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Research paper



Stakeholder Management in the Development of Building Organizations

Olha Komelina[1]*, Olexandr Hrynko[2], Olena Khrystenko[3]

[1] *Poltava National Technical Yuri Kondratyuk University, Ukraine*
[2] *Poltava National Technical Yuri Kondratyuk University, Ukraine*
[3] *Poltava National Technical Yuri Kondratyuk University, Ukraine*
**Corresponding Author E-Mail: Komelinaolha@Gmail.Com*

Abstract

This article explored theoretical concepts of stakeholder management development and features of their usage in practical functioning of building organizations. There is a description of potential partners of these organizations.
Also, the expediency of studying internal opportunities of communication system`s development is given, where important role belongs to management`s quality, by the criterion of evaluation 'enterprise- consumer'.
Within external stakeholders the role of state institutions is highlighted, which can be involved in realization of building projects on the basis of public-private partnership. Structural and functional way of the cooperation evaluation between building organization and its stakeholders is developed, we can consider it as a basis of requirements formation concerning creation of the building organization`s professional partnership performance.
Moreover, we explain the importance of the strategic management in enterprise development considering technologies of stakeholder management was explained.

Keywords: *building organization, criteria for classification of stakeholders, professional partnership performance, stakeholder-management, structural-functional way.*

1. Introduction

The sphere of organization functioning becomes more dynamic and complex, it always represents new drawbacks and challenges. Nowadays, in order to provide the effective functioning of the organization, it is not enough to increase amounts of manufacturing and marketing constantly. The first priority is given to the cooperation development with interested groups (stakeholders), as a basis of modeling modern surrounding.
Firstly, the theory of controlling stakeholders was described by Edward Freeman in his work «Strategic Management: A Stakeholder Approach» (1984). In his opinion, understanding and division groups of people are able to influence business or particular project, allows us to adjust and optimize the process of management.
E. Freeman has divided the process of analysis and management into 6 stages:
searching of all stakeholders; definition of all stakeholder demands; analysis of interests and influences of each stakeholder; creation the list of actions for operating stakeholders expectations; realization of planned actions; analysis of management and repeatition of the process [1].
G. Post, L. Preston, S. Sacks believe that stakeholders- are individuals and clients, who are voluntarily or forcibly related to functioning of the company, which generates wealth, and appear as beneficiaries, or potential victims [2].
T. Jones and A. Uics under the concept 'stakeholders' understand corporations of groups or individuals, which make its surrounding (internal and external), and have influence on decisions of creating professional partnership performance [3].
Nowadays, separate direction of stakeholder management is formed- managing relationships with interested sides. It is discovered, that actions of stakeholders can have the influence not only on the organization profit, but on its internal processes too. Special topicality technologies of stakeholder management are gaining in companies, especially in building sphere, which are engaged in realization of big projects with a great number of partners.

2. Main Body

The development topicality of stakeholder management in building companies can be proved by publications in B.Collinge (2016), which concentrates on practical aspects of stakeholder management. He accents that «…Effective stakeholder management continues to be promoted as an important concept underlying project management success (e.g. APM, 2006; PMI, 2008). However, there are often persisting uncertainties concerning what stakeholder management strategies, methods and approaches to employ to ensure project success» [4]. It detailed how effective stakeholder management work can be achieved by having a supporting apparatus in place to facilitate communication and collaboration between parties; a planned strategy enabling any emerging events to be preempted and managed.
On the basis of exploring features of realization a few building projects Rebecca J. Yang and Geoffrey Q. P. Shen (2016)] offer to point out six activity groups – precondition, project data

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identification, stakeholder estimation, decision making, action and evaluation, and sustainable support. What is more, they explore mechanism of their interaction, which includes 18 activities within these groups and their interrelations formulate the main body of the framework [5].

Pursey P.M.A.R. Heugens, Frans A. J. van den Bosch, Cees B. M. van Riel in the article «Stakeholder Integration Building Mutually Enforcing Relationships» affirm, «that firms that breed trust-based, cooperative ties with their stakeholders will have a competitive advantage over firms that do not» [6].

