



Corporate  
Governance  
Center

# “Is the transition to “stakeholder capitalism” in the Armenian business environment possible?”

results of expert survey

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# Aim of the research

- discover the perception of the essence of "stakeholder capitalism" in Armenia,
- consider the possibilities of transition to "stakeholder capitalism" in the Armenian business environment and the factors affecting it,
- find out the main ways of transition to "stakeholder capitalism" in the Armenian business environment.

The research was conducted through an expert survey. 50 experts took part in the survey.

The survey was conducted in February-March, 2021.

# Essence of the “Stakeholder capitalism” concept

Stakeholder capitalism is aimed at generating profit for shareholders through value creation for society (customers, employees, suppliers, local community, environment). [TheEEA.org](https://www.eea.europa.eu/en/press/news/2019/09/19-09-2019)

Stakeholder capitalism is a form of capitalism in which companies seek long-term value creation by taking into account the needs of all their stakeholders, and society at large. <https://www.weforum.org/agenda/2021/01/klaus-schwab-on-what-is-stakeholder-capitalism-history-relevance/>

Stakeholder capitalism is a purposeful business that clearly identifies the motives for its creation and existence. *Principles for Purposeful Business. How to deliver the framework for the Future of the Corporation. An agenda for business in the 2020s and beyond. 2019.*

“Stakeholder capitalism” is the purposeful governance of companies for the benefit not only of shareholders but also of other stakeholders, contributing to the solution of problems having public importance, acting within high ethical standards, gaining the trust of stakeholders (employees, customers, partners, local community, etc.) and creating preconditions for the sustainable development of the country.

# Evolution of “Stakeholder capitalism” concept

**1932, Merrick Dodd** noted that companies also provide social services as an economic institution.

**1973, 2016, 2020, Development of the Davos Manifesto.** Klaus Schwab, the Founder and Executive Chairman of the World Economic Forum, began to develop the concept of “stakeholder capitalism” – “Stakeholders for a Cohesive and Sustainable World”.

**1984, Edward Freeman** published the “Strategic Management. A Stakeholder Approach” book.

**1997, John Elkington** attributed the companies' success to their ability to deliver a “triple bottom line”.

**2015 UN Sustainable Development Goals.** 193 countries agreed on 17 sustainable development goals.

**2017, Task Force on Climate-Related Financial Disclosures (TCFD),** Great Britain.

**2018, Accountable Capitalism Act.** Elizabeth Warren, the senator of the Democratic Party, suggested that business is seen as a “source of general public benefit.”

**2019, EU regulations.** Sustainable Finance Disclosure Regulation

# Measuring stakeholder capitalism

## Principles of Governance

- Business purposes
- Quality of governing body
- Stakeholder engagement
- Business ethics
- Risk management

