

Enterprise Strategy in the Area of Value Creation for Its Stakeholders

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Abstract

For the enterprise's existence, it is necessary to respond to fundamental changes and development trends in the world economy, especially at the strategic level. Strategic management is the intellectual performance of top management. The enterprise's strategy for creating value for stakeholders is gaining in importance. The identified problem in the paper is the absence of the inclusion of value creation in the enterprise's strategy. Previous research has shown that value management principles are applied in enterprises and create value for enterprise stakeholders. However, these principles are not systematically, holistically elaborated in the strategy. The paper aims to link enterprise strategy issues with the creation of value for enterprise stakeholders to synergy the principles of value management with strategic management. The goal was fulfilled by creating the substantive content of three phases, namely the formulation, implementation, control and evaluation of the strategy in value creation for the stakeholders of the enterprise and the sequence of individual activities. A verbal-graphic model has been developed because management practice strives to use universally valid models. Their processing was also based on a survey conducted through controlled, structured interviews (Pen and paper interviews) with competent managers of selected industrial enterprises. The paper's contribution is to provide new and unexpected perspectives on linking value creation for stakeholders with strategy, propose practical steps to solve the problem through modelling within the enterprise's strategy and open new directions for future research.

Keywords

value, value management, strategy, stakeholders

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Introduction

At the current stage of development of the economic environment, enterprises are looking for new ways to gain and maintain a competitive advantage. These include the application of the principles of value management. The initiatives of the European Union also confirm the timeliness of their use through the adoption of standards EN 1325: 2014 - Value Management - Glossary - Terms and definitions and EN 12973: 2020 - Value Management. Value management is applied at the operational and strategic levels. Its part focused on creating value for enterprise stakeholders at both levels is applied. Linking value management principles with the enterprise's strategy brings a synergistic effect. A formal approach will be ensured based on the deployment of specific processes, goal setting, the use of value management methods to apply management principles through the elaborated part of the strategy.

1. Value and value management in the context of creating value for stakeholders

Based on given international standards, *value* is defined as a measure that expresses how well a product, project, or organization satisfies the needs of stakeholders concerning the resources consumed. *Value management* is a management style focused primarily on people, gaining skills and promoting synergies and innovation to maximize the organization's overall performance. According to Levdokymov, Valinkevich and Zavalii (2018) and Sroufe and Gopalakrishna-Remani (2019), it is a process through approaches and

methods used at different levels of value-oriented business management. It focuses on linking new knowledge with existing knowledge (Shephard and Egan, 2018, Ďurišová, Kušnírová and Malichová, 2020). Based on previous research, value research and solutions, together with value creation and value management, focus primarily on customer value (Ďurišová, 2017, Ďurišová, Kušnírová and Malichová 2020). According to the survey so far, only partial conclusions are available, without a sufficient number of scientific contributions, case studies and other relevant resources. (Potkanová and Ďurišová, 2017), (Malichová, Ďurišová and Tokarčíková, 2017). Currently, corporate activities' importance is valuable to all stakeholders, not only customers (Saipol et al., 2017). Enterprises' stakeholders are persons, groups or organizations that impact the enterprise's existence or their activities affect it retroactively. These include owners, creditors, employees, customers, suppliers, competitors, government, local government, NGOs and communities, and the media. Stakeholders defined in this way are related to the value orientation of the business. The common goal of all stakeholders is the long-term existence of the enterprise. It is necessary to manage relationships with them. The strategy can be focused on all or only selected stakeholders. It uses the stakeholder concentration index (Obeng, 2019). It is insufficient to monitor and manage only the economic value added (EVA). It is necessary to simultaneously confront efficiency and value-added processes, calculated based on the value-added index (VAI), which maps the actual value stream in complex business processes (Rajnoha, Sujova and Dobrovic, 2012).

