

Strategic Evaluation of the Enterprise Relationship with the Economic Impact Groups

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

Halyna O. Partyn

*Institute of Economics and Management
Lviv Polytechnic National University, Ukraine
partyn22@mail.ru*

Anatoliy G. Zagorodniy

*Institute of Economics and Management
Lviv Polytechnic National University, Ukraine
zagorodniy@polynet.lviv.ua*

Abstract

The article outlines the problem of the strategic evaluation of the enterprise relationships with the economic impact groups (stakeholders). This evaluation is a part of the strategic controlling and lies in quantifiable (absolute or relative) determining of the enterprise interests concerning the economic impact groups, its contribution to their activities and vice versa – interests and contributions of economic impact groups to the enterprise activity in order to balance their interests.

Purpose – The article aims to justify the main objectives, indicators and methods of strategic evaluation of enterprise relationships with the economic impact groups.

Design/Methodology/Approach – In the article, which is the result of a case study, the methodological basis of the study is fundamental provisions on enterprise development strategy in the context of its cooperation with economic impact groups and methods of strategic evaluation of this cooperation.

Findings – Methods of strategic evaluation of enterprise cooperation with the main economic impact groups have been developed.

Originality/Value – Scientific substantiation of possible ways of strategic evaluation of enterprise cooperation with internal and external economic impact groups feasibility and effectiveness.

Article type – Original paper.

Keywords – economic impact groups (stakeholders), strategic controlling, strategic evaluation, evaluation indicators of the relationships results, methods of the relationships strategic evaluation.

1. Introduction

Peculiarities of the market competitive relations in conditions of globalization shape new requirements to quality management, and thus to the methods of its implementation. Considerable volatility of a financial-economic environment, its dependence on political, social and environmental factors dictate the need to focus attention not only on management of internal business – processes, but also on the identification and



International Journal
of Synergy and Research
Vol. 5, 2016
pp. 59–77

consideration of the impact peculiarities on the environment enterprise, including those subjects of market economy which greatly influence its activity results.

One of the most effective systems of management functional support, which is used by leading companies in the world, is controlling. This system is designed to create an information support for management, business entities, integration of methods and procedures for strategic planning, budgeting, controlling, diagnostics of financial-economic state of enterprises and coordination of their departments activities. It aims to achieve strategic and tactical objectives of enterprises development (Dayle, 2003; Khan, 1997; Novak, 2004; Pushkar and Pushkar, 2004).

Scientists have been paying much attention to the problems of controlling system improvement. The following scientists made contribution to the controlling theory and practice development: Dayle (2003), Mayer (1993), Mann and Mayer (1992), Sukharev and Petrenko (2002), Tereshchenko and Babiak (2013), Khan (1997), Horvath (2006), Shepitko (2004) and others. Their works outline the essence, purpose and objectives of controlling, the classification of its types is identified, objects and methods of controlling are characterized. Highlighting the problems of the controlling system improvement, scholars as well as practitioners emphasize the need for the strategic controlling development, designed to collect and interpret information on external environment towards the enterprise, without which it is impossible to establish its strategic position in the market and create an effective strategy for economic development.

In the activity process each company interacts with a wide range of economic and social subjects that operate both in the environment of the enterprise and beyond. Some subjects can affect business processes, and, hence, the financial and economic performance as well as market position of the enterprise, while others – such as public environmental organizations – show the interest to its activity results, but do not have direct leverage. Those socio-economic subjects, who can directly or indirectly influence the organizational and economic aspects of the enterprise, and because of this its financial performance – are called the economic impact groups or stakeholders. The researchers emphasize that analyzing the environmental factors, the enterprise attention should be focused on the emphasizing, evaluation, planning and prediction of the relationships results with major economic impact groups.

According to Robert Edward Freeman – developer of the stakeholders management theory, selection of the economic impact groups and understanding of their interests as well as mechanisms for business influence enables to structure and optimize the process of relationships management with them. In his concept he distinguishes six stages of the analysis process of stakeholders impact on enterprise and management of their expectations (Freeman, 1984), which are presented in a somewhat simplified form in Figure 1.

Among the process stages of the stakeholders management an important role belongs to the third and sixth stages. The third stage involves an analysis of the stakeholders interests and their impact on the enterprise activity, and the sixth – an analysis of management results. The implementation of these stages is impossible without quantitative economic evaluation.

Analyzing the stages of controlling, researchers note that in recent decades, scientists formed a new controlling concept aimed at reconciling of the stakeholders interests in the framework of corporate management principles realization (Tereshchenko and

Babiak, 2013). Cherep and Severyna (2012) stress on the necessity of controlling of influence results onthe enterprise of subjects, economically interested in its activity. However, despite some achievements on this problem, the issues on the organization and methods of the system formation and functioning of the processes strategic controlling and the results of enterprise interaction with major groups of economic impact, including strategic evaluation, are not investigated enough.

