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STAKEHOLDER-MANAGEMENT AS A TOOL TO IMPROVE THE QUALITY OF ORGANIZATION MANAGEMENT

This article discusses the importance of stakeholder engagement and management within the improving of organization management quality. It offers an instrumental theory of stakeholder management based on a synthesis of the stakeholder concept and economic theory. The main idea is improving the quality of organization management through interaction with stakeholders. Owners have a big say in how the aims of the business are decided, but other groups also have an influence over decision making. Customers are also key stakeholders. Businesses that ignore the concerns of customers find themselves losing sales to rivals. Different stakeholders have different objectives. The interests of different stakeholder groups can conflict. Article is aimed to find the ways of solving these conflicts.

Keywords: stakeholder-management, stakeholder analysis, stakeholder engagement, organization, organization management.

Stakeholder engagement is an important management function, particularly in relation to leading your organization. Of course, you cannot run any business without engaging with your key stakeholders and no doubt you already interact with them on a frequent, if not daily basis. However, stakeholder engagement in this context is about far more than dealing with them at the day to day level. It is a strategic concern and means truly putting your stakeholders at the heart of your business and ensuring that everything you do across the business is designed to meet and exceed their needs and expectations.

The change in management paradigms led to the search for methods to improve management effectiveness. The need to take into account the influence of stakeholders in governance was reflected in the works of E. Freeman, J. Post, L. Preston, S. Sachs, which indicated the need for rethinking corporations in the context of stakeholder management.

The issues of corporate social responsibility and its influence on common values are examined in the works of M. Porter and M. Kreimer.

The analysis of the publication made it possible to identify different approaches to the classification of stakeholders [1].

Nyoboedd and Luffman in their works give the following categories of stakeholders:
- groups of influence participating in the financing of the enterprise;
- management managers;
- employees of enterprises interested in achieving the company's goals;
- economic partners.

The goal of an article is to outline the development of the idea of «stakeholder management» as it has come to be applied in reaching the improvement in quality of an organization management [2].

The word «stakeholder» means any person with an interest in the business – someone who can contribute to the company's growth and success or who benefits from its success. The various stakeholders in a business have differing roles and their level of involvement in the enter-

prise varies from full-time to barely involve at all. The company's CEO seeks to utilize the skills, experience and knowledge of each stakeholder group to further the organization's long-term goals.

Top management may set the overall strategic direction for the company, but the employees are responsible for carrying out the tasks specified in the company's strategic plan in an efficient manner. Employees are the closest to the action. They interact with customers on a daily basis. In a manufacturing environment, they work directly on the company's products. The company's success depends in large measure on the skill and dedication of its employees. Without the employees performing their roles proficiently, the company will not reach its revenue and profit potential [3].

Many businesses rely strongly on partners that help them provide the best value for their customers. Retailers have become increasingly reliant on strong supplier relationships to provide the best quality products at the optimal price points for their customers. Supply chain partners often collaborate on transportation and logistics, distribution processes and environmental preservation. Companies not only have business accountability to partners, but often have ethical responsibilities toward them.

The reason for a company's existence is to provide products or services that meet the needs of its target customers and benefit them in a meaningful way. The role of customers is critical to the company's survival and success. Through the purchase decisions they make each day, they select which companies will prosper and which will fail. They also provide valuable feedback to the company about its products and customer service level. This feedback enables the company to improve what it offers and to come up with entirely new solutions to customer needs based on what its customers asked for. For many businesses, customers also play a vital role in the company's marketing efforts by recommending the company's products or services to other potential customers [4].

Stakeholder management is a critical component to the successful delivery of any project, program or activity. A stakeholder is any individual, group or organization that can affect, be af-

fected by, or perceive it to be affected by a program. Effective Stakeholder Management creates positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives. Stakeholder management is a process and control that must be planned and guided by underlying principles. Stakeholder management within businesses, organizations, or projects prepares a strategy utilizing information (or intelligence) gathered during the following common processes.

