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THEORETICAL AND PRACTICAL APPROACHES TO IDENTIFICATION OF STAKEHOLDER INTERESTS OF THE COMPANY

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Abstract. In the article the approaches to stakeholder interests identification are proposed. The developed approaches are directed at identification of types of stakeholder interests and their localization in the company value chain.

Key words: stakeholders, stakeholder interests, company value chain.

An introduction, indicating article scientific problem. The recent research in business and economy says that building company management system just on the principles of maximizing shareholder value is not an effective approach to achieve sustainability of the company and the society. That is why incorporation of wide variety of stakeholder interests into company management system can solve the problems of company stability. Thus the current article is directed towards the identification of stakeholder interests.

An analysis of recent research and publication. Although a great variety of theories developed in the previous century, such as SWOT analysis, it is not clear whether the interests of stakeholders from the external environment should be considered. The other problem is how the goals of important stakeholders could be implemented into corporate strategy. The necessity to solve these problems resulted in introduction of new managerial theories. In those theories it is proposed to review the enterprise activity from different perspectives (customers, creditors, investors, consulting agencies etc.) and/or aspects of enterprise development (innovative aspect, aspect of labor resources etc.) [6]. Such ideas are supported by the research of the following scholars: in [11] is stated that strategy is the set of pragmatic compromises between stakeholders

while in [8] it is claimed that failure to act in accordance with stakeholder requirements leads to possible problems in strategy implementation. Managerial commitment to stakeholder interests will drive strategic decision making, which in turn will affect firm financial performance [3; 9]. The ability to balance stakeholder influence leads to higher level of consistency in corporate activity and achievement of corporate goals. The described approach to forming corporate strategy could be called multilateral. The actuality of such approach lies in balancing of a significant number of economic factors and corporate strategy [6]. The corporate management based on multilateral approach permits to adapt measures of corporate activity to the requirements of different stakeholders. The most accented the need in reviewing of corporate activity both from external and internal points is proposed in stakeholder approach worked out by E. Freeman [5].

The theory that considers points of views of stakeholders and transforms them into strategy is the "balanced scorecard theory" developed by R. Kaplan and D. Norton [6]. However as S. Walker and J. Marr [12] claim in that theory "Kaplan and Norton, except employees and customers ... appear to have overlooked the important category of tracking other stakeholder groups... The strong companies of the future will develop key business indicators for each stakeholder group". In the same time the important issue of Kaplan and Norton's balanced scorecard theory is consideration of some aspects of corporate development that influence corporate activity significantly in addition to the stakeholders.

The stakeholder theory consists of three parts: narrative, descriptive and instrumental [5; 7]. Descriptive theory lies in describing company

behavior towards stakeholders and stakeholders towards company. In the normative theory ethical issues connected with company relations with its stakeholders are being solved. Instrumental theory purports to research the influence of stakeholders on the outcomes while making corporate strategy. Some aspects of instrumental theory are the main issues of the current research.

Objectives of the article. The objective of the article is develop approaches for identification interests of influential stakeholder.

Presentations of the main research and explanation of scientific results. According to [5, 46] stakeholders are a group of socio-economic actors who can promote or oppose to achievement of goals or activities of the company. The other definition that is relevant to the current research is the following: a stakeholder is an individual or group that has a stake or can influence the organization performance [2]. The following socio-economic actors can be company stakeholders: managers, owners, customers, state authorities, employees, investors, non-governmental organizations etc. can be company. The reconciliation of stakeholder interests will lead to better access to resources and as the result to the increase in company effectiveness. The important aspect of “company-stakeholder” interaction is identification of interests of such socio-economic actors.

Thus the development of methods for identification of stakeholder interests will contribute to the improvement of company performance. The scientific literature in stakeholder analysis contains various approaches to identification of stakeholder interests [1; 10] and to the research of interests of such socio-economic actors in company activity. The authors that researched the problems of identification of important stakeholder interests are the following E. Freeman [5], A. Carrol [4], A. Keay [7]. It should be also stated that the research of mentioned authors are not systematic in relation to stakeholder interest identification and need to be complimented by additional theoretical and practical developments.

The socio-economic interests in company activity can be various. Thus for this research only stakeholders that can foster or oppose realization of company goals were considered. Thus only the

desire of socio-economic actor to get something from the organization can not be considered as its legitimate claim. For the company important are only the interests of influential stakeholders.

The literature review [4; 5; 7] permitted to define two basic directions of identification of stakeholder interests. They are: analysis of company obligations to its stakeholders and analysis of place of interests in company activity.

The first direction is related to analysis of what the company owes to its stakeholders while the second – permits to locate stakeholder interests in company activity.

The presence of company obligations to its stakeholders usually means that the company owes something to its stakeholders. In the same time stakeholder expects the company to fulfil its obligations.

According to the Pyramid of Corporate Social Responsibility [4, 44] the company has four types of responsibilities to its stakeholders which are the following: economical, juridical, ethical and philanthropical.

It should be underlined that the approach which is based on “strategic necessity” and pragmatism [5, 44] anticipates understanding of the fact that the company responsibility to its stakeholders is based on the specific obligations. Thus instead of using term “responsibility” which is used in the Pyramid of Corporate Social Responsibility we will use the term “obligation”.

