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ABSTRACT

Doctoral Thesis

***Competing for Stakeholders: Three Essays on Business
Sustainability***

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General Overview. The failure of the traditional managerial approaches and the recent crises of financial systems pushed many economics actors to change their business models: from a profit oriented approach to a sustainable model. This required a shift from “single-minded aspiration to maximize financial performance” of the corporations, to a “multiple stake oriented to create shared value”. The capability of the firm to manage different stakeholders expectations may represents a useful business tool to enhance the Competitive Advantage because of many benefits linked to an effectively stakeholder engagement of the corporation (see Freeman et al., 2010; Parmar et al., 2010). Simon (1964) argued that organizations must, by their nature, have multiple goals that actually should be viewed as constraints on top managers. That is, although top managers may label one or another of the constraints they face as “the” organizational goal, efforts to optimize on that goal can take place only within the operating space remaining after considering the minimum requirements of other key constraints. The implications of Simon’s (1964) argument for achieving business sustainability are clear: sustainability requires, at the very least, meeting the minimum needs of the firm’s essential stakeholder groups.

Yet over the past few decades the practitioner and scholarly focus has been much narrower, emphasizing nearly exclusively the single goal of maximizing for-profit firms’ financial performance (Harrison et al., 2010; Zollo et al., 2009). Such a single-minded aspiration – whether toward the profit goal or a different goal – is inconsistent with Simon’s (1964) argument and with firms’ long-term viability. The exclusive pursuit of financial performance (Steward et al., 2000; Dyllick et al., 2002; Bruce et al., 2005; Morris et al., 2005), for example, has contributed to many business failures, whether through incentive-induced top management frauds (e.g., Harris and Bromiley, 2007; O’Connor et al., 2006) or as an antecedent to the recent U.S. subprime mortgage crisis (Purnanandam, 2011). This over-emphasis on one goal, among many, is the antithesis of business management toward sustainable firms.

Achieving business sustainability requires instead that top managers: (1) return to the core assumption of the behavioral theory of the firm, that they must satisfy multiple goals that serve as constraints on their firms’ survival (Cyert and March, 1963; Simon, 1964); (2) strive to create increasing value for each primary stakeholder group, just as they must strive to create value for consumers (Priem, 2007); and (3) operate as stewards of, and entrepreneurs within, the organizational decision making system that is composed of the firm’s principal stakeholders (Augier and Sarasvathy, 2010).

The result is a view wherein top managers must address multiple stakeholder goals and, potentially even better for the firm, have the opportunity act as entrepreneurs in creating value above the minimum levels required for stakeholder participation. Managers’ super-ordinate goal is to attract and retain exceptional primary stakeholders, and even more to obtain their commitment and effort toward

system-wide value co-creation. This increases the system's resiliency and, in turn, the business firm's sustainability.

We develop these ideas by integrating aspects of stakeholder theory (Freeman, 1984), stewardship theory (Jones et al., 1997), and resource dependence theory (Aldrich and Pfeffer, 1976) with the behavioral theory's explanation of organizations' multiple goals (Cyert & March, 1963; Simon, 1964) and with recent work identifying firm-level strategies that create value from a consumer perspective (Priem, 2007). The result is a model of the firm (Chapter III), its current stakeholders and its potential stakeholders as an organizational decision-making system, wherein top managers sequentially address multiple goals and create value above the minimum level required for stakeholder participation, in order to attract exceptional stakeholders and obtain their commitment and effort toward system-wide value creation. It fulfilled a consistent literature gap highlighted by Parmar et al. (2010) in terms of an integrated model which is able to explain the business sustainability of the corporations by multiple theoretical frameworks, starting from the stakeholder view of the corporation. Harrison et al. (2010, p. 61-63) advanced the stakeholder literature through their recent argument that those firms which better understand the utility functions of their stakeholders have an advantage, because of the resulting "better understanding of the minimum requirements of a stakeholder". We agree, and moreover think that an understanding of primary stakeholders' multi-attribute utility functions gives a firm the opportunity to entrepreneurially create value for multiple primary stakeholder groups simultaneously.

