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## ТЕОРЕТИЧНІ ТА ПРИКЛАДНІ ПРОБЛЕМИ УПРАВЛІННЯ ПІДПРИЄМСТВОМ НА ЗАСАДАХ УЗГОДЖЕННЯ ІНТЕРЕСІВ СТЕЙКХОЛДЕРІВ

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## THEORETICAL AND PRACTICAL PROBLEMS OF ENTERPRISE MANAGEMENT BASED ON RECONCILIATION OF STAKEHOLDER INTERESTS

**Purpose.** To develop concept for agreement of enterprise stakeholder interest and to analyze the possibilities of using such concept in enterprise management.

**Methodology.** Comparison, analysis and synthesis methods were applied in the research. In order to develop concept of reconciliation of stakeholder interests method of generalization was applied.

**Findings.** As the result of literature of review in the article basic theories that can be applied for development of company management system were analyzed. In particular, the possibilities of application of agency theory, transaction cost theory and stakeholder theory for the development of company management system were analyzed in the article. Basing on pros and cons analysis of mentioned theories it was identified that application of agency theory and transaction theory is not effective for management system development due to the inability to provide the participation of all social and economic actors in decision-making process. Therefore basing on literature review the author proposed theoretical principles of Ukrainian company management based on the agreement of stakeholder interests.

**Originality.** The main result of the paper is combining of theoretical principles of Ukrainian company management based on the agreement of stakeholder interests into a concept. The developed concept forms the theoretical basis for important stakeholder selection, analysis of their interests, and application of methods directed at agreement of stakeholder interests and making managerial decisions considering stakeholder interests. The application of such concept in company management will contribute to company stakeholders' interests reconciliation which will result into the decrease of company transaction costs, better access to the resources of contra agents and the improvement of company's social responsibility.

**Practical value.** The results of the research can be used for the development of company management system based on the reconciliation of the stakeholder interests.

**Keywords:** *stakeholder theory, transaction cost theory, agency theory, concept for reconciliation of enterprise stakeholder interests*

**An introduction, indicating article's scientific problem.** Development of effective enterprise management system is amid the key factors of general company effectiveness. Accomplishment of such task is defined by choice of management theory used as a basis for management system of the enterprise. Chosen management theory defines the approaches to building enterprise organizational structure, enterprise planning system, staff motivation system and indicator regulation approaches which will be used in company management in future.

**An analysis of the recent research and publications.** Before the eighties of the 20<sup>th</sup> century the dominant management theories in enterprise management were transaction cost theory and agency theory.

Transaction cost theory was developed in 70<sup>th</sup> of the 20<sup>th</sup> century by O. Williamson and since that time it was

used in company management. O. Williamson underlined that the key principles of the theory are following:

- Opportunism. The consequence of opportunism is the desire of company contra agents and employees to act in their own interests.

- Information asymmetry. Company manager has to spent money on searching necessary information and on overcoming opportunism of company employees and enterprise contra agents.

The other theory used as basis for the development of company management system was agency theory. The initial principles of agency theory were developed by M. Jensen and W. Meckling. The main idea of agency theory is to solve problems which appear in relations between company managers and owners. Most of the presumptions and developments of transaction cost theory were implemented into agency theory. M. Jensen and W. Meckling underlined that the basic goal of agency theory is to maximize shareholders' wealth.

Agency theory is based on the presumptions which could be considered as its advantage. K. Eisenhardt determines the following principles of agency theory:

- Opportunistic behavior of company managers and employees causing the conflict of interests.
- Limited rationality of company managers determined by their personal goals.
- Information asymmetry.
- Considering information as a commodity.
- Losses of company managers should be higher compared to the gains from opportunistic behavior.

The research conducted in [1; 2] showed that building of management system based on principles of agency theory can lead to the following problems:

- The presumptions of agency theory could be considered as its advantage while the instruments developed in the framework of such theory are insufficient for accomplishment of its goals. K. Eisenhardt stated that external directors in company director board could become well acquainted with other members of the company soon. As the result of considering themselves a part of the company the external directors will stop controlling organizational management which is their main function.

