SILESIAN UNIVERSITY OF TECHNOLOGYPUBLISHING HOUSE

SCIENTIFIC PAPERS OF SILESIAN UNIVERSITY OF TECHNOLOGY 2020
ORGANIZATION AND MANAGEMENT SERIES NO. 147

GENERAL MODELS OF SHAREHOLDER VALUE CREATION IN THE CONTEXT OF ENTERPRISE CSR POLICY

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Purpose: Deepening the understanding of possibilities of implementing conditions of the growing role of CSR in enterprise financial management system.
Design/methodology/approach: The above-mentioned purpose was achieved through the review of source literature and conclusions from the observation of changes in the perception of corporate social responsibility of business entities. The importance of research in this area often enhances a dogmatic, declarative approach to relations with stakeholders, detached from objectification from the perspective of financial efficiency.
Findings: As a result of the research, two general models for analyzing possibilities for implementing CSR policy were proposed: a reactive model, characterized by the "succession" of enterprise's activities with respect to the dynamics of the environment, and a proactive model, using the gap in expectations of the environment, offering new values thanks to business models anticipating the attitudes of stakeholders.
Research limitations/implications: The considerations do not show the superiority of any of the two models, but they open the perspective for further quantitative and qualitative research on the effectiveness of management decisions, focused on creating the market value of company capital using the leverage of relations with stakeholders.
Practical implications: The correct interpretation of CSR policy is important not only with respect to business practices of enterprise management boards, but also decisions taken by a diverse set of stakeholders other than capital owners. It allows the first to optimize decisions and enables the latter to correctly interpret corporate behavior and messages issued.
Originality/value: The paper is primarily addressed to business managers and then entities interested in the interpretation of decisions taken by business organizations. The originality of the approach results from the rejection of the effectiveness of relations with stakeholders in the prior sense and an indication of their importance from the perspective of the means to achieve the organization's goals.

Keywords: shareholder value, corporate social responsibility, stakeholder value.

Category of the paper: conceptual paper.

1. Introduction

Despite numerous discussions, management of the value of enterprise equity is still considered as a concept, which reflects the objectives of economic entities correctly in the theoretical and practical sense. It also has an integrative meaning in the sense of combining goals of capital owners and other stakeholders (Ehrbar, 2000; Jensen, 2001). This belief is a foundation of a concept of management dating back to the 1950s, which aspires, in some sources, to be called philosophy. It is subject to erosion, for instance as a result of the 2008 crisis. At the same time, actual increase in the importance of stakeholders (entities other than capital owners) cannot be ignored. Moreover, it is thought that the management of relations with entities in direct and indirect environment is becoming a fundamental element of strategy, the use of which actually determines survival of an organization (Freeman, 2010).

Recognition of the significance of the discussed problems is not new and has not emerged in a theoretical vacuum. Stakeholder theory was taken into account in many areas of management science in the past. It is visible in the achievements of H.I. Ansoff related to strategic planning. It clearly fits into the holism of the achievements of the systemic approach, as supported by studies of R.L. Ackoff. It is present in the achievements of the cultural school of strategic thinking (achievements of E. Rhenman can be mentioned here). Nowadays, however, a clear increase in effective pressure potential on the part of interest groups should be noted. This situation is a result of a number of factors, including social transformations, growing pressure of the environment, media development, as well as changes in collective consciousness. The literature on the subject and declarations made by business leaders provide a clear confirmation of transformations leading to the consolidation of the concept of "stakeholder capitalism" at the expense of the concept of "shareholder capitalism".

It is difficult to predict in what direction the future will evolve. However, one of the most important practical management questions already emerges today: how to take into account expectations of the environment in decision making processes? The point is to separate real decision-making patterns in enterprises from declarative manifestos with an undocumented foundation. It is not a challenge to answer the question whether the management of stakeholder relations influences the company's performance, including the one seen from the perspective of shareholder value. It is more difficult to indicate a consensus on two questions regarding the assessment of management effectiveness or pragmatic criteria of decisions made in relation to various forms of enterprise activities.