## Planet

- Climate change
- Nature loss
- Freshwater availability

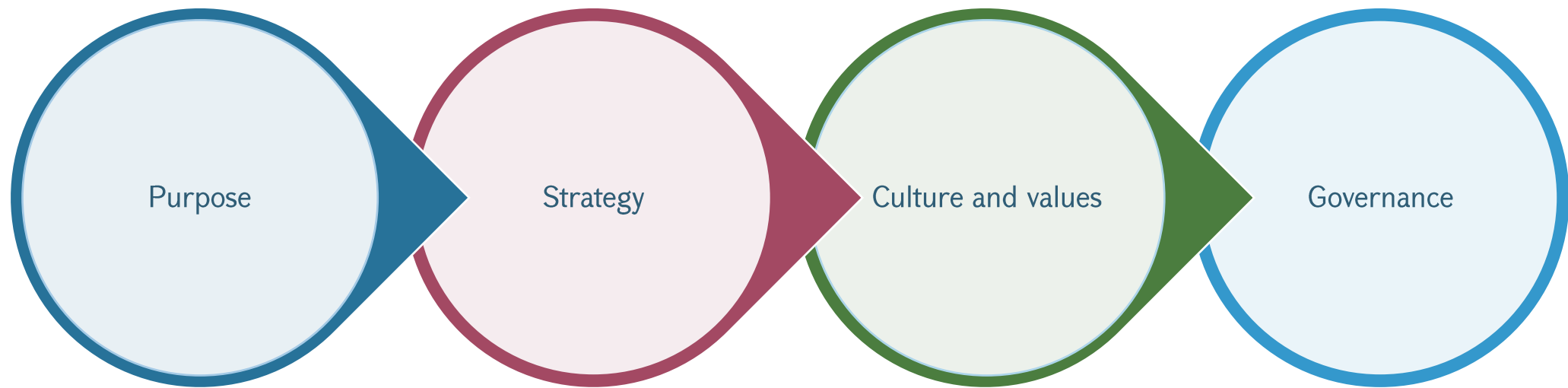
## People

- Dignity and equality
- Health and well-being
- Skills for the future

## Prosperity

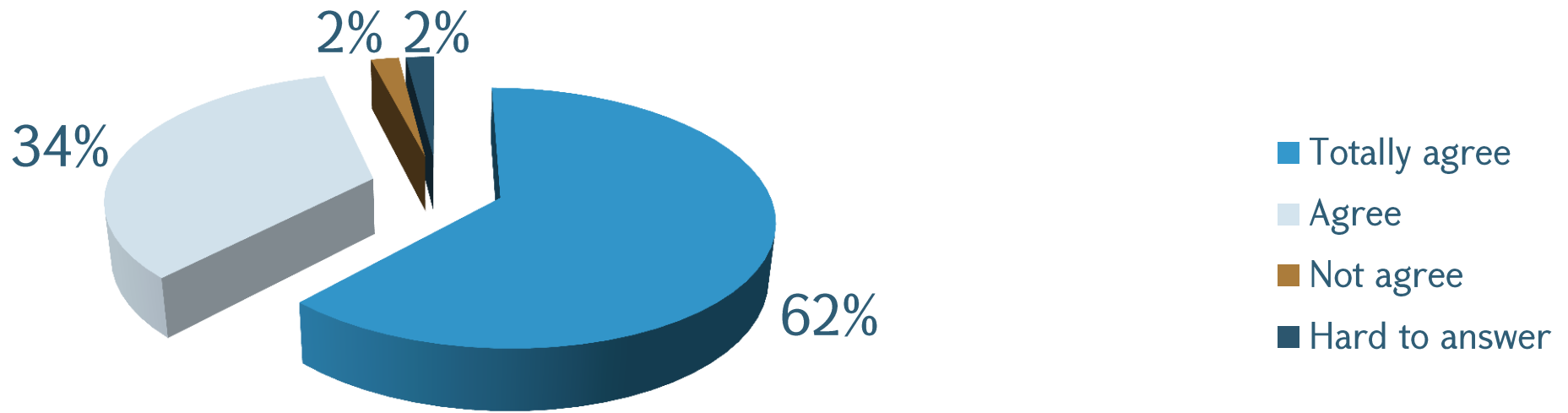
- Employment and wealth generation
- Innovation
- Community and social vitality

# Board's role in the stakeholder capitalism

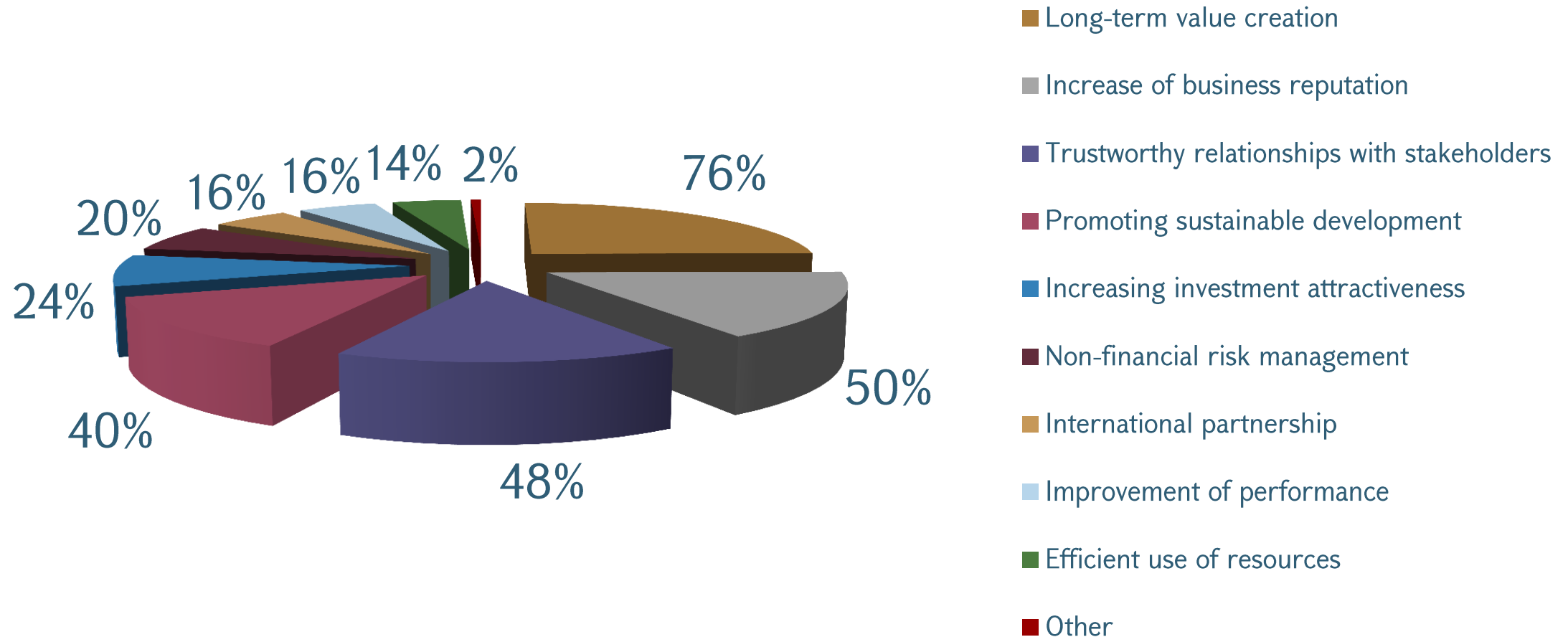


# Approaches to the formulation of the World Economic Forum 2020 Manifesto

*... A company is more than an economic unit generating wealth. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives ...*