However, few studies have examined primary stakeholders (Clarkson, 1995) as representing constraints for the firm (Reynolds, Schultz & Hekman, 2006, is an exception). Moreover, Freeman et al. (2010) and Parmar et al.'s (2010) review concluded that stakeholder theory provides a useful framework that helps explain how firms can create shared value. Yet they also concluded that key questions remain to be answered, including: "How can firms create different types of value for different stakeholders" (Parmar et al., 2010: 432)? We reply to this question following two different methodologies.

First of all, we take a step toward understanding the base multi-attribute utility functions of the five primary stakeholder groups – stockholders, customers, employees, suppliers and the general public (Clarkson, 1995). We develop five unprompted, inductive empirical taxonomies of stakeholder utility categories – one for each primary stakeholder group. We then compare these taxonomies as a first step in identifying potential for value co-creation opportunities that could increase utility for multiple stakeholder groups simultaneously (Chapter IV). Obtaining data about the sources of utility for all primary stakeholders is difficult because stakeholders may not be forthcoming about their preferences. For this reason, we gathered primary data and based our methodology on an established, inductive process using

multidimensional scaling and cluster analysis that did not “prompt” the respondents in any way and thereby minimized demand characteristics in their responses (e.g., Priem, et al., 2002; Voges, et al., 2004; Ketchen & Shook, 1996; Kruskal & Wish, 1978).

Finally, we develop a qualitative case study to better understand how the model we proposed effectively work into the reality and what are the linkages between the main variables. According to Yin (2008), in fact, a case study is necessary when it has need to understand a real-life phenomenon in depth, but such understanding encompassed important contextual conditions – because they were highly pertinent to the phenomenon of study (Yin and Davis, 2007). The specific role played by the managers into the small and medium sized firms – as steward entrepreneur - is aligned with the characteristics he has in the model we proposed. This evidence suggested investigating its effectiveness and the relations between its components into these environments. For these reasons, a medium firm has been chosen as unit of analysis and the specific study question is represented by “how do a medium firm build a sustainable business model based on the synergic value co-creation approach?” (Chapter V).

The definition of the phenomenon through the Business Sustainability. In the recent years, a new perspective has been assumed shifting the focus of the corporations: from the profit maximization approach (Friedman, 1970) to an organization designed to align private and public interests fulfilling the social requirement of everyone, directly or indirectly, involved in the organization (Donaldson and Preston, 1995; Freeman, 1984; Jensen, 2001).

This new orientation has been progressively influenced by a growing global awareness in respect of the main issues (e.g. poverty, environmental degradation, inequalities, etc.) caused by the adoption of growth models too focused on single-minded approaches which were unable to explicitly recognized the importance of shared public wealth rather than private value. The result was an increasing attention to that the World Commission on Environment and Development called the Sustainable Development (Brundtland report, WCED, 1987, p.43)¹. The sustainable growth model introduced encompasses the capability of the society and economic actors to generate value and wealth preserving the resources which will need to future generations to satisfy their needs. The sustainable path requires both to balance and often to reconcile the conflicts between these dimensions to successfully pursue a development which is able to generate shared value and wealth (ICLEI, 1996; Hardi and Zdan, 1997; Barton, 2000; Du Plessis, 2000; West Midlands Round Table, 2000; Giddins et al, 2002). This means rethinking the traditional

¹ The term was introduced for the first time by The World Conservation Strategy in 1980 (IUCN et al., 1980; Hopwood et al., 2005).