The following considerations attempt to identify two general models for implementing CSR policy in actions aimed at creating shareholder value, i.e. a reactive and proactive model. This was done on the basis of the literature on the subject, but also through conceptualization and construction of hypotheses.

2. Relation between expenditure incurred in connection with relational capital and an increase in the market value of equity – initial assumptions

The statement about growing pressure of entities in the environment on the way decisions are made by corporations is supported in multiple dimensions. It is sufficient to indicate the dynamics of changes in enterprise reporting (Kosiń, 2018) and the expanding scope of monitoring the pro-social activity of corporations, including through ESG indices – Environmental, Social, Governance (in Poland – Respect Index functioning at the Warsaw Stock Exchange). While searching for further arguments, one can point to the ongoing standardization of achievements in the field of CSR. Reporting oriented on stakeholder needs is developing in the form of integrated reports (Walińska, 2015). Special importance should be attached to the PN-ISO 26000 norm, Guidance on Social Responsibility, developed in 2010 (Polish Norm PN-ISO 26000:2012: *Wytyczne dotyczące społecznej odpowiedzialności*, published in 2012).

The said problems have their obvious ethical context, expressed in practice by declared and actual business goals. They can also be described in terms appropriate for economics or corporate governance tools, including through the prism of transaction costs (Baudry, Chassagnon, 2010). However, the utilitarian management perspective is primarily shaped by the correlations of enterprise's achievements, including those measured by the dynamics of the market value of equity and criteria applied by stakeholders.

Available sources referring to quantitative research, including those published by the creators of ESG indexes, as well as numerous reports appearing in the public space, confirm the growing interest of entrepreneurs in the issue of managing relations with the environment. In turn, research publications do not provide utterly convincing arguments for the existence of a statistically significant relation between the tendency of enterprises to limit opportunistic behavior for the benefit of stakeholders and the company's achievements preferred over the criteria used by capital owners (Kosiń, 2019).

This does not necessarily mean that there is no such relation, and this is due to limitations in the quantification of the studied variables or a barrier in identifying lost or alternative costs. They do not solve the fundamental question of whether relational capital, owned by an enterprise, generates a favorable rate of return for shareholders, or whether enterprises with a proven financial condition are able to cover broadly understood image and relational costs. However, these limitations do not change the need for an in-depth reflection in the context of conclusions of the agency theory. It can also be presumed through parallels from the concept of marginal utility that the dependency function has a parabolic shape (Marcinkowska, 2003).

Despite interpretative usefulness and intuitive confirmation, this assumption has its limitations. The first determines the phenomenon, which can be called hysteresis – a delayed response to the occurrence of a change factor. This phenomenon was observed primarily in natural sciences, but was adopted by social sciences, including corporate finance. Generally speaking, it means the dependence of the current state of the system on the states in the preceding periods. The current state of the system is, in this case, a combination of assessments of entities in the environment, resulting from the perception and interpretation of information issued by an enterprise or obtained from other sources. The said assessments are characterized by certain "inertia". In assessing the "irregularities" of relations, it is also necessary to take into account – as another limitation – the problem of information asymmetry in various groups of stakeholders, as well as behavioral aspects (Gajdka, 2013). What is important in the discussed area, are not so much the real characteristics of processes carried out by an organization, but rather the opinion on these processes formulated by the environment.

The last aspect makes it possible to understand quite a large number of phenomena on the capital market, such as a multi-million valuation of an entity that has never generated income (not to mention dividend), or investor preferences for some startups. The value of an enterprise largely depends on the "story it tells", because this story provides context for numbers and has the power to convince investors (Damodaran, 2019).

An attempt to graphically conceptualize the discussed issues was made in Fig. 1.