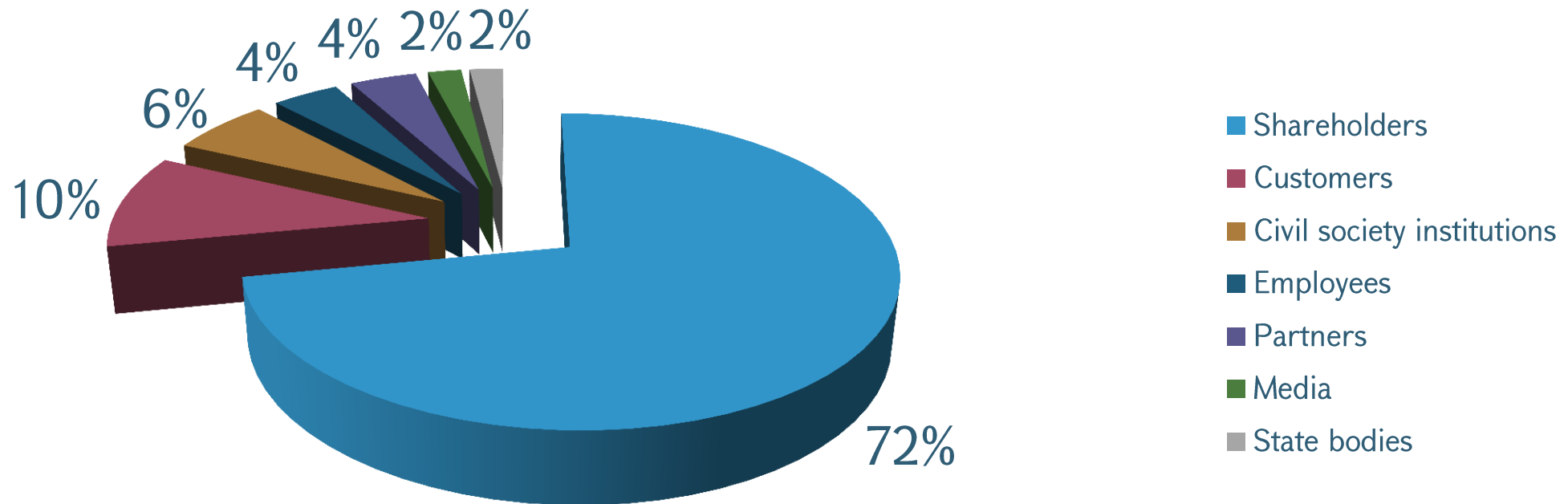


# Benefits of the stakeholder capitalism for companies





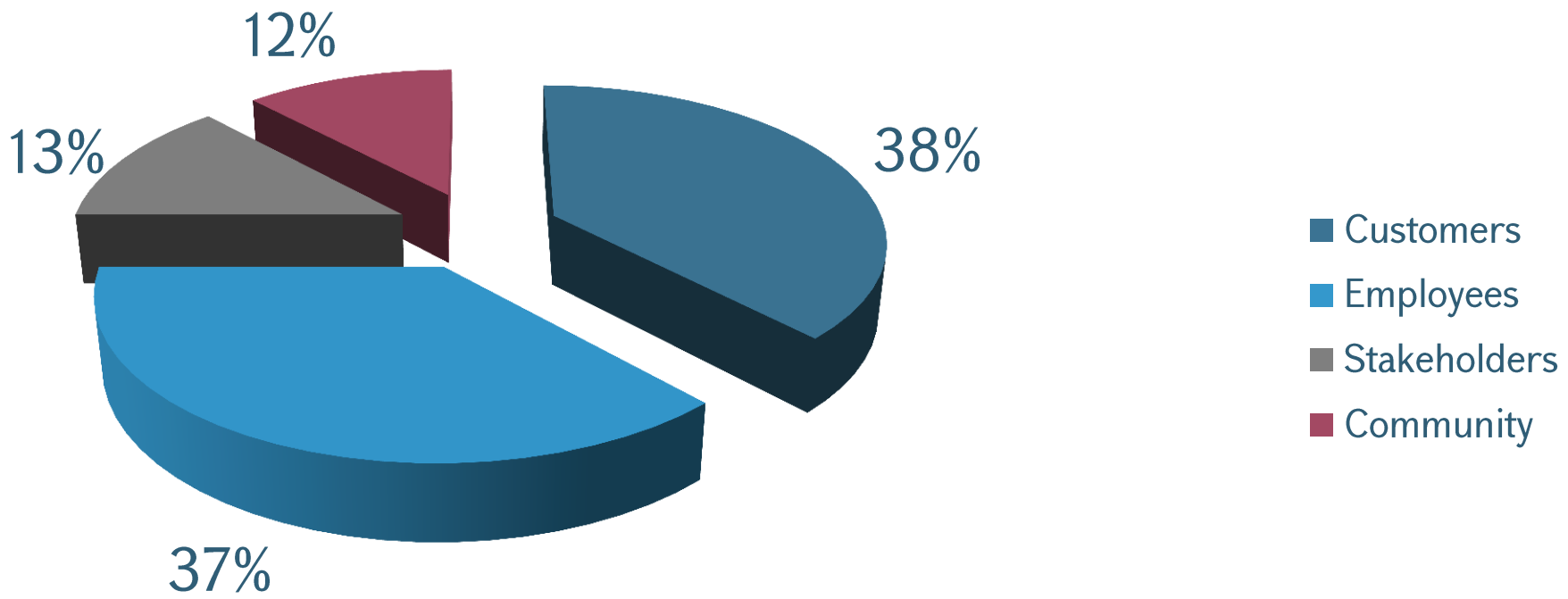
# Stakeholders of Armenian companies by priority