Value management aims to find the optimal relationship between the satisfaction of needs and the resources used. The manager's ability to perceive the value depends on his ability to search for and use opportunities to grow the enterprise's value and the awareness of the value of people in the work process (Kucharčíková, Mičiak and Hitka, 2018). In managing value, the expectations of individual stakeholders must be aligned. (Schulze and Zellweger, 2021), (Thiry, 2013). Defining a profit criterion for owners, investors, employees, customers, suppliers, and creditors is necessary. Increasing value results from the optimal combination of several activities and factors that need to be monitored, analyzed, designed solutions and then selected as the optimal option. (Davies, 2016). Satisfaction of needs can only be assessed considering the reference functions that define the anticipated needs or services provided and the constraints to be met. This logic fundamentally distinguishes the value management approach from any other approach to optimization, design, or more general problem-solving. Resource consumption represents everything required to meet needs (Kamodyova, Potkany and Kajanova, 2020). Resources include costs (short-term and long-term) and time, materials and other inputs, whether physical or abstract, such as human capital and intellectual property, sustainability and impact on society. The resources used include start-up and operating costs and other aspects such as environmental impacts.

2. Enterprise strategy focused on creating value for stakeholders

The strategy generally includes a comprehensive approach to achieving the set objectives. Goal setting itself is the focus of long-term planning. A common feature is a focus on long-term goals. The strategy looks at long-term goals from a broader perspective than achieving them (Fotr, 2012). The principles of strategic thinking are formulated in the enterprise. The process is determined from the decision through the development of the strategy to its implementation and update (Souček, 2015).

One of the functional areas of the enterprise's strategy is the strategy of creating value for stakeholders. It can be used in three phases:

- Formulation (creation) of strategy: a set of goals and conditions and procedures to achieve them.
- Implementation of the strategy: setting tasks, communication, and introducing administrative support systems.
- Control and evaluation of the strategy: measurement, comparison of the goal with the achieved results, analysis of deviations, conclusions.

Formulation (creation) of strategy

Strategy development is based on the identification and selection of stakeholders. Strategy makers need to select essential stakeholders. The selection criteria can be the importance and benefit to the enterprise and the power to influence the operation and existence. For important stakeholders, value goals need to be set. Strategy development continues by defining the means (resources) to achieve the goals. They can be defined in terms of work, material, capacity, finance and others. The implementation of the strategy is laborious and financially demanding, but the material and capacity resources are negligible. The last part of creating a strategy is determining how to achieve goals. In creating value for stakeholders is adequate to use the

term management activities. They can be defined as methods, procedures, and techniques to create value for selected stakeholders of the enterprise.

Strategy implementation

The implementation of the strategy leads to its realization. It includes a set of activities that implement the established strategy. It includes specific tasks for specific employees with deadlines. The set of tasks can be presented through programs. The role of the programs is to specify which measures will be implemented according to functional areas. On the formal side of the task, they should be in writing. In addition to responsible employees and managers of individual functional areas, strategy developers are also part of the implementation team. Implementing the strategy is a demanding process in which communication, the introduction of administrative support systems, the creation of coordination mechanisms, the localization of decision-making processes and the establishment of control systems play an important role. It may require the creation of remuneration and incentive schemes, a reformulation of corporate culture and possibly a change in organizational structure.

Strategy monitoring and evaluation

The strong competitive environment in which enterprises currently develop their activities must constantly improve their processes (Tokarčíková, Falát and Malichová, 2016). One way to achieve this is to implement a regular ongoing review of the stakeholder value strategy. Quantitative control checks the achieved results and values (Chalastra et al., 2019). Qualitative control and evaluation focus on ensuring compliance with the set objectives in the area and monitoring the contribution of individual employees and managers. The control process's fundamentals are monitoring the actual course (Kajanová, 2015) of the monitored activities, finding out the actual situation, comparing the set goals in the strategy, finding out deviations and their analysis, drawing conclusions for further analysis decision-making.

