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# ENTREPRENEURIAL DECISIONS IN THE FIELD OF INNOVATION PROJECT MANAGEMENT

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## ABSTRACT

*The alpha-stakeholder scheme for the implementation of innovative projects has been built, which determines the strategic direction of entrepreneurial decisions. The use of the “decision tree” method is proposed, which will allow determining the most acceptable tactics before and during the negotiation process, as well as avoiding organizational conflicts when introducing projects depending on the stage of the life cycle. A two-factor matrix of strategies for negotiating between stakeholders during the implementation of the project has been built on the basis of factors: partnership and activity to achieve the goal. This allows determining the following negotiation strategies between the project stakeholders: avoidance, passive friendliness, full and partial concessions, compromise, passive confrontation, fierce and ethical competition, and constructive cooperation. A situational model based on an expanded*

*matrix of negotiation strategies has been built and determines the ways to choose the most profitable negotiation strategy.*

**Key words:** entrepreneurial decision, innovation project, decision tree, strategic matrix, life cycle

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## 1. INTRODUCTION

In conditions of the economic instability of the functioning of national companies, the value of sustainability of economic activity and contractual relations, a credit of trust between business partners, and the ability to constructively resolve internal organizational contradictions have significantly increased. Business negotiations are primarily based on the economic interests of owners, shareholders, and employees in the course of production relations.

Negotiations are, of course, the most active and most productive process of reconciling interests in a company. They become an everyday working tool for setting goals and various coordination actions of functional units. The communicative skills, the adequacy of the interpretation of the information received are recognized by most workers as a strategically important and scarce resource for career, professional and personal growth of the employee, and the success of the company as a whole.

## 2. NEED FOR THE STUDY

Modern projects are carried out in an environment characterized by insufficient and blurred administrative powers, which not only creates the prerequisites for conflicts but also is an environment that provides for the permanent presence of conflict situations.

In such circumstances, most traditional management practices become inadequate. The project requires the development of special management tools based on the use of specific organizational methods and procedures, which allows integrating the goals and interests of all project participants, finding an effective way out of conflict situations both at the level of partnerships in the project and at the level of interaction of project team members.

Traditionally, the issue of negotiations in the business sphere is considered in connection with increasing sales efficiency, representative negotiations with external agents, and managerial communications. The variety of interfunctional interactions between departments and employees, the problem of increasing the efficiency of business communication between stakeholders make it necessary to study business negotiations as an important component of negotiation practice in project management.

## 3. OBJECTIVES OF THE STUDY

Identifying project stakeholders and understanding the relative extent of their influence on the project is a critical task. Failure to perform this task can significantly increase terms of project implementation and increase costs (Hilorme, T., et al. (2019)).

Thus, a stakeholder analysis is conducted in order to identify:

the interests of all stakeholders, in particular their information needs (Danesh, D., Ryan, M. J., & Abbasi, A. (2018));

potential conflicts of interests and risks that may cast doubt on the success of the project or its individual parts and the capabilities of stakeholders (including resources) that may be involved in the implementation of the project (Kopmann, J., Kock, A., Killen, CP, & Gemünden, HG (2017); Kwilinski, A., Ruzhytskyi, I., Patlachuk, V., Patlachuk, O., & Kaminska, B. (2019));

individuals or their groups that may be involved to participate in the project team or during the implementation of the project (Isikli, E., Yanik, S., Cevikcan, E., & Ustundag, A. (2018));

ways to improve project activities and project implementation and reduce or eliminate the impact of possible negative consequences on both the project and vulnerable population groups (Gemünden, H. G., Lehner, P., & Kock, A. (2018)).

A stakeholder analysis should be carried out at each stage of the development and implementation of the strategic plan for the implementation of the project (Drobyazko, S., et al. (2019a), Drobyazko, S., et al. (2019b)). At the preparatory stage, the purpose of the analysis is to preliminarily identify key stakeholders. In particular, they determine the most influential of them and decide on ways to attract them to the further stages of project development.

The main goal of stakeholder management is to identify their expectations, meet their needs, and remove obstacles leading to a conflict of interest (Tetiana, H., et al. (2019)).