models of production/consumption and the social practices in a way which explicitly considers a development model both sustainable in the long run and shared by all parties involved (Sharma et al., 2003). The co-operation of different actors (corporations, institutions, shareholders, customers, suppliers, employees and public actors) is important to change some paradigms which are at the basis of the traditional growth models (Sharma, 2002) and to adopt an integrated view about economic, environmental and social concerns (Brundtland report, WCED, 1987; European Commission, 2001). Adopting sustainable development models mean pursue simultaneously economic improvement, environmental care and social objectives by growth paths which are able to achieve the sustainability as an instrument to permanently generate shared wealth for the present without compromising the satisfaction capability of the future generations to satisfy their needs. In a similar way can be defined the Business Sustainability we assumed in our work. It is “the adoption of business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future” (IISD, 1992; see also Roome, 1998; Van Kleef & Roome, 2007). Thus, sustainability issues involve firm viability both now and in the future and focused on three specific components: the present needs of the corporations; the present needs of the stakeholders of the corporations; the needs of future generations. This new approach explicitly recognized the double nature of the corporations: as economic actors – according to the Friedman view of the business (Friedman, 1970) – and as social actors which directly affect the “environment” in which they operate (Campbell & Alexander, 1997). A mutual dependence relation between business and society is largely recognized (Porter & Cramer, 2006; Carroll & Buchholtz, 2009) and it represents the main source of the business responsibility (Doh and Guay, 2006; Porter and Kramer, 2006). However, according to Carroll and Buchholtz (2009:9), when we speak about business and society relationships, we cannot refer to the society in a broad sense because it may be not realistic but we need to consider either to specific segments/subgroups of the society or to some system in the society (eg. politics, law, custom, religion, economics). For these reasons, we refer to the Sustainable Business Management (SBM) as the “management of business that recognizes its embeddedness in social, environmental and economic systems, and focuses on management and relationships to meet the environmental, social, and economic requirements of many different stakeholders in its networks” (Roome, 1998; Van Kleef & Roome, 2007:44).

Empirical and theoretical motivations. For many years, the corporations assumed the firm’s performance maximization and the short term gains as the main organizational goal to enhance (Friedman, 1970; Steward et al., 2000; Dyllick et al., 2002; Bruce et al., 2005; Morris et al., 2005) and overemphasized the economic dimension of the firm’s business model (Linder et al., 2000; Stewart et al.,

2000; Mayo et al., 1999; Slywotsky, 1996). The result was the adoption of “single-minded” business models too focused on the maximization of the firm’s financial performance (those we call in the next the “myopic” business models). Some of these corporations are successful but most of them failed (Cap Gemini Ernst & Young Center for Business Innovation Analysis, September, 2002; Federal Deposit Insurance Corporation (FDIC) Chair Sheila Bair on C-SPAN’s Newsmakers, October 2010). A progressively rush of scandals occurred in the last few years such as Enron (2001), WorldCom (2002), Tyco (2002), HealthSouth (2003), Parmalat (2003), Bernie Madoff (2008), Lehman Brothers (2010).

These are the situations in which long run public costs are bigger than short run private benefits, and the value is created just for few stakeholders – likely the shareholders - at the expenses of the others, due to the un-capability of the firm’s business models of align different interests and to recognized their involvement in the society, which affect and by which they are affected.

Many problems are directly linked to business models too focused on the maximization of the short run financial aspirations: the high risky degree of the corporations (Sanders, 2001; Sanders et al., 2007); managerial frauds (Bruner et al., 2005; Erickson, 2006; Johnson, 2006; Johnson et al., 2006, 2007; Robinson & Sartore, 2008); the adoption of the stakeholders prioritization model (Mitchell et al., 1997), value destroying (Jensen, 2000) and other issues directly related to the corporate governance of the corporations (Fama et al., 1983; Jensen, 1986; Jensen et al., 1990; Van den Berghe et al., 2002; Bruce et al., 2005; Carroll & Buchholtz, 2009). In contrast, a similar result is obtained by business model too focused to solve the social problems or other kinds of single objectives. Control Data Corporation may represents a real example.

These business examples underline that business models too focused on the enhancement of single objectives are unable to effectively exploit the double nature of the firm. They are not able to generate shared value for shareholders, stakeholders and the future generations (the long run perspective). They create value just for some of the stakeholders – in a broader sense - at the expenses of the others, ignoring the social requirement of everyone, directly or indirectly, involved in the corporations.