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

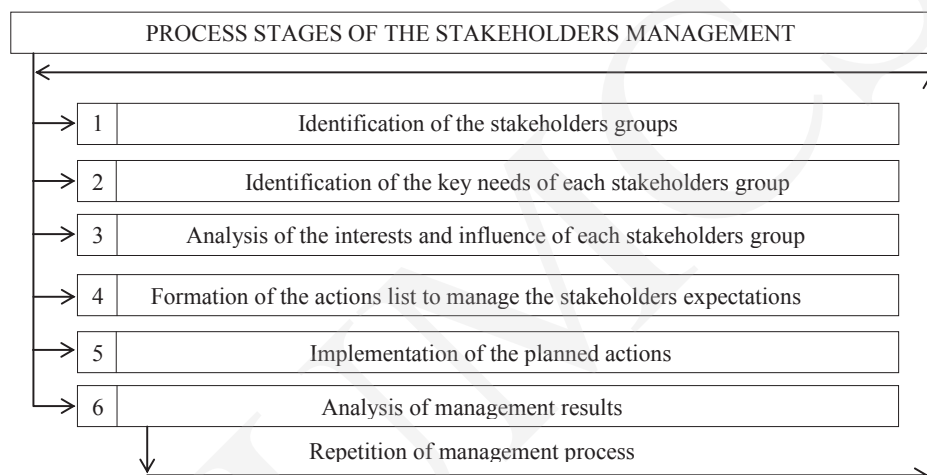


Figure 1.
Process stages of
the stakeholders
impact analysis on
the enterprise and
management of their
expectations

2. The economic impact groups and the need for assessment of the relationship with them

There could be a large number of economic impact groups on the enterprise activity. Detailed classification of the economic impact groups is done in Oleksiv (2013), where almost ten classification features are distinguished. However, we believe that classification features, which are listed in Table 1, are the most essential for the controlling economic assessment of enterprise relationship with such groups.

The economic impact groups divided into internal and external according to the environment to which they belong to (Figure 2).

The internal impact groups include the owners (shareholders, stockholders), managers and employees of the enterprise and their professional and civic organizations. The special place among these groups belongs to the enterprise owners, as they, on the one hand, represent the enterprise, and, on the other hand – are interested in the growth of its value, income and revenue and are able to influence it. The peculiarity of this group is that the interests of internal stakeholders are often contradictory and sometimes antagonistic. For example, the desire of workers to receive bigger salary is contrary to the needs of management to reduce costs and the desire of management to gain bigger autonomy – the desire of shareholders to have bigger control over the enterprise. However, an effective solution to this problem, as is observed by the most

IJSR
5

Classification feature	Types of the economic impact groups
1. Types of socio-economic subjects	Owners Investors Managers of the enterprises Employees of the enterprises Consumers Suppliers State and local authorities NGOs Creditors
2. The environment which includes the economic impact groups	The economic impact groups, which belong to the internal environment of the enterprise The economic impact groups that belong to the external (towards the enterprise) environment
3. The level of impact on management decisions-making	The economic impact groups that significantly affect the management decisions-making The economic impact groups that slightly influence the management decisions-making
4. Type of the impact on the enterprise	The economic impact groups that have positive impact The economic impact groups that have negative impact

Table 1.
Classification of the economic impact groups

Source: Authors' own study.

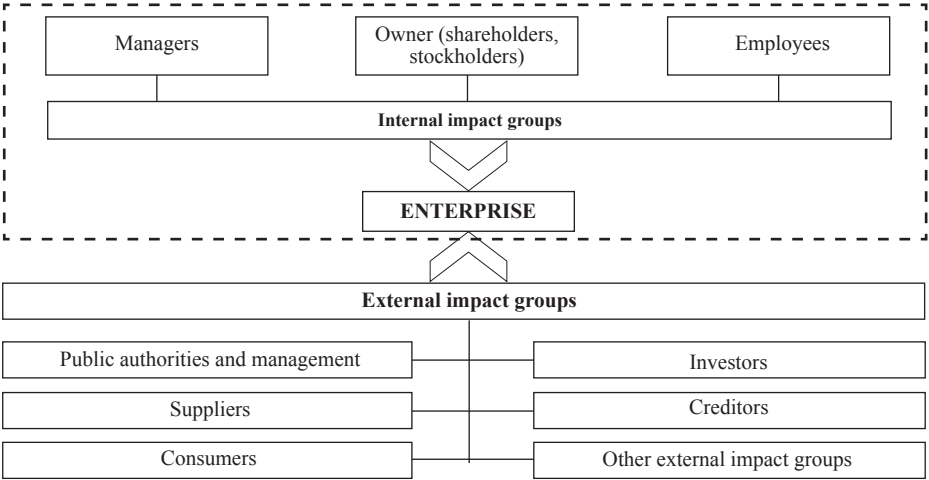


Figure 2.
Internal and external economic impact groups

Source: Authors' own study.

scholars, lies in reconciling of the interests of different groups, particularly in building motivation system, which is based on the enterprise results in general.

External impact groups are public authorities, suppliers, customers, investors, creditors and other groups. These groups can influence:

- capacity utilization of the enterprise;
- production output and realization of the product and its quality;
- enterprise resources efficiency;
- effectiveness of management decisions making and implementation (management effectiveness);
- social protection of workers;
- costs and risks of operating, investment and financial activity of the enterprise;
- the image of the enterprise and its brand.

Many economists believe that the beginning and development of the global financial crisis of 2008–2009 was caused by the fact that the company management was carried out on the basis of agency theory, according to which the main purpose of the enterprise is to maximize the welfare of the owners, without proper taking into consideration the interests of other socio-economic subjects. Statistical data show that consideration of the workers interests, consumers, society and the environment in the development strategy of the leading companies in the world, belonging to the Fortune 500 list, helped to improve the financial performance of their activities. Therefore, in order to ensure a sustainable competitive position in the market the enterprise needs not only efficiently use its own resources, but also to interact actively with key groups of economic impact. According to the theory of stakeholders (economic impact groups), an enterprise is not only economic integrated structure and income source but also an element of a system in which the enterprise operates, feeling the impact of the external environment and, in turn, influencing it. Thus, the enterprise can avoid many economic problems, if it is able to develop effective relationships with different economic impact groups. This requires assessment of the mutual interests and contributions of both enterprise and economic impact groups as well as understanding of the need to balance them.