- Some scientists consider agency theory to be self-fulfilling [1]. Management studies in the most of Western business schools are based on the principles of agency theory. As the result the students are taught about opportunism and potential dishonesty of managers and employees. Therefore while being involved in practical activity former students use “hard” principles of agency theory.

- Being able to reconcile interests of the two strongest stakeholders (owner and manager) the agency theory is unable to consider interests of other stakeholders such as employees, customers, suppliers etc. Thus application of such theory does not lead to seeking a broad compromise between all influential stakeholders. And those stakeholders whose interests are not considered do not contribute to increase of value in company value chain.

In order to overcome presented disadvantages of agency theory in the eightieth of the 20<sup>th</sup> century it was supplemented by stakeholder theory which is based on the principles of socially responsible management. According to [2] stakeholders could be defined as social and economic actors who might influence the company activity. Company stakeholders could be owners, customers, employees, governmental and non-governmental organizations etc. Stakeholder theory was developed by a significant number of scientists. R. Freeman, T. Donaldson, L. Preston, R.K. Mitchell, B.R. Agle, D.J. Wood, A. Keay are among those who developed stakeholder theory.

**Unsolved aspects of the problem.** At the moment stakeholder theory is a set of descriptive and normative ideas that are not combined into a single system [2]. Thus criticism of stakeholder theory is mostly related to the lack of the coherent concept of stakeholders’ interest

agreement, as well as methodological and methodical instruments of reaching the company stakeholders balance. The development of methodological and methodical principles of instrumental aspect of stakeholder theory should be tailored to countries where the designed tools are going to be applied. The principles of reconciliation of stakeholder interests for Ukrainian enterprises has not been developed yet. Thus such problems need additional research.

**Objectives of the article.** The goal of the article is to develop theoretical principles of building company management system basing on reconciliation of stakeholder interests. The goal will be achieved through the development of the concept for reconciliation of company stakeholder interests.

**Presentation of the main research and explanation of scientific results.** The necessity to consider stakeholder interests while forming management system of Ukrainian enterprises is supported by the statistics presented on fig. 1.

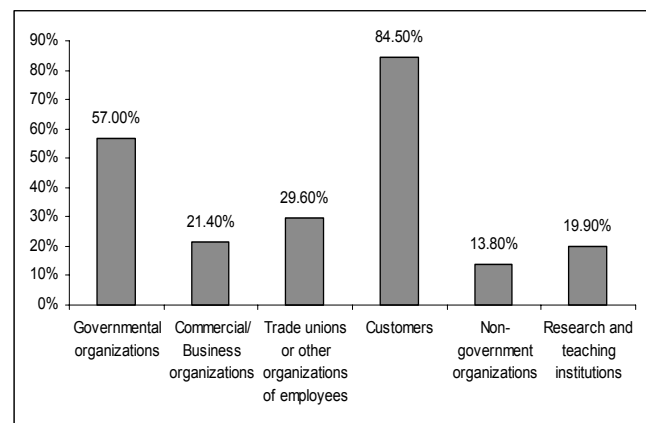


Fig. 1. Percentage of enterprises approving the necessity of stakeholder interests consideration, [3]

The research of scientific literature [2] shows that the company relations with its stakeholders should be identified prior to consideration in organizational management system. Thus the concept of stakeholders’ interest agreement should include analysis of current state of company relations with its stakeholders, consideration of stakeholders’ interests in company management system and decision-making based on the agreement of stakeholders’ interests. Thus the proposed concept of stakeholders’ interests agreement includes the following components (fig. 2):

- Component for analysis and selection of enterprise stakeholders.
- Component for application of method for agreement of stakeholders’ interests.
- Component for taking into account of stakeholders’ interests in enterprise decision making process.

The argumentation for necessity of inclusion of the listed components into the concept (fig. 2) is presented below.