It should be also noted that the Pyramid of Corporate Social Responsibility was developed for the countries of Western world where the standards of interaction of the company with its socio-economic actors are different from Ukrainian society. In particular, in Ukraine the economy is in the process of accumulation of the capital by buy owner who started their business recently. Thus ethical and philanthropical responsibilities usually does not exist. In addition we are conducting research from the positions of “strategic necessity” for consideration of stakeholder interests. Thus to identify stakeholder interests more pragmatism approach should be applied.

Considering the letter it is proposed to replace ethical and philanthropical responsibilities for the “necessity to comply with norms and standards which are accepted in the society or among specific socio-economic actors” for identification of stakeholder interests.

Theoretical and practical approaches to identification of stakeholder interests of the company

Thus the research of practical activity of Ukrainian enterprises permits to make a conclusion that at the moment there are three types of obligations of the company to its stakeholders. They are: economical, juridical and the necessity to comply with norms and standards accepted in the society or among some particular socio-economic actors (Tabl. 1).

The economic obligations arise from formal and informal contracts of the enterprise and its stakeholders about exchange of financial resources for goods and services. For example, as the result of the job accomplished by employee he or she expects to receive salary agreed beforehand or the consumer pays the price for the goods supplied by the company.

Such obligations give birth to the appearance of stakeholder interests in company activity. It should be underlined that both formal and informal contracts established between the company and its stakeholders forms mutual obligations and interests in each other activity.

There are two types of juridical obligations. They are: contract and legislative. Contract obligations arise from juridical interaction between

company and its influential stakeholders while the second type of obligations are established by the government. The emergence of juridical obligations of the company to some socio-economic actors often leads to transforming the latter into stakeholders. For example establishing the contract between the enterprise and the supplier leads to forming possibilities for mutual influence to guarantee accomplishment of contract conditions by contra agents.

It should be underlined that the third type of obligations arise from norms and standards accepted in the society or among some socio-economic actors. If some stakeholders are important for the company it will try to follow norms and standards accepted among such socio-economic actors. The latter norms and standards will transform into stakeholder interests in company activity. More over such norms and standards usually have non-juridical character which means that they are not implemented into the legislation but are generally accepted among group of stakeholders or in the society. The norms and standards usually have social, ecological or ethical character.

Table 1

Interests of stakeholders by types of obligations of the company to such socio-economic actors*

Stakeholders	Types of obligations of the company to stakeholders					
	Economical	Juridical		The obligations to comply with norms and standards accepted among stakeholders		
		Contract	Legislative	Social	Ethical	Ecological
Owners and Managers	Profit					
Consumers						
Employees	Salary				Ethical standards in relations between management and employees	
Suppliers		Supplying in time				
Intermediates		Supplying in time				
State authorities and society			Paying taxes by the company	Participation of the enterprise in realization of social projects		
Potential investors						
Potential creditors						
Non-government organizations						Company activity according to ecological standards that are not approved by jurisdiction

* Note: developed basing on [4].

The social interests means that stakeholders expect from the companies actions directed towards realization of social projects. For the company such actions may improve its image in the society and may lead to better attitude of government authorities.

Ethical stakeholder interests mean that the company while interacting with socio-economic actors should comply with some specific ethical norms.

Ecological stakeholder interests mean that stakeholders expect from the company to follow ecological standards in its activity. For example, some non-governmental organizations expect that companies will not break both the rules incorporated in the legislation and the common sense of ecologically responsible activity.

The other important aspect of stakeholder interests research is identification of their appearance in company activity. It should be underlined that stakeholder interests can appear either in the entire enterprise or in some aspects of its activity.

If stakeholder interests relate only to some aspect of company activity it is sensible to split the latter on stages of company value chain.

Such approach will permit to concretize the place of stakeholder interest emergence in company activity. For better visualization and practical application of developed approach to stakeholder interest identification we propose to use matrix analysis (Fig. 1).

The matrix presented on fig. 1 includes both types of interests of stakeholders in company activity and the location stakeholder interest emmergance in company activity.

The matrix of stakeholder interests in company activity could be filled in basing on knowledge of experts about company interaction with its stakeholders, negotiations with stakeholders and analysis of the information concerning socio-economic actors activity both inside and outside the company.

Stakeholders	Types of obligations of the company to stakeholders	Stakeholder interests in entire company activity	Interests of stakeholders relatively to stages of value chain		
			Supply	Manufacturing	Sales
Owners and Managers	Economical				
	Juridical				
	Norms and standards				
Consumers	Economical				
	Juridical				
	Norms and standards				
Employees	Economical				
	Juridical				
	Norms and standards				
State authorities and society	Economical				
	Juridical				
	Norms and standards				
Suppliers	Economical				
	Juridical				
	Norms and standards				
Intermediates	Economical				
	Juridical				
	Norms and standards				

Fig. 1. Matrix of stakeholder interests in company activity

*Note: developed by the author.

Conclusions. Theoretical and practical approaches to stakeholder interest identification presented in the article can be used for reasonable selection of stakeholder interests. The further research in the field could be directed towards implementation of stakeholder interests into company management system.

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