SOCIALY RESPONSIBLE PRACTICES IMPLEMENTATION IN THE ENTERPRISE VALUE MANAGEMENT TAKING STAKEHOLDERS’ INTERESTS

Krasnokutska Nataliia
DSc (Economics), Professor
National Technical University “Kharkiv Polytechnic Institute”, Ukraine
Postdoctoral researcher
Comillas Pontifical University, Madrid, Spain

Gao Liang
PhD student
National Technical University “Kharkiv Polytechnic Institute”, Ukraine

Summary. Building an enterprise value management system requires analyzing and evaluating results of this system, as well as the programs and projects carried out within the framework of Sustainable Development Goals (SDGs). Current assessment tools are mostly based on comparing actual and target values of each sustainable development goal. In practice, to improve the existing developments regarding the evaluation results of SDGs implementation, an author substantiates legal and methodological approach to assessing the implementation status within SDGs implementation, involving diagnostics based on the value creation stages, including the criteria of efficiency, compliance to the interests of stakeholders and their benefits.

Keywords: value, enterprise, stakeholder, Sustainable Development Goals, assessment.

Growing interest towards enterprises’ value preservation and growth is prompting research regarding the factors and results of implementing socially responsible practices, such as projects and programs implemented under the Sustainable Development Goals (SDGs). When deciding whether to support or discontinue existing programs, projects, and social activities, an objective factor is to take into account the results of their implementation. Notably, the monitoring of the SDGs is generally based on a comparison of actual and target values indicators for each sustainable development goal. This assessment is only one way to identify the status of measures taken. Also, it is advisable to consider stakeholders’ interests perspective of enterprise value creation, namely, whether results of the implemented measures meet their interests and if the results will be directly felt by the stakeholders. Therefore, based on the existing developments in assessing the achievement of the SDGs [1, 2], diagnosing projects in terms of SDG implementation [3-5], and methodological tools for determining the results of the evaluation [6], we have developed a scientific and methodological approach to assessing the status of
implementation of measures taken as part of the SDGs implementation. This approach is based on the use of stakeholder management methods, multi-criteria evaluation and fuzzy logic and provides for the diagnosis of the implemented measures by stages of value creation, taking into account the criteria of their effectiveness, compliance with the interests of stakeholders and their benefits. Application the developed scientific and methodological approach consists:

Phase 1: Defining the goal for evaluating the measures implemented under the SDG programs. The essence here is to define the purpose of calculation. Such a goal may be to evaluate a specific project or social program implemented by an enterprise at a certain phase in its value.

Phase 2: Choosing an object for evaluation. The evaluation objects for SDG implementation are socially oriented activities, projects, and programs implemented at the enterprise, taking into account the areas and sequence of value creation. Based on the results at this phase, a program and project list should be determined to be evaluated.

Phase 3. Key stakeholders are identified, taking into account relevant content within the socially oriented program/project.

Phase 4. Evaluation of socially oriented activities (projects, programs) by performance criteria. We recommend: identifying indicators that reflect the results of the implementation of a socially oriented project/program in practice ($I_I$); ranking indicators by their importance in reflecting the result of the event ($w_s$); indicating the planned ($I_p$) and actual ($I_f$) values for each indicator; calculating the coefficient of achieving the target value by $S$ indicator (formula 1); calculating a generalized indicator of project performance (formula 2). The following formulas are used for the calculation:

$$k_{ms} = \frac{I_f}{I_p},$$  

where $k_{ms}$ – coefficient characterizing the effectiveness of the measure by the indicator $s$;  

$I_f$ – actual value of the indicator $s$;  

$I_p$ – planned value of the indicator $s$;  

$$k_m = \sqrt{\sum w_s \times k_{ms}},$$  

where $k_{ms}$ – coefficient characterizing the effectiveness of the measure.

Phase 5. Evaluating a socially oriented event (project, program) according to the criterion of meeting the interests of stakeholders. For this purpose, it is recommended to use a binary variable as follows:

$$x = \begin{cases} 1, & \text{when the project meets the stakeholder’s interests and/or the stakeholder supports the project;} \\ 0, & \text{if the project meets the stakeholder’s interests, the stakeholder is neutral.} \end{cases}$$

As a result, determine the ratio of the event’s compliance to stakeholder interests using the formula:

$$k_{cn} = \sum \frac{x_{jm}}{x_{max_m}},$$  

(3)
where $k_{cn}$ – is the coefficient that the $n$ measure corresponds to stakeholder interests;

$x_{fm}$ – actual value a binary variable by the $m$ ind. stakeholder;

$x_{\text{max} m}$ – maximum binary variable value according $m$ ind. stakeholder.

