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Stakeholder Theory and Value Creation Models in Brazilian Firms

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ABSTRACT

Objective – The purpose of this study is to understand how top Brazilian firms think about and communicate value creation to their stakeholders.

Design/methodology/approach – We use qualitative content analysis methodology to analyze the sustainability or annual integrated reports of the top 25 Brazilian firms by sales revenue.

Findings – Based on our analysis, these firms were classified into three main types of stakeholder value creation models: narrow, broad, or transitioning from narrow to broad. We find that many of the firms in our sample are in a transition state between narrow and broad stakeholder value creation models. We also identify seven areas of concentration discussed by firms in creating value for stakeholders: better stakeholder relationships, better work environment, environmental preservation, increased customer base, local development, reputation, and stakeholder dialogue.

Practical implications – This study shows a trend towards broader stakeholder value creation models in Brazilian firms. The findings of this study may inform practitioners interested in broadening their value creation models.

Originality/value – This study adds to the discussion of stakeholder theory in the Brazilian context by understanding variations in value creation orientation in Brazil.

Keywords – value creation, stakeholders, Brazil.



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I INTRODUCTION

One of the fundamental questions in stakeholder theory is for whom managers and organizations seek to create value, a topic that has been much debated within various literatures (e.g., Freeman, Harrison, & Wicks, 2007; Freeman, Wicks, & Parmar, 2004; Sundaram & Inkpen, 2004). Related to this question is *how* organizations create value for stakeholders and whether some stakeholders have higher claims for managerial attention in this regard than others (Mitchell, Agle, & Wood, 1997). In this line of analysis, managers should not seek to trade off the interests of one stakeholder group against the interests of other stakeholder groups because doing so is ultimately self-defeating; only by thinking through how organizations and stakeholders can co-create value will the interests of both be furthered.

Firms make a variety of strategic choices based on how managers conceptualize value creation that then have implications for how they manage relationships with stakeholders. Finding evidence for these choices, however, is challenging. Firms do not make public announcements of their strategic choices in terms of value creation and stakeholder management strategies. They do disclose publicly available information; however, that can be mined for information that is helpful for understanding these choices.

In this study, we seek to understand how firms in Brazil think about value creation for their stakeholders. We differentiate in this paper between two broad types of value creation models: narrow and broad. In so doing, we note that these are useful fictions created for analytical purposes; no organization fits neatly in one ideal type or the other. Organizations may well have a dominant inclination toward one model or the other. It is also the case that organizations can be in transition from one model to the other or they may purport to embrace both models within different communications (or even different parts of the same communication). Indeed, as we will discuss, we find evidence that Brazilian firms

follow different value creation strategies – some broader in their orientation than others. An organization's choice of value creation strategy – whether implicit or explicit and intentional or emergent – has implications for its stakeholder management and strategic management processes. We also find evidence of many firms in Brazil attempting to transition from narrow to broad models of value creation. It may be that this is the most common transition at present and across contexts as firms become more attuned to their stakeholders. Over time, organizational managers may come to perceive that stakeholder interests are linked in ways that make a focus on a narrow set thereof less attractive as a business model.

We do offer a caution, however. Assessing an organization's value creation model (and, by extension, its stakeholder management processes) from the outside is highly challenging. Organizations may well engage in rhetoric that outstrips the reality, making claims about stakeholder management and value creation that are socially desirable but not actually the basis of their strategizing or outcomes thereof. Like other studies conducted in this context (e.g., Gallon & Beuren, 2007), the data that we examine comes from corporations rather than their stakeholders. However, we think that there is still value in examining what organizations say about their value creation strategies for two reasons. The first is that the rhetoric that organizations use is reflective of wider societal values; to the extent that they talk in broad value creation terms, it is because they perceive that they are expected to. The second is that over time, we posit that rhetoric becomes a closer approximation of reality as organizations seek to narrow the distance between what they say and what they do.

After reviewing the literature on stakeholder management and value creation, we describe the methods of our study. Our sample consists of the top 25 firms in Brazil, as defined by the *Forbes* Global 2000 list. Of these 25 firms, 23 published sustainability reports in the time period that was the focus of our analysis: 2011-2013.

Using qualitative content analysis of the parts of these reports most germane to our analysis – the CEO/President’s message; the message from the Board of Directors or chairman of the Board (when available); mission, vision, and values statements; and the materiality matrix (when available) – we find that a large proportion of the firms are in a transition state between narrow and broad stakeholder value creation orientations. We also identify seven main areas of value creation consistently discussed by the 23 firms in our sample: *better stakeholder relationships, better work environment, environmental preservation, increased customer base, local development, reputation, and stakeholder dialogue*. We conclude by offering implications for future research.

2 BACKGROUND AND LITERATURE REVIEW

Our starting point is value creation for stakeholders, a topic that has been much debated within various literatures (e.g., Freeman *et al.*, 2007; Freeman *et al.*, 2004; Sundaram & Inkpen, 2004). Indeed, one of the central questions of stakeholder theory is how organizations create value for stakeholders and whether some stakeholders have higher claims for managerial attention in this regard than others (Mitchell *et al.*, 1997). Often, stakeholder theory, as a theory of value creation, posits that optimal value for an organization is created when the most aggregate value is created for all its stakeholders, without using any stakeholder instrumentally to enhance value creation for another stakeholder group (Freeman *et al.*, 2007). Thus, the goal is to co-create value for the organization and its stakeholders; to do otherwise is ultimately self-defeating. In this section, we contrast broad versus narrow views of value creation, proffer the view that the narrow view of value creation is ultimately self-defeating, link enterprise-level strategy to stakeholder management and value creation, and discuss the state of the stakeholder management literature in the Brazilian context.

2.1 Narrow versus broad views of value creation

Our goal in this study is to understand better how firms in Brazil think about value creation and communicate information about it to their stakeholders. We differentiate in this paper between two broad types of value creation models: narrow and broad. In so doing, we note that these are useful fictions created for analytical purposes; no organization fits neatly in one type or the other. An organization’s choice of value creation strategy – whether implicit or explicit and intentional or emergent – has implications for its stakeholder management and strategic management processes.

Narrow value creation models focus on a small set of stakeholders, such as shareholders or consumers (Freeman *et al.*, 2007). Freeman *et al.* (2007) refer to such a strategy as a specific stakeholder strategy, although a narrow strategy could also focus on value creation for only two or three stakeholders within the stakeholder set. Implicitly, narrow value creation models see stakeholder interests as either competing (value for one stakeholder is derived by extracting it from another stakeholder) or disconnected from value creation for other stakeholders (Harrison, Bosse, Phillips, 2010). As an ideal type, narrow value creation channels an organization’s strategies and stakeholder management in highly focused ways, reasoning that some stakeholders are more salient than others and thus require greater managerial attention (Mitchell *et al.*, 1997). Further, in this line of analysis commitment from stakeholders is prized only when it is extended from those that are the focus of its value creation activities; commitment from other stakeholders is seen as less essential.

In contrast, broad value creation models seek to create value for a broad set of stakeholders (Tantalo & Priem, 2014). They see value creation for one stakeholder group as linked to that for other stakeholders; this is especially so for the key stakeholders of communities, consumers, employees, financiers, and suppliers. As noted previously, explicit trade-offs of stakeholder

interests are eschewed because they are seen as not creating long-term sustainable value for the organization and its stakeholders. The ultimate goal of such models is to create a business model in which all stakeholders win over time. Broad value creation is conceptually linked to Freeman *et al.*'s (2007) multi-stakeholder enterprise-level strategy. In their use of the term, an enterprise-level strategy asks fundamental questions about the organization's *raison d'être* and whom it seeks to serve. Keeping the entire stakeholder set committed to the organization is thus an essential managerial task.

2.2 The narrow view of value creation as ultimately self-defeating

Although we seek primarily to describe how Brazilian firms think about value creation and communicate information about value creation to their stakeholders, we also seek to advance the argument that over time firms will move toward broad value creation models and away from narrow value creation models. We posit that such a movement will occur and be observable because the narrow view of value creation is ultimately self-defeating for two reasons: 1) stakeholder interests are joint rather than competing, and 2) firms need stakeholder commitment.

As noted previously, the narrow view of value creation focuses on promoting shareholder interests, often specifically profit maximization for shareholders. Sundaram and Inkpen (2004) propose that profit maximization for shareholders is the proper objective function for managers for three reasons: 1) maximizing shareholder value creates the appropriate incentives for managers to assume the entrepreneurial risks that are ultimately good for all stakeholders, 2) shareholders as residual claimants are not protected by contractual arrangements as are other stakeholders, and 3) firms can best be governed through the use of one objective function rather than many. In this line of analysis, managers are agents for shareholders (Jensen & Meckling, 1976) and are responsible for maximizing wealth for them. While there is robust

debate about whether this objective function is good for non-shareholder stakeholders, let us assume *ad argumentum* that it is possible for some correspondence of interests between these stakeholders and the interests of shareholders to exist. The question we wish to consider is whether a focus on shareholder interests is ultimately self-defeating (following Stout, 2012), suggesting that managers as a matter of prudence should adopt a broad view of value creation.

Freeman *et al.* (2004) adopt a contrary view to Sundaram and Inkpen (2004). They claim that stakeholder theory has been mischaracterized: shareholders are stakeholders, the view that resolving stakeholder conflicts is hard for managers to accomplish is often overblown, the issue of "whose values count" is also overblown, and stakeholder theory is a superior means of explaining/directing managerial behavior. Turning Sundaram's and Inkpen's analysis around, they propose that stakeholder theory gives us the correct way of thinking about entrepreneurial risk: by focusing on joint risk and reward through cooperation, shareholders have a greater degree of protection than do most non-shareholder stakeholders, and that having one objective function makes management difficult and leads to moral myopia. Because value creation requires the cooperation of all stakeholders (Phillips, 1997; Van Buren, 2001) and because the interests of stakeholders properly understood are joint rather than competing, a narrow focus on value creation is less likely to generate support and cooperation from all relevant stakeholders than does a broad focus on value creation. However, following a broader value creation strategy requires more than just a belief in the correctness of the Freeman *et al.* (2004) argument. It also requires that firms fully articulate this multi-stakeholder approach in their business model, which leads us to a discussion of enterprise-level strategy.

2.3 Enterprise-level strategy, stakeholder management, and value creation

Articulating and achieving value creation across a broad set of stakeholders is difficult, as it

requires managers to pay attention to metrics that require a complexity of managerial thinking that is harder than focusing solely on the achievement of financial performance (Jensen, 2001). For this reason, achieving broad value creation is easier if achieving value for a broad set of stakeholders is engrained in the firm's way of doing business or what Freeman (1984; see also Freeman *et al.*, 2007) refers to as the firm's enterprise-level strategy. A commitment to a broad value creation model is apt to be unsuccessful without attending to the issue of a firm's core values, which enterprise-level strategy addresses.

An articulation of enterprise-level strategy asks the firm to clarify why it exists by answering questions that address the following four areas: a) purpose and values; b) stakeholders and principles; c) societal context and responsibility; and d) ethical leadership (Freeman *et al.*, 2007, pp. 79-80). More specific questions aimed at helping organizational members understand the firm's guiding principles include more targeted questions such as "What do we stand for?", "What are our aspirations?", "Are there principles and values that underlie all our stakeholder relationships?", and "What issues are on the horizon in society that will affect the kind of firm that we want to be in the next ten years?". Most importantly for the purposes of our paper, Freeman *et al.* (2007) suggest that firms answer these questions: "For whom do we want to create value?" and "How do we make each stakeholder better off?" (Freeman *et al.*, 2007, pp. 85-90).

We suggest that it will be difficult for a firm to successfully implement a broad stakeholder value creation strategy without answering at least the last two questions in a way that guides its firm actions. Additionally, the top managers in the firm need to actively manage in such a way that they are constantly reminding employees that the goals of the firm encompass more than creating value for single stakeholder groups (whether shareholders, customers, or some other stakeholder that is seen as the primary reason the firm creates value). Further, a transparent articulation of a broad stakeholder

value creation strategy will make it easier to attract employees (and other stakeholders) who support such a value creation strategy, enabling greater stakeholder commitment. However, as we will see in the discussion of our findings, many firms lack such an explicit commitment to broad value creation in their statements about strategy. Allusions to the importance of value creation for a broad set of stakeholders without attendant evidence of an enterprise-level strategy reflecting this view suggests that a particular firm might be transitioning from a narrow to broad value creation orientation.

2.4 Stakeholder theory in the Brazilian context

Finally, it is important for this study to understand how stakeholder theory has been discussed in the Brazilian context, as there is a growing literature examining firm-stakeholder relationships and stakeholder theory in Brazil. Many of these articles relate to the examination of the relationship between corporate social performance and corporate financial performance (the CSP-CFP link), using stakeholder groups as a lens for trying to quantify non-financial performance (e.g., Boaventura, 2012; Boaventura *et al.*, 2009; Crisóstomo, Freire, & Vasconcellos, 2011; Machado, 2002). Some also examine stakeholder relationships within