

ORGANIZATION MANAGEMENT ASSESSING STAKEHOLDER INFLUENCE

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Introduction

The movement of stakeholders was formed at the end of previous century. Considering the importance and influence on development of organizations, this movement is compared to such phenomenon as globalization or rapid evolution of information technologies. Various schools of strategic management take into account this influence at their postulates; representatives of science of management analyze the movement of stakeholders more and more. There is noticed tendency – the more modern attitude to the management of organization the more attention is devoted to this phenomenon. Despite the rising attention to the stakeholders' influence on the management of organizations the theory of stakeholders is not fully formed yet.

The analyses of management literature and the changes of management practice allow making assumption about the existing management paradigm changes and transformations on both theoretical and practical levels. Theorists of management are forced to consider the evolution of management practice and involve new phenomenon or acknowledge significance of these new phenomenon. The activity of stakeholders force economy subjects, which purposes are expressed by economical categories, undertake features of anthropocentric systems in such way changing their principles of behaviour, methods, regulation and purposive orientations. This activity causes turbulence of organizations' activity environment and at the same time demands to evaluate these changes and consider them when managing organizations. In a manner of peaking, decisions of management essentially are taken beyond the limits of management of organization and executives of organizations are left the role of decision acceptance and realization, when the activity of stakeholders is active and strategic response of organization is wrong.

Keywords: efficiency of organizations' management, means, presumptions, results and the subsequences of stakeholders' activity, stakeholders, strategic management,.

Scientific problem

Stakeholder influence has formed turbulences of organizations' activity environment which stipulate insufficient efficiency of organizations' management activities. The solutions that are suggested by the existing concepts, methodology and models of management do not fully satisfy the demands of management practice. Absence of systematic instrumentation which would be used by organizations to evaluate the impact of stakeholders and to realize changed paradigm of management regulations in the principles and methods of management, is relevant and scientific problem which should be solved.

While solving the scientific problem there is looked for the answer to the question “How should organizations is managed in the context of stakeholder influence?”

The object of the research is stakeholder influence on the behaviour of organizations. The main aim of the research is to explore stakeholder influence on the management and development of organizations and suggest adequate management tools to cope with deflection created by that influence.

Methodology and methods of the research. The research is guided by the descriptive theory of stakeholders while abstracting from the propositions of normative and instrumental theory. While exploring and considering stakeholders in the aspect of management, it is mainly appealed to postulates of strategic management schools of power, positioning and external environment. The analysis of management literature, synthesis of data, information and knowledge, modelling, extrapolation, the analysis of statistical and logical situations and survey are the methods of the research.

Limitations of the research: only organizations which purposes are traditionally expressed in economical categories are explored; abstracting from stakeholders which influence can not be systematically measured and assessed but they could become significant under anticipated circumstances; it is appealed to descriptive theories of stakeholders.

The theoretical aspects of stakeholder influence

The term of “stakeholder” is used in a modern management literature but it does not have a standing and widely acknowledged translation into Lithuanian. There are used similar terms such as “groups of influence”, “interested parties”, “interested groups” and others which vary one from another by morphological meaning and context. This is the reason of misapprehensions which occur while studying various scientific materials and differently naming or explaining the same phenomenon. The authors of management literature devoted slightly attention to the assessment of stakeholders’ influence and to management and development of organizations in the context of that influence in Lithuania; there are still few researches on stakeholders published in Lithuania.

Many academic researches investigate the formation of the stakeholders, their power expansion and the character of their influence on organizations (Drucker, 1998; Kotler, 2003; Mintzberg, 1994; Freeman, 1984; Friedman, Miles, 2006; Huber, Pallas, 2006; Foley, Kendrick, 2006, Starik, 1994; Kaplan, Norton, 2001; Lee, Shiba, Wood, 1999; and others). It is acknowledged that stakeholder influence on organizations is rapidly increasing and stakeholders are considered as one of the fundamental factors influencing the decision-making and the development of organizations.