The Research problem and the research questions. According to Porter and Cramer (2006) successful corporations need a healthy society and in turn a healthy society needs successful companies. So, to transform this interconnection in opportunity, a company needs to explicitly recognize its social embeddedness building a business model which is able to effectively satisfy the needs of different stakeholders - including the shareholders - without compromising the satisfactions of some of them. To do so, a new approach to the value creation process of the corporations needs to be developed. In our

opinion, the business sustainability and the sustainable business management represent a viable approach to build that we call “sustainable business models” which are able to align public and private interests either fulfilling the social requirements of the stakeholders of the corporations and to generate wealth for their shareholders, in a long run perspective. Adding to this, many recent contributions converged around the idea that the business sustainability may represent the future viable path to create long-term shared value because many benefits linked to that (Funk, 2003; Porter and Kramer, 2006; Parmar et al., 2010). However, very little is known about the process by which the managers can effectively do this. This represents our research problem. It can be viewed as composed of three main sources of knowledge: a better understanding of how the corporations can effectively develop the sustainable business models presented above; what kind of activities need to be implemented to effectively create shared value, for the firms and for the stakeholders; what are the conditions under which it works. These represent our research questions in terms of:

- i. How do the corporations build sustainable business models?
- ii. What does “value” mean for a particular group of stakeholders and how do firms create these different types of “value for stakeholders”?
- iii. What are the activities that the firms need to develop to create shared value and under what conditions does the model effectively work?

The most recent literature (Parmar et al., 2010) confirmed a theoretical gap in order to explain how the corporation can enhance sustainable competitive advantage, co-create value with and for their stakeholders, directly contribute with their business models to the sustainability goal and sustainable development, as defined above. A more effort is required to fulfill these gaps. An integrated framework needs to be developed which is able to join different perspectives into a unique strategic paradigm (Parmar et al., 2010). This may be able to explain how managers can effectively manage different stakeholders’ group developing competitive resources for the corporations, maximizing the wealth of stakeholders’ system delivering value and allocating rents, contribute to sustainable development enhancing the goal of sustainability. According to Parmar et al. (2010), the stakeholders theory represents a reasonable way to do this reconciling the problem of value creation, sustainable competitive advantage (Harrison et al., 2010) and distributions of economic rents (Bosse et al., 2009) with the problem of ethics of capitalism and sustainability (Boutilier, 2007; Bansal, 2005; Sharma et al., 2005; Kolk et al., 2007). However, despite the recent contributions (Harrison et al., 2010; Bosse et al., 2009) very little is known regarding the process of managing for stakeholders when different stakeholders’ networks compete or when different stakeholders’ interests need to be included into the value creation process of the corporations (Parmar et al., 2010). This represents the main aim of our work.

The research design. Our research design is based on three different methodologies each one addresses a specific question.

A qualitative study was conducted developing the conceptual model that we called “the synergic approach to the value co-creation process”. It directly fulfills the main literature gap underlined by Parmar et al. (2010) in terms of a lack of an integrated theoretical approach which integrate the stakeholder theory with different frameworks such as: the resource dependent theory (Pfeffer and Salancik, 1978); the resource based view in order to explain both the relationship between the resource management and the competitive advantage (Priem et al., 1991) and rents allocation into stakeholders’ groups (Barney et al., 2001); the decision making process model of the corporation (Cyert and March, 1963).

Basing our argumentation on the core assumption of the behavioral theory of the firm, that multiple stakeholders goals serve as constraints on their firms’ survival (Cyert and March, 1963) we develop our ideas by integrating aspects of stakeholder theory (Freeman, 1984, Freeman et al., 2010), stewardship theory (Jones et al., 1997), and resource dependence theory (Aldrich and Pfeffer, 1976) with the behavioral theory’s explanation of organizations’ multiple goals (Simon, 1964) and with recent work identifying firm-level strategies that create value from a consumer perspective (Priem, 2007). The result is a model of the firm, its current stakeholders and its potential stakeholders as an organizational decision-making system, wherein top managers sequentially address multiple goals and create value above the minimum level required for stakeholder participation, in order to attract exceptional stakeholders and obtain their commitment and effort toward system-wide value creation.