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

3. Objective of the strategic evaluation of the enterprise relationships with economic impact groups

In modern conditions the enterprise relations with major groups of the economic impact should be one of the most important objects of its production and economic activity strategic controlling.

Strategic controlling of the enterprise relationships with economic impact groups – a system of information and methodological support of management decisions concerning cooperation development with key groups of stakeholders, which involves the integration of prediction methods, planning, financial and economic diagnostics, coordination, control, formation of information security and internal consulting for growth of the enterprise competitiveness in the short- and long-term perspective. One of the most important components of such controlling is a strategic assessment of their relationship.

Different economic impact groups have their interests concerning the enterprise and, at the same time, ensure its activity with certain contributions in the form of capital,

qualifications, investment, credits, financial resources, etc. Interests of the economic impact groups can have both financial and non-financial nature. Besides, these interests may change or have alternate direction and cause conflicts of interests as well as related risks. Defining the strategic objectives of development, the enterprise must not only take into account, but also use the interest of stakeholders to ensure sustainable competitive positionat the market.

The organization of strategic controlling of the enterprise relationships with key economic impact groups is intended to provide information and methodological support of management decisions making aimed at improvement of such relationships effectiveness, reduction of the level of associated with them costs and risks, improvement of financial and economic activity results, and, therefore, the market value and competitiveness in the current and long periods. Formation of strategic controlling system of the enterprises interaction processes with stakeholders should be directed at the major tasks solution that are shown in Figure 3.

The main objects of strategic assessment of enterprise interaction with stakeholders in the strategic controlling system should be: the interests of the enterprise and stakeholders on the activities of each other; enterprises contributions in the activities of stakeholders and stakeholders in the activities of the enterprise; processes of enterprise relationships with stakeholders and their consequences (Figure 4).

Taking into account the fact that the number of key groups of different enterprises economic impact can be quite large, and their composition differ for the simplification

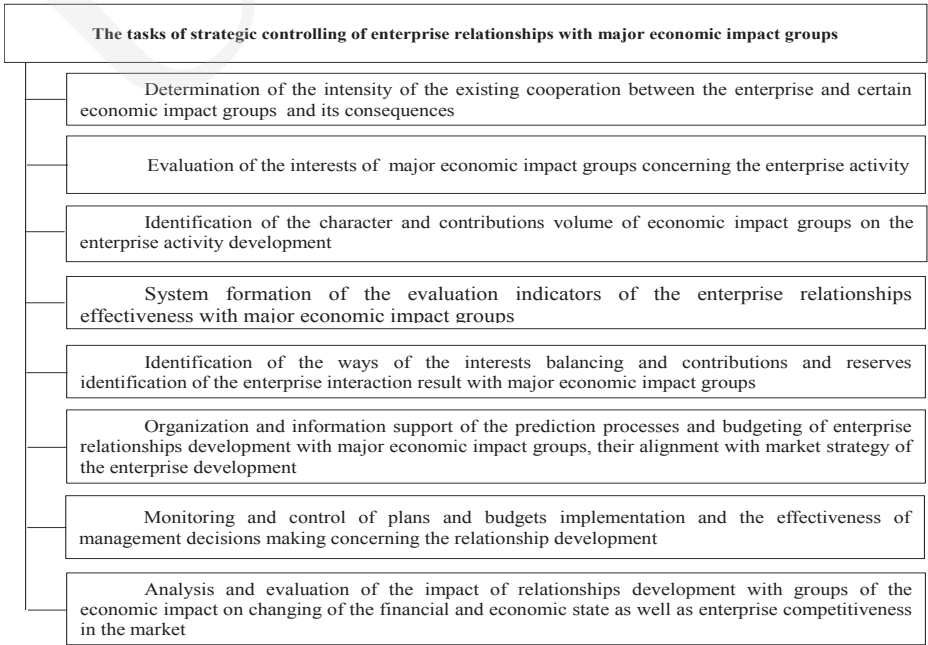


Figure 3.
The main tasks of the strategic controlling of enterprise relationships processes and results with major economic impact groups

Source: Authors' own study.

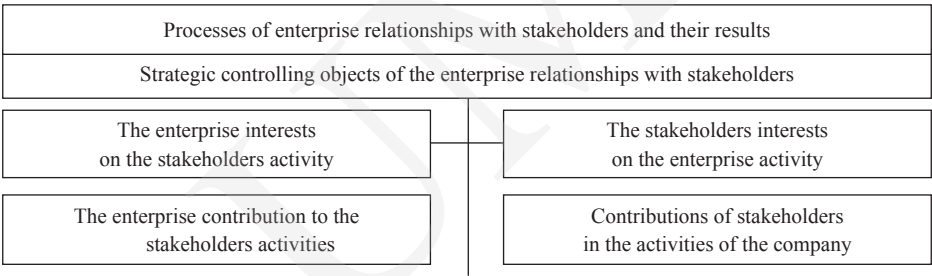
of the strategic controlling system, it is appropriate to systematize all groups according to the following features:

- 1) the group impact level on the enterprise activities results;
- 2) level of the enterprise influence on the economic entities indicators interested in its functioning.

Materiality of the enterprise and stakeholders mutual influence can be estimated by analyzing the indicators of their actual or estimated share in the capital, revenues and profits, costs, volumes of supplies of resources, loan portfolio, investments, etc. On the basis of this assessment it is possible to develop variants of the enterprise strategic behavior in different stakeholders groups (Figure 5).