In the management literature there are indicated quite a lot changes in strategic planning which partly are related with the stakeholders’ originated uncertainty of a business environment. Many authors highlight the direct stakeholders impact on the strategic organization management (Vasiliauskas 2002; Toffler, 2001; Helfat, 2003; Ross, 2006; Cohen, 2004; Burgelman, 2003; Davenport, 2006; Beitler, 2006; Werther, Chandler, 2005; etc.) in recent studies, researches and monographs (year 2002–2007). Almost all mentioned scientists who have profound knowledge of the

strategic management in different aspects, have also unanimously agreed that it is difficult to over value the stakeholder influence.

Other authors (McLean, 2005; Burke, 1993; Bradford, 2005; Thomson, 2000 and more others) have concentrated their researches in the field of stakeholders influence to development of organizations. The spread of these researches is quite wide as it includes very different aspects of organization development and contains different level of abstraction. Many authors have different approach not only to the concept of stakeholders but also to development of organization and this makes it complicated to summarize and contemporize these researches. In all different researches there is acknowledgment of the stakeholders influence on the development of organization. Moreover there is opinion that this influence generates various potential problems and the solutions of them enhance competitiveness of organization.

In the modern management researches the stakeholders influence is more and more acknowledged as the growth of stakeholders role is orienting to the shift of a management paradigm. The theory of stakeholders can be used instead of dominating economical companies' management paradigm, nevertheless this theory isn't completely formed and isn't enough constant in the methodological level as in the earlier stages of social theories usually are limited of validity, empirical correctness and the expositive power of the phenomenon.

The new point of view to stakeholders („collaboration with stakeholders”) and increasing stakeholders influence to management and development of organizations, assessment of this influence and management of organizations become part of strategic management. Classical models of strategic management are no longer adequate to the demands of the modern management practice. Various concepts, methods and models proposing different best management practises or management models often are presented in normative way and emphasize loss prevention and risk management instead of collaboration with stakeholders. It is necessary to integrate stakeholder analysis and methods of selection of strategic response into the activities of strategic planning to make this process efficient. These measures should be based on the criteria of effectiveness and efficiency of the process of strategic planning and management instead of normative stakeholder rating. New but relatively complex strategic analysis instrument – stakeholder analysis – gives opportunity to consider stakeholder influence to management and development of organization as a background where other analytical instruments are used and objectives are formulated.

The reason which motivates to realize influence and the environments where this influence can be transferred are the main presumptions for stakeholder influence. Fundamental motives which lead stakeholders to influence decisions of organizations are the perceptible values of stakeholders and their understanding of public benefits. A transaction between a customer and a producer for a sale of produced goods should not be evaluated in the limited context of a customer and producer interests, but in the context of Lindahl equilibrium, taking into account stakeholders. Organizations can minimize stakeholder influence by choosing a more society friendly method of activi-

ty, which allows to „buy“ relatively „calm“ business environment. Stakeholder „give voice to the values“ by seeking public wealth.