Furthermore, Freeman et al. (2010) and Parmar et al.’s (2010) reviews concluded that stakeholder theory provides a useful framework that helps explain how firms can create shared value. Yet they also concluded that key questions remain to be answered, including: “How can firms create different types of value for different stakeholders” (Parmar et al., 2010: 432)? This represents our second research question which has been addressed by a quantitative approach. To create value for all stakeholders, managers need to better understand the value drivers of the different stakeholders’ groups and satisfy them by a resources allocation’ process characterized by two main factors: a synergistic approach and a value co-creation process. The first one underlines the capability of the corporation to allocate resources into different groups following a simultaneous approach rather than a sequential or prioritization one. This means generating value for multiple stakeholders and not just for one of them – that is, satisfying by a single managerial action a mix of different utility attributes that each primary stakeholders evaluate as important. The second process is called value co-creation because it is based on the managerial knowledge of the structure of the stakeholders’ utility functions, which permits managers to better

understand “what stakeholder really want.” This requires a new managerial role - *the manager as a steward and an innovation-seeking entrepreneur* – and an explicit recognition of the different, *multi-attribute* utility functions of primary stakeholder groups (following the approach of Harrison et al., 2010). To do this we gathered primary data and based our methodology on an established, inductive process using multidimensional scaling and cluster analysis (e.g., Priem, et al., 2002; Voges, et al., 2004; Ketchen & Shook, 1996; Kruskal & Wish, 1978). In particular, we gathered data from the five primary stakeholder groups – investors, customers, employees, suppliers and the general public – and developed inductive, empirical taxonomies of utility sources found in the multi-attribute utility functions of each group. Viewing top managers as stewards of, and entrepreneurs within, the organizational decision making system that is composed of the firm’s primary stakeholders, we take an initial step toward showing how managers’ actions can simultaneously increase utility for two or more primary stakeholder groups and, thereby, increase the long-term sustainability of the firm.

Finally, according to Yin (2008), a case study is necessary when it has need to understand a real-life phenomenon in depth, but such understanding encompassed important contextual conditions – because they were highly pertinent to the phenomenon of study (Yin and Davis, 2007). Despite the example presented above shown the model acting into big corporations, the specific characteristics of the managerial role as steward entrepreneur may suggest that a small and medium sized environment might represent the natural landscape in which the model effectively exploits its potential. For the specific characteristics of SMEs, a sustainable business model based on our synergic approach to value co-creation may represent the intrinsic orientation of their business strategy. The specific role played by the managers into the small and medium sized firms – as steward entrepreneur - is aligned with the characteristics of the managers’ role assumed in the model we proposed. This evidence suggested investigating its effectiveness and the relations between its components into these environments characterized by a lower complexity and a clear role of the manager as a steward entrepreneur. For these reasons, a medium firm has been chosen as unit of analysis for our case study and the specific study’s question is represented by “how does a medium firm apply the sustainable business model based on the synergic value co-creation approach?”.

Research Relevance. Many literature gaps are effectively fulfilled by our work (see Parmar et al., 2010) and the new sustainable approach to the value creation of the corporations represents an important improvement for the theoretical comprehension of the phenomenon. Our theoretical model directly contributes to shed light on the relations which link the variables involved in the business sustainability and integrate the stakeholder synergy approach through the strategic value co-creation

process of the corporation. This offers three main contributions for the development of an integrated theoretical framework which explains how firms can create value by a sustainable business model:

- ⇒ the recognition of the stakeholders framework as the first step of the organizational decision making process framework (Cyert and March, 1963), and its integration into other mainstream theories, following the suggestions of Parmar et al. (2010).
- ⇒ The new role of the managers explained by both the stewardship approach and the innovation seeking entrepreneurial orientation, to better explain the managers' behavior in pursuing a business sustainability approach.
- ⇒ The mechanisms for satisfying multiple sub-coalitions' multi-attribute utility functions simultaneously integrates the stakeholders approach into existing theories such as the resource dependence theory (Pfeffer and Salancik, 1978), the decision making process model of the firm (Cyert and March, 1963), providing to solve many critical issues (see Freeman et al. 2010 and Parmar et al., 2010) in terms of resources management/allocation to achieve both competitive advantage (Priem and Butler, 2001) and "sustainable success" (Parmar et al., 2010, pp. 418).