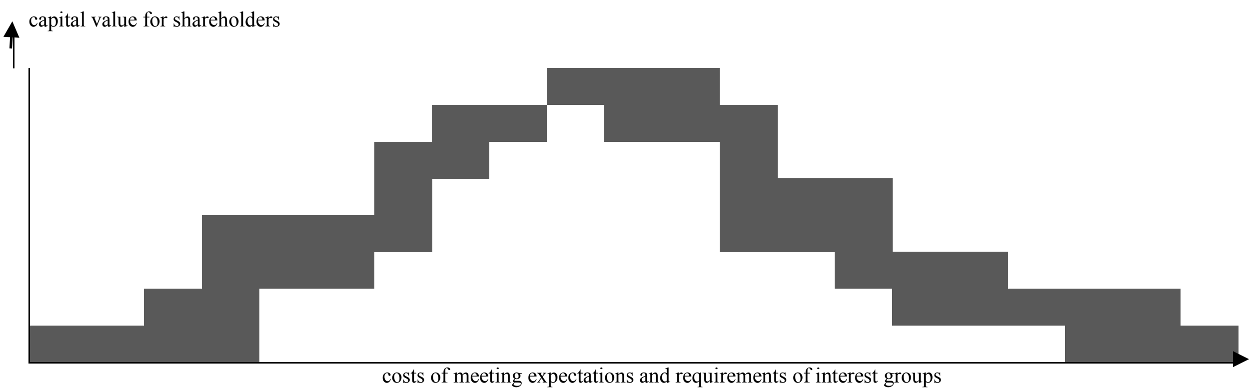

Figure 1. A parabolic model of the relation between investments in relational capital and an increase in the market value of equity.

The said relation cannot be explained by a function in the mathematical sense: arguments can be assigned not to one value, but a range of values, whose existence is conditioned by a complicated and probably incomplete set of factors. However, using mathematical terminology, it can be said that the maximum value does not have to be the maximum determined for one argument, but for a certain range. Local extremes for a certain range of arguments are not excluded either, and changes in the width and shape of the strip do not have to be determined by a right angle.

3. A reactive model of enterprise activities focused on increasing the value of equity through managing relations with stakeholders

Practical use of instruments for managing relations with stakeholders (with obvious exclusion of illegal activities in the widest possible sense of the word), focused on creating equity value, is an area of interest for many research trends. This paper focuses on management from the perspective of enterprise finance, in which it is important not only how and to what extent a corporation meets the expectations of stakeholders, but also how and at what cost the environment is informed about activities of an organization. This is a direct consequence of integrative perception of the importance of the value of equity and, at the same time, problems with the verification of messages in terms of their postmodern definition (Bauman, 2006; Giddens, 2001).

In general, the benefits of proper management can be reduced to three sets (Laszlo, 2008), whose elements are measurable:

- a market element, whose leading determinants will include quantity demand, market-acceptable price at a given supply and sales profitability,
- cost element (or related to outlays not recorded as costs),
- a risk element that is traditionally quantified by probability.

An attempt to organize these issues was shown in Fig. 2. It also partly explains dysfunctions between SHV – Shareholder Value (based on the DCF model – Discounted Cash Flow, in the assumptions) and MVA (Market Value Added).

It seems that the model mentioned above is based on concepts embedded in the interpretation of the production added value indicator (this value should not be combined with the Economic Value Added, i.e. EVA). It is interpreted as an increase in the value of goods resulting from the production process. In other words, it is a difference between the enterprise's revenue and costs of necessary expenditure, i.e. purchases of materials and services from other companies. Therefore, it is a difference between the sales revenue and the cost of obtaining the necessary expenditure; a difference between sales revenue and the cost of purchasing goods and services from other companies; the value of intermediate goods used for production should be deducted from the value of final goods (Begg, Fischer, Dornbusch, 2014). This interesting analytical indicator is rarely referred to in contemporary literature and practical studies, which seems wrong. Added value consists of:

- personnel and other costs (including interest and pensions),
- income.

ACTION/INACTION
Expenditure / Cost recorded and not recorded
Income
Risk
↓

Rationale for taking action ↓				*Rationale for inaction* ↓		
Moral law ↓	Tax reliefs, non-interest tax shield, subsidies, other ↓	Operating standards enforced by competition ↓	Building of relational capital ↓	Lack of expectations from the environment ↓	Lack of competition or competitors building competitive advantage based on the following actions ↓	Possibility to restrict access to information on actions that were not taken for entities in the environment ↓

SHV
↑↓
MVA

↑ The use of periodic reporting mechanisms and public information obligations using external authorization (audit) mechanisms to the extent required by regulations or voluntarily extended	↑ The use of non-mandatory and unique information flow channels, such as social media, events, public relations instruments, and other	↑ Formal and informal mechanisms of discriminating access to information, redundancy

↑
Information distribution mechanisms
↑
Risk
Reporting costs
ACTIVITY REPORTING

Figure 2. Model of SHV and MVA convergence analysis built based on stakeholder relationship management.