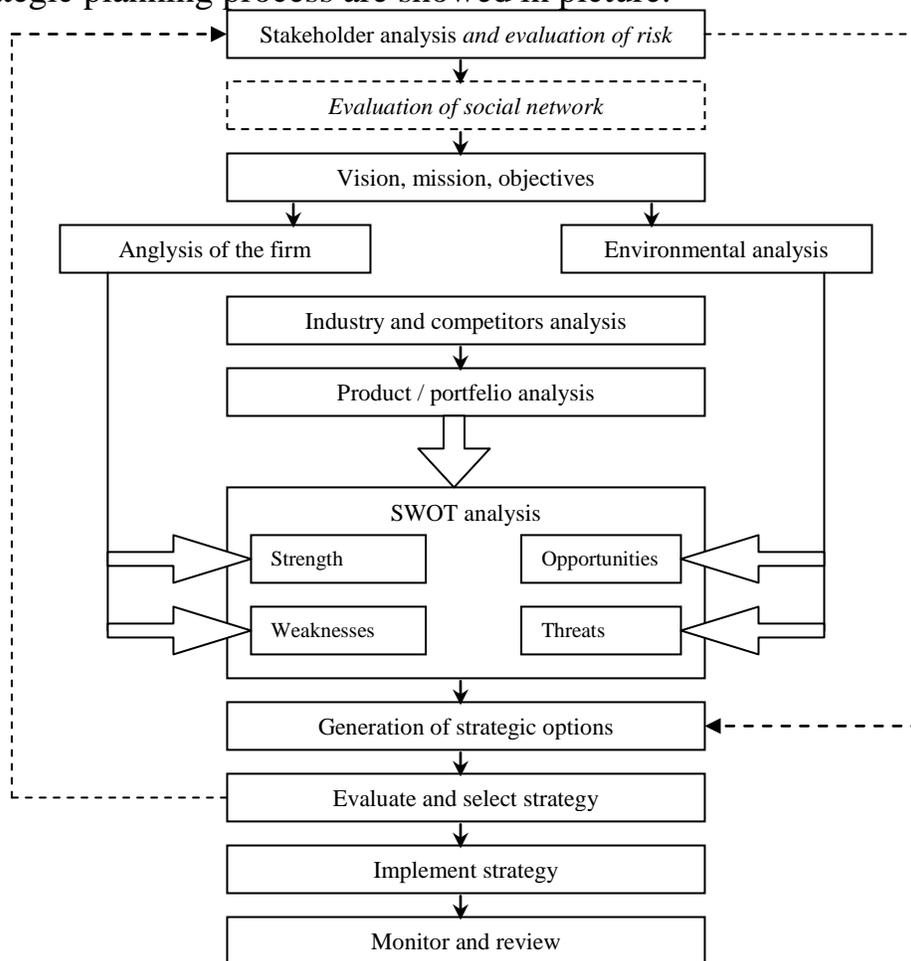
Environment which allows the organization to transfer stakeholder influence can be regarded as social networks or fields. If a social network or a field is not present, then even the powerful stakeholders would have no possibilities to realize their power to organizations and this would equalize them to the interest groups. Stakeholder influence to organizations should be assumed as nonsystemic, usually specific to every particular case, covering narrow areas of impact if the social network environment is not present. Consequences of such influence can be managed using traditional means of strategic planning. Social network and the place of organization in it determine the type of relationship between the organization and its stakeholders. Therefore it is logical to complement process of strategic planning with consideration of a social network in order to find at least the very basic characteristics of that network.

It is possible to distinguish the following main means of stakeholder influence: influence to organization during the full lifecycle of a product, stakeholder enabling and recognition of legitimacy, informal social contract, transparency, implementation of requirements into the legal acts and causing threats to reputation or activity of organization. A central axis of the influence is considered to be the informal social contract. In case when possibilities of interaction between organization and its stakeholders are assessed right by the organization, the demonstration of confirmation to the requirements of a social contract can help to avoid unnecessary conflicts in the social network and get additional benefits from collaborating with stakeholders.

It is possible to name several results and consequences of stakeholder influence to management and development of organizations: change of nature of management decisions, loose of contacts with the environment, change of type of goals, change of strategic architecture and shortening of strategic perspective. Results of stakeholder activities and consequences can be viewed either as additional obstacles or as a source of potential increase of competitiveness. The identified phenomenons make a clearly formed anomaly; traditional management means do not offer adequate solutions for this anomaly. Stakeholders want to limit possibilities of organizations to develop the future the organization wants it to be. Stakeholders intervene themselves to the vision of organizations and this intervention ends up as a problem node. Results of stakeholder influence are considered as the formed problem nodes, and consequences of stakeholder influence is application of extended participative planning to solve these nodes. Stakeholders create anomaly of functioning of organizations and lead to threat for fundamental need of the organization, i.e. to survive. In context of this anomaly development of organizations is directed from traditional organizations with goals expressed in economical means towards anthropocentric systems. Ability of organizations to adapt to this anomaly gives them advantage against traditionally functioning organizations in similar context.

Management of Organizations in the Context of Stakeholders Influence

There are no connections between generation of strategic options, stakeholder analysis and evaluation of strategic choices in the context of stakeholder influence and that could be treated as an imperfection of strategic planning process. The results of stakeholders' analysis could cause distortions of strategic choices then used as input data valuating strategic options. It could be not enough to perform comparatively inconsiderable scan of environment in stakeholders' aspect trying to base strategic synthesis activities on solid basement of strategic analysis. Proposals for improvement of strategic planning process are showed in picture.



