Green Growth Strategy in Corporate Strategy: Stakeholder Approach

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The article is devoted to the process of the green growth strategy embedding into the general corporate strategy. One of the assumptions considered is that the relationships between an organization and its stakeholders (including those connected to ecological issues) are based not only on ethical, but also on some economical reasons, since the effectiveness of stakeholders' operations is tightly connected to the effectiveness of the organization. The main emphasis of the article is the solution of concurrent stakeholders' needs proportional satisfaction problem. In order to solve the problem the model which allows assessment of significance of stakeholders and their needs was developed. The model results make possible the determination of the margin beyond which any further ecology oriented investments start not to strengthen the organization's competitive advantages, but to weaken them.

A sustainable growth of an organization assumes the integrated approach to economical, social and ecological problem solving. A sustainable organization is not only an organization which sustainably provide profits, but also a "good" one, which makes social and ecological (green) investments and follows appropriate standards (for example ISO 14001, SA 8000), conducting a dialog with different stakeholders.

The corporate sustainability concept is tightly connected to the corporate social responsibility concept, which in turn tightly connected to the stakeholder concept. The corporate social responsibility, which is treated like an organization's rational response on the system of contradictory stakeholders' expectations targeted on the organization's sustainable development, could also be treated as an element of competitive strategy since the stakeholders network is the source of competitiveness and of organization's wealth potential. Taking this into account, the development and support of relevant "relationship assets" becomes the key competence of management and the main mean for sustainable development of a business [1]. Within the framework of corporate social responsibility concept these issues relate to so called strategic corporate responsibility.

The stakeholder concept considers actions and decision making in an organization relying on the necessity of satisfaction of multidirectional stakeholders' needs, when each stakeholder has its own interest and certain ability to control the organization. These stakeholders may include clients, suppliers, shareholders, managers, employees, state agencies, ecological organizations, society as a whole, etc.

An organization brings the social responsibility strategy into effect essentially with respect to its stakeholders. That's why stakeholders have interest in the sustainable development of the organization, since increase of effectiveness of the organization's activities leads to increased effectiveness of stakeholders' operations. From this prospective the organization "is engaged in mobilizing resources for productive uses in order to create wealth and other benefits (and not to intentionally destroy wealth, increase risk, or cause harm) for its multiple constituents, or stakeholders [1, p. 17].

The stakeholder concept, being one of the fundamental concepts of organization in the developed economy, could also be considered as self-sufficient branch of general and strategic management research. The flow of publications on the corresponding subject remains

indefatigable for a period of quarter of a century. This implies the theoretical and practical significance of the approach and, in turn, its incompleteness and internal inconsistency. [2].

The absence of methods for determination of stakeholders' satisfaction ratio is one of the main issues in stakeholder concept.

It is obvious, for example, that material ecological investments could come into collision with need of employees in salary increase, and with need of shareholders in increased profitability (absolute implementation of all legal ecological standards is obviously assumed). Such the ecological investments are going to serve as the brake, not the engine of competitive advantage. As the result, decrease of effectiveness of the particular organization could negatively affect its "green" policy and, finally, effectiveness of partners, including ecological and other NGO's.

Therefore the implementation of the ecologically-oriented growth strategy (as well as any other specific strategy) into the corporate strategy of an organization claims for the solution of the above-mentioned problem.

In this context we'd like to introduce the model, which allows the quantitative assessment of comparative significance of stakeholders (and their needs) from the organization's strategy prospective, making basis for the rational prioritizing of relationships between organization and its stakeholders.

The framework of the introduced approach comes up from the assumption about existence of system of goals of the organization as some organization-wide idea, elaborated in accordance with some general procedure, taking different stakeholders' points of view into account, and also the assumption about necessity of stakeholders and their needs ranking, with concurrent understanding of the iteration nature of these processes.

The existing approach, based on comparison of subjective quasi-rents (relationships between quasi-rents of the organization and its particular stakeholder, emerging from the agreement between them [3]) allows explanation of differences between significance of different stakeholders and their needs. However, this approach could hardly be taken as the basis of formalized ranking procedure due to practical complexity in formalization of stakeholders' goal functions. Even if it seems technically possible, accompanying costs are typically extremely high.

Several approaches to estimation of stakeholders' significance are based on their specific attributes (look: [4-6]). These approaches allow stakeholders ranking (they define partial (linear) order on the set of stakeholders) but they are not well designed for making numerical estimations of stakeholders significance in form of weight coefficients, and practically they aren't connected to the resource input of a stakeholder.

Considering stakeholders as partners of the organization lead us to the development of the following model of assessment of significance of stakeholders and their needs.

First, we need to consider the following hierarchy (Fig. 1).

At the first step the weight coefficients of impact made by strategic goals on the implementation of mission (generalized picture about the future of the organization, described in mission statement, vision and strategic priorities) are assessed. Taking into account the collection of strategic goals is usually the complex hierarchy itself, one could use the model, introduced in [7] for assessment of relative significance of each goal.

Further, the set of resources needed for the accomplishment of each strategic goal is determined. Since different resources have different impact on the accomplishment of a goal, and a resource could be involved in accomplishment of a number of goals, weights for the entire set of resources could be assessed with Analytic Hierarchy Process [8].

A stakeholder could have different levels of satisfaction for different resources received in the process of resource exchange. The resource exchange process usually has some time extent.