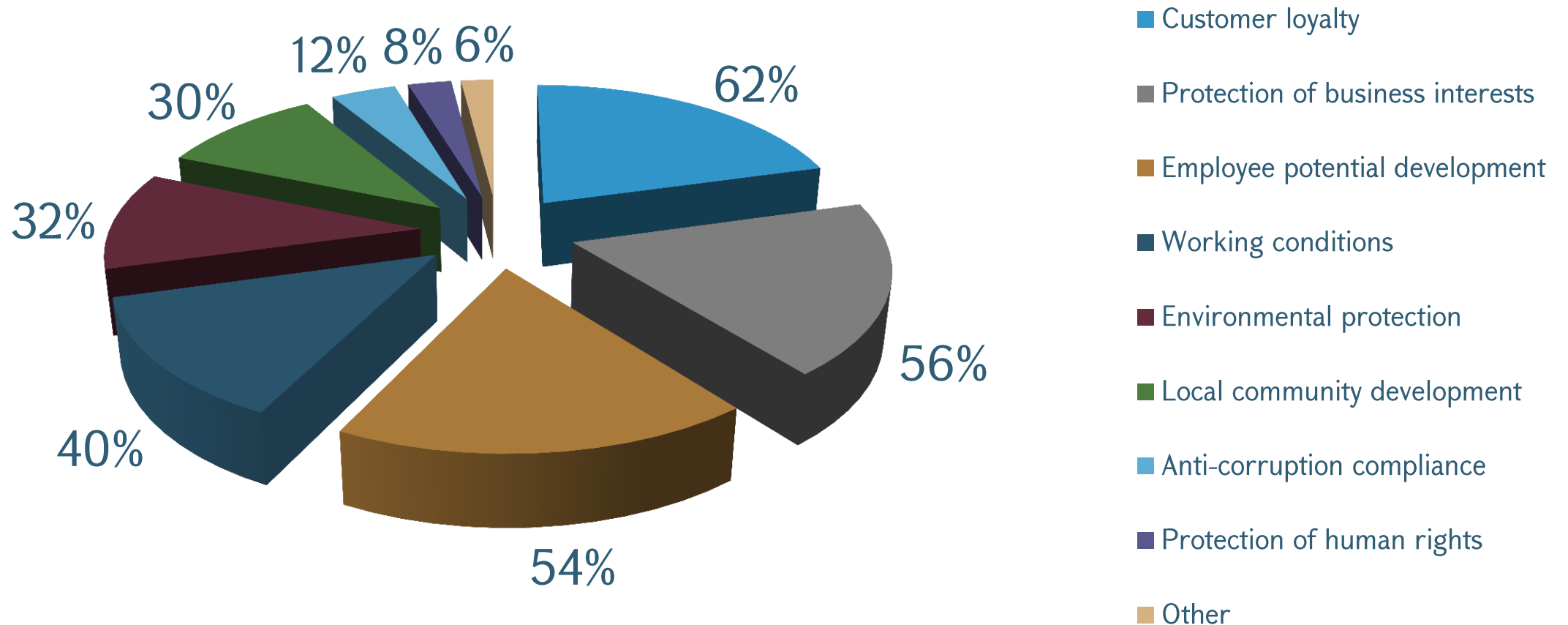
# Stakeholders of Armenian companies by priority

	1st place	2nd place	3rd place	4th place	5th place
Shareholders	72%	8%	10%	0%	4%
Customers	10%	18%	34%	14%	2%
Civil society institutions	6%	4%	0%	0%	4%
Employees	4%	32%	10%	22%	14%
Partners	4%	10%	18%	26%	14%
Media	2%	0%	6%	8%	6%
State bodies	2%	22%	6%	10%	14%
Local community	0%	2%	10%	4%	12%
Competitors	0%	2%	4%	4%	10%

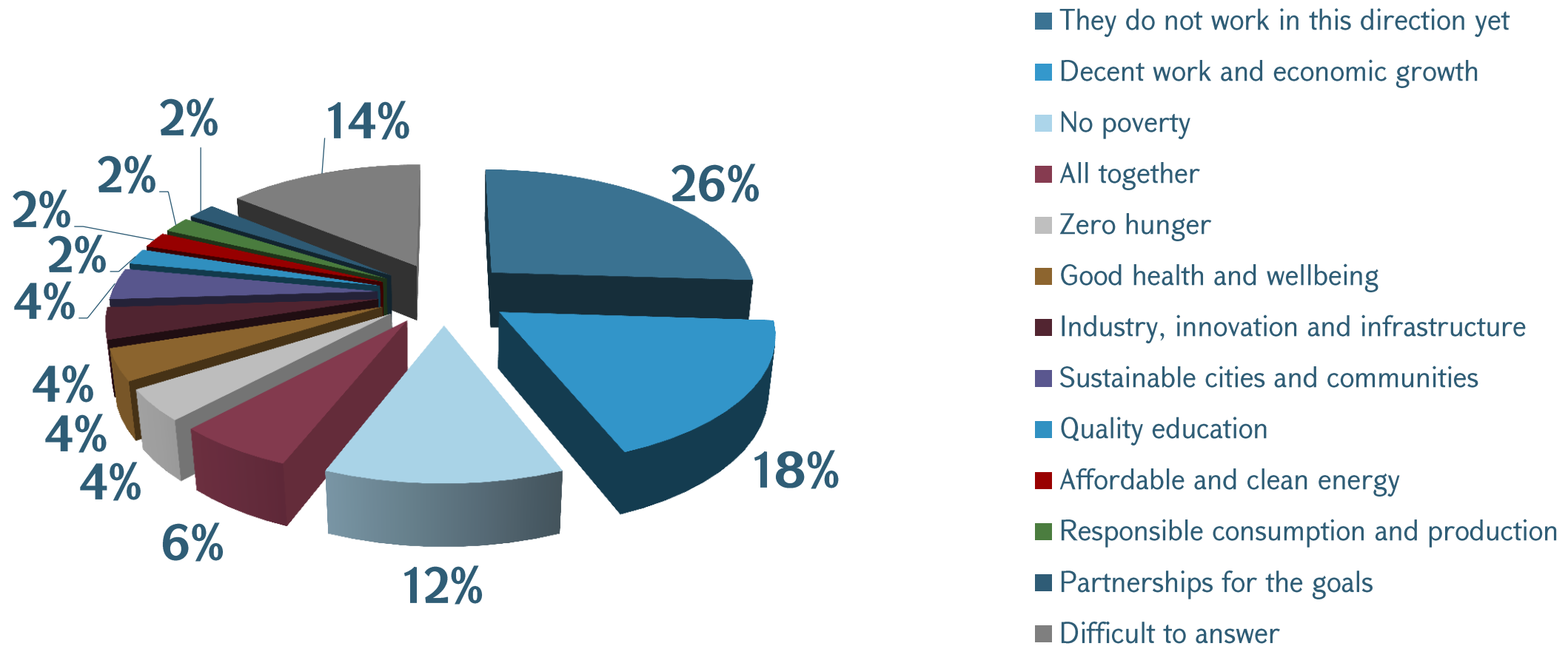
# Stakeholders are more important than shareholders



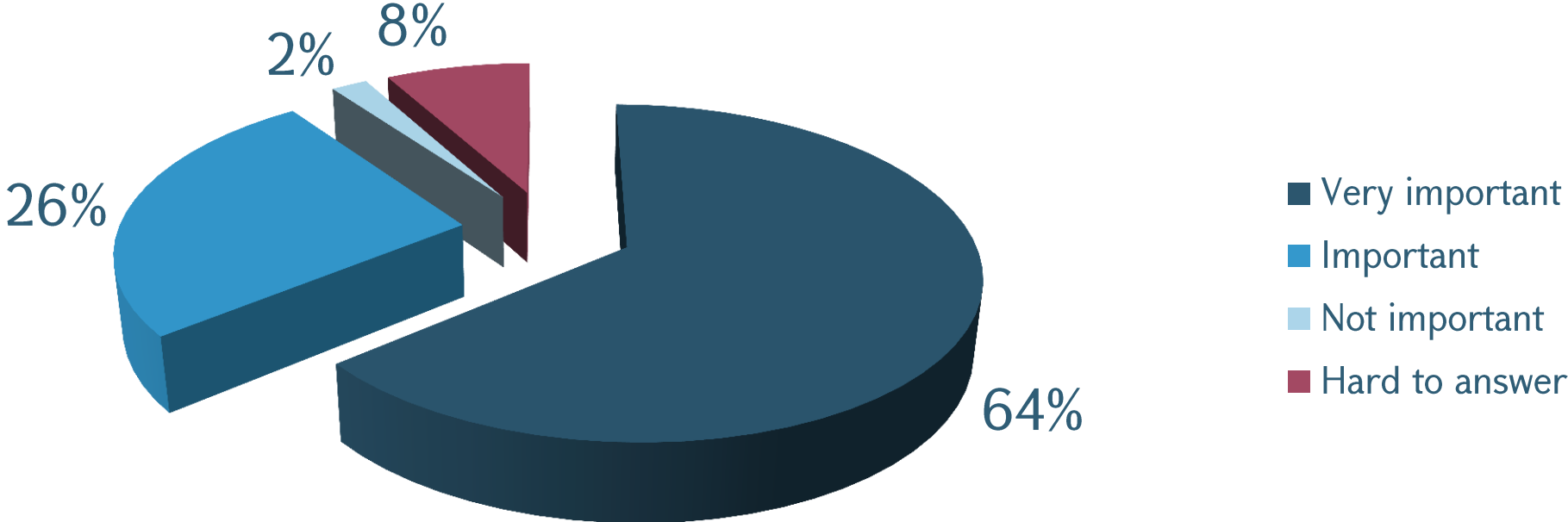
# Areas, where Armenian companies tend to make social investments