Determining the actual state of implementation of the value creation strategy for stakeholders is carried out based on observation, measurement, statistical data, various types of databases, imaging, written or oral reports. Inspectors must have sufficient information about the object of inspection, but on the other hand, they must be able to determine the causes of deviations from the required conditions. By comparing the actual situation with predetermined criteria, it is possible to show a match, representing an ideal, unrealistic situation and deviations in the enterprise. A low level of deviations is to be expected in business practice, as the company is a dynamic system, evolving over time, an incalculable number of factors influences the processes taking place in it. Significant deviations arise when there are discrepancies between the objectives and the tasks derived from them and the possibilities for their implementation. Once identified, it is necessary to perform a thoroughgoing analysis (Průša et al., 2020) and then take measures to eliminate them. Deviation analysis has an irreplaceable place in evaluating and monitoring the value strategy for stakeholders. The quantified deviations are de facto or ideologically decomposed into elements (Malichová et al., 2020). At the same time, the relationships between the elements and the impact of production factors on the enterprise's productivity (Chodasova, Kucharcikova and Tekulova, 2015) are examined to know the nature of the investigated phenomenon. The analysis proceeds from the whole to the parts (to the principles), from the result to the causes. The individual causes that affected the result are identified, and the properties of these causes are determined (external and internal, primary and secondary, objective and subjective, desirable and undesirable). These do not always have to be structural elements. The initial task of the analysis is to reveal and know the factors and relationships that affect the phenomenon. The analysis of deviations examines the degree of variability, seasonality (periodicity), the cycle of development, and the length of time shifts. An important position in control has a causal analysis, which deals with comparing causation and detecting factors that are causally related to the phenomenon. It is always better to deal with identified discrepancies as soon as they are identified. Their longer duration causes several consequences and the possibility of further problems and accumulation. Data reporting plays an important role (Tokarčíková, Poniščiaková and Bartošová, 2016). The success of a strategy depends on the ability to overtake others in thinking - to see what others do not see and to understand sooner than others what is the base of the future success. The success of strategic management depends on the ability to overtake others in the proceedings (Papula and Papulová, 2015).

3. Material and methods

The paper focuses on linking the principles of value creation for stakeholders with the enterprise's strategy. This connection results in systematic, holistically integrated value management principles focused on creating value for stakeholders in the enterprise's strategy.

The primary basis for fulfilling the goal was implementing a comparative analysis of theoretically processed data in the field of value creation for stakeholders and strategies.

Additional data were obtained from the survey through guided, structured interviews (Pen and paper interviews) with competent managers of selected industrial enterprises in the Slovak Republic. According to previous research in these enterprises, they are engaged or interested in value management. The chosen form of quantitative research was based on the need to obtain information about opinions, interests, attitudes, knowledge, preferences. They serve as a starting point for the prepared questionnaire survey for small and medium-sized industrial enterprises in the Slovak Republic. A similar questionnaire survey will be conducted in other European countries in the following research phase. The structured interview included closed questions for obtaining standardized answers and open-ended questions for the possibility of obtaining unforeseen information.

4. Results and discussion

By processing the primary data, results from applying the enterprise's strategy for the areas of value creation for the enterprise's stakeholders were created.

The first area concerns the level of value provision and the application of value management principles in business conditions. The interviewed managers expressed their subjective opinions on a verbal evaluation scale with numerical values from 1 to 10. The higher the number, the higher the level of providing value and applying value management principles is.

Table no. 1. Results of the demand for the application of value management principles

Demand item	Verbal rating scale									
	1	2	3	4	5	6	7	8	9	10
	Number of responses									
Value delivery level	0	2	3	2	5	5	0	3	0	0
Application of value management principles	0	3	5	4	5	3	0	0	0	0

Source: Own authors' elaboration.

The level of value provided in the surveyed enterprises is considered by managers to be standard to average. The application of value management principles shows a relatively low to an insufficient level. It is necessary to consider that the survey was conducted in enterprises dealing with value management or are interested in this area.

The second area deals with aspects of strategy formulation. Managers stated on which they pay attention in the formulation of the strategy and to what extent (Table no. 2). Subsequently, they expressed their opinion on the importance of the aspects of strategy formulation that we defined (Table no. 3). A verbal rating scale with numerical values from 1 to 10 was used. The higher the number, the higher the level of importance from their subjective point of view is. According to the results in business conditions, the factual expression of goals is most often used to formulate the strategy, and the determination of managerial activities to achieve the goals is low.

Table no. 2. Results of the inclusion of the value management principles in the formulation of business strategy

Aspects of strategy formulation	Verbal rating scale									
	1	2	3	4	5	6	7	8	9	10
	Number of responses									
Identification of stakeholders	0	0	1	2	5	1	2	5	4	0
Definition of criteria selection	0	0	0	2	4	4	7	1	1	1
Selection of important stakeholders	0	0	0	0	3	4	6	3	2	2
Substantive expression of objectives	0	1	0	2	3	0	4	1	4	5
Definition of resources	0	2	3	3	2	4	2	0	2	2
Determining managerial activities to achieve goals	2	2	0	4	3	1	3	3	2	0

Source: Own authors' elaboration.