For instance, the use of ecologically pure materials could take effect (for consumers, society, state) after years. The positive image development would be extended for years, in turn.
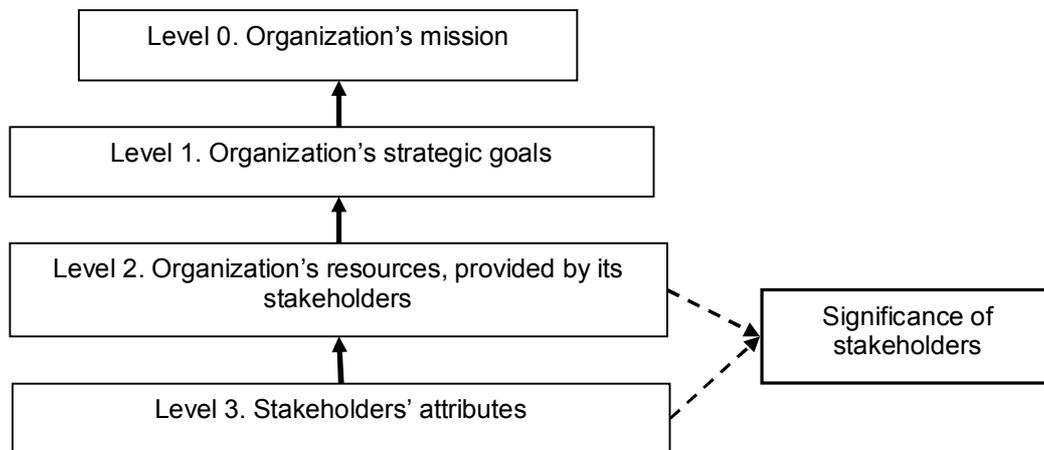
Figure 1. Hierarchy of elements in the stakeholders' significance estimation model

This phenomenon forces organization (stakeholder) to orient itself on certain partner's attributes which directly influence the quality and quantity of resource received (Fig. 2).
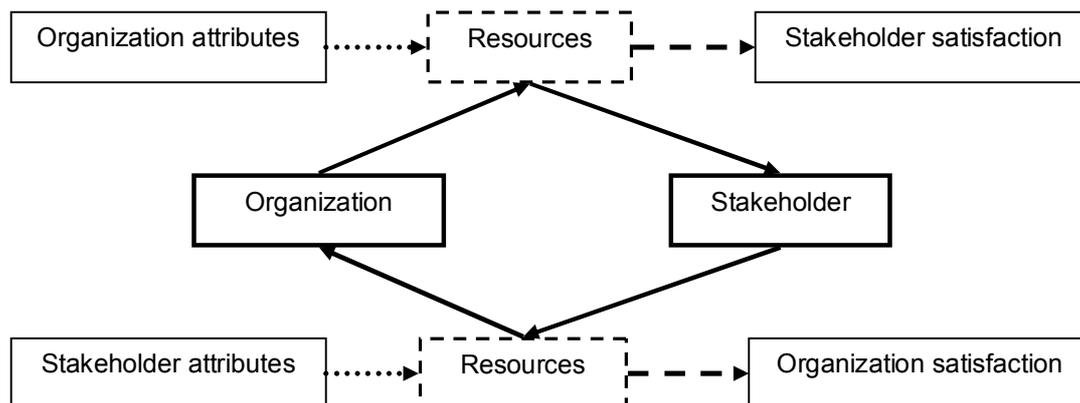
Figure 2. Extended organization-stakeholder resource exchange pattern

Therefore, attributes of stakeholders delivering resources to organization are assessed at the third stage. Sets of attributes in line with each resource (sum of weights of attributes should be equal to 1 for each set) is of our interest at this stage. After that the implementation of attributes is determined for each stakeholder with some scale (for example from 1 to 10).

The significance of k-th stakeholder ($w(k)$) could be determined as a sum of normalized significances of resources given to the organization. The essence of the normalization is as follows. If the resource is provided solely by this stakeholder than its significance is multiplied by the weighted sum of significances of stakeholder's attributes, divided by 10. If all attributes are fully implemented for the stakeholder (their implementations are 10 each), than the normalization coefficient is 1 and the resource weight wouldn't change. Than worse attributes are implemented for the stakeholder, the less would be the normalized weight for the resource (since the organization is expected to receive the resource in less quantity and quality than desired in this case.). If the organization receives the resource from several stakeholders, the

weight coefficient of the resource is divided among these stakeholders proportionally to the quantity of received resource, then it is normalized. The normalization coefficient would be different for different stakeholders because of different implementation of attributes (even the sets of attributes could be different for different stakeholders for the same resource).

Actuality of i-th need ($a_i(k)$) is assessed through its relative significance ($v_i(k)$, %) in the structure of other needs of k-th stakeholder and through the level of satisfaction of the stakeholder with implementation of this need by the organization ($r_i(k)$), expressed numerically between 0 (the need is not implemented) and 10 (completely implemented):

$$a_i(k) = \frac{v_i(k)}{100} \cdot (10 - r_i(k)).$$

(5)

The significance of stakeholders' needs for the organization could be assessed as:

$$a_i'(k) = \frac{a_i(k)w(k)}{\sum\limits_{k=1}^{n}\sum\limits_{i=1}^{s(k)} a_i(k)w(k)}, \; i = \overline{1, s(k)}, \; k = \overline{1, n},$$

(6)

where $s(k)$ — number of needs of k-th stakeholder.

It should be emphasized that the considered model for stakeholders significance assessment allows decrease the opportunistic management behavior materially. If management is interested in increased effectiveness of the organization (strategy of long-term effectiveness is active) the proposed model allows to avoid the danger of management's subjective hierarchy of stakeholders and their needs translation into organization's activity and gives objective information for relations development with stakeholders.

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