True stakeholder engagement means developing meaningful relationships which serve to ensure that you understand and consistently deliver upon their needs and expectations. This may seem like an obvious concern, but many managers and business owners fail to develop the type of relationships required and as such can, on occasion, even be working at odds with stakeholders as opposed to being in unison with them. The following sections provide a synopsis of what is important in terms of relationships with your stakeholders, beginning with the key primary stakeholders [5].

Effective management of relationships with stakeholders is one of the main goals of the organizational management, which is the area management activities aimed at building the organization as a system for the effective implementation of its purpose. Analysis of stakeholders both entities includes the following phases: identification, classification, score goals and objectives of stakeholders, gathering information about them.

Diversity and intersection of interests of stakeholders creates the conditions for a conflict of interest with limited organizational resources engaged to meet their needs. For example, there may be a conflict between the program of cost savings and job security for employees. Some other typical examples of conflicts, which are based on the interests of these groups, differing below:

- The long-term goal of growth may come into conflict with the short term to achieve the project's effectiveness, wages and cash flow.
- Desire to extend its business activities in the mass market may be contrary to the desire of other members of the company to high-quality products, good customer service.

– Investments in new technology and auto-mation can lead to job losses.

– Public ownership of shares may conflict with the desire to keep secret the level of performance gains and capital structure.

– Deposits in new property and equipment may not coincide with the desire to be in-dependent of the management of those who provide financing. Usually need to have funds to finance such investments.

– Appointment of professional experts in a small company can come into conflict with the desire of the owner (or manager) to keep control.

This list shows that many conflicts can arise and that the main task of organizational manage-ment is to understand the expectations of differ-ent groups of influence and get some estimates of their relative position in terms of power.

Organizations use two basic methods of building relationships with external stake-holders [6].

The first method is to establish partnerships with stakeholders. An important goal of this method is to build such relations to stakeholders to be more profitable to act in the interests of the company, as in this case they achieve and their interests.

The second method is an attempt to protect the organization from uncertainty by using tech-niques designed to stabilize and forecast im-pacts. This control methods such stakeholders as market research, creation of special offices that monitor areas of interest important stakeholders (compliance with laws, control of environmental safety) efforts in binder's procedures, advertis-ing and communication company public, etc.

Common when interacting with internal stakeholders is that their interests are often con-tradictory system-one (desire greater autonomy of management – the need for shareholders more control, greater willingness of staff sala-ries – the need to reduce management costs, etc.). These contradictions can be effectively solved by connecting interests of various groups (like building a motivation system that focuses on the performance of the company as a whole) .

One of the main approaches to stakeholder management is a partnership (bridging). Bridg-ing – an approach that involves establishing partnerships with stakeholders and achieve long-term success of corporate business by reducing or eliminating barriers between the company and stakeholders [7].

Bridging demonstrates a proactive company and focuses on building a system of interdepend-ent relationships with stakeholder group's prior-ity. It is a close alliance companies and stake-holders that are most important for him. The aim is to establish a strategic partnership that can exist in different forms, even in the form of joint business with major customer or cooperation with competitors. Such associations are the most common when environmental conditions are unpredictable or difficult. Bridging reduces un-predictable due to closer interaction between organizations and not only prevents the negative effects, but also joint efforts with other parties to improve the environment. Enterprises associ-ated with a bridging have a common goal, which is beneficial for both sides [8].

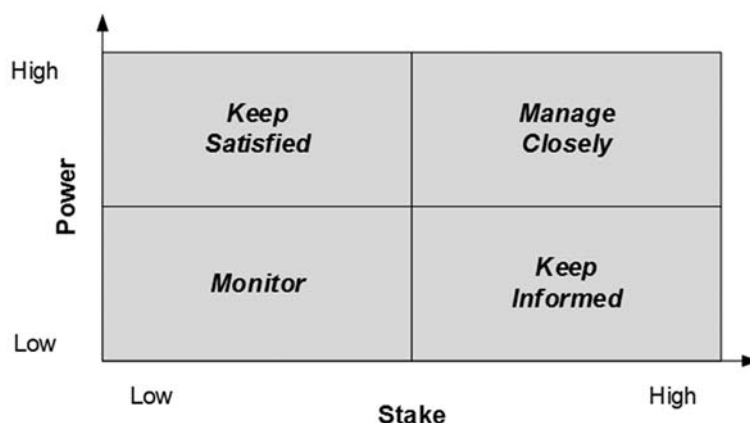Stakeholder management is a key discipline that people use to win support from others. It