Our model directly affects the general value creation paradigm of the corporation shifting the focus from a single minded financial approach to a long term shared value co-creation process, from the care of a single shareholder utility function to the balancing of different stakeholders' expectations. The success of the corporation is not just based on the profit maximization goal but on its capability to increase the overall utility of all the primary stakeholders of the corporation. This underlines to recognize an explicit inclusion of a sustainable approach into the business models of the corporation. To do this the managers need to act as stewards which care of different stakeholders' expectations, creating shared value by a co-creation activity and maximize the value of the corporation, by satisfying different stakeholders expectations.

Adding to this, the managerial relevance needs to be underlined. To maximize for profit firms' sustainability adopting the conceptual model we proposed, managers need to focus equal attention to all stakeholders, irrespective of current salience. This not means ignoring the shareholders but explicitly recognize that stakeholders are different and to co-create value each of them need to be satisfied with the equal attention. This mechanism effectively works when managers are able to simultaneously satisfy two or more attributes of multi-attribute utility functions of the stakeholders of the corporation by a single synergic approach. The considerations above need that managers must resist shareholders pressure for ultra-high performance, because this is inconsistent with a sustainable business model developed in our model. Effectively replying to all primary stakeholders and increasing their utility represents a viable,

long-run way to overcome the limitations of the more common, short-run and single-minded business model focused solely on financial performance maximization. This may be made more possible by developing a better knowledge about primary stakeholders' multi-attribute utility functions (Harrison et al., 2010) and the value drivers on which their utility functions are based (Parmar et al., 2010). Improving the overall utility of all corporation stakeholder groups may increase the size of the pie for everyone (Gulati & Wang, 2002; Priem, 2007) because of better satisfaction, commitment and trust among the primary stakeholders (Pirson & Malhotra, 2010; Davis et al., 2000; Gundlach et al., 1995; Achrol et al., 1990; Anderson & Weitz, 1992; Morgan & Shelby, 1994; Dwyer et al., 1987) and because of the many benefits linked to a successful stakeholder care (Sisodia et al., 2007; Choi & Wang, 2009; Freeman et al., 2010; Harrison et al., 2010; Parmar et al., 2010). This, in turn, increases long-term business sustainability because value is actively created for and with different stakeholder groups. In this way managers can co-create value by satisfying aspects of stakeholders' heterogeneous utility functions. Therefore, the first step is to better understand the sources of utility which are able to increase the satisfaction of each primary stakeholder group. The model and the taxonomies we developed of the utility sources for all five primary stakeholder groups represent an important tool for managers interested in the building of the sustainable business models and the stakeholder value co-creation process.

Finally, our research represents the first model which effectively suggests how co-create value for different stakeholders in a sustainable way and the first empirical taxonomies developed to highlight the sources which each stakeholder group evaluates as important and which are able to increase their satisfaction and, in turn, their commitment.

The main results. The prescriptive model we propose has the aim to help the corporations to achieve higher levels of business sustainability. In doing so, we integrate aspects of established approaches, including stakeholder theory (Freeman, 1984), stewardship theory (Jones et al., 2007) and resource dependence theory (Aldrich and Pfeffer, 1976), with the behavioral theory's explanation of organizations' multiple goals (Cyert and March, 1963; Simon, 1964) and with recent work identifying firm-level strategies that create value for consumers (Priem, 2007). The result is a model of the firm's primary stakeholders as an organizational decision-making system, wherein top managers simultaneously: 1) address multiple stakeholder goals and 2) act as entrepreneurs in creating value above the minimum levels required for stakeholder participation. The managers' super-ordinate goal in our model is to attract exceptional primary stakeholders and obtain their trust, commitment and effort toward system-wide value co-creation, thereby increasing the system's resiliency and, in turn, the business firm's sustainability. The process through which managers increase their firms' sustainability in our model, which involves firms "competing" for stakeholders and stakeholders simultaneously "competing" for firms, challenges several

commonly held assumptions about how top managers should deal with stakeholders. The adoption of this kind of business model directly affects the trust and commitment of multiple stakeholders, increasing the “size of the pie” (Gulati et al., 2003; Priem, 2007) and the sustainability of the corporation (IISD, 1992; see also Roome, 1998; van Kleef & Roome, 2007).