Michel W Lander, Pursey PMAR Heugens, J (Hans) van Oosterhout were carrying on this problematic in the article «Towards an integrated framework of professional partnership performance: The role of formal governance and strategic planning» they not only make accent on the development of professional partnerships, but refer to such classic resources management as strategic planning and formal governance. Authors elaborate the integrated theoretical framework of professional partnership performance in order to check the influence of these classic resources and conducted actions concerning productivity of the professional partnership, also machanisms of mediation, which means engagement and conservation of clients, and organization effectiveness [7]. Importantly, that among stakeholders the authors are pointing out the nation, which appears as an important partner in realization complex and amplitudinous building projects.

Difficulties in formming dialogue within communication research for organization`s understanding stakeholder involvement in identity relevant issues of responsibility and legitimacy, were explored by Trine Susanne Johansen, Anne Ellerup Nielsen [8].

Yang Jing [9] conducted the review of researches about managing stakeholders and their consequences in building sphere.

He revealed that in these researches the major approach is descriptive, also, very few methods and tools are available to identify all stakeholders and their interests.

So, further evolution of stakeholder management concepts needs the development of new approaches to functioning evaluation such building companies, which can be considered as a basis of creating strategy management system and requirements concerning forming professional partnership performance of such organizations.

In the next paragraph we will consider peculiarities of using stakeholder management in building organizations and their services on building market, also, we will have a look at its usage within the system of strategic management.

One of the major groups of stakeholders within this market is consumers, as the main figures of consumer market (proposition prevalence). It is obvious, that effective process fulfilling of consumers needs will lead to great results for organization. In this regard, the importance of managing this group of interested sides doesn`t call any doubts. For example, during managing stakeholders of building organization can be discovered, that cooperation effectiveness decrease between consumers and building organization is caused by dishonest pricing policy, anxiety of consumers, uncertainty in reliability of this organization, its readiness to fulfill special needs etc.

In this case, management staff of such organization have to demonstrate their readiness to cooperation with consumers; make real actions, not only to write down them on the sheet of paper, moreover, they need to adjust the control of such group of stakeholders like personnel, to direct their attention on consumers.

Statistics shows, that engagement of new consumers costs in 5-6 times more, than maintenance of existing ones.

Before going on considering the next group of stakeholders, such as personnel, we should note its instant influence on cooperation between consumers and organization.

Exactly their quality of work influences consumers sympathy to organization and consequently on its profits. That is why, one of the main tasks for managers in such organizations should be acquiring adherence from the personnel.

In order to reach this goal such measures should be conducted:

- apply the effective methods of stimulating personnel to work;
- provide them with sufficient opportunities for the appropriate level of service;
- provide effective cooperation between different subdivisions of organization;
- give clearly directions of work;
- provide the staff with opportunities for self- development, career growth and participation in decision making;
- provide the personnel with social protection etc.

As experience shows, unmotivated personnel can lead to bankruptcy even for the most effective company in the past.

Owners and shareholders are ones of internal interested groups.

Managers faced with their commitment of making organization interesting, valuable and profitable for its shareholders. In other case, owners and shareholders can stop their cooperation with such organization, stocks price will decrease, staff will face uncertainty in future etc.

Central end regional public authorities belong to the external group of stakeholders. In this way, regional public authorities direct functioning of building companies for creating competitive products, with exact region needs. They can appear as a separate participant of public-private partnerships, which are engaged in weighty building projects for regional or national level.

Effective cooperation with such interested group as suppliers gives for organization an opportunity to get high quality materials in time for a good price.

Financial institutions interact with building companies by supplying them with funds. At the same time, managers of the organization have to carry out financial commitments in time.

The next external interested group of building companies is scientific research organizations. They provide the development and exploitation of intellectual property in the sphere of industrial production, its promotion on internal or external markets.

Accordance of native innovative products to world standards mostly depends on the development stage of our scientific and technical activity. Only inextricable connection between science and manufacture can make our products in building sphere competitive.

Society and public organizations, as external stakeholders, can have a significant impact on activity of building organizations. In this way, they can monitor activities of building companies for keeping building and ecological standards. Their opinion has significant impact on perception of such organizations by consumers.

The other part of market infrastructure is informational and analytical companies. Constant monitoring of needs and opportunities of the region for producing competitive products, providing quality services, and providing with such information manufacturers, contributes to promotion of services and products at the national and worldwide levels.