The amount of value added and its structure (division) determine the satisfaction of stakeholders, as they satisfy their needs by sharing this specific value created by an enterprise in the course of a business process and accepted by the environment through the act of sale. Its shape and division may be said to be a compromise between the ability of individual groups to determine the behavior of an enterprise. Obviously, actions of enterprises must take into account heterogeneity of stakeholder expectations and criteria for their prioritization, with actual impact on the way an enterprise operates, intensity of claims, control of resources, probability of active support/attack considered to be of key importance (Illia, Lurati, 2006).

Building a compromise on the distribution of value added based on these expectations means a reactive approach using the concept of CSR for the increase of capital value. It fits into the concept of an organization's single learning loop (Gladstone, 2004). It is a kind of limitation. However, the effectiveness of improving enterprise behavior in a single learning loop cannot be entirely denied. Its certain conservatism is compensated by the possibility of using clear and recognized analytical tools and economic account. In many cases, the adaptability of behavior, i.e. reactivity to phenomena occurring materially in the environment, limits the risk related to decisions made. Obviously, this value is significantly reduced by the dynamics of changes in the environment. The reactive way of decision making is not in conflict with key challenges of modern corporate finance management. Two directions of action are indicated:

- search for integrative management accounting mechanisms in the field of financial and non-financial data, taking into account the level of implementation of social and environmental economic goals,
- customization of corporate governance and controlling mechanisms to meet the needs arising from the principle of respecting CSR conditions.

In theory, the proposed model enables quantitative analyses and opens broad research fields. However, it must be objectively acknowledged that the problem lies in the quantification of model parameters. This problem limits both the decision-maker, who makes choices in the conditions of economic reality, and the scientific research. The very concept of value and the method of its transfer is currently subject to redefinition, as exemplified by introduction of the concept of economic and social value (Porter, Kramer, 2011) to the scientific discourse, which, in essence, goes beyond value understood solely in financial terms.

4. Proactive model of enterprise activities focused on increasing the value of equity through managing relations with stakeholders as compared to reactive activities

One can now point to a growing group of entities that go beyond the reactive approach, break standards and create capital in an unconventional way, while respecting the expectations of stakeholders. In their case, the presented model of analysis, which takes into account two dimensions: action/inaction and reporting, may be considered non-exhaustive. Entities operating on the brink of chaos look for solutions to management dilemmas not only in existing and hierarchically oriented procedures. They learn new ways of operating in a "hierarchical" double learning loop (Rokita, Dziubińska, 2017). In this perspective, expectations articulated by stakeholders other than owners of corporate capital become more "noticeable".

In this context, an observation appears, which at least partially explains the growing popularity of the concept of a business model. This concept was initially the key term used to refer to the growing capitalization of entities, in particular the "dot-com" enterprises, without justification in the declared strategy (DaSilva, Trkman, 2013), and was sometimes contested in the literature on the subject (Porter, 2001). Despite this, it became established in the general consciousness and has successfully expanded into entities operating outside new technologies (and it is impossible today to identify an enterprise which, as part of its processes, does not use internet technology to a greater or lesser extent). Among the many definitions of a business model, provided by the literature on the subject, it is pointed out that it is the architecture of the company and its partner network used for creating, marketing and delivering value, as well as the capital of mutual relations with one or more customer segments, whose purpose is to create profitable and permanent revenue streams (Dubosson-Torbay, Osterwalder, Pigneur, 2001). The choice of a conceptual basis is supported by pragmatic reasons guiding the presented arguments. The cited definition creates unambiguous and intuitively acceptable criteria of the business model: income and risk (as a derivative of persistence and volatility). It also emphasizes attributes that go beyond the subjectively interpreted organization, including relations with stakeholders. Among them, the recipients play a special role. It seems that the conceptualization of new, non-standard ways of generating income, including those using CSR, corresponds better with the concept of business models and is better operationalized by them (Jabłoński, 2018). An attempt to synthesize the above statements is shown in Table 1.