The first step to implement our model is represented by a better knowledge of the structure of the primary stakeholders’ multi-attribute utility functions (Harrison et al., 2010) and the value drivers on which their utility functions are based on (Parmar et al., 2010). Improving the overall utility of all corporation stakeholder groups may increase the size of the pie (Gulati & Wang, 2003; Priem, 2007) because of better satisfaction, commitment and trust among the primary stakeholders (Pirson & Malhotra, 2010; Davis et al., 2000; Gundlach et al., 1995; Achrol et al., 1990; Anderson & Weitz, 1992; Morgan & Shelby, 1994; Dwyer et al., 1987) and because of the many benefits linked to a successful stakeholder care (Sisodia et al., 2007; Choi & Wang, 2009; Freeman et al., 2010; Harrison et al., 2010; Parmar et al., 2010). This, in turn, increases the long-term business sustainability because value is actively created for and with different stakeholders groups. In this way managers can co-create value by satisfying aspects of stakeholders’ heterogeneous utility functions.

In doing so we developed the taxonomies of the utility sources for all five primary stakeholder groups. It represents an important first step toward a tool for managers interested in stakeholder value co-creation. In particular, our research represents the first empirical taxonomies developed to highlight the sources which each stakeholder group evaluates as important and which are able to increase their satisfaction and, in turn, their commitment. Looking at the results, each primary stakeholder group has shown different utility sources, but our results may provide managers with some initial insight regarding opportunities for value co-creation for multiple stakeholder groups. Product characteristics, quality and value delivered form an important utility category for employees, customers and the general public, and therefore represent an opportunity for initiatives that could increase the utility of these three stakeholder groups together. Similarly, management quality and accessibility form an important utility category for investors, suppliers, and the general public, which again offers opportunities for simultaneously increasing multiple stakeholders’ utility. Furthermore, the company reputation represents a valuable utility source for employees, customers and general publics. Adding to this, the financial stability of the corporation and its reliability may increase the utility for category of investors, general public and suppliers. These are just some of the combinations of utility sources which may be used to increase the overall utility of two or more primary stakeholders simultaneously.

The qualitative case study shows the way in which the steward entrepreneur may explicitly recognize the primary stakeholders' sources of utility as an opportunity to exploit, generating and delivering value in an innovative way by a unique value proposition. It represents a real example of synergic value co-creation in which the utility sources of the primary stakeholders are effectively satisfied in a simultaneous way rather than a traditional approach. Finally, the case study confirms our propositions in terms of the real effectiveness of the model and the new role of the manager into the small and medium sized corporations.

Contributions and future research paths. We have developed a model which changes many business logics: from a single financial objective maximization to a shared value co-creation; from the care of a single shareholder utility function to the balancing of different stakeholders expectations. The involvement of the primary stakeholders and the knowledge of their utility sources increase the sustainable profile of the corporations according to the business sustainability concept and improve the capability of the corporations to create shared value maximizing the overall utility of all the primary stakeholders. This causes the rethinking of the managerial role that needs to moderate the shareholders' pressure to the financial performance maximization and take care of the stakeholders' satisfaction to increase their commitment and the long term survival of the corporation, increasing the size of the pie.

Our model explicitly refers to an alternative model to manage the stakeholders' utility functions based on both: the recognition of different stakeholders' groups and sub-segments and the comprehension of the nature/weight of the different attributes/value drivers which determine the individual goals of each of them. Each stakeholders group, in fact, can be viewed as composed of multiple segments which show differences into their utility functions (e.g. different kind of employees may have different expectations in order to the satisfaction of the same main objective). For this reason, the activities developed by the firms need to consider all these aspects building a sustainable business model which is able to create and deliver value in a simultaneously way for all primary stakeholders, implicitly including the shareholders' interests. In other words, each stakeholder group can be identified by a specific utility function (Hill and Jones, 1992; Harrison et al., 2010) or by separate utility functions where segments are present within the group. For this reason, identifying and classifying the components of those utility functions would be an important step for researchers and for practitioners managing stakeholders, because the firm is required to "take into account its relationship with specific stakeholder groups as it sets corporate direction and formulates its strategies" (Roberts and King, 1989). This suggests that the first step in managing stakeholder relationships is to identify the stakeholders' categories and the relative sub-segments' utility functions within each stakeholder group (i.e. homogeneity/heterogeneity), the nature of the desired relationships and details of the utility functions for each stakeholder type in terms of value