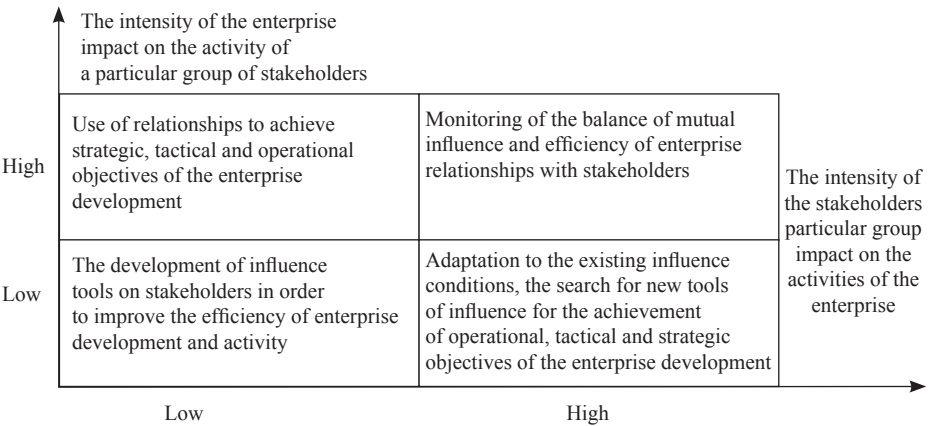
Options alternativity for strategic behavior with regard to the economic impact groups causes the use of different approaches to the controlling organization. Obviously, the main attention should be focused on the processes controlling and the implementation of relationship of business entities groups with high level of influence intensity.

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups



Source: Authors' own study.

Figure 4.
The main objects of strategic controlling of enterprises interaction with stakeholders



Source: Authors' own study.

Figure 5.
Variants of the enterprise strategic behavior in relation to key stakeholder groups depending on the intensity of their effect on the industrial and economic activities results

It should be noted that under certain conditions the influence of some groups of stakeholders on the results of the enterprise activity may be positive, and of the others – negative. Therefore, the next task, and thus stage of system formation and instruments choice of strategic controlling should be identification of the impact type of major stakeholders groups, namely determining the conditions under which a certain group favorably or adversely will affect the enterprise activity. This will help to determine the potential possibilities for further development of economic relationship between the contractors and improvement of their efficiency, identify sources of cooperation risks appearance and, thus, to form an appropriate system of measures concerning its improvement.

One of the most important tasks of strategic controlling of enterprise relationships with economic impact groups is assessment of their interests peculiarities with regard to the enterprise activity and contributions to this activity. Interests of the economic impact groups are associated with benefits and compensations in whatever form that they may receive as a result of cooperation with the enterprise. In order to receive the expected results, the economic impact groups, in turn, must perform certain contributions to the activities of the enterprise in material, financial, labor or other forms.

4. System of the efficiency indicators of enterprise relationships with the stakeholders

System formation of the efficiency indicators of enterprise relationships with major groups of economic impact requires the following research:

- 1) strategic interests and strategic guides of economic impact groups activity regarding the enterprise in the market environment;
- 2) expectations of enterprises and economic impact groups regarding the development of internal and external operating conditions;
- 3) incentives for the formation of formal and informal relationships between the enterprise and the economic impact groups;
- 4) mutual obligations that arise in the relations of the enterprise with major economic impact groups;
- 5) contribution of the enterprise and economic impact groups to the formation and development of market relations;
- 6) financial and non-financial results of the interaction between the enterprise and stakeholders.

In order to identify strategic goals, interests, expectations, as well as external and internal stimuli of the relationship development between the enterprise and major economic impact groups it is possible to use methods of the strategic analysis, the results of which allow one to establish and organize types of obligations which arise between the enterprise and stakeholders. In particular, it is necessary to identify and assess the level of economic, legal (legislative, contractual), social, ethical mutual obligations and their possible changes.

To implement existing commitments and meet the mutual interests of both enterprise and economic impact group – dues are made to the promotion and development of market relations in the form of capital, logistical and financial resources, technologies, labor, intelligence and so on.

The list of interests and dues of economic impact groups in the economic activity of the enterprise and vice versa (interests and fees of enterprise in the activities of key economic impact groups) and the main indicators of their evaluation are provided respectively in Table 2 and Table 3.

The main economic impact groups	Interests of the economic impact groups in relation to the enterprise activity ----- Evaluation indicators of economic impact groups in respect to the enterprise activity	Dues of economic impact groups in respect to the enterprise activity ----- Key indicators of dues evaluation of the economic impact groups in the economic activity of the enterprise
Owners (shareholders), potential owners (investors)	Profit growth, annual dividends, the market value of the enterprise ----- Profitability of the equity capital; The growth of added economic value (EVA); The market value of the enterprise and its dynamics; The level of dividends payments	Capital; Intelligence ----- The volume of capital investments; The volume of capital that can be additionally invested in the enterprise
Managers, employees	The satisfaction of material needs; Obtaining a certain social status ----- The level and pace of salaries and bonuses growth; The level and form of bonuses payment; The amount of the social package	Intelligence; Labor; Innovations ----- Profit; Productivity of work; Number of the proposed innovations; Working hours of the enterprise
Consumers (buyers, customers, clients)	Products quality; Products price ; The rate of orders realization; Availability of after-sales service ----- The rate of increase in the purchase of products by a certain group of buyers; Volume and dynamics of accounts receivables; Timeliness of payments; The warranty period for products	Commitment to the company and its brand ----- Revenue from sales; The amount and proportion of prepayment for products

Strategic Evaluation of the Enterprise Relationship with the Economic Impact Groups

Table 2.