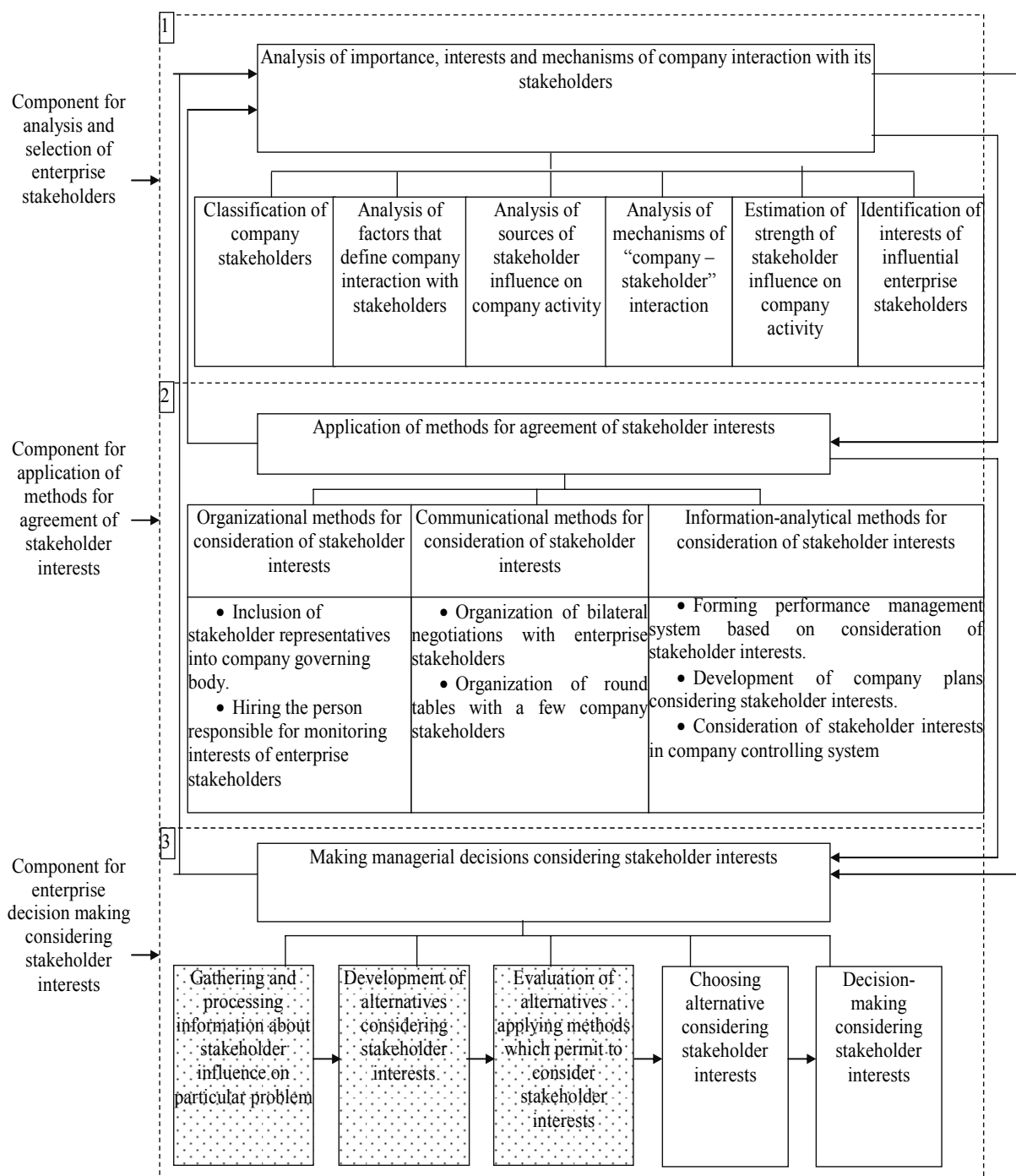


Fig. 2. Concept of agreement of stakeholders' interests

The component of selection and analysis of enterprise stakeholders includes the following elements (fig. 1, first component of the concept):

- Classification of enterprise's stakeholders. The detailed theoretical classification of stakeholders permits to get better understanding of sense and type of interaction of the company with different social and economic actors. In practice the company can classify its stakeholders by their influence on different aspects of company activity.
- Analysis of factors that define company interaction with stakeholders. This element anticipates identi-

cation of peculiarities of internal and external environment that define company relations with its stakeholders. We should highlight that depending on the market in which the company operates and stages of company value chain, factors that define company interaction with its stakeholder can vary significantly.

- Analysis of sources of stakeholder influence on company activity. This element of the concept is directed at identification of reasons for stakeholder influence on company activity. R.K. Mitchell, B.R. Agle, D.J. Wood identify the following reasons for stakeholder influence on company activity: power, legitimacy and urgency.

However, this list can vary depending on the country, market and product value chain.

- Analysis of mechanisms of company-stakeholders' interaction. This element includes research of types of interactions between company and its stakeholders, identification of aspects of company activity that might be influenced by stakeholders. The results of research of 'company – stakeholder' interactions are presented in [4].

- Estimation of strength of stakeholder influence on company activity permits to create the database for application of methods for reconciliation of stakeholders' interests and/or identify conditions for making managerial decisions considering stakeholder interests.

- Identification of interests of influential enterprise stakeholders allows creating analytical base for the development of methods for stakeholder interest reconciliation.

The results of enterprise stakeholder analysis can be used as analytical base for the component for application of methods for agreement of stakeholders' interests and for the component for enterprise decision making taking into account stakeholders' interests.

Component for application of methods for agreement of stakeholders' interests is directed at appropriate selection and application of the methods for stakeholders' interests reconciliation presented on fig. 2 (second component of the concept).

Choice of methods for reconciliation of enterprise stakeholders' interests depends on the prior selection of influential social and economic actors, sources of stakeholder influence on company activity, mechanisms of 'enterprise-stakeholder' interaction and strength of influence of a specific stakeholder on the company activity.

In addition the choice of method is defined by peculiarities of national legislation, type of the market, type of organizational structure, type of ownership and financial potential of organization.

Methods for reconciliation of enterprise stakeholders' interests can be organizational, communicational and information-analytical. Consideration of stakeholder interests in company activity could be accomplished through the improvement of enterprise organizational structure (organizational methods), e.g. the representatives of stakeholders can be included into director board of the enterprise or the position of the analyst responsible for monitoring of stakeholder interests can be implemented into enterprise organizational structure. The other set of methods (communicational methods) for stakeholders' interests reconciliation is directed at conducting negotiations with company stakeholders (bilateral or multilateral). The last but not the least set of methods (information-analytical methods) is directed at implementation of measures representing interests of stakeholders into enterprise performance measurement or/and planning systems [5].

We should highlight that the results of application of methods for stakeholders' interests reconciliation can influence the first component of the concept (fig. 2). As the result of application of method for stakeholders' interest reconciliation the mechanisms of enterprise-

stakeholders' interaction might change. In addition the results of application of methods for stakeholders' interests reconciliation can be used in enterprise decision-making considering interests of stakeholders (fig. 2, component three of the concept). Problems of development of methods for stakeholder interest reconciliation are presented in [6].

Component of decision making considering stakeholders' interests is directed at improvement of stages of decision-making process by implementation of interests of such social and economical actors into managerial decision alternatives. The application of such component could be either based on component 1 and component 2 of the concept (fig. 2) or be applied as the reaction on some specific situation. If the decision is synoptical then the stages 1–3 of the decision-making process (fig. 2, component 3) are developed in previous components of the concept. If the decisions are sporadical the alternatives are developed basing on the analysis of current information. The choice of alternatives in this case is based on consideration of interests of stakeholders with the strongest influence.

**Research conclusions and recommendations for further research in this area.** Application of the concept for reconciliation of stakeholders' interests will permit to develop company management system based on compromise of broad variety of social and economical actors. The latter will contribute to the increase of company effectiveness, better access to recourses and the decrease of company transaction costs. The future research of instrumental aspect of company stakeholder theory could be directed at the development of instruments that permit to consider stakeholder interests in company decision-making process.