Figure 1: The Stakeholder Management Matrix

can ensure a programme succeeds where another fails and can help manage the intense politics often associated with major change initiatives. The first step is to identify key stakeholders and list them. Stakeholder groups may include staff, executive management, board directors, subsidiary companies, staff unions, the media and community groups. Then use the stakeholder mapping tool to present this information using a visual aid. Next, prioritize your stakeholders in terms of their power and interest in your programme as this will determine how much time and energy needs to be spent on each. Find out how each person or group feels about your programme and what financial or other stake they might have in it. Also, it pays dividends to consider the informal network – who went through the induction process together twenty years ago, who worked together at an outpost during a time of crisis, who drink together twice a week, who has the ear of key leaders, who are members of the same exclusive club, and so on. This data will help you identify hidden agendas and plot your stakeholders' power and interest (stake) on a matrix, and this in turn will enable you to define your strategy for managing the group [9].

– High power/high stake: Engage them fully and keep them sat is fied.
– High power/low stake: Keep them informed and share wins to subtly buy them in.
– Low power/high stake: Give them ownership for helping with the details.

– Low power/low stake: Keep an eye on them but don't hard sell.

When the leadership team has progressed to the programme strategy design stage, the output of the stakeholder management matrix will be used to develop high-level communications plans. This output does not need to be prepared as yet but ultimately it will help you decide how to consult with your stakeholders and how best to manage them [10].

The stakeholder map names all key players and describes their particular interest in the programme. It will have been designed alongside the strategic planning sessions and a summary of it will be incorporated into the programme proposal together with the stakeholder management matrix. This groundwork will enable us to determine how to effectively consult with different stakeholders so as to minimize any risk.

For example, the output of the stakeholder analysis matrix can clarify for us why we need to closely consult with certain stakeholder groups more than others. To give structure and meaning to this output, develop a stakeholder communications plan for each group starting with those with high power/high stake and finishing with the low power/low stake group. Figure 2 is a cut from a high-level stakeholder communications plan [11].

The CEO has ultimate responsibility for the success or failure of the whole programme, but this will be shared with the strategic management team. Line owners are responsible for

Stakeholder Group	Why Consult?	Profile	Consultation Channels	Line Owner	Facilitator
Regulatory Authority	They have the influence to restrict company activities	High Power/ High Stake	Meetings comprised of presentations, discussions and Q&A sessions Correspondence to highlight more specific issues and requests	Manager – Regulation	Programme Stakeholder Management Consultant
Staff	They are creators of the new way of doing things	Medium Power/ Medium Stake	Internal magazine articles FAQs booklets Intranet articles Roadshows & exhibitions Focus groups & Workshops	Corporate Communications	Programme Stakeholder Management Consultant
Recruitment Agencies	They source employee for the organization	Low Power/ Low Stake	Press releases Newspaper articles Job advertisements	Human Resources and Public Relations	Programme Stakeholder Management Consultant

Figure 2: High Level Cut of Stakeholder Communications Plan

implementing the plan. The level of power and interest a stakeholder group has in the programme will determine the involvement of the senior executive group with them, for example [12]:

– In the first case (regulatory authorities) the CEO will own the relationship and, because this is a «high power/high stake group», they will manage any interventions by direct involvement in meetings with government regulators. Also, a single point of contact will be appointed to deal with any related correspondence.