Phase 6. Evaluating a socially oriented event (project, program) based on the criterion of benefits to stakeholders. We recommend using a scoring system based as follows:

$$y = \begin{cases} 
2, & \text{if the stakeholder receives direct benefit;} \\
1, & \text{if the stakeholder receives an indirect benefit.} 
\end{cases}$$

According the results, it is necessary to determine the coefficient of stakeholder benefits using the formula:

$$k_{pm} = \frac{\sum y_{fm}}{\sum y_{\text{max} m}},$$

where $k_{pm}$ – stakeholder benefit acquisition n measure, coefficient;

$y_{fm}$ – actual assessment benefit acquisition by the $m$ stakeholder, point;

$y_{\text{max} m}$ – maximum assessment benefit acquisition by the $m$ stakeholder, point.

Phase 7. Identify implementation progress related to the socially targeted measure (project, program). It is recommended to determine the state of implementation of a socially targeted measure based on the fuzzy logic method. For this, it is advisable by using indicators such as the effectiveness of the measure ($k_{rn}$), compliance with the interests of stakeholders ($k_{cn}$) and the acquisition benefits ($k_{pn}$). Calculations should the following sequence:

7.1. Identify the belonging indicators of effectiveness measure ($k_{rn}$), compliance with stakeholder interests ($k_{cn}$), benefits ($k_{pn}$) to the term set values linguistic variable L “Indicator level” (Table 1).

<table>
<thead>
<tr>
<th>Indicator</th>
<th>$L_{a1}$</th>
<th>$L_{a2}$</th>
<th>$L_{a3}$</th>
<th>$L_{a4}$</th>
<th>$L_{a5}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness in implementing the event, $k_{rn}$</td>
<td>(0 &lt; k_{rn} \leq 0.2)</td>
<td>(0.2 &lt; k_{rn} \leq 0.4)</td>
<td>(0.4 &lt; k_{rn} \leq 0.6)</td>
<td>(0.6 &lt; k_{rn} \leq 0.8)</td>
<td>(0.8 &lt; k_{rn} \leq 1.0)</td>
</tr>
<tr>
<td>Alignment to stakeholder interests, $k_{cn}$</td>
<td>(0 &lt; k_{cn} \leq 0.2)</td>
<td>(0.2 &lt; k_{cn} \leq 0.4)</td>
<td>(0.4 &lt; k_{cn} \leq 0.6)</td>
<td>(0.6 &lt; k_{cn} \leq 0.8)</td>
<td>(0.8 &lt; k_{cn} \leq 1.0)</td>
</tr>
<tr>
<td>Benefits to stakeholders, $k_{pn}$</td>
<td>(0 &lt; k_{pn} \leq 0.2)</td>
<td>(0.2 &lt; k_{pn} \leq 0.4)</td>
<td>(0.4 &lt; k_{pn} \leq 0.6)</td>
<td>(0.6 &lt; k_{pn} \leq 0.8)</td>
<td>(0.8 &lt; k_{pn} \leq 1.0)</td>
</tr>
</tbody>
</table>

**Source:** Compiled by the authors
7.2. Determine of socially responsible measure implementation, based on effectiveness criteria, compliance stakeholders’ interests and benefits, by the formula:

\[ S = \sum_{i=1}^{N} p_i \times \sum_{j=1}^{5} a_j \lambda_j, \]  

(5) 

where \( S \) – project implementation indicator, coefficient; 
\( p_i \) – significance level \( k \) indicator; 
\( N \) – number of indicators; 
\( a_j = (0.1; 0.3; 0.5; 0.7; 0.9) \) – set of nodal points; 
\( \lambda_j \) – value of membership function by individual indicators.

7.3. Identify level of implementation a socially responsible event (Table 2).

<table>
<thead>
<tr>
<th>Indicator S</th>
<th>Qualitative evaluation</th>
<th>Project implementation status description</th>
</tr>
</thead>
<tbody>
<tr>
<td>( 0 &lt; S \leq 0.2 )</td>
<td>Very low</td>
<td>( S_1 ) – critical condition</td>
</tr>
<tr>
<td>( 0.2 &lt; S \leq 0.4 )</td>
<td>Low</td>
<td>( S_2 ) – poor condition</td>
</tr>
<tr>
<td>( 0.4 &lt; S \leq 0.6 )</td>
<td>Medium</td>
<td>( S_3 ) – satisfactory condition</td>
</tr>
<tr>
<td>( 0.6 &lt; S \leq 0.8 )</td>
<td>High</td>
<td>( S_4 ) – good condition</td>
</tr>
<tr>
<td>( 0.8 &lt; S \leq 1.0 )</td>
<td>Very high</td>
<td>( S_5 ) – very good condition</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors

Phase 8. Use the assessment results.

It is recommended that the results obtained during the evaluation be used to monitor the implementation and make decisions on the further implementation of the existing project/program, as well as to form a base of practices for the implementation of socially responsible projects at the enterprise. They will inform management decisions when substantiating ways to improve the mechanism for implementing the SDGs in practice by value creation stages.

Conclusions. Thus, our methodological approach to assessing the implementation of socially responsible activities based on the criteria for efficiency, compliance the stakeholder interests, and benefits makes it possible to determine project implementation status, providing a basis for current and strategic management decisions on the implementation of these activities by stages of value creation at the enterprise.

References:


