Issues in Business Ethics 46

R. Edward Freeman
Johanna Kujala
Sybille Sachs *Editors*

Stakeholder Engagement: Clinical Research Cases

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Chapter 1
Stakeholder Engagement: Practicing the Ideas of Stakeholder Theory

R. Edward Freeman, Johanna Kujala, Sybille Sachs, and Christian Stutz

Keywords Stakeholder theory • Stakeholder engagement • Qualitative research

Our Call for Examples of Stakeholder Engagement in Practice

Stakeholder theory has become one of the major ways to conceptualize and comprehend business organizations in the fields of strategy and management.[1] According to stakeholder theory, the purpose of a business firm is to bring together employees and customers, suppliers and distributors, investors and communities and other actors in society for creating new jobs, products and services that are needed and wanted by various stakeholders. Business is not only about increasing the value of

[1] To provide the reader a good start on stakeholder theory, we refer to Freeman et al. (2007, 2010), Friedman and Miles (2006), Phillips (2003) and Bonnafous-Boucher and Rendtorff (2016) for recent overviews and syntheses of the burgeoning literature.

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the investment made by owners, but also about fulfilling the needs and expectations of various stakeholders. Another way to say this is that businesses create value for stakeholders.

As stakeholder theory has moved into the mainstream of management thinking in business ethics and a number of the management disciplines (Freeman et al. 2010), there is an increasing need to explore the subtleties of how businesses actually engage their stakeholders. While much of the work in stakeholder theory in these disciplines is either highly theoretical or narrowly empirical, the roots of stakeholder theory are actually clinical in nature, and the theory itself has been derived from practice. Freeman (1984) is built from the experiences of executives and others in beginning to cope with an external environment with multiple stakeholder demands. Freeman used many examples from his clinical consulting practice, his reading of the business press, and his conversations with executives to develop the idea of "stakeholder management" that is more appropriately called "stakeholder engagement". In a similar fashion, Post, Preston and Sachs (2002), and later on Sachs and Rühli (2011), analyzed cases of firms that illustrate the development and implementation of stakeholder engagement into practice and identified *good practices* for the management to create value for stakeholders.

The stakeholder literature has put much emphasis on defining and exploring important stakeholders (who can affect or are affected by a company) and discussing firm-stakeholder interaction processes. In recent years, the focus has shifted toward examining interaction with diverse stakeholders, understanding stakeholder dialogue, and learning from multi-stakeholder networks. However, we still need examples of stakeholder engagement from practice in order to build better stakeholder theory, and to help executives learn from how other companies choose to engage their stakeholders to create as much value as possible. Therefore, we set forth a call for examples of stakeholder engagement in practice, and collected and edited a multitude of empirical examples for this volume.

The Clinical Case Study Approach

The clinical method in organizational studies was pioneered by early theorists such as Eric Trist and Wilfred Bion at Tavistock Institute of Human Relations. It was modeled after work in psychoanalysis where theory was drawn out of case studies. The Freudian theory came from Freud's experience helping the people who were his patients. At some point, in the attempt to appear more scientific, the case/clinical method was mostly abandoned. An artificial distinction was drawn between theory development and theory testing. Hypotheses were generated from more generic propositions, data was gathered and analyzed, and theory was declared to be "true" or "false" based on the testing.

Of course, since Kuhn, we have known that even physics as a science does not work in this positivist way. What counts as theory development and testing, what are the exemplary cases in a science, are a matter of an underlying disciplinary matrix or "paradigm". The clinical approach can be used in all of theory generation, testing and elaboration, as this process hangs together more or less as a whole.

As presented by Ketokivi and Choi (2014), three different approaches to case study research according to the methodological basis of reasoning are often distinguished: Deductive *theory testing*, inductive *theory generation* and abductive *theory elaboration* case study approaches (see Mantere and Ketokivi 2013 on the three reasoning styles induction, deduction, and abduction). In reality, all three of these kinds of reasoning go into the development of a particular disciplinary matrix.

For instance, theory generation research, as advocated by Kathleen Eisenhardt in her seminal methodological paper (Eisenhardt 1989), is the most well-known approach to case study in management and organization studies (Langley and Abdallah 2011). Scholars use this type of case study to develop new theories when the phenomenon under examination is not adequately explained by pre-existing theories (Eisenhardt et al. 2016; Gioia et al. 2013; Ketokivi and Choi 2014). The research is said to be exploratory in nature, in which the context and the experiences of actors are critical. By remaining close to the underlying ideas of the case study, the emergent theoretical explanation is inductively driven by clinical observations.

But, also theory testing can use clinical approaches. Freud surely did not create the edifice that became psychoanalytic theory on a single case. Rather he generalized from a case then developed and revised those generalizations based on other clinical encounters. (Others could take those generalizations to the lab, or to the field, and conduct more mixed method approaches. However, the "theory testing" can only be as good as the richness of the underlying case descriptions). The purpose of this type of case study is less to confirm or falsify the appropriateness of competing or complementing theories, but to explain a particular phenomenon that the theory is about.

Clinical cases are also useful in elaborating and/or challenging a pre-existing theory. By applying a general theory to a specific empirical context, scholars seek to explore the theory's weaknesses and problems in order to elaborate it. In this process, idiosyncrasies of the empirical case are regarded as a possibility to reformulate the initial theory. The result is a theoretical elaboration that seeks to reconcile the initial theory with contextual idiosyncrasies encountered in the empirical case (i.e., abductive reasoning). The modification of the theory, for instance, involves the introduction of concepts from other theories (Alvesson and Kärreman 2007; Ketokivi and Choi 2014).

The case studies in this volume explore a number of aspects of the idea of stakeholder engagement. Stakeholder Engagement: Clinical Research Cases is in the tradition of the original work in stakeholder theory. It tries to meet the need for more empirical research, which is detailed and nuanced via case studies. In this sense, we draw on the recent body of qualitative case study literature that argues for using contextually rich data from real life settings to investigate a focused phenomenon (Alvesson and Kärreman 2007; Barratt et al. 2011; Ketokivi and Choi 2014, Stutz and Sachs 2016). Table 1.1 depicts our understanding of the case study approaches regarding stakeholder theory and stakeholder engagement with examples of the case studies in this volume.

Table 1.1 Case study approaches regarding stakeholder theory and stakeholder engagement

	Theory generation case study research	Theory testing case study research	Theory elaboration case study research
Purpose	Theory/model building in a data-driven manner	Confirmation or falsification of the appropriateness of a theory	Reflexive elaboration on existing theories
Main mode of scientific reasoning	Induction	Deduction	Abduction
Prospects	Further development of stakeholder theory, by exploring novel or unfamiliar research context and *inductively introducing new concepts or relationships* among concepts (=filling gap of existing theorizing)	Further development of stakeholder theory, by developing propositions making use of essential features of the research context and then testing them (=explaining a particular phenomenon that the theory is about)	Further development of stakeholder theory, by elaborating on idiosyncrasies of the empirical context (=exploring empirical context to challenge and elaborate existing theories)
Examples of the case study approaches	Chap. 2 by Kujala, Lehtimäki and Myllykangas	Chap. 12 by Meier	Chap. 7 by Stutz

The Stakeholder Engagement Framework

The cases in this volume are organized around a simple framework of stakeholder engagement (Fig. 1.1) including four dimensions: (1) Examining stakeholder relations, (2) Communicating with stakeholders, (3) Learning with and from stakeholders, and (4) Integrative stakeholder engagement. While one could argue that the boundary line between these dimensions are not clear cut and many other ways to cluster the cases would be suitable, we are convinced that the framework serves us to portray stakeholder theory from both a managerial and pragmatic perspective.

After this introduction, Part I (Chaps. 2, 3, 4, 5 and 6) of this volume focuses on examining stakeholder relations, and addresses the questions of value co-creation in multi-stakeholder settings. The aim is to understand the relational factors in stakeholder engagement. Particularly, this section discusses how value can be created with and for stakeholders, and what it takes from companies to engage their stakeholders in different contexts.

Part II (Chaps. 7, 8 and 9) focuses on stakeholder communication from various perspectives and in several historical contexts. This section addresses stakeholder engagement, communication and dialogue in order to understand the role of the social and political surroundings in constituting communicative stakeholder processes. Moreover, measuring and reporting stakeholder value is discussed in this section.

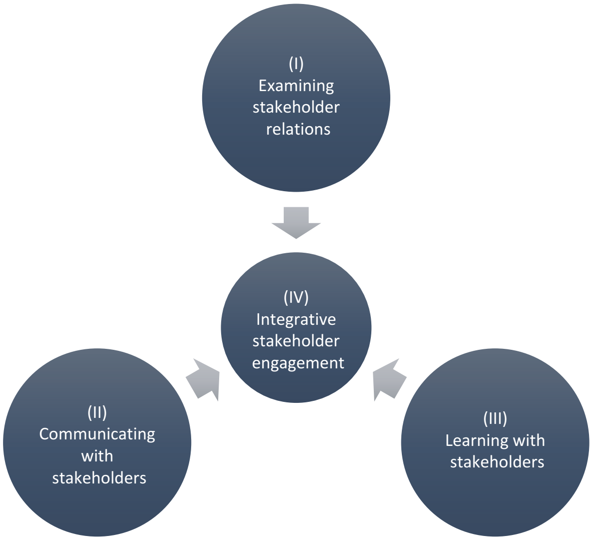

Fig. 1.1 Framework for stakeholder engagement

Part III (Chaps. 10, 11 and 12) examines learning with and from stakeholders, and using criticism and feedback as value creation opportunities in stakeholder engagement. This section shows that if companies are ready to learn with and from their stakeholders, they will find new ways to do business. The key argument is that stakeholder engagement supports social and environmental sustainability and enhances innovation.

Part IV (Chaps. 13, 14, 15 and 16) aims to put it all together and examines integrative stakeholder engagement. This section discusses how the study of stakeholder engagement can enrich our understanding of stakeholder alliances and stakeholder value creation, and be a powerful way to advance business while improving social justice.

We will now present a more detailed description of the content of each part of this volume along with the respective chapters.

Part I: Examining Stakeholder Relations

From its beginnings in the early 1980s, stakeholder literature has been examining who are the important stakeholders and analyzing the interaction processes with them (e.g., Savage et al. 1991; Mitchell et al. 1997; Cummings and Doh 2000). More recently, interest in stakeholder theory has moved from analyzing stakeholder attributes to examining the nature of stakeholder relationships. Global economy is a relational economy and in order to better understand the links between business, society and stakeholders, we need to comprehend what happens in stakeholder relations and how to create value with and for various stakeholders.

Stakeholder value creation has become an important topic in recent management research. The conventional view treats value creation as a linear value production in value chains (Porter 1985). However, the knowledge based economy has changed value creation processes considerably (Normann and Ramirez 1993; Ramirez 1999) and a new narrative for value creation is called for (Parmar et al. 2010). In Chap. 2, Johanna Kujala, Hanna Lehtimäki and Päivi Myllykangas deepen our understanding of stakeholder relationships and co-creation of value in them. They examine how key stakeholders (management, personnel, customers and owners) join in value creation in a strategic change of a company. As a result of their inductive analysis, they establish five elements as critical in stakeholder value creation process: (1) History of the relationship, (2) Stakeholder's objectives, (3) Interaction in the relationship, (4) Learning and information sharing and (5) Trust. The study underlines the complexity and the dynamic nature of stakeholder relationships.

Chapter 3 examines stakeholder relationships as a source of social value creation in a complex environment. Laura Corazza and Maurizio Cisi contribute to stakeholder literature by providing a detailed examination of the dynamics that pragmatically occur in a firm during the process of relationships analysis. The case examines a network of several entities that provide training and work possibilities to young disadvantage people. The authors use an abductive action research approach, and show that managers who want to engage stakeholders and increase positive social impact need to have capabilities such as relational skills and ability to establish and communicate a trustable reputation.

Stakeholder engagement and corporate social responsibility (CSR) are, both in theory and in practice, strongly related phenomena, and many companies use stakeholder engagement as a tool for their responsibility management. Chapter 4 examines stakeholder engagement and stakeholder relationships in the context of CSR with a single case in a Finnish mutual insurance company. Johanna Kujala and Anni Korhonen analyze stakeholder engagement on three levels (rational, process, and relational) with three different stakeholder engagement frameworks. By applying the stakeholder mapping (Freeman 1984), stakeholder collaboration continuum (Austin 2000; Austin and Seitanidi 2012), and stakeholder value creation (Kujala et al. 2016) frameworks in a specific empirical context of CSR management, the authors contend that CSR and stakeholder engagement should not be separated from the actual business model of the firm. The study argues that in order to achieve viable value creation, a company should enlarge stakeholder engagement from the CSR activities to the general business model including all functions of the company.

To move the field of stakeholder research in the direction of increased social responsibility, we need to pay attention not just to the well-known, respected and powerful stakeholders but also to the distant, marginalized and voiceless stakeholders and relations with them (Derry 2012). Chapter 5 puts interest in responsibilization and MNC-stakeholder engagement by asking who engages whom in the pharmaceutical industry. Frederick Ahen sets the marginalized and distal stakeholders of MNCs at center stage and examines the multiple layers of tensions between the pharmaceutical industry and its stakeholders. His inductive study brings forth the argument of the inclusion of the voiceless in "true" stakeholder engagement.

When discussing stakeholder engagement, we must not forget shareholders. In Chap. 6, Tobias Gössling and Bas Buiter explore shareholder engagement in socially responsible investment (SRI) processes by examining the relationship between shareholder salience and engagement effort success. Their deductive theory testing study shows that there is no significant relationship between shareholder salience model and shareholder engagement effort success as only urgency was found to affect the success of engagement efforts. As a result of their study, they suggest that a relational dimension of proximity should be added to the study of stakeholder relationships.

Part II: Communicating with Stakeholders

Communicating not just to stakeholders but with stakeholders is an important part of stakeholder engagement. There is ample of research on stakeholder communication and on how to move from stakeholder debate to stakeholder dialogue (e.g., Kaptein and Van Tulder 2003; O'Riordan and Fairbrass 2008; Golob and Podnar 2014; Brown and Dillard 2015). Stakeholder dialogue has been defined as "a structured interactive and proactive process aimed at creating sustainable strategies (Kaptein and Van Tulder 2003, p. 210)", but in more general terms, stakeholder dialogue can refer to any two-way communication or interaction in oral or written forms (Lehtimäki and Kujala 2017).

To understand the role of the social and political surroundings in constituting communicative stakeholder processes, in Chap. 7 Christian Stutz invites us to a journey back to the times of the Cold War. In his in-depth historical study on a Swiss multinational, he explores the firm's engagement with a public issue, namely, the call to break off trade relations with the communist East. Building on the strategic cognition view of issue salience, this study explores the collective sensemaking efforts of the company and its stakeholders and seeks to understand the role of the social and political surroundings in constituting these communicative processes.

In Chap. 8, Silvana Signori relies on a relational view of stakeholder theory that suggests that both the meaning and the purpose of a company are continuously shaped by the interaction between the firm and its stakeholders. Her study explores the potential of this perspective and studies the stakeholder dialogue of an organic dairy firm, which was rescued from bankruptcy by its customers. The inductive analysis of this case provides insights of how stakeholder dialogue is not only a powerful tool for understanding and answering stakeholder concerns, but also an effective means for co-creating mutual understanding and value-attunement among the firm and its stakeholders.

Reporting and disclosure are also important elements of stakeholder communication. Chapter 9 introduces the use of a value-added statement (VAS) reporting model by a large mining, industrial, and chemical firm based in Mexico. Adrián Zicari and Luis Perera Aldama present an inductive longitudinal analysis over 9 years to examine how the value received by stakeholders develops over time.

Two different sets of stakeholders are identified: (1) Constant stakeholders that enjoy a stable distribution, and (2) Volatile stakeholders that receive an unstable share. This chapter contributes to the discussion of stakeholder engagement by explaining how value-added statements can help to shape and support discussions among stakeholders.

Part III: Learning with and from Stakeholders

Learning with and from stakeholders indicates the links of stakeholder theory to other currents of thoughts, such as the organizational learning literature (Levitt and March 1988; March 1991). This tradition suggest that firms seek internal and external information to develop their routines and procedures further and enhance their value creation opportunities. The contributors to this part of the book volume enlarge the body of knowledge that has incorporated these ideas into stakeholder research (Calton and Payne 2003; Heugens et al. 2002).

Claude Meier presents in Chap. 10 a theoretical framework that explains the effectiveness of Non-state Driven Transnational Initiatives for Social Sustainability (TISSs), or multistakeholder dialogues, with respect to firms' learning paths. To test this theoretical framework, two TISSs cases were selected for a cross-case comparison, i.e., the Business Social Compliance Initiative (BSCI) and the Fair Wear Foundation (FWF). Data were collected from expert interviews and documents, such as audit reports and regulatory documents of BSCI and FWF. The findings highlight the potential of joint learning and lead to the conclusion that stakeholder-involving approaches are adequate to support social sustainability in the future.[2]

One more argument in favor of the usefulness of stakeholder engagement to address sustainability challenges is offered by Anna Heikkinen. She examines in Chap. 11 a multi-stakeholder network aiming to generate innovative approaches to climate change. She applies the deductive approach and utilizes the life cycle model of multi-stakeholder networks to examine stakeholder collaboration. This chapter enlarges our view about multi-stakeholder networks, suggesting that informal and open-ended approaches can provide opportunities for learning about complex issues and activities in order to engage with them. Open-ended, communicative, and inspirational approaches enable to consider the various interests of different stakeholders, to enhance them, and to create joint interest.

In Chap. 12, Edwin Rühli, Sybille Sachs, Thomas Schneider and Ruth Schmitt elaborate on this line of argument and explore how firms and stakeholders learn from each other while addressing social issues. They shed light on the matter by offering a framework for evaluating social innovation processes in the context of stakeholder networks concerned with wicked social issues. To evaluate the process

[2] This chapter is a reprint of "Supply Chains in the Apparel Industry: Do Transnational Initiatives for Social Sustainability Improve Workers' Situation?", published in *International Journal of Management, Knowledge and Learning (IJMKL; 2015 Vol. 4, Issue 1, p. 27–40).*

of social learning and innovation in multistakeholder settings, they distinguish three analytical dimensions: the mindsets of the involved stakeholders, the process and the outcomes of a multistakeholder setting. The framework is then applied to the case of the Swiss Cardiovascular Network (SCVN), which represents a multistakeholder setting related to problems in health-care. The findings from this illustrative case result in both theoretical and practical insights, which may contribute to improving the capacity for addressing social innovation in society.[3]

Part IV: Integrative Stakeholder Engagement

This book volume pushes further the notion of stakeholder engagement as the label for practicing the ideas of stakeholder theory in firms (Freeman et al. 2010; Greenwood 2007; Harrison et al. 2015; Heugens et al. 2002). To gain an integrative view, scholars have studied the different paths through which firms develop their stakeholder orientations (Greenwood 2007; Post et al. 2002): Some firms are engaging with stakeholders in order to overcome "wake up calls", such as ecological or social events for trust repair (Brown et al. 2016). Other firms are understanding stakeholder engagement as strategic capability to explore co-creation opportunities with stakeholders (Plaza-Ùbeda et al. 2010; Harrison et al. 2010). Last but not least, a couple of firms are underpinned by strong moral assumptions that drives their responsibility towards and engagement with stakeholders (Jones et al. 2007). Based on such integrative views of stakeholder engagement, the contributors in this part offer new conceptualizations and managerial practices based on in-depth studies of empirical cases.

Etxanobe, an innovative Michelin-star restaurant in Bilbao, Spain, serves Leire San Jose, Jose Luis Retolaza and Ed Freeman in Chap. 13 as an illustrative case to study the significance and meaning of six engagement principles, i.e., value creation, purpose, interconnection, simultaneous creation of value, cooperation, and human complexity. The results of this study emphasize that cooperation, the power of relationships, and the interconnections among stakeholders are of great importance and reinforce an integrative stakeholder engagement.

Chapter 14 discusses two cases where multinational breweries decided to close a small niche brewery in a small town. In both cases, the initial decision of plant closing was ultimately reversed through actions supported by an alliance of stakeholders. Simone de Colle, Yves Fassin and Ed Freeman develop three different conceptual lenses to deductively analyze the cases for the moral status of integrative stakeholder engagement: Amoral Managerial Model, Applied Business Ethics Model, and Bounded Business Ethics Model. The argument is that the Bounded Business Ethics Model enriches our understanding of the implications of stakeholder

[3]This chapter is a reprint of "Innovation in Multistakeholder Settings: The Case of a Wicked Issue in Health Care", published in *Journal of Business Ethics*, DOI: 10.1007/s10551-015-2589-1. We offer our gratitude to Springer for granting this reprint.

engagement in the value creation process that otherwise would be denied or overlooked. Their two cases also show that stakeholder alliances can repair the stakeholder equilibration failure created by management.

In Chap. 15, Richard Brownlee, Sergiy Dmytriyev and Allison Elias provide an analysis of a practical integrative stakeholder engagement conducted by The Coca-Cola Company in partnership with World Wildlife Fund. The authors present an inductive analysis of stakeholder engagement that was both extremely successful and sustainable by going beyond the original partners and spreading among stakeholders across the entire value chain and beyond. The analyzed case is also valuable in showing that the focal company, though enjoying the leading position in its industry and having considerable influence over its value chain, chose to engage stakeholders in its freshwater conservation initiative through a collaborative, dialogue-based process, demonstrating a stakeholder mindset both on the part of the company and multiple stakeholders. The chapter demonstrates that stakeholder engagement, which lies at the core of stakeholder theory, is feasible and it can be a powerful way to advance business, foster stakeholder-oriented thinking, and improve the lives of millions of people around the world.

Very little research has been done to help managers to adapt instruments and tools offered by stakeholder research. In Chap. 16, Sybille Sachs, Christian Stutz, Vanessa McSorley and Thomas Schneider address this evident gap and explore the best tactics for implementing stakeholder management through a case study, which draws on a stakeholder engagement project concerning their own university. In terms of action research, they accompanied and enabled a process aimed at evaluating, informing and improving their university's approach to managing its stakeholders. Building on prior implementation literature, the authors offer an in-depth narrative on the process and derive managerial implications from their theoretical case discussion. One of the most interesting insights is that managers should design purposeful interventions that help to rethink, or even break up, current routines in order to improve the organization's stakeholder management capabilities.

Finally, in Chap. 17 we, with our colleague, Sergiy Dmytriyev, discuss management and organizational scholarship that, being dominated by positivist worldviews, has been losing its relevance to practitioners. We appeal to scholars to approach their research from a pragmatist perspective, and highlight stakeholder theory and clinical research cases on stakeholder engagement provided in this book as an example of such an approach.

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Part I
Examining Stakeholder Relations

Chapter 2
Value Co-creation in Stakeholder Relationships: A Case Study

Johanna Kujala, Hanna Lehtimäki, and Päivi Myllykangas

Abstract The purpose of this article is to deepen our understanding of co-creation of value in stakeholder relationships. The authors present a case study on the process of strategic transformation in a medium-sized company providing industrial services. The purpose of the study is to analyze how different stakeholder perspectives join in determining what is perceived as valuable in business operations. Stakeholder relationships are studied during a three-year period when the company transformed from a division of a large industrial corporation into an independent service company. The data was collected through personal interviews and from Intranet documents, and analyzed with qualitative content analysis. Management, personnel, customers and owners are the key stakeholders in transformation of value creation. Based on the study, five elements of stakeholder relationships were identified as important in transformation of value creation: (1) History of the relationship, (2) Stakeholder's objectives, (3) Interaction in the relationship, (4) Learning and information sharing and (5) Trust. The study contributes to literature on value creation by highlighting the complexity of stakeholder relationships and by showing that the salience of stakeholder relationships varies during the transformation.

Keywords Stakeholder relationships • Co-creation of value • Industrial services • Strategic change

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Understanding value co-creation has become a major theme in recent management literature, particularly in the field of stakeholder research. According to stakeholder theory, the firm exists through interaction with its stakeholders and business is about creating value with and for stakeholders (Freeman et al. 2010; Näsi 1995). One of the main arguments of stakeholder theory is that firms seeking to serve the interests of a broad set of stakeholder will create more value over time (Freeman 1984) and that the development and maintenance of favorable and productive stakeholder relationships are essential in creating value for a company (Post et al. 2002). Instead of narrowing the relationship between an organization and its stakeholders as a simple transaction based exchange between parties focusing on economic returns, stakeholder theory provides an appropriate lens for considering a more complex perspective of the value that stakeholders seek (Harrison and Wicks 2013). Stakeholder relationships include co-operation, collaboration and network effects (Myllykangas et al. 2010) and in the long run, a company must satisfy stakeholder needs and balance stakeholder interests over time (Freeman et al. 2007; Näsi 1995).

The traditional, industrial view treats value creation as a question of linear value production i.e., value chain thinking. According to this view, the actors continuously increase value by working in the assemblage of sequential operations until the products or services reach the customers (Porter 1985). The value creation processes are significantly different in knowledge based service business compared with value creation in traditional industrial business logic. In service dominant business logic, the management of intangible assets becomes a key success factor. Value on intangibles is created in relationships that are both personal and organizational. Worldwatch Institute (2010) claims that in order for the business to sustain its value in the eyes of customers, the owners and other stakeholders, the business and the logic behind it have to change. The global economy is closely interconnected through open financial markets and information and communication technology, and thus, a new narrative for creating value in business is called for (Parmar et al. 2010).

Moreover, the responsible management literature provides a strong argument that business organizations can no longer create sustainable strategies by merely satisfying the needs of owners or stockholders, instead, strategies for management of relationships and interest negotiations with and between various actors has become vital for ensuring sustainable long term success (Crane et al. 2008; Freeman et al. 2007; Argandoña 1998; Wheeler and Sillanpää 1997). Marketing literature, in turn, makes a strong argument that in the service oriented economy of 2010's, value is created not for the customer but with the customer (Prahalad and Ramaswamy 2004; Vargo and Lusch 2004). In this new logic of value creation, value is perceived and understood as value in-use and the role of companies as providing value propositions with the goods and services they supply (Vargo and Lusch 2004).

However, little attention has been devoted to questions of value creation in stakeholder relationships (Harrison and Wicks 2013). The stakeholder literature has put a lot of emphasis on defining and exploring important stakeholders, and analyzing firm-stakeholder interaction processes (Evan and Freeman 1988; Savage et al. 1991;

Mitchell et al. 1997; Rowley 1997; Burchell and Cook 2006; Burchell and Cook 2008; Agle et al. 2008). More recently, the emphasis has shifted from stakeholder identification (Cummings and Doh 2000) towards analysing and understanding the relationships with diverse stakeholders (Crane and Livesey 2003). With the development of global knowledge economy and an increased need to understand the links between business and society, there is a need to recognize the relational nature of value creation in general, and more specifically, value co-creation in stakeholder relationships.