All interested groups have their own influence on progress of organization.

Nowadays, formation of effective building system has special importance, as level of providing society with building essentials has its valid impact on economics developing. For this purpose, we need to form an adequate evaluation system in order to control cooperation between building organizations and their stakeholders, on this basis new ways of development will appear. This requires the selection of appropriate methods for problem solving.

The first effective analysis and synthesis method in building sphere is modelling special cognitive mode, when subject of research instead of choosing investigated object of cognition, chooses or creates a new similar auxiliary object, explores it and new gained knowledge carries on original-object. Due to the active role of subject, process of modelling has creative nature [10, p. 44].

In order to evaluate cooperation between building organization and its stakeholders will be appropriate to use system

approach, which is based on the integrity of the object of research. This principle says that total has such properties like no one other part may have. This property of integral system is called emergence.

Manifestation of emergence properties is any interaction effect, which is non-adjective concerning local effects. Realization of the system approach for the purpose of maximum usage of total properties requires constant integration of conceptions on different levels of their exploration, also, it requires subordination of separate goals to general purpose [10, p. 30].

The usage of structural and functional approach gives an opportunity to determine basic parameters and characteristics of cooperation between building organizations and stakeholders.

Realization of the proposed method implies usage of such stages:

1) stakeholders recognition in building sphere as a component of the system ($V_i \in V$), where $i = \{1, 2, 3, 4, 5, 6, 7, 8, 9\}$;

2) definition of the system structure, interconnections between various components inside of it and cooperation between stakeholders and building organization;

3) definition of external and internal system parameters;

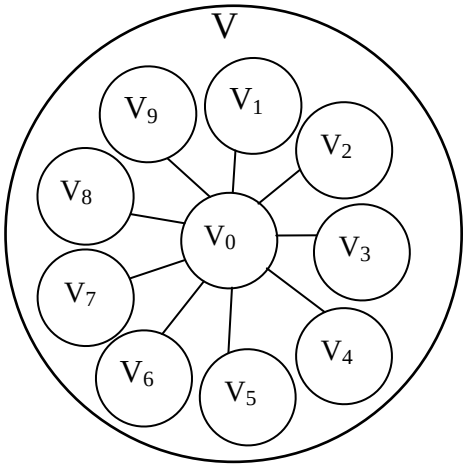
4) formation of influence methods on processes of this system (Q_0);

5) setting up the organization goals and tasks;

6) formation of actions directed for achieving goals and effective cooperation with stakeholders ($F \times Q_0 \times G \to E_0$);

7) determination of mechanisms for system functioning ($U_0 \to E_0$);

On the basis of such approach, we propose to depict building organization and its stakeholders as a star graph- model, which will give us an opportunity to make mathematical description of components and their cooperation:



Pic. 1. Evaluation of cooperation level between building organization and its stakeholders imaged in graph- model

Graph-model consists of ribs (connections) and tops (of building company and stakeholders). Ribs and tops create the system, which gives us an opportunity to manage its integral evaluation. Each top of the graph-model belongs to a special type of stakeholders: consumers of building organization – top V_1, personnel and managers of building organization – top V_2, owners and shareholders – top V_3, central and regional public authorities – top V_4, suppliers – top V_5, financial institutions – top V_6, scientific- research organizations – top V_7, society and public organizations – top V_8, other components of building goods and services – top V_9, building organization – top V_0. Ribs of the model ($V_0 - V_1$), ($V_0 - V_2$), ($V_0 - V_3$), ($V_0 - V_4$), ($V_0 - V_5$), ($V_0 - V_6$), ($V_0 - V_7$), ($V_0 - V_8$), ($V_0 - V_9$) characterize the cooperation between building company and its stakeholders.

On basis of modelling connections between building organization and stakeholders, system (V) graph- modelling description is made:

$$V = \langle G, E_0, F, R, Q_0 \rangle \quad (1)$$

Where G- structure of the system;

E_0 – effectiveness of the cooperation between building company and stakeholders;

F – macro function of the system;

R – the ratio of the emergence;

Q_0 – the part of added value due to cooperation with stakeholders;

The brightest expression of system integrity is its emergence, that means the presence of such properties which no other element has. Emergence is a result of synergistic connections between elements, they provide enlarged general effect, however, when these elements act separately, the effect is smaller.