#### **4. METHODOLOGY**

In the research process, general scientific and special methods of scientific knowledge were used, namely: critical analysis, scientific abstraction and generalization of the scientific experience of modern theoretical research; analysis and synthesis, induction and deduction, system analysis, matrix modeling, and a "decision tree" building.

The Stakeholder concept tools were also used as an ecosystem of interconnected groups, the interests of which must be taken into account and satisfied in order to keep the company healthy and successful in the longer term. Accordingly, the management system of any enterprise should provide value creation for its stakeholders, as well.

#### **5. RESULTS AND DISCUSSION**

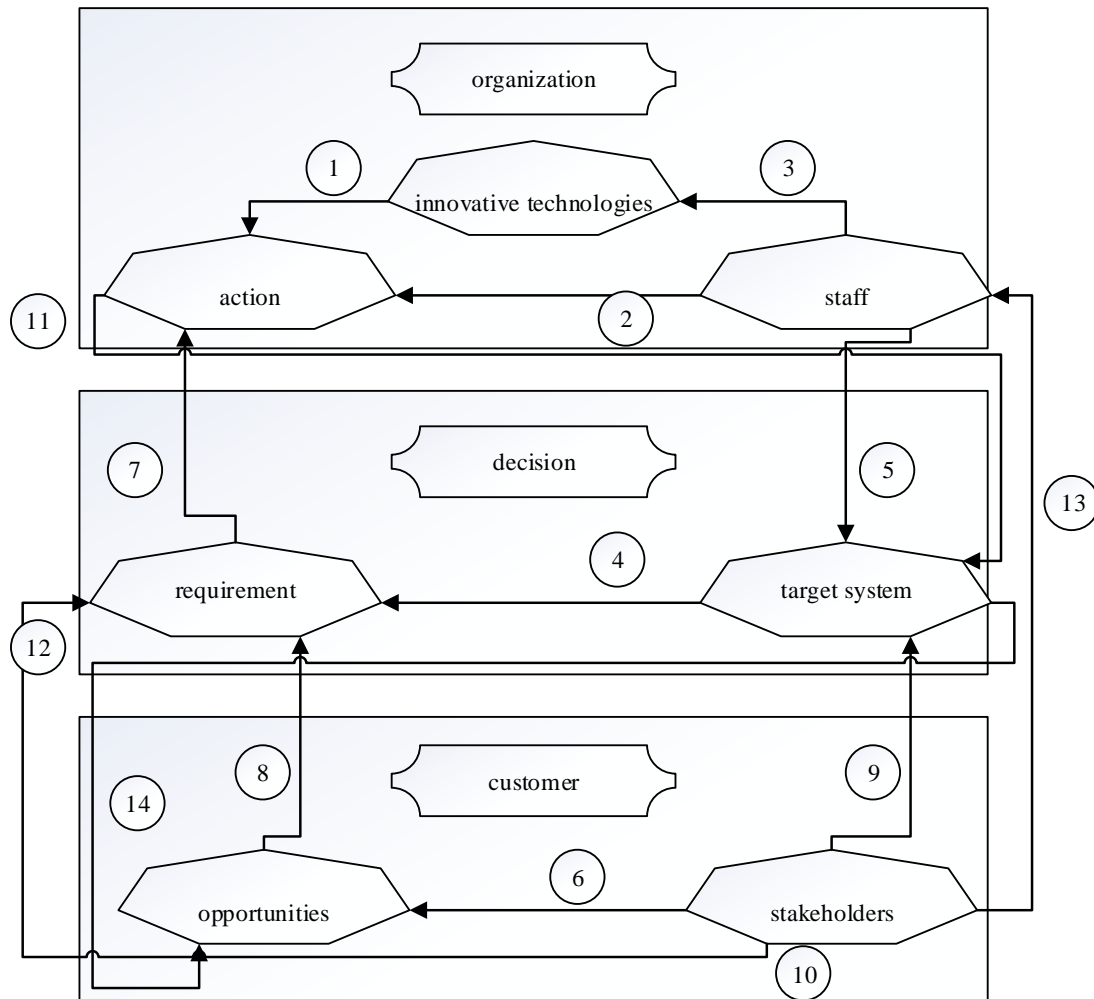
Stakeholder engagement is the activity of creating opportunities for dialogue between a company and one or more of its stakeholders in order to provide an information base for company decisions. A close circle of stakeholders (primary stakeholders) is represented by staff, owners, customers, and business partners.

