Stakeholders Engaged in Creating Sustainable Value (CSV) and Innovation

By Iara Tonissi Moroni Cutovoi

Abstract- This paper aims to how the creation a sustainable value network occurs and preserve valuable knowledge and innovation through stakeholder engagement. The work proceeds a qualitative study and a literature review. Finally, organizations seek to interact in a competitive environment, and through the model of Sustainable value of Hart and Milstein, the innovation and the parties concerned, respectively, with the central point generating shareholder values. The research concludes that the engagement of stakeholders in innovative sustainable organizations plays important role in the generation of value, environmental awareness, and, the implementation of the economic, environmental, and social dimensions, economic development, financial and operational. Therefore, the main contribution of this study derives from the discussion of the model of Hart and Milstein, the innovation and the parties concerned, respectively, with the central point generating stakeholder’s values.

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I. INTRODUCTION

Creating shared value (CSV), the concept popularized by Hart and Milstein (2004) and consists of a two-dimensional approach considered as sources of creativity in organizations: the time (present and future) and space (internal and external).

In recent years, the importance of organizational to search for improvement in their competitiveness through the development of an interactive and systemic management model and innovative practices that links the economic, social, and environmental areas, processes, and engagement of stakeholders in a context of sustainable value.

Theoretical debates and empirical studies have been intensified, attracting the attention of researchers. The study is justified by the organizations challenged to reduce the impacts that cause today, while they need to reorient their internal skills to make their more innovative products and service, and increase sustainability in the long term. According to Hart (1995) Social and environmental challenges can lead to the development of intangible organizational resources (such as technology, human capital and reputation). Provide a theoretical mechanism through which a link between environmental actions and profit.

Previous studies have shown of the various stakeholders, and innovative organizational capacity insert the reputation and image of the organization can generate value to support a valuable strategic asset seeking competitive advantage (DIERICKX and COOL, 1989).

Hart and Milstein (2004), also add the relevance of the global challenges associated with sustainability, from the perspective of business, can help to identify strategies and practices that contribute to a more sustainable world and, at the same time, direct the value for its shareholders. The lack of research attention to this strategic decision is somewhat surprising, given the importance of CVS decisions, and new market spaces emerge. The sustainable companies are those that create shareholder value in the long term, because they are more prepared to face economic, social, and environmental risks and leveraging opportunities through the management with and for stakeholders. (CLARO et al. 2014).

In this perspective, Robles (1994), a new form of global competition, requires that organizations be committed to the full and continuous improvement of its products, processes and employees (TIDD; BESSANT; PAVITT, 2008).

Since the focus stakeholder engagement can provide combination with interaction between an organization and its natural environment can attempt to increase prosperity in the future. Creating value for stakeholders is dependent on the skill that the company has for the creative destruction of its capabilities for the innovations of tomorrow. With that, the companies that can develop technologies that address the needs of society (HART; MILSTEIN, 2004) will guide the future.

Further, this paper structured in four sections, after this introduction, the second the literature review, the third is the methodology, the fourth is discussion and the final concluding remarks.

II. THEORETICAL BACKGROUND

In reviewing the literature, this study attempts to analysis at the Stakeholders Theory, Creating sustainable value (CSV) and Innovation:

a) Stakeholders Theory

Freeman (1984) defines stakeholders as groups that are vital to the survival and success of organizations. Lyra et al. (2009) advocate that stakeholder in an organization is, by definition, any group or individual who can affect or be affected by the
realization of the goals of this organization. Stakeholder considers those groups, and individuals other organizations that have an interest in the actions of an organization, and who can to influence it. To disregard or neglect these groups, some organizations have already been devastated or destroyed (TAPSCOTT, TICOLL, 2005).

As the NBR 1600, interested parties or "stakeholder" defines as any person or group that has an interest in an organization or can be affected by their actions, for example, internal public, suppliers, consumers, clients, public institutions, community, owners, bankers, unions and Government agencies, among others. According to Frooman (1999), must be answered three questions to identify the stakeholders: a) Who are they? This first question seeks to identify the attributes of stakeholders; b) What do they want? The second issue focus on the interest and the concerns of stakeholders; c) How are they trying to achieve your goals? The third question direct to the influence exercised by the stakeholders in strategic organizational designs.