drivers/attributes for each stakeholder group. Although Harrison et al. (2010) have argued that trust is an essential ingredient for the sharing of utility function information between the corporation and its stakeholders (Harrison et al., 2010), together with reciprocity (Bosse et al., 2009) and the degree of salience of each stakeholders group (Mitchell et al., 1997), we advocated a different approach. Instead, the characteristics of the exchange must be considered before investing in trust, and it is the value offered to each stakeholder group that is most important in obtaining their commitment irrespective of exchange characteristics.

Introducing the concept of an organizational decision-making system into the framework of stakeholder theory provides a new perspective for examining “real world” management decisions regarding stakeholder constraints using well-known constructs such as bounded rationality, sequential attention to goals, quasi-resolution of conflict, uncertainty avoidance, problemistic search and organizational learning, among others (Augier and Sarasvathy, 2010). Moreover, ethics and moral obligations – long recognized but infrequently discussed in strategy scholarship (Bernard, 1938; Hosmer, 1987, 1994) – can be reintroduced to the prioritization models by which managers satisfy stakeholders’ demands (Mitchell et al., 1997). It may be that, given the different values held by different stakeholders, a competing for stakeholders approach is most likely to result in sustainability for the individual firm and, when aggregated across many firms, in sustainability for society.

Finally, our model clearly shown that sustainable business is not in contrast with value creation process of the corporation neither with their profit (Friedman, 1970) but it generates a better allocation of resources and the simultaneously satisfaction of shareholder and shareholder. Moreover, many literature gaps have been fulfilled highlighted by Parmar et al. (2010) in terms of: an integrated theoretical model which explains how the corporations can create value for different stakeholders increasing its long term sustainability and what the value mean for different stakeholders’ groups.

Despite the important contributions highlighted above, further researches need to be addressed in order to better understand the linkages between the variables of our model.

A better comprehension of the nature of the activities/policies that the managers need to develop to implement the model we proposed has to be developed. Each single stakeholders group/segment is characterized by different utility sources which can be satisfied by different managerial policies. These sources may be viewed in terms of entrepreneurial opportunities for value co-creation among multiple groups and how the value created for different stakeholders can be effectively measured by the

corporation represents interesting areas for future researches (following the approach proposed by McWilliams et al., 2010).

Furthermore, Pirson et al. (2010) found that the trustworthiness varied across different stakeholder types and it has directly affected by the nature of the relations they have with the corporation. In the same way, we may suppose that the effectiveness of the model may be affected by the nature of the relationship with the different stakeholders. Following this approach, it represents a viable path for future researches.

Finally, more contributions need to be focused on better determine whether firm size, age, country and industry affect the relationships in the model.

Limitations. Our study has a number of limitations that must be kept in mind when interpreting our results, and these limitations represent opportunities for future research. In particular, it is likely that each primary stakeholder group's multi-attribute utility function may exhibit some within-group heterogeneity, similar to customer segments common in the customer stakeholder group. Additional research with larger samples may be able to identify the degree of this heterogeneity – and which segments are large enough to warrant attention – within each primary stakeholder group. Moreover, primary stakeholder groups' multi-attribute utility functions may differ somewhat across industries. While our multiple industry samples helps generalizability, industry-specific studies are needed to identify industry differences. Similarly, stakeholder groups' multi-attribute utility functions may differ across countries, so country-specific studies are also called for to see which utility sources are common across countries and which are specific to particular countries. Finally, ours is an inductive classification study. An important next step will be to determine weightings given by stakeholders to specific utility categories in different contexts.

Our work represents a first step in examining the value co-creation approach: recognizing what factors contribute to the multi-attribute utility functions of each primary stakeholder group. Yet even this first step has identified important implications for managerial behavior and for future practices that are likely to increase long-run business sustainability.

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