The purpose of this article is to deepen understanding of co-creation of value in stakeholder relationship by analyzing how different stakeholder perspectives join in determining what is perceived as valuable in business operations. Theory of value co-production highlights value creation as a synchronic and interactive instead of a linear and transitive process. It, thus, calls for reconsidering the roles, actions, and interactions among economic actors (Normann and Ramirez 1993; Ramirez 1999). During the recent years, value co-creation has been studied in the fields of marketing and consumer research, especially from corporate social responsibility viewpoint (Peloza and Shang 2011), quality management (Mele and Colurcio 2006) and resource-based view (Bowman and Ambrosini 2010). In addition, value creation through cultural means (Ravasi et al. 2012) and in different cultural contexts (Cai and Wheale 2004; Lerro 2011; Zappi 2007) has raised interest.

This article addresses the call for accounts on different forms of firm-stakeholder interaction (Freeman 1999) and contributes to value co-creation literature by presenting a case study on the process of transformation in a medium-sized company providing industrial services. We build on stakeholder theory as a theory of value creation and trade (Freeman et al. 2010) and develop understanding about value co-creation and different stakeholder perspectives in determining what is perceived as valuable in business operations.

In the case study, we examine the role of different stakeholders in the value creation process. Advocates of stakeholder theory are pushing the idea of a stakeholder organization where the interests of different parties are incorporated by the process of value creation (Freeman et al. 2010) and focus on how value is created in business and, in particular, how companies make different stakeholders better off (Freeman et al. 2006). Drawing on stakeholder theory, we present a study of a company that has changed from being a division of a large industrial corporation to becoming an independent service company. Stakeholder theory directs attention to examine the relationships between a business and groups and individuals who can affect or are affected by it (Freeman 1984). This helps to understand how value is created not only for stakeholders but with stakeholders (cf. Freeman et al. 2007).

The rest of the article is organized as follows. We will first discuss the data collection and analysis methods and explain how the research proceeded. Then, we will present an overview description the transformation process of the case company during the three-year period under scrutiny and define the key stakeholders in the case. After that, the transformation is analyzed from the key stakeholders' (management, owners, personnel and customers) point of view. Finally, we discuss the research results in terms of what are the key elements of stakeholder relationships in order to understand how different stakeholders can join the process of value creation.

Methods

Co-creation of value and the stakeholder approach formed the frame of reference that guided the selection of the case company. We sought for a company where the value creation process was under transformation and where stakeholders had a significant role in the decision-making process. In the selected case company, stakeholder thinking was apparent, the business clearly concentrated on a limited set of stakeholders and the operations were based on highly professional personnel and an effective partnership network. This was anticipated to make insights into the dynamics of stakeholder relationships and value co-creation available.

The data for the study was collected by personal interviews with managers and by reading company documentation. The interview sessions were organized as open dialogue with a few broad questions to allow for hearing the interviewees viewpoints and interpretations of the situation, thus, the main question asked was: ‘How would you describe these past three years?’ The interview data consist of 11 interviews, each of which lasted one and a half hours each. Eight of the interviewees represented the case company’s management and personnel, and three of them other stakeholders (customers, industrial area, and local authorities).

The documentation was collected for a time period of almost 3 years from June 2004 to April 2007. The strategic transformation under scrutiny started in 2004, when the company became an independent business after being a part of an international corporation and ended in 2007 when the owners sold the business. The analyzed data comprise 350 pages of transcribed interviews, close to 100 strategy related documents, a large body of intranet documents, 120 personnel related documents, six customer-related documents and seven documents related to the industrial area.

The data was analyzed by using the qualitative content analysis method (Eriksson and Kovalainen 2008; Yin 2003) and by following the advice of Denzin and Lincoln (2000) who recommend qualitative methods when a researcher aims at capturing an individual’s own experiences and point of view and wish to secure a rich description of the social world explored. We first established a timeline for the events and divided the time period under scrutiny into five strategic phases. Then, we used the stakeholder salience model (Mitchell et al. 1997) to identify the most important stakeholders in each strategic phase. After that, we analyzed the strategic transformation from the perspective of the most important stakeholders: management, owners, personnel, and customers. Based on this analysis, we identified five elements of stakeholder relationships that are important in understanding how different stakeholders join the process of value creation.