Table no. 3. Results of the importance of value management principles in the formulation of business strategy

Parts of the strategy formulation	Importance									
	1	2	3	4	5	6	7	8	9	10
	Number of responses									
Identification of stakeholders	0	2	3	2	5	5	0	3	0	0
Definition of criteria selection	0	0	0	0	4	3	8	1	2	2
Selection of important stakeholders	0	0	0	0	3	4	6	3	2	2
Substantive expression of objectives	0	0	0	0	0	0	5	6	4	5
Definition of resources	0	1	2	3	5	4	2	1	1	1
Determination of managerial activities to achieve goals	0	0	0	2	4	5	3	3	2	1

Source: Own authors' elaboration.

The third area of a systematic approach to the implementation, control and evaluation of the strategy contains results on the use of the elements that make up these processes. The interviewed managers expressed whether individual elements are used in their enterprises (Table no. 4, Table no. 5).

Table no. 4. Results of using the elements of strategy implementation

An element of strategy implementation	Application in business conditions (number of responses)		
	Yes	Sometimes	No
Definition of specific tasks	11	5	4
Determination of the procedure (method) of implementation	4	8	8
Definition of responsible employee	12	6	2
Assignment of competencies to the responsible employee	4	6	10
Determination of the time schedule	6	6	8
Establishment of a coordination mechanism	2	4	14

Source: Own authors' elaboration.

Based on the respondents' answers, the most applied elements from the strategy implementation are the definition of the responsible employee and the determination of specific tasks. The least used elements are creating a coordination mechanism and the assignment of competencies to the responsible employee.

Table no. 5. Results of the elements of the strategy monitoring and evaluation process

An element of control and evaluation of the strategy	Application in business conditions (number of responses)		
	Yes	Sometimes	No
Determination of the quantitative control procedure	7	8	5
Determination of the qualitative control procedure	6	7	7
Definition of the real situation	15	5	0
Comparison of the actual situation with the set target values	13	4	3
Detection and analysis of deviations	8	7	5
Determination of conclusion for further decision-making	4	5	11
Determination of the time schedule	7	8	5
Establishment of a coordination mechanism	3	3	14

Source: Own authors' elaboration.

Based on the respondents' answers, the most used element in the strategy's control and evaluation is defining the actual situation with the most numerous answer (15 respondents). The second most used element is comparing the actual situation with the set target values (13 respondents). The least applied element is creating a coordination mechanism (3 respondents) and concluding further decision-making (4 respondents).

In conclusion, in the results section, it can be stated that a systematic approach is not applied in the business conditions, which would include all elements of formulation, implementation, control and evaluation of the strategy for the creation of value for the stakeholders of the enterprise.

The benefit of using the quantitative method of the structured interview was acquiring other important information, which was not defined in advance. In particular, the need of:

- development of model solutions for strategy components,
- setting up coordination mechanisms,
- introduction of administrative support systems,
- a creation of a database of information,
- localization of decision-making processes,
- a creation of structured information on the control object,
- elaboration of the procedure for the cause of deviations from the required state and their quantification.

The research results could be clearly expressed through a verbal-graphical model (Figure 1 Model of value creation strategy for stakeholders). It depicts and transparently presents its course based on a logical arrangement. It contains a substantive content of 3 steps - formulation, implementation, expression, control, and evaluation in value creation for the enterprise's stakeholders. It is a universal model that can be used in practical applications in various enterprises regarding the subject of activity. The model consists of activities specified in more detail in the text. The model eliminates the inadequacy of structuring problems in this area.