The far circle (secondary stakeholders) is an indirect influence: the state, competitors, investors, local communities (mass media, public organizations, etc). Both circles represent an interconnected system, a web, which supports implementation, or vice versa - does not allow taking the necessary measures for the implementation of innovative projects. The platform for determining stakeholders is created in systems engineering. An understanding of who stakeholders are in relation to decisions made must be established in advance.

Among the significant circle of stakeholders, the most influential ones are chosen - these are alpha-stakeholders, which directly influence the organizational support for the implementation of innovative projects (Figure 1).

The organizational support of the project consists of managing the ability of organizations to supply and buy products and services through support, initialization, and project management. This support supplies the resources and infrastructure, which are needed to facilitate projects and ensures the fulfillment of organizational goals and existing agreements.

Depending on the stage of the project's life cycle, changes are taking place in the structure of beta-stakeholders, for example, at the "Logistics and maintenance" stage - auxiliary services, instructors, and participants in the supply chain.



**Figure 1** Alpha-stakeholders introduce the implementation of innovative projects, activities:

- 1 - directs; 2 - plans and executes; 3 - applies; 4 - satisfies; 5 - creates; 6 - provides;
- 7 - defines the subject and limits the volume; 8 - specifies; 9 - uses; 10 - helps to use;
- 11 - updates and changes; 12 - forms; 13 - supports;
- 14 - organizes for organization of the change

There are four sectors for the implementation of innovative projects in which stakeholders operate: technical, portfolio management, quality management of marketing promotion, and risk management.

In particular, the process is formalized in risk management: it contains a description of risk categories, prospects of stakeholders and a description (possibly by reference) of technical and managerial tasks, assumptions and limitations. A risk profile must be established and maintained, each entry of which must contain the importance of the risk. The importance is determined by the risk criteria provided by stakeholders.

The essence of the corresponding risk profile should be periodically communicated to stakeholders depending on their needs since the risk profile can change when updating an individual risk state.

However, in our opinion, the enterprise staff is a key factor in mitigating primarily procedural risks (direct impact), and indirect impact – technical (the quality of labor of

engineering specialists and workers) and financial (the competence of financial analysts of the enterprise and senior management). This is the main close circle of stakeholders of each business entity. For this, it is necessary to build a personnel strategy for staff development.

The interaction of the company with employees can occur at two levels - in the direct form with the direct participation of the employee (individual interviews, social requests, etc) or indirectly - through representatives of workers and trade unions at all levels.

Dialogue with consumers allows the company to avoid possible risks before launching a new product or service, improve its image in society, and better understand the needs of the market. As in the case of employees, dialogue with consumers can be conducted directly or through organizations representing the interests of consumers (these can be organizations representing the interests of all consumers or organizations representing the interests of consumers of a particular group of goods or services).

Third parties often take part in the dialogue with consumers: public organizations that have the necessary professional competence in the subject on which the dialogue takes place; trade unions in a situation where the decision of companies regarding consumers affects the working conditions of employees; public authorities can also participate in the dialogue of the company with consumers since their activity provides for the protection of consumer rights. Sometimes consumers can be business partners, then the joint efforts of the two companies create synergy effects.

Thus, it has been established that the stakeholders are persons or organizations that are actively involved in the project or whose interests may be involved in the implementation or the result of the completion of the project. These include sponsors, customers, users, sellers (agents), business partners, functional managers, and other project stakeholders.

Project communications should be carried out according to a certain algorithm, namely: the emergence of an idea; coding; broadcast; receipt; decoding; accepting a message; use of information. In the process of communication, barriers can arise that can be both physical and personal obstacles.

It was determined that the main causes of conflicts were the difference in the goals, objectives, and interests of the administration, participants, and the project team; fuzzy definition of types of communication in the organizational management structure; imbalance of duties, rights, and responsibilities in the project; violation of the rules and regulations of the formation and functioning of teams and the rules of delegation of authority in the project. Conflict management involves the impact on eliminating the causes of conflict, correction of the participants' behavior, support of a controlled level of conflict.