Table 1.
Key criteria for distinguishing the proactive model of creating capital value of an enterprise in the context of CSR

Criterion	Reactive approach	Proactive approach
Mechanism behind the selection of a decision option	Financial benefits with a limited time horizon, focused on maximizing economic value added, in consequence meaning: - a strive to reduce the value of capital employed (networking, the use of which substitutes ownership), - a preference for current income as opposed to multi-period income, - reliance on the category of capital cost (in the historical part).	Multi-criteria financial analysis focused on the survival of an organization and strengthening its legitimacy in the environment, in particular the strategic legitimacy associated with actions undertaken by an enterprise to acquire or maintain support for entities in the environment (Łada, Kozarkiewicz, 2013). The use of sustainable management accounting forms and the "legitimacy gap" category (Łada, 2016).
Sources of changes in the market value of an enterprise equity	The value increases due to a higher valuation of assets, including assets invisible in market conditions (Niemczyk, 2011). This phenomenon is underpinned, among others, by the assessment of past performance of an enterprise, asset synergy, undertaken projects and their valuation.	Based on the liability nature of intellectual capital (Edvinsson, Malone, 2001), as well as the possibility of a stronger leverage and specific "rolling" of these obligations, i.e. maintaining them over time.
The dominant form of enterprise behavior	Adaptive behavior in relation to signals coming from the environment, including potentially anticipative behavior. Declarative behavior characterized by the advantage of public relations instruments (including "buzzwords", as well as "storytelling" or "greenwashing") and marketing – over real activity.	Reliable information provided to the environment about new values important from the CSR perspective. CSR as a functional strategy based on an internal value system treated as a "genetic code" (Zarębska 2009). Integrity of CSR activities as co-defining the core competence of the company and a way to achieve strategic advantage
"Key" to the interpretation	Strategy as a means of achieving the goal. Even a perfectly flexible organization, focused on maximizing the use of opportunities, must work out how to use them and, at the same time, identify opportunities that are attractive to an organization.	Business model as an "invisible" business component with the ability to function independently in the market space (sales – "monetization" – business models).

5. Conclusion

Despite numerous declarations by business leaders about the primacy of social perspective over narrowly defined financial goals and important reasons arising from business practice or conclusions from the literature on the subject, management sciences are far from completing a set of pragmatic tools supporting enterprises in the process of creating capital value supported by the implementation of CSR policy. The creation of capital value in interaction with entities in the environment is a domain of many research areas. The achievements involving the use of complex supply chains, network connections, integration of project participants or results of marketing campaigns can be considered spectacular in many cases. However, CSR policy goes beyond pragmatically understood relations with the environment and a narrow interpretation of performance indicators. A vision of two general models of potential behaviors of enterprises is built as part of the presented considerations:

- the reactive model – to simplify the problem, the dominant criterion for selecting CSR activities is to minimize potential losses that could occur in the event of abandoning expenditure/costs for the broadly understood stakeholders,
- the proactive model – the dominant criterion for selecting CSR activities is the building of the position of an enterprise determined by its legitimization in the stakeholder environment.

What is important, regardless of the narrative of many managers, from the current perspective, there is no way to value these models in the context of effectiveness from the point of view of achieving financial goals. Axiomatics (if not dogmatism) of CSR interpretations reflects trends and social expectations. However, one cannot disregard the fact that stakeholders have more and more influence on the strategy and results of an enterprise, and consequences resulting therefrom are objective in decision-making processes. However, one should not lose sight of the fact that also the characteristics of an enterprise define the stakeholders (or at least the hierarchy of their significance). Furthermore, decision-making procedures may take into account moral determinants of choices to a varying degree, while business models intertwine values respected by those around them (a reference to the Canvas model). Management boards of economic organizations should be aware of it, as should the stakeholders themselves.

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