Evaluation indicators of interests and dues of major economic impact groups in the enterprise activity

Suppliers	The amount of products purchase by the enterprise according to the appropriate price; Regularity of orders; Timeliness and completeness of payment for the delivered products ----- Timeliness and completeness of orders for the supply of products; The level of quality and innovativeness of products; Expansion of the product range necessary for the company ; Nature of commodity credit policy; The level of price discounts	Tangible and intangible resources ----- Volumes of supplies needed for the enterprise of resources; Volume, duration and frequency of commercial loans granted to the enterprise; The volume of price discounts granted to the enterprise
State, local authorities, NGOs	The increase in tax revenues to the budgets of all levels; Increased employment; Legality of the enterprise activity; Reduction of the environment pollution level; Increase of the social responsibility ----- Dynamics of tax revenue to the budget; Medium list number of the enterprise employees and its dynamics; The volume of harmful emissions, discharges and their dynamics; Investments volume in economic and social projects; The number of employed people with disabilities	Access of the enterprise to economic resources; Industrial and social infrastructure; Tax and other financial incentives ----- Tax rates and volumes of the provided tax exemptions; The volume of the use limits of limited resources; The level of tariffs on certain resources and services
Creditors	Profits receiving from the loans given to the enterprise; The volume increase of the resource base; Returning of credit given to the enterprise ----- The level of interest on deposits; The level of interest on loans; The level of commission payments	Financial resources ----- The volume of credits provided to the enterprise, including soft loans; Volume of interest discounts granted to the enterprise

Table 2.

Evaluation indicators of interests and dues of major economic impact groups in the enterprise activity

Source: Authors' own study.

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

The main business entities groups concerning which enterprise has interests and makes influence	The enterprise interests in respect to the economic impact group ----- Evaluation indicators of the enterprise interests in respect to the economic impact group	Enterprise dues in the activity of economic impact group ----- Key evaluation indicators of enterprise dues in the activity of economic impact group
Owners (shareholders), potential owners (investors)	Providing the required amount of equity ----- The amount of equity capital that is necessary to fund operations and development of the enterprise; The cost of capital	Growth of the enterprise market value; Income support on the laid-down capital; Dividends payment ----- Volume of the added economic value of the enterprise (EVA); Change in market value of the enterprise; The level of income on the invested capital; The level of dividends payment
Managers, employees	Intelligence; Labor, Innovations ----- Innovation activity of staffs; The growth rate of labor productivity; The level and rate of salary growth; Reduction of costs for the defect	Costs for salaries, qualification improvement and social protection ----- Salary expenses; Spending on education and advanced training; Volumes of social package
Buyers, customers, consumers	Inclineness to the enterprise and its brand; Revenue from sales ----- The amount of revenue from sales; The level of profitability from sales; The level of prices for products; Duration of orders realization by the enterprise; Timeliness of payments for the sold products	Supply of goods and services; Discounts and payments delay ----- The volume of delivered goods, works, services; The volume of the provided price discounts; Duration of the granted delay on payments for the delivered products
Suppliers	Volume, delivery time, price and quality of resources ----- Volume, quality and range of supplied products; The level and dynamics of prices for the delivered products; The share of innovative products; Duration and volume of the obtained commercial loans and discounts	The money paid for the products purchased from suppliers; Profit ----- The amount of money paid to suppliers; Volumes of prepayment

Table 3.

Evaluation indicators of interests and dues of the enterprise in activity of major economic impact groups

Table 3.
Evaluation indicators of
interests and dues of the
enterprise in activity of
major economic impact
groups

State, local authorities, NGOs	Access of enterprises to economic resources, industrial and social infrastructure	Tax payments to budgets of all levels; Employment; Investment in environmental and social projects; Employment of people with disabilities
	----- Increase of revenue and profits by lowering the tax burden; The volume of investments in industrial and economic infrastructure creation; The volume of state financial support; The level of environmental standards	----- The volume of tax revenues to budgets of all levels; Investments in environmental and social projects; The growth of employment; The number of the employed people, including those with disabilities
Creditors	Financial resources	Income from lending operations and loan – guarantee services; Deposits
	----- The volume and value of the received credit resources	----- The volume of paid interests on received loans; The volume of paid commission payments; The volume of placed deposits

Source: Authors’ own study.

5. Methods of feasibility evaluation and enterprise relationship effectiveness with stakeholders

The feasibility and effectiveness of enterprise relationship with stakeholders can be assessed by comparing their dues to the development of each other. For enterprises it is desirable when its dues to a certain economic impact group do not exceed the dues of this group in the enterprise,

$$Bn_i \leq Bc_i, \tag{1}$$

where, Bn_i та Bc_i – respectively, enterprise dues to the i -th group of economic impact and dues to the i -th group in the enterprise.

For the totality of the economic impact groups with which the enterprise has mutual relationship, formula (1) will look as follows:

$$\sum_{i=1}^n Bn_i \leq \sum_{i=1}^n Bc_i \tag{2}$$

where n – number of the economic impact groups that have a relationship with the enterprise.

Obviously, the relationship of the enterprise with major economic impact groups will develop effectively if their interests and dues meet the activities objectives and support the expected results receiving. Thus, the system functioning of the strategic controlling system of the relationship between enterprise and stakeholders should ensure the balance of their interests and dues of the respective commitments and, on this basis, increasing of competitiveness and the market value of the enterprise.

In order to establish a list of the most important stakeholders for the enterprise it is appropriate to use the method of expert estimates. At expert assessment it is desirable to consider not only the current character and level of the enterprise interests and individual stakeholders, but also to predict their development in the short-, medium- and long-term periods.

To ensure the model simplicity, interests and dues of stakeholders and enterprise should be assessed according to no more than three major indexes.

Quantitative assessment of the interests and dues of the enterprise and stakeholders can be made using the methods of strategic analysis and prediction, such as the method of construction of the enterprise profile, the method of standardized assessments, benchmarking, coefficient method and others.

In the process of controlling it is necessary to identify and estimate values of interests indicators and stakeholders dues with regard to the enterprise activity, interests and dues of the enterprise in the stakeholders activity and analyze the balance indicators of the enterprise and stakeholders mutual interests.

As an example of the strategic evaluation of the enterprise relationship with economic impact groups we consider relationship with managers (internal influence group) and customers (external influence group). For this, we use the coefficient method which provides the opportunity to make values ranging of the studied indicators. The source of information for this assessment is the information which is formed in the managerial accounting. Quantitative assessment of the managers interests and of buyers concerning the enterprise activity and their dues to this activity are presented in Table 4.

Quantitative assessment of the enterprise interests with regard to managers and customers activity, and their dues to this work are presented in Table 5.

From the data presented in Table 5, interests and dues of the enterprise with regard to Managers 1 and 4 and Customers 3 and 5 are unbalanced. Thus, for the enterprise, it is advisable to increase dues to the activity of Manager 4 and Customer 3, to develop interests and control dues to the activity of Manager 1 and Customer 5.

Also, comparison of the indicators meaning of the interests level of and dues listed in Tables 4 and 5, allows one to make the conclusions that dues of Managers 3 and 4 and Customers 1 and 2 in the enterprise activity exceed the enterprise dues in their activities. Therefore, the enterprise must develop and organize activities concerning the development of business interests with these counterparties.

From the data presented in Table 4 and 5, it is possible to make conclusions on the balance of interests and dues of the enterprise and stakeholders. However, for the economic evaluation of the cooperation results between them is not enough. This requires additional calculations. We will show this by the example of suppliers, who play almost the most important role among external economic impact groups. In fact, it is impossible to do economic activity or realize a certain project without having machinery and

Stakeholders interests				
Stakeholders groups	Key evaluation indicators of the stakeholders interests in the enterprise activity	Indicators meaning		The level of stakeholders interests with regard to the enterprise activity
		Medium according to a group of stakeholders	According to particular stakeholders	
1	2	3	4	5
Managers, including:				
– Manager 1	The growth rate of salaries and bonuses, %	10	8.5	0.85
– Manager 2		10	12.3	1.23
– Manager 3		10	8.2	0.82
– Manager 4		10	11.0	1.10
Customers, including:				
– Customer 1	The percentage of production that is paid within the time stipulated by supply contracts, %	95	104.2	1.10
– Customer 2		95	90.3	0.95
– Customer 3		95	95.7	1.01
– Customer 4		95	94.0	0.99
– Customer 5		95	90.8	0.96
Stakeholders dues				
Stakeholders groups	Key evaluation indicators of the stakeholders interests in the enterprise activity	Indicators meaning		The level of stakeholders dues with regard to the enterprise activity
		Medium according to a group of stakeholders	According to particular stakeholders	
1	2	3	4	5
Managers, including:				
– Manager 1	Productivity of employees work of the department UAH / hour	530.5	585.86	1.10
– Manager 2		530.5	587.30	1.11
– Manager 3		530.5	487.18	0.92
– Manager 4		530.5	461.56	0.87
Customers, including:				
– Customer 1	Enterprise revenue from product sales, UAH thou.	240	300	1.25
– Customer 2		240	270	1.13
– Customer 3		240	250	1.04
– Customer 4		240	200	0.83
– Customer 5		240	180	0.75

Table 4.

An example of quantitative evaluation of the stakeholder interests with regard to the enterprise activity and their dues to this activity

Source: Authors' own study.

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

The enterprise interests				
Stakeholders groups	Key evaluation indicators of the enterprise activity with regard to the stakeholders activity	Indicators meaning		The level of enterprise interests with regard to the stakeholders activity
		Medium according to a group of stakeholders	According to particular stakeholders	
1	2	3	4	5
Managers, including:				
– Manager 1	Number of proposed innovations items	5	4	0.8
– Manager 2		5	7	1.4
– Manager 3		5	3	0.6
– Manager 4		5	6	1.2
Customers, including:				
– Customer 1	Increasing sales profitability, %	4	4.32	1.08
– Customer 2		4	3.60	0.90
– Customer 3		4	4.82	1.20
– Customer 4		4	3.76	0.94
– Customer 5		4	3.50	0.88
Enterprise dues				
Stakeholders groups	Evaluation indicators of the enterprise dues to the stakeholders activity	Indicators meaning		The level of enterprise dues to the stakeholders activity
		Medium according to a group of stakeholders	According to particular stakeholders	
Managers, including:				
– Manager 1	Average monthly pay, UAH	9,750	12,280	1.26
– Manager 2		9,750	10,820	1.11
– Manager 3		9,750	8,300	0.85
– Manager 4		9,750	7,600	0.78
Customers, including:				
– Customer 1	Duration of deferral granted on payments for the sold goods, days	18	20	1.11
– Customer 2		18	16	0.89
– Customer 3		18	19	1.06
– Customer 4		18	17	0.94
– Customer 5		18	18	1.0

Table 5.