That is why socio-economic systems, like building companies, need to be explored due to the influence of synergistic effect.

Emergence in the theory of systems - is special characteristics of the system, which has no subsystem or block, also, it is sum of elements, which has no connection between each other; synonym – "systemic effect".

Macro function- is quantitative expression of the main goal, which depends on managerial influence.

Mathematically macro function can be described in such way:

For example, high level of personnel devotion to the organization leads to high level of product quality, satisfaction of consumers and, eventually, it leads to increasing competitiveness.

$$\boldsymbol{F : Q_o \longrightarrow E_o}, \quad (2)$$

Main goals realization of macro function system is possible only in case of conformity between the structure (G) and its integrity (R).

$$\boldsymbol{R : F \longrightarrow G.} \quad (3)$$

Considering all aforesaid, system structure has such mathematical form :

$$V = \left\langle \begin{matrix} \{V_0, V_1, V_2, V_3, V_4, V_5, V_6, V_7, V_8, V_9\}, \\ (V_0, V_1), (V_0, V_2), (V_0, V_3), (V_0, V_4), (V_0, V_5), (V_0, V_6), (V_0, V_7), (V_0, V_8), (V_0, V_9) \end{matrix} \right\rangle \quad (4)$$

Where,

$\{V_0, V_1, V_2, V_3, V_4, V_5, V_6, V_7, V_8, V_9\}$ – tops of the graph- model;

V_0– building organization;

V_1, V_2, V_3, V_4, V_5, V_6, V_7, V_8, V_9 – stakeholders of building company;

$(V_0, V_1), (V_0, V_2), (V_0, V_3), (V_0, V_4), (V_0, V_5), (V_0, V_6), (V_0, V_7), (V_0, V_8), (V_0, V_9)$ – set of connections of the graph- model;

Formed graph-model can be presented by next functions:

$$f_1 : V_i \to Q_i; \quad (5)$$

Where, $i = \{1, 2, 3, 4, 5, 6, 7, 8, 9\}$;

Q_1 – increase in the added value of building company due to interaction with consumers;

Q_2 – increase in the added value due to personnel efforts;

Q_3 – increase in the added value due to interaction with owners and shareholders;

Q_4 – increase in the added value due to interaction with central and regional public authorities;

Q_5 – increase in the added value due to interaction with suppliers;

Q_6 – increase in the added value due to interaction with financial institutions;

Q_7 – increase in the added value due to interaction with scientific and research organizations
Q_8 – increase in the added value due to interaction with public and society;
Q_9 – increase in the added value due to interaction with components of the market infrastructure in building sphere.

$$f_2 : (V_0, V_i) \rightarrow T_i; \quad (6)$$

T_i – availability level of building organization for stakeholders;
$i = \{1,2,3,4,5,6,7,8,9\}$

$$f_3 : V_0 \rightarrow (\sum_{i \in I} Q_i, P_i); \quad (7)$$

P_i – level of stakeholder significance;
$i = \{1,2,3,4,5,6,7,8,9\}$
The first function of graph-model is oriented on evaluation of possible benefits, which can be received from stakeholders.
The second function characterizes availability level of building company for its stakeholders;
The third function characterizes aggregate level of benefits received from stakeholders.
Having analyzed mentioned above, we can develop methodical approach for evaluation of the added value of building organizations.
It is necessary to note, that during controlling stakeholders, we should act by the principle "listen-analyze-act", any of these statements can't be missed.
Also, we should mention that improvement of the relationship with stakeholders must be constant and effective. Managers should elaborate new actions to contribute to it. If they don`t pay any attention to this fact, competitiveness, profits and effectiveness will decrease.

3. Conclusion

Nowadays, strategic management with paying attention to the level of cooperation between organization and its stakeholders, becomes more and more popular. New methods for determining reputation level are developed (for example, TRI*M system, developed by TNS company). Also, new methods for level evaluation of stakeholder influence and ways to encourage them are developed.
Due to this approach, for taking leadership position on the market, we should create effective cooperation and connection with all stakeholders. All these measures will lead to manufacturing of high quality production, its competitiveness on the market, getting worthy profits, and constant development of the industry

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