on management practices. Friedman & Miles (2002) studied organization/stakeholder relations that occur; the extent to which such relations change over time; as well as how and why such changes organization/stakeholder relations change over time. However, with the advent of stakeholder, social, and societal orientations as the underlying basis for sustainable profit (Kerin et al. 2002) and the increasing use of the Internet in all aspects of commerce, it was surprising to find limited research on the impact of the Internet on such relationships. Thus, the
purpose of this article is to suggest roles that stakeholders play in service management decisions. In exploring the potential roles played by the Internet in changing the influence of stakeholders on service management decisions, changes are hypothesized due to the shifting balance of power among the stakeholders of firms primarily engaged in e-business as well as firms using more traditional channels. In this article, service management decisions include all of the decisions bearing on service definition such as price, delivery, innovativeness and quality. Of particular interest are the following general questions: What is the relative influence of each stakeholder in service management decisions? How are service management decisions influenced by stakeholders? What role is the Internet playing in changing the relative influence of stakeholders in service management decisions? As a result of the Internet, which stakeholder group has gained or lost influence relative to other stakeholder groups in service management decisions?

**LITERATURE REVIEW AND ANALYSIS**

Organization stakeholders are any group or individuals who can affect or are affected by a firm (Greenwood, 2001) and without whose support the organization would cease to exist (Freeman, 1984; Evan & Freeman, 1988). While all companies potentially have different sets of stakeholders, all companies usually respond to six prominent stakeholder groups: customers, employees, suppliers (of goods and/or services), owners (shareholders), government, and social groupings (for example, communities and/or societies, as a whole). These groups of stakeholders are more salient because they possess legitimacy, urgency, and power (Mitchell et al., 1997; Agle, 1999). Atkinson, et al. (1997) present stakeholders as fitting into two major groups: the environmental stakeholders and the process stakeholders. The environmental stakeholders are customers, owners, competition, government, and environmentalists who define a company’s strategies. The process stakeholders are the employees and suppliers that plan, design, implement, and operate the processes to make and deliver the company’s product to its customers.

Several researchers have highlighted the high level of interdependence between the corporation and its primary stakeholder group and noted that without continuing participation of primary stakeholders, an organization cannot survive as a going concern (Agle, 1999).

In sum, stakeholders who are in the inner circle which compose of manager and owners are the most important stakeholders because they have the highest influence on company product management and related decisions (Recklies, 2001). The different understandings are founded in the differences between managerial and legal interpretations of the stakeholder concept. They have imperceptibly been introduced through the various underlying definitions of a stakeholder from a claimant definition “those without whom the organization could not survive” to an influence definition “those who can affect the firm or be affected by it”. Even the latter, now classical, definition includes a certain ambiguity: those who can affect a firm are not always the same as those who can be affected by it. The legal interpretation – reinforcing the philosophical analysis – rests upon rights and contracts: stakeholders have claims; firms have obligations and duties (Fassin, 2009).

**EXISTING STAKEHOLDER THEORIES**

Stakeholder theory posits that organizational strategies are driven towards satisfying the conflicting goals of organizational stakeholders (Hatch 1997). In stakeholder theory, a stakeholder is a group or individual affected by the achievement of organizational goals, who can cause difficulties for the organization if its own needs are not satisfied (Freeman 1984). An organizational strategy is best understood by identifying stakeholders and how organizational goals influence and are influenced by stake-
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