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**Мета.** Розробка концепції узгодження інтересів стейкхолдерів для українських підприємств з метою формування системи управління останніми.

**Методика.** Дослідження проводилося на основі застосування методів порівняння, аналізування та синтезування. Крім того, для формування концепції узгодження інтересів стейкхолдерів використовувався метод узагальнення.

**Результати.** У роботі проаналізовано найбільш поширені теорії, що можуть використовуватись для формування системи управління підприємством. Зокрема, проаналізовано можливості використання агентської теорії, теорії трансакційних витрат та теорії стейкхолдерів для формування системи управління підприємством. На основі аналізування переваг та недоліків цих теорій у роботі встановлено, що на сьогодні застосування агентської теорії та теорії трансакційних витрат не є ефективним, оскільки останні не забезпечують участі широкого кола стейкхолдерів у прийнятті управлінських рішень на підприємстві. Відповідно, базуючись на вивченні літературних джерел, у роботі запропоновані теоретичні засади до управління українськими підприємствами на принципах узгодження інтересів стейкхолдерів.

**Наукова новизна.** Основним результатом роботи є об'єднання теоретичних засад управління підприємством на принципах узгодження інтересів стейкхолдерів у концепцію. Розроблена концепція формує теоретичну базу для відбору результативних стейкхолдерів, аналізування їх інтересів, застосування методів, спрямованих на узгодження інтересів стейкхолдерів та прийняття управлінських рішень з урахуванням ідентифікованих інтересів. Застосування такої концепції при управлінні підприємством буде сприяти зниженню трансакційних витрат організації, кращому доступу до ресурсів контрагентів та підвищенню соціальної відповідальності підприємств.

**Практична значимість.** Результати, отримані в дослідженні, можуть використовуватись для формування системи управління організацією, базованою

на засадах узгодження інтересів стейкхолдерів українських підприємств.

**Ключові слова:** теорія стейкхолдерів, теорія трансакційних витрат, агентська теорія, концепція узгодження інтересів стейкхолдерів

**Цель.** Разработка концепции согласования интересов стейкхолдеров для украинских предприятий с целью формирования системы управления последними.

**Методика.** Исследование проводилось на основе применения методов сравнения, анализа и синтеза. Кроме того, для формирования концепции согласования интересов стейкхолдеров использовался метод обобщения.

**Результаты.** В работе проанализированы наиболее распространенные теории, которые могут использоваться для формирования системы управления предприятием. В частности, проанализированы возможности использования агентской теории, теории трансакционных издержек и теории стейкхолдеров для формирования системы управления предприятием. На основе анализа преимуществ и недостатков этих теорий в работе установлено, что на сегодня применение агентской теории и теории трансакционных издержек не является эффективным, поскольку последние не обеспечивают участия широкого круга стейкхолдеров в принятии управленческих решений на предприятии. Соответственно, базируясь на изучении литературных источников, в работе предложены теоретические основы к управлению украинскими предприятиями на принципах согласования интересов стейкхолдеров.

**Научная новизна.** Основным результатом работы является объединение теоретических основ управления предприятием на основе согласования интересов стейкхолдеров в концепцию. Разработанная концепция формирует теоретическую базу для отбора результативных стейкхолдеров, анализа их интересов, применения методов, направленных на согласование интересов стейкхолдеров и принятия управленческих решений с учетом идентифицированных интересов. Применение такой концепции при управлении предприятием будет способствовать снижению трансакционных издержек организации, лучшему доступу к ресурсам контрагентов и повышению социальной ответственности предприятий.

**Практическая значимость.** Результаты, полученные в исследованиях, могут использоваться для формирования системы управления организацией, основанной на принципах согласования интересов стейкхолдеров украинских предприятий.

**Ключевые слова:** теория стейкхолдеров, теория трансакционных издержек, агентская теория, концепция согласования интересов стейкхолдеров

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