An example of quantitative evaluation of enterprise interests with regard to stakeholders activity and its dues to this activity

equipment, raw materials, intermediate products, parts and complementary parts, fuel, energy and other material resources. Suppliers can significantly affect the production cycle term, quality and price of products.

The main interests of the enterprise in relation to suppliers are:

- scope of delivery – the enterprise in terms of implementation of control functions for deliveries better to have a contractual relationship with the least number of suppliers;
- products range – *ceteris paribus* the enterprise will prefer supplier who can provide the widest range of products;
- quality of a supplier's product must meet quality predicted by technological regulations for production, because if the quality is below the required, it results in lower quality of manufacturer production, whereas high quality means an increase of its price;
- price of the products unit – the enterprise always chooses a supplier who will offer their products at a lower price. However, one should take into account such factors as: the need for advance payment or the possibility of avoiding it, postponing of payments for delivery (commodity credit), the presence of different types of price discounts (reduced prices for regular customers, the number of purchased goods, for payment in cash, for the timely payment of the delivered goods, for complete purchase of goods, etc.). This allows you to consider not only the direct benefit of the enterprise from the collaboration with a supplier, but also indirect benefits.

The main stages of the selection of suppliers and economic evaluation of the possible results of cooperation with them are shown in Figure 6.

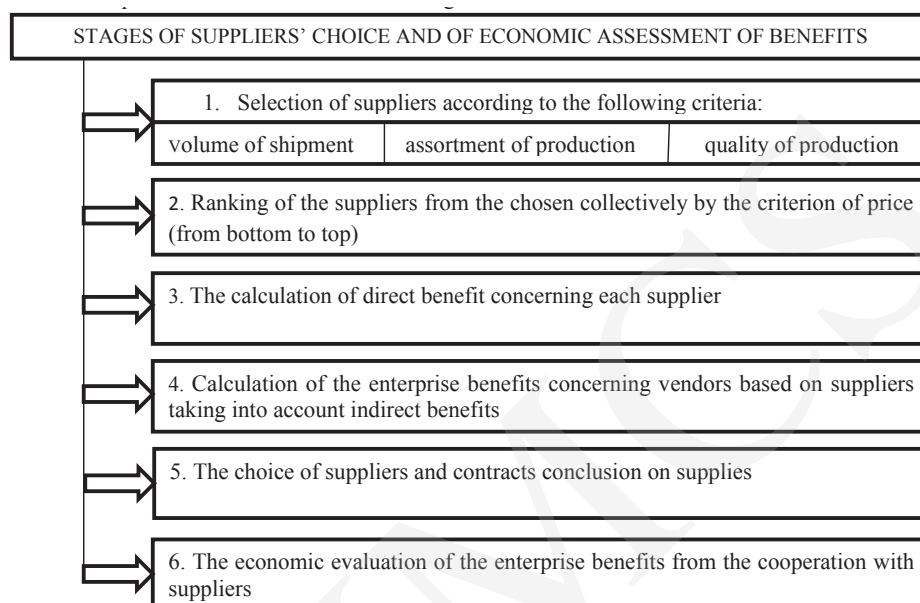
On the hypothetical example, we consider a procedure to assess the enterprise interests with regard to its suppliers, selection of suppliers and determining of the deliveries volume of their products. Let the enterprise obtain the necessary goods of a certain products group from a certain product line from six suppliers. The amount of monthly purchases (needs) – 5,000 products. The average price of one product unit at the time of evaluation – 205 UAH. Assessing the quality of the supplier's products, the enterprise determined that the quality of two of them is lower than it needs by technological card of this company making products. Thus, these suppliers further will not be considered, and, therefore, there are only four suppliers left. Evaluation of the direct benefits of cooperation with each of them is shown in Table 6.

Table 6.

The calculation of direct benefit of the enterprise from suppliers

Supplier	Price of production unit of supplier, UAH	Scope of supplier proposal, items	Direct benefit of the enterprise, UAH
1	200	1,000	1,000 (205–200)= 5,000
2	203	3,000	3,000 (205–203)= 6,000
3	206	2,000	2,000 (205–206)= – 2,000
4	207	2,500	2,500 (205–207)= – 5,000

Source: Authors' own study.



Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

Figure 6.

Consistency of the
enterprise choice of
contractors, suppliers
and economic evaluation
of the possible
cooperation results

Source: Authors' own study.

Supplier	Direct benefit, UAH	Indirect benefit, UAH	Total benefits, UAH	Benefit for the production item, UAH
1	5,000	0	5,000	$5,000 : 1,000 = 5.00$
2	6,000	1,000	7,000	$7,000 : 3,000 = 2.33$
3	-2,000	1,000	-1,000	$-1,000 : 2,000 = -0.50$
4	-5,000	4,500	-500	$-500 : 2,500 = -0.20$

Table 7.

Calculation of the
enterprise benefits from
suppliers considering
indirect benefits

Source: Authors' own study.

Assessing its interest, the enterprise must consider not only the direct benefit based on a comparison of the average prices with the price of the supplier, but also benefit associated with deferred payments for goods (with suppliers providing commercial credit) and with possible price discounts. This benefit can be calculated at the price raised to purchase goods of financial resources on the basis of: financial resources volume; the duration of their involvement; loan interest rates. Example of calculation considering indirect benefits is presented in Table 7.

To meet the enterprise needs in suppliers products in the amount of 5,000 units (including indirect benefits per unit of output) – it can be due to the supply from:

Supplier 1 – 1,000 it.;

Supplier 2 – 3,000 it.;

Supplier 4 – 1,000 it.