According to Clarkson (1995) demonstrated mainly the stakeholders, where are responsible for the survival of the organization. Anyway, the stakeholder theory will be the backbone that will sustain the answer of who and what matters to make the Organization last longer.

Freeman (2010) discussion the various stakeholders considered strategic for the management that is, the stakeholders are the suppliers, employees, administrators, community, and consumers. Oliveira (2008) reveals that the unions, competitors, employees, Government, media, and non-governmental organizations (NGOs) are stakeholders of the organizations. Above all, the stakeholder theory emphasizes that the Organization manage in a way that maximize the wealth of its shareholders. Lemme et al. (2008) realize that the involvement of Stakeholders focus as a source of innovation and development. Furthermore, to explain the need for plurality of groups, sectors of the Organization and decision-making (LEA, 1999).

As Mitchell, Agle, and Wood (1997) identified the Stakeholder Salience model, where the classification of stakeholders in terms of power, legitimacy, and urgency. There are seven types of stakeholders; a) Asleep: has the power to impose its will in the Organization but has no legitimacy or urgency, and thus, its lies in disuse, having little or no interaction with the organization. The Organization must meet this stakeholder to monitor their potential in achieving a second attribute; b) Arbitrary: it has legitimacy, but has no power to influence the organization no claims urgency. The attention that should be given to that party concerning corporate social responsibility, as it tends to be more receptive; c) Claimant: When the important attribute in stakeholder management is urgent, it is the claimant. Without power and legitimacy, it should not get in the way both the organization; however, should be monitored as to the potential of getting a second attribute; d) Dominant: its influence on Organization has ensured by the power and legitimacy; e) Dangerous: When there are power and urgency, but there is no legitimacy, what exists is a coercive stakeholder and possibly violent for the Organization, which can be a danger, literally; f) Dependent: it has allegations with urgency and legitimacy, but depends on the power of the stakeholder to view their claims taking into consideration; g) Final: When has power and legitimacy, claims urgency, give immediate attention and prioritized to this stakeholder.

However, it is unclear how the stakeholders determine what types of influence they exert. Stakeholders are part of the entire organization and can influence both in decision-making and in strategic organizational development. Many require the opinion of those for use and validation (RIGBY, 2009). So creating sustainable value (CVS) can improve our understanding must begin to grasp to relationship with external stakeholders and internal stakeholders.

b) Creating sustainable value (CVS)

The conceptual model of the present work and develop by Claro et al. (2014) global challenges associated with sustainability, considered from the perspective of business, can help to identify strategies and practices that contribute to a more sustainable world and, at the same time, directed to generate shareholder value.

Hart and Milstein (2004) recognize two dimensions and four strategic approaches. The dimension of time and space are a) vertical axis: represents the need simultaneously to the Organization has to maintain the current process and to create the technology and markets of tomorrow, aiming at short-term and long-term results b) horizontal axis: highlights the need for the Organization's growth, protection of the internal organizational skills and potential, as well as new perspectives and expertise to the organization. This dimension is the technical essence of protection organization, so that it can operate without interference and still keep open to absorbing new models, technologies and market prospects.

The following four strategies approaches draw following. The first approach, in the lower- left quadrant, concerned with the cost and risk reduction, motivator for wealth creation, which happens through the reduction of losses from legal liabilities and the emphasis on operational efficiency, resulting in higher returns to the Organization, generating sustainable value to shareholders, bringing sustainable vision. The second relates to the upper left quadrant, where by creating products and services for the future through the
development and acquisition of new skills, competencies and technologies that will enable the growth of the Organization, the corporate return happens to focus on sustainable innovations. The third approach, in the right lower quadrant, reveals the importance of stakeholder influences. The interests of these stakeholders require attention of organizational activite, because their views to be considered and brought into the Organization, generate as corporate return improvements in his reputation and legitimacy that consequently will bring growth of shareholder value; 4) the fourth and final approach, located in the upper right quadrant brings the external dimensions aligned to the future performance of the organization.

c) Innovation

According to Tidd, Bessant and Pavitt (2008), innovation is a process of making an opportunity a new idea and put it into use in widest possible way. Schumpeter (1988) advocate that innovation is the process of making new combinations, leading to the setting of new products or services or the production of goods or services in different ways. For the author, innovation can also represent the effect of bringing improvement in the processes. Starting from this premise, the concept of innovation undergoes a paradigm shift regarding economic development, since many authors are beginning to include other aspects in addition to economic.