– In the second case (staff) the strategic management team will ultimately own responsibility for the effective management of the stakeholder group, but as this is a «medium power and medium stake group» they will only oversee the process. To support them, line owners will be identified to facilitate the process; e.g. corporate communications will work alongside the party responsible for programme stakeholder management to develop an appropriate plan and utilize communication channels for the best result. To manage the process a «comms steering group» can be established comprising personnel from corporate communications and stakeholder management. The strategic management team will establish terms of reference for this body and any responsibilities/sign-off authority they may have in terms of materials content, quality and development. This will allow the strategic management team to focus on other priorities. To track overall performance, establish a metric for output generated (e.g. number of intranet articles, internal magazine articles per month), monitor any shifts in employee perceptions and issues and monitor how often (if ever) the quality of such materials is questioned by the comms steering group.

– In the third case, the group has a «low power and low stake» profile. However, they need to be monitored and kept advised of ongoing progress. In this instance human resources will interface with public relations to agree upon and implement suitable communication activities. Given the profile of the group and the lower level of output to be generated, there is no need to set up a steering group to oversee the process [13].

Consequently, stakeholders can not only influence the organization, but also be the object of its effect. From a organization perspective, stakeholders are important because they affect major changes within a company, from financial decisions to how an organization runs. Identifying a stakeholder's interest and involving them in a business gives the organization more ideas to work with, creates new partnerships and gives a company support from the outside. In a publicly traded company, stakeholders make up the board of directors and directly influence major decisions about staff and investments as well as minor issues concerning policy and management.

Interests and goals of stakeholders and corporations may not match that could pose a threat in the form of conflict. These groups can make an impact on the corporation by contributing to the process of strategic change, failure to cooperate, efforts to change the course of the strategic process. Effective way of reconciling the interests of stakeholders and the organization is «building bridges» – bridging and create networks.

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СТЕЙКХОЛДЕР-МЕНЕДЖМЕНТ ЯК ІНСТУРМЕНТ ПІДВИЩЕННЯ ЯКОСТІ УПРАВЛІННЯ ПІДПРИЄМСТВОМ

У статті обговорюється важливість взаємодії і управління стейкхолдерами в рамках поліпшення якості управління організацією. Також розглядається інструментальна теорія управління стейкхолдерами на основі узагальнення концепції стейкхолдерів і економічної теорії. Основною ідеєю є підвищення якості управління організацією шляхом взаємодії із стейкхолдерами. Власники організацій відіграють важливу роль в тому, як формуються цілі організації, але інші групи також мають вплив на прийняття рішень. Клієнти також є ключовими стейкхолдерами. Компаніям, які ігнорують проблеми клієнтів, загрожують допущення в порівнянні з конкурентами. Різні стейкхолдери мають різні цілі. Інтереси різних стейкхолдерів можуть конфліктувати. Стаття спрямована на пошук шляхів вирішення цих конфліктів.

Ключові слова: стейкхолдер-менеджмент, аналіз стейкхолдерів, взаємодія із стейкхолдерами, організація, управління організацією.

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СТЕЙКХОЛДЕР-МЕНЕДЖМЕНТ КАК ИНСТРУМЕНТ ПОВЫШЕНИЯ КАЧЕСТВА УПРАВЛЕНИЯ ОРГАНИЗАЦИЕЙ

В статье обсуждается важность стейкхолдер-менеджмента в улучшении качества управления организацией. Так же рассматривается инструментальная теория управления стейкхолдерами, основанная на синтезе концепции стейкхолдеров и экономической теории. Основная идея заключается в повышении качества управления организацией посредством взаимодействия с стейкхолдерами. Владельцы организации играю большую роль в том, как устанавливаются цели организации, но другие группы также имеют влияние на принятие решений. Клиенты также являются ключевыми стейкхолдерами. Компании, которые игнорируют проблемы клиентов, будут неизбежно уступать конкурентам. Различные стейкхолдеры преследуют разные цели. Интересы стейкхолдеров могут конфликтовать. Статья направлена на поиск решения этих конфликтов.

Ключевые слова: стейкхолдер-менеджмент, анализ стейкхолдеров, взаимодействие со стейкхолдерами, организация, управление организацией.