Pic. Proposals for improvement of strategic planning process (modified by Friend, Zehle, 2004) (proposals are showed in italic and dotted line)

Stakeholder analysis should be expanded with risk evaluation. Social network should be evaluated trying to develop possibilities of interaction of organization and stakeholders and interaction between stakeholders after stakeholder analysis. It is proposed to take into account results stakeholder analysis and risk evaluation while generation of strategic options. After evaluation and selection of the strategy stakeholder analysis and risk evaluation should be performed once again trying to design stake-

holder influence on organization when implementing strategy. These two connections in the strategic planning process have to grant making realizable strategic decisions (taking into account possibilities of stakeholders to leave organization with authorization of decisions only).

It should be taken into account influence of those stakeholders that causes top risk managing organizations in the context of stakeholders influence. Evaluation of stakeholders risk should be consequent process. What processes are set under influence should be also identified not only dangerous stakeholders after that process. This could be done through three stages: by identifying the stakeholders' influences; by evaluating those influences and determination the significant ones; reorienting the management system of organization according to the risks raised by stakeholders.

Stakeholders' influences should be identified during ones analysis process. These influences are evaluated by two criteria: frequency of the influence and strength of the influence. The influence is considered to be risky if it is strong regardless of the frequency. The influence is considered to be risky if it is mild influence evidence episodically or constantly (incident like mild strength influence is considered not to be risky) also. Risky stakeholders' influence also appears when it is directed towards the substantial processes of the organization or the ones that produce the most part of added-value regardless of the strength and frequency of the influence.

Standard quality management instruments are proposed to be implemented in non-traditional way when reorienting the management system of the organization. The management of risks determined by stakeholders' influences is proposed to be linked with the measurements of effectiveness and results of the organization, also with the regulation of the control operation and the management of processes as well as the character of management system documentation.

In order to manage a risk that cause stakeholders, organization has to ask not about "how to avoid influence of stakeholders or withstand an influence?", but "how the relationships with stakeholders could be used for a strengthening of competitive ability?". Organizations, which manage to accept that way of thought, should develop their bearing with stakeholders from relations to relationships.

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ORGANIZACIJŲ VALDYMAS ĮVERTINANT ĮTAKOS GRUPIŲ POVEIKĮ

Vytautas Žirgūtis

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Santrauka

Praėjusio amžiaus pabaigoje susiformavo įtakos grupių judėjimas, kuris pagal savo svarbą ir įtaką organizacijų vystymuisi yra gretinamas su tokiais fenomenais kaip globalizacija ar sparti informacinių technologijų raida. Įvairios strateginio valdymo mokyklos savo postulatuose atsižvelgia į šią įtaką; vis daugiau vadybos mokslo atstovų nagrinėja įtakos grupių judėjimą. Galima pastebėti tendenciją – kuo modernesnis požiūris į organizacijų valdymą, tuo daugiau dėmesio yra skiriama šiam fenomenui. Nepaisant didėjančio dėmesio įtakos grupių poveikiui organizacijų valdymui ir vystymuisi, įtakos grupių teorija dar nėra pakankamai susiformavusi.

Mokslinės literatūros analizė ir valdymo praktikos pasikeitimai leidžia daryti prielaidą apie egzistuojančios valdymo paradigmos poslinkius ir transformacijas tiek teoriniu, tiek praktiniu lygmenimis. Vadybos teoretikai yra priversti atsižvelgti į vadybos praktikos evoliuciją ir aprėpti naujus fenomenus arba pripažinti naują šių fenomenų reikšmę. Įtakos grupių veikla ūkio subjektus, kurių tikslai išreiškiami ekonominėmis kategorijomis, verčia priimti antropocentriinių sistemų bruožus, taip pakeisdama jų funkcionavimo principus, metodus, nuostatas ir tikslines orientacijas. Ši veikla sukelia organizacijų funkcionavimo aplinkos turbulentiškumą, reikalaujama vertinti šiuos pasikeitimus ir atsižvelgti į juos valdant organizacijas. Tam tikra prasme, esant aktyviai įtakos grupių veiklai ir neteisngam organizacijų strateginiam atsakui, valdymo sprendimai iš esmės yra priimami už organizacijos valdymo ribų, o organizacijų vadovams lieka tik sprendimo akceptavimo ir įgyvendinimo vaidmuo.

Raktiniai žodžiai: įtakos grupės, strateginis valdymas, organizacijų valdymo efektyvumas, įtakos grupių veiklos prielaidos, priemonės, rezultatai ir pasekmės.