The analysis of the styles and strategies for negotiating and formulating various possible scenarios for their development made it possible to develop practical recommendations for project managers to conduct negotiations between stakeholders. The recommendations consist of the application of various methods, namely: methods of stimulation, oppression, regulation, resolution of the conflict, use of the practice of participating in a project conflict of a third party, consulting, mediation, and arbitration.

As the method most suitable for managing stakeholders in negotiations, at any level of conflict, is the method of constructive negotiation. At the heart of this method, options for negotiation strategies are modeled, as a result of which an expanded matrix of strategies for negotiating with stakeholders is developed, the content and sequence of stages of the negotiation process of stakeholders are determined (Figure 2).

	1.3. Full concession	2.3. Partial concession	3.3. Constructive collaboration
Partnership	1.2. Passive friendliness	2.2. Compromise	3.2. Ethical competition
	1.1. Avoidance	2.1. Passive confrontation	3.1. Fierce competition
	Goal Achievement Activity		

**Figure 2** Expanded matrix of stakeholder negotiation strategies

According to the matrix of negotiation strategies, the following negotiation strategies between stakeholders are available: avoidance, passive friendliness, full and partial concessions, compromise, passive confrontation, fierce and ethical competition, constructive cooperation.

Avoidance is a lack of cooperation characterized by a lack of desire both to meet the opponent and unwillingness to protect the interests of the own side.

Passive friendliness is characterized by agreeing to the requirements and conditions of the opponent and the lack of action to put forward ideas or protect own interests.

Concession is an attempt to mitigate a conflict situation and maintain relations, yielding to the pressure of the opponent. The concession can be full, that is, full agreement with the pressure of the opponent, and partial with the preservation of own requirements and interests.

Compromise is a negotiation style in which a participant in the negotiation process shows a certain persistence and willingness to cooperate in the process of negotiations with a counterparty and usually uses the “give-and-take” tactics.

Passive confrontation is characterized by disagreement with the conditions or requirements on the part of the opponent and at the same time the absence of actions to advance their own ideas and protect interests.

Fierce competition is a rivalry between opponents for better conditions, own interests, etc; a complete disregard for the wishes of the conflicting side and upholding only own interests in order to achieve maximum benefits are observed.

Ethical competition presupposes the existence of rivalry between opponents but in a less rigid style; taking into account the interests of the opponent while safeguarding own interests in order to obtain benefits is observed.

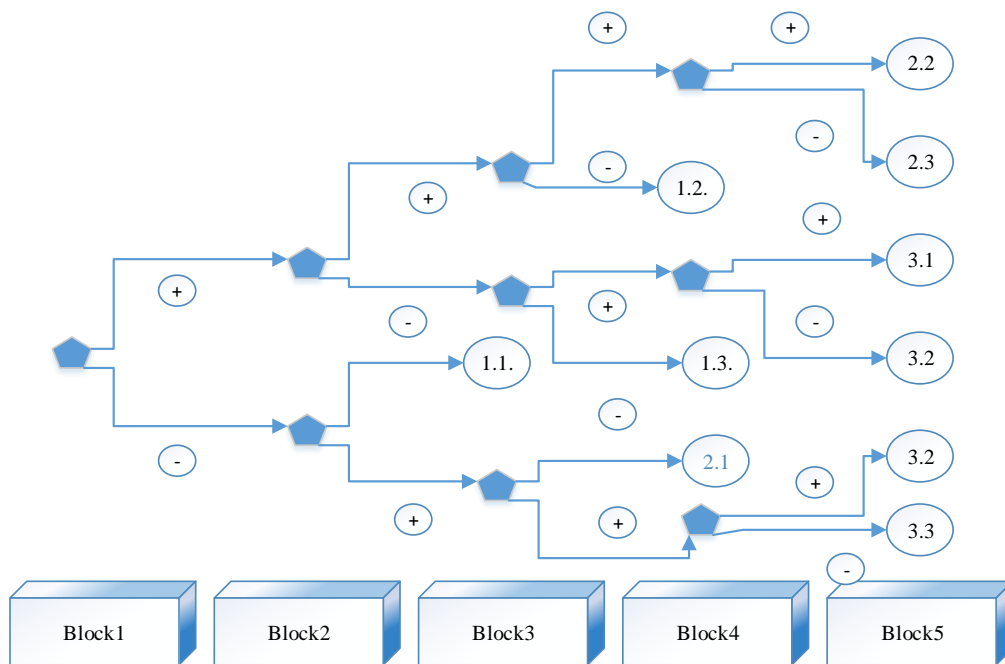
Constructive cooperation is the most democratic style of conflict resolution; taking into account the interests of both parties and a clear and structured putting forward of own ideas with their subsequent implementation are observed.

According to the proposed negotiation strategies, the authors have developed a situational model for choosing a rational negotiation strategy, including when resolving conflicts of stakeholders when they arise on the basis of the “decision tree” method.

To improve the communication process of stakeholders, the authors proposed the use of the “decision tree” method, which will determine the most acceptable tactics before and during the negotiation process, as well as avoid organizational conflicts.

Based on the obtained data, a “decision tree” is built, the structure of which contains nodes representing key events (decision-taking points), and the branches connecting the nodes — the implementation of these decisions. As a result of building a “decision tree”, the probability of each scenario for the development of negotiations during the project is calculated. The “decision tree” can be developed both in graphic and in text form.

In this work, the authors developed a situational model for choosing a rational negotiation strategy to eliminate conflicts of stakeholders based on the “decision tree” method shown in Figure 3.



**Figure 3** Situational model for choosing a negotiation strategy in the project (author’s development)

- Notes: Block1 - Is the topic of negotiations important to you?  
 Block2 - Is the topic of negotiations important to stakeholders?  
 Block3 - Are further relations with the other party important to you?  
 Block4 - Is the maintenance of relationships important to stakeholders?  
 Block5 - Is there a balance of power between you and the stakeholders?*

The situational model is based on an expanded matrix of negotiation strategies and shows how to choose the most profitable negotiation strategy. The model contains 5 blocks with questions, answering which “yes” (in the model - “+”) or “no” (“-”), it is necessary to move along the arrows from one point to another.

Thus, the proposed matrix of strategies for negotiating between stakeholders and a developed situational model for choosing a rational negotiating strategy to eliminate conflicts of stakeholders will increase the effectiveness of project management and ensure a high-quality and timely study of project goals.

## 6. CONCLUSION

In the author’s opinion, to increase the objectivity of information, a report on interaction with stakeholders should be certified by stakeholders, for example, created by a Stakeholder Panel.

Independent external verification of public reporting by the company's stakeholders will increase the credibility of the report. Now the majority of companies, which prepare non-financial reports or reports on sustainable development, only describe in them their activities concerning the interaction with stakeholders, including Ukrainian companies.

Dialogue with stakeholders is an important part of corporate social responsibility activities. In the leading companies of the world, Stakeholder Panels are created, which include a matrix, a stakeholder map, and the like. While Ukrainian companies that introduce energy-saving technologies will apply, as a rule, a dialogue with stakeholders, ad hoc (“to solve a specific problem”) is carried out. In our opinion, it is necessary to move from ad hoc communication with stakeholders to a strategic dialogue. This will allow creating a plan for attracting stakeholders - for monitoring, evaluating the processes of attracting stakeholders when introducing a mechanism for promoting energy-saving technologies.

The fierce and soft style of negotiations was examined and analyzed, and it was determined that the style of negotiations was chosen taking into account the balance of forces, the degree of tension between the conflicting parties, the content of their claims to each other, intentions, and goals. It was revealed that in practice opponents often change their tactics using certain techniques. Therefore, it is necessary to use different styles of negotiations, moving from one to another, depending on the circumstances.

The use of the “decision tree” method is proposed, which will determine the most acceptable tactics before and during the negotiation process, as well as avoid organizational conflicts.

According to the matrix of negotiation strategies, the following negotiation strategies between stakeholders are available: avoidance, passive friendliness, full and partial concessions, compromise, passive confrontation, fierce and ethical competition, and constructive cooperation. The situational model is based on an expanded matrix of negotiation strategies and shows how to choose the most profitable negotiation strategy.

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