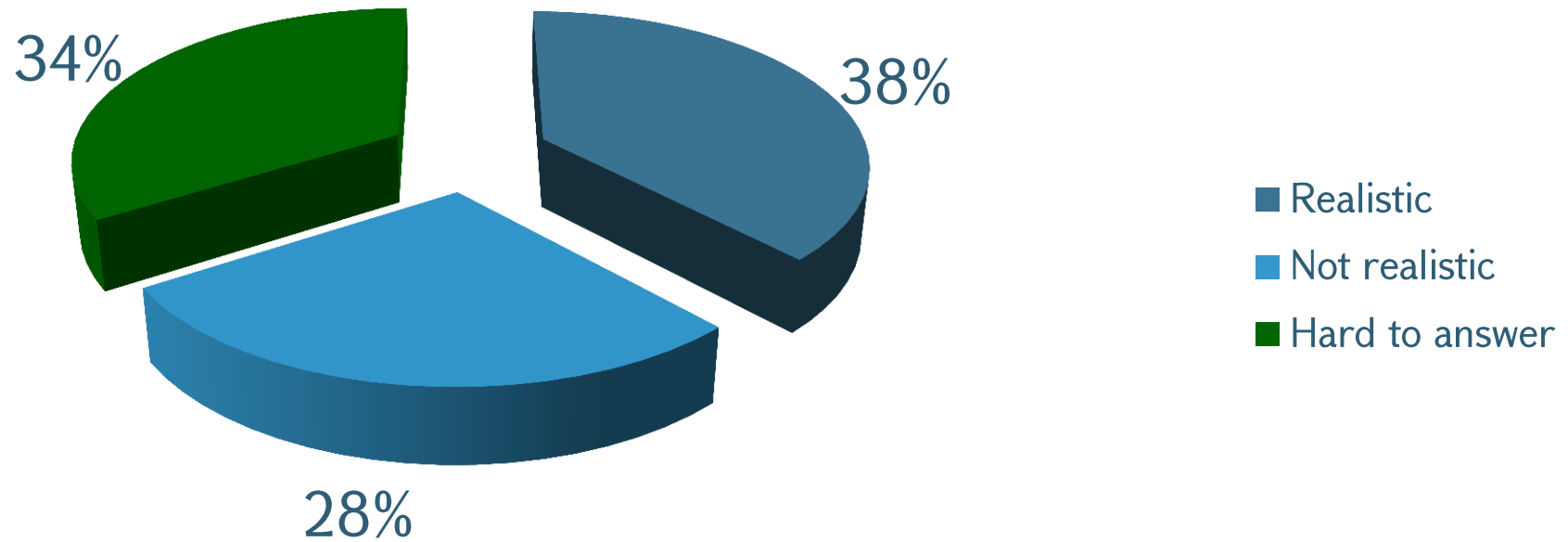
# UN Sustainable Development Goals and Armenian companies



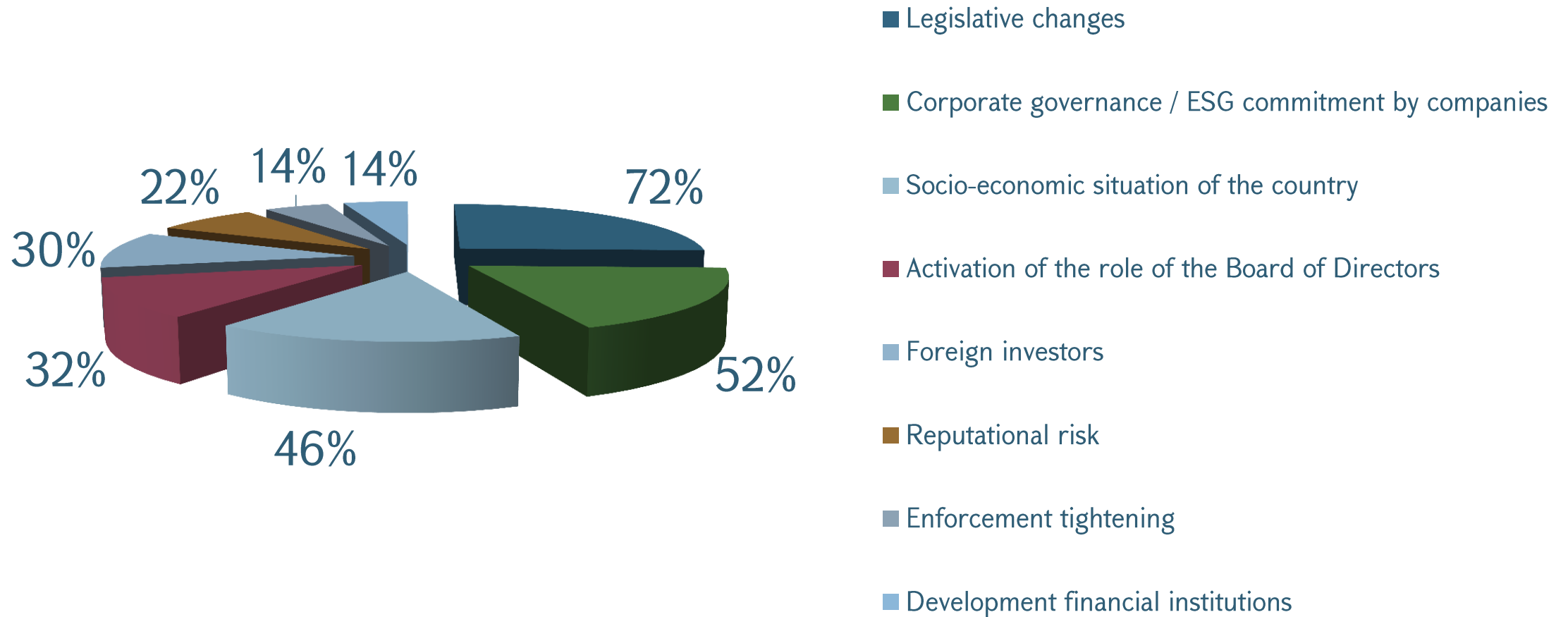
# Importance of the transition to “stakeholder capitalism”



# Possibility of the transition to “stakeholder capitalism” during the next three years

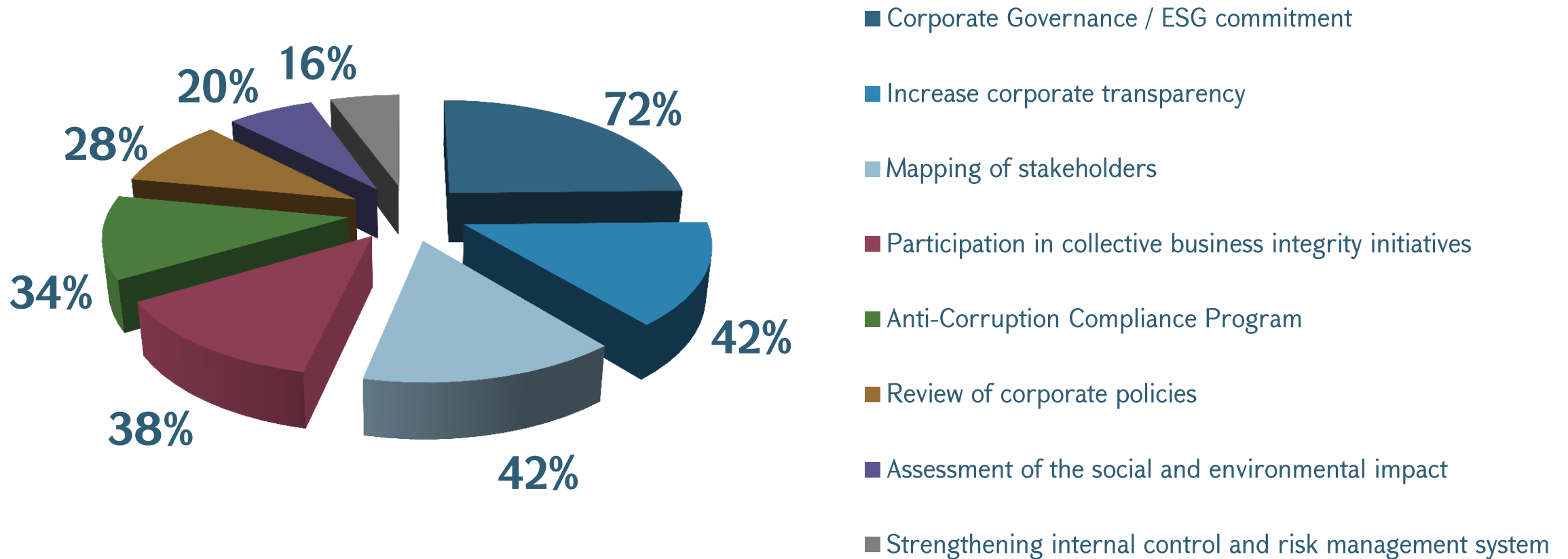


# Factors stimulating the transition to “stakeholder capitalism”

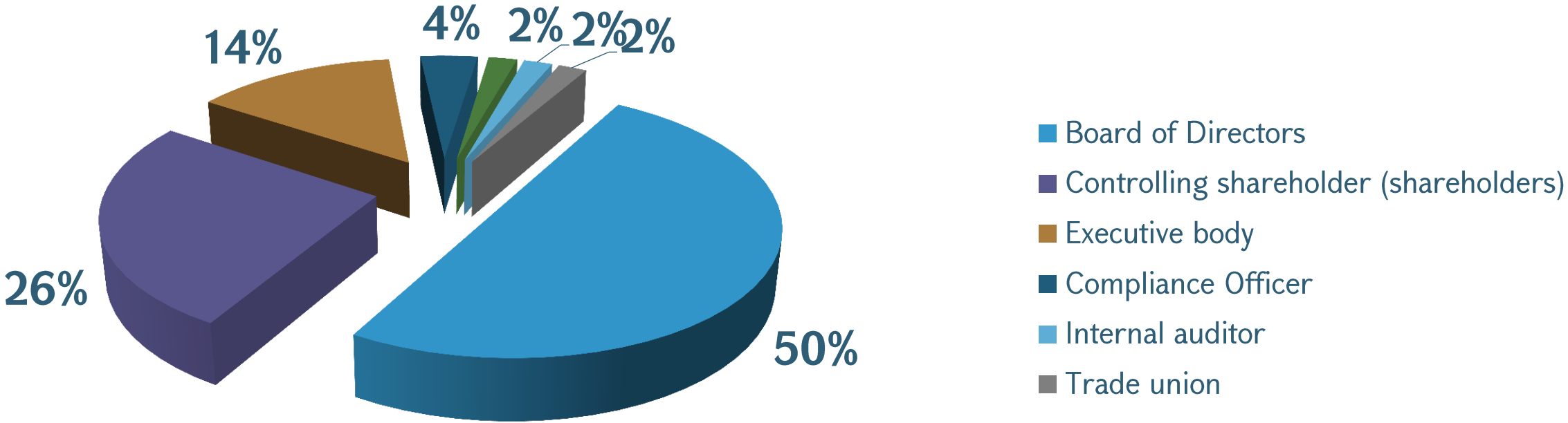




# Ways to bring stakeholder capitalism to life in companies



# Those responsible for the transition to stakeholder capitalism

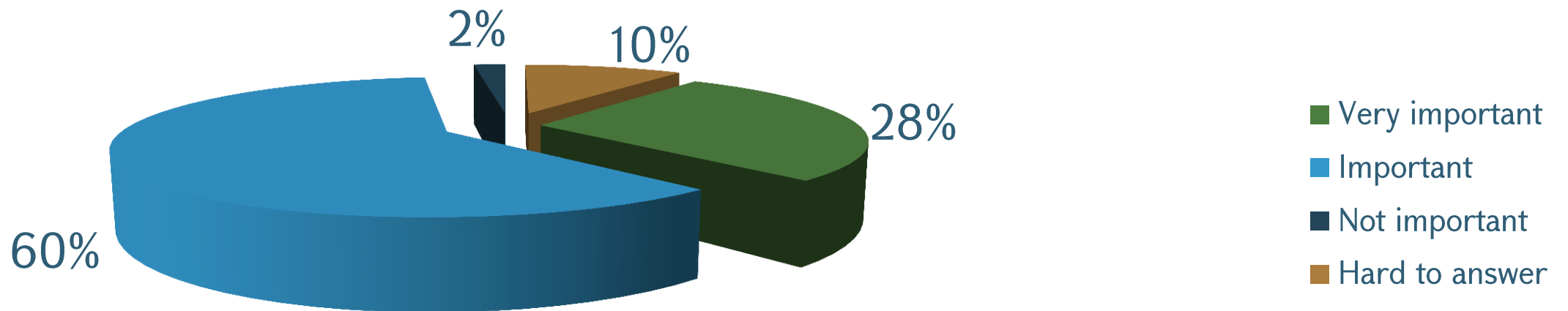


# Board's role in the stakeholder capitalism

**The member of the board has to support the success of the organization, taking into account the following (among other circumstances):**

- Possible effects of the made decisions in the long term.
- Interests of employees.
- Need to strengthen relationships with customers, suppliers and others.
- Impact of activities on society and environment.
- Need to demonstrate appropriate behaviours that strengthen business reputation.
- Need to act fairly.

# Assessing the role of the Business Integrity Club in the transition to “stakeholder capitalism”



# 12 Questions and Answers about Codes of Business Ethics

Codes of ethics contain what the company considers a source of good not only for itself but also for its stakeholders.

Codes of ethics promote an environment of integrity and excellence.

Ethical tone comes from the top, but employees are no less important.

The process of setting codes of ethics has a beginning but no end.

Codes of ethics are not a dogma, but a dynamic document.





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THANK YOU!

## CORPORATE GOVERNANCE CENTER

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