IJSR

5

This benefit of enterprises from each of the suppliers will be (UAH):

Supplier 1: $1,000 * 5.00 = 5,000$;

Supplier 2: $3,000 * 2.33 = 7,000$;

Supplier 4: $1,000 * (-0.20) = -200$,

And total benefits:

$$5,000 = 7,000 - 200 = 11,800 \text{ UAH.}$$

If it is necessary to take into account the range of suppliers products, for example according to its quality, this calculation should be performed for each product line.

6. Conclusions

Strategic assessment of enterprise relationship with economic impact groups is a part of the of strategic controlling – one of the most effective systems of management functional support. Analysis of the enterprise environmental factors provides isolation, evaluation, planning and prediction of cooperation results with the major groups of economic impact. The main objects of strategic assessment of such cooperation should be the interests of the enterprise and stakeholders with regard to the activities of each other, enterprise dues in stakeholders activity and stakeholders in the activities of the enterprise as well as enterprise relationships processes with stakeholders and their consequences. These objects allow one to form a system of indicators on which strategic assessment methodology of feasibility and effectiveness of enterprise relations with contractors is based. Results of the strategic assessment form the basis of the interests balance of both enterprise and each economic impact group.

References

- Atkinson, A. A., Waterhouse, J. H. and Wells, R. B. (1997). A Stakeholder Approach to Strategic Performance Measurement, *Sloan Management Review*, Vol. 38, No. 3, pp. 25–37.
- Ayso, S. and Argandona, A. (2007). *Responsible Corporate Governance Towards a Stakeholder Board of Directors?*, University of Navarra, Navarra.
- Berman, S. L., Wicks, A. C., Kotha, S. and Jones, T. M. (1999). Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance, *The Academy of Management Journal*, Vol. 42, No. 5, pp. 488–506.
- Cherep, A. V. and Severyna S. V. (2012). Consideration of the Stakeholders Interests at the Efficiency Management of the Enterprise Activity, *International Economic Policy*, Vol. 2, pp. 596–602.
- Cornell, B. and Shapiro, A. C. (1987). Corporate Stakeholders and Corporate Finance, *Financial Management*, Spring, pp. 5–14.
- Dayle, A. (2003). *The Practice of Controlling*, Finances and Statistics, Moscow.
- Donaldson, T. and Preston, L. E. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications, *The Academy of Management Review*, Vol. 20, No. 1, pp. 65–91.
- Forman, E. and Peniwati, K. (1998). Aggregating Individual Judgments and Priorities with the Analytic Hierarchy Process, *European Journal of Operational Research*, Vol. 108, No. 1, pp. 165–169.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*, Pitman, Boston.
- Hill, C. W. L. and Jones, T. M. (1992). Stakeholder-Agency Theory, *Journal of Management Studies*, Vol. 29, No. 2, pp. 131–154.
- Horvath, P. (2006). *Controlling*, Vahlen, München.

Strategic
Evaluation of
the Enterprise
Relationship
with the
Economic
Impact Groups

- Kaplan, R. S. and Norton, D. P. (1992). The Balanced Scorecard – Measures That Drive Performance, *Harvard Business Review*, January–February, pp. 71–79.
- Keay, A. (2010). *Stakeholder Theory in Corporate Law, Has It Got What It Takes?*, University of Leeds, Leeds.
- Khan, D. (1997). *Planning and Control: The Concept of Controlling*, Finances and Statistics, Moscow.
- Mann, R. and Mayer, Ye. (1992). *Controlling for the Beginners*, Finances and Statistics, Moscow.
- Mayer, Ye. (1993). *Controlling as the System of Thinking and Management*, Finances and Statistics, Moscow.
- Mitchell, R. K., Agle, B. R. and Wood, D. J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts, *The Academy of Management Review*, Vol. 22, No. 4, pp. 853–884.
- Nickols, F. (2011). *The Stakeholder Scorecard: «Keeping Score» Regarding Accountability*, Distance Consulting LLC.
- Nowak, E. (Ed.), (2004). *Controlling of the Enterprise Activity*, PWE, Warsaw.
- Oleksiv, I. B. (2013). *Groups of Economic Influence in the System of Enterprise Management: Conception and Tools of Their Selection as Well as Alignment of Interests*, Publishing House of Lviv Polytechnic, Lviv.
- Petrov, M. A. (2004). The Theory of Stakeholders: Ways of Practical Implementation, *Newsletter of Saint Petersburg State University*, Series 8, Vol. 2, No. 16, pp. 51–69.
- Pushkar, M. S. and Pushkar, R. M. (2004). *Controlling Information System of the Strategic Management*, Carte-blanche, Ternopil.
- Redchenko, K. I. (2008). Influence of the Theory of Stakeholders on the Managerial Accounting, *Economics of Industry*, No. 4, pp. 59–64.
- Rych, M. I. (2013). Peculiarities of Use of the Stakeholders Analysis Methods in Social and Commercial Projects, *Management of the Complicated Systems Development*, No. 15, pp. 65–70.
- Shepitko, H. F. (2004). *Controlling*, Publishing House of the European University, Kyiv.
- Sukharev, L. A. and Petrenko, S. N. (2002). *Controlling – the Basis of Business Management*, Nika-Center, Elga, Kyiv.
- Tereshchenko, O. O. and Babiak N. D. (2013). *Financial Controlling*, Kyiv National Economic University, Kyiv.
- Turnbull, S. (1997). Stakeholder Cooperation, *Journal of Cooperative Studies*, Society for Cooperative Studies, No. 88, pp. 18–52.