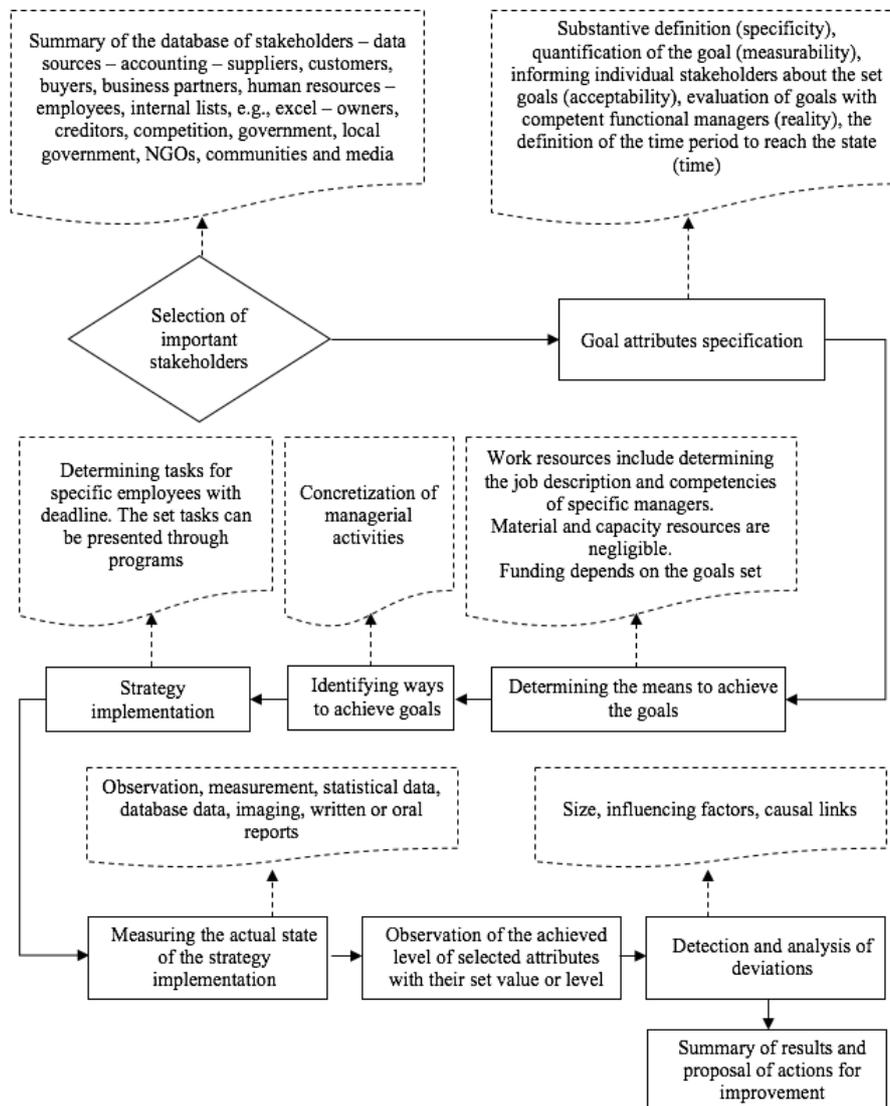


Figure no. 1. Stakeholder value strategy model

Source: Own authors' elaboration

Conclusions

A systematic approach to solving the enterprise's current state of various functional areas can be included among the innovative methods (known procedures applied in another, new way). It is crucial in the enterprise's strategy for creating value for stakeholders. Here they find the application of value management principles, which focuses on people's knowledge and skills, promoting synergies and innovation. The paper aims to link enterprise strategy issues with the creation of value for enterprise stakeholders to synergy the principles of value management with strategic management. It was fulfilled by creating the content of three parts of the strategy: formulation, implementation, control and evaluation, and the sequence of individual activities. The value management principles focused on creating value for stakeholders were systematically and holistically incorporated into the enterprise's strategy and clearly expressed through a verbal-graphic model.

The primary basis for fulfilling the goal was implementing a comparative analysis of theoretically processed data in the field of value creation for stakeholders and strategies.

Additional data were obtained from the survey through guided, structured interviews (Pen and paper interviews) with competent managers of selected industrial enterprises in Slovakia. Based on the synthesis of the results by processing the data obtained from the structured interviews, it is possible to draw the following conclusions:

- In the formulation of the strategy, the factual expression of goals is most often used, and the determination of managerial activities to achieve the goals is low.
- The most applied elements from implementing the strategy are the definition of a responsible employee and the creation of a coordination mechanism. The least used elements are creating a coordination mechanism and the assignment of competencies to the responsible employee.
- When checking and evaluating the strategy, the most numerous answer was to use the fact-finding element. The second most used element is comparing the actual situation with the set target values. The least applied element is creating a coordination mechanism and concluding further decision-making.

By processing the results, it can be stated that a systematic approach is not applied in the business conditions, which would include all elements of formulation, implementation, control and evaluation of the strategy for the area of value creation for the enterprise's stakeholders.

The paper's conclusions are incorporated into the existing state of knowledge and are illustrated through modelling. The theory will be expanded by revealing new concepts and knowledge.

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