In this way, only be a breakthrough if any idea if this implemented and once in operation bring results. According to Dosi (1988), innovation relates directly to the discovery, experimentation, development, imitation, and the adoption of new products, production processes, and organizational arrangements. Pavitt (1984) innovate to a product or production process again, or rather, used or marketed successfully for an organization. Simantob (2003), innovation is an initiative, modest or revolutionary, it comes as news to the Organization and to the market and that, applied in practice, brings economic results for the Organization – be they related technology, management, processes or business model. Hall and Vredenburg (2003) note that the traditional approaches of innovation in general focus on a small group of stakeholders; sustainable innovations already consider a wide range of secondary stakeholders such as local communities and societies.

Indeed, the themes are evident to create a new pattern of conscious consumption (Scherer and Poleda, 2002) and the promotion of more sustainable organizational practices (BOCKEN et al. 2014).

III. Methodology

To conduct the present study, the objective of this section is to describe the research methodology and to explain how data collected, and how results obtained and analyzed. A systematic literature review is an explicit, comprehensive and reproducible method (Okoli; Schabram, 2010), to identify, appraise, and synthesize all available research relevant to a particular research question, or topic area, or phenomenon of interest, which may represent the best available evidence of a subject (Cruzes; Dyba, 2011), see Figure 1.

The motivation of the present study is an applied qualitative approach within the purpose of the research is descriptive (MILES; HUBERMAN; SALDAÑA, 2014). In order to answer this question, to conduct a literature review, a search methodology the strings were: “Stakeholders Theory, Innovation, Creating sustainable value”. Around the most relevant articles reviewed in detail after the screening process. According to the review literature and select, the articles screened by reading the abstract part and a quick scan of the main body of papers. In selecting the papers included in our literature review inclusion/exclusion criteria, for example, these manuscripts are short non-refereed papers, and those published in commercial magazines, which not regarded as scientific contributions, and eliminating these duplications. Further scientific articles databases founded in the google scholar database used to achieve the purpose of this research. The main research question is: How the creation of sustainable value network occurs and preserved to valuable knowledge and innovation through stakeholder engagement?
IV. **Discussions and Conclusions**

Despite the mainly ambitions articulated by the model Hart and Milstein, covered in this article, combine short and long-term challenges under the internal and external perspectives to organizations. Consider the total set of barriers of sustainability can help create value for its shareholders and represent one of the most understated paths to profit growth in the future. The companies should not considered.

Hart and Christensen (2002) the bottom of, the pyramid, markets provide an ideal learning environment for the development of disruptive innovations, where helps organizations in the combination of corporate growth with social responsibility. Rodrigues and Barbieri (2015) the base of the pyramid is a promising market and should be the target of company strategies because it has a huge population, that although individual recipes small, generates a total amount. We must think of new goods and services and not replications versions created averages of the pyramid or produced by obsolete processes. It can stimulate or prevent the replacement of old ways for new forms of production and consumption (CRIBB, 2007).

Also the outcomes of this research show how the creation a sustainable value network preserve valuable knowledge and innovation through stakeholder engagement. In this sense, organizations interact in a competitive environment, indicating a new form of organization, learning, and knowledge, with strongly attributes relationships to strategic decisions and notably the values of sustainability innovation. A second argument as the decision to innovate, that related with how the creation a sustainable value network occurs and requires all those involved in the innovation process are ready to face the new challenges and willing to change their behavior.

In this respect, yet while these challenges call for bold innovation the time (present and future) and space (internal and external). This research aims to fill this gap by developing innovations generates each provides benefits for stakeholders, and among the options for creation of sustainable value (CSV) network, contemplates a positive performance in these dimensions.

Further, this study was to answer how the creation of sustainable value network (CVS) occurs and preserved to valuable knowledge and innovation through stakeholder engagement. In short, the present study based on the review of the literature this paper addressing the concepts of Stakeholders’ Theory, Creation of Sustainable Value (CVS, and innovation. As the main theoretical contributions of this study, we present a contribution of how the stakeholder engagement attracts new companies to the network, resulting from increased versatility. Further studies can explore the relation social and environmental reality can also be applied to willing to change their behavior in other operations management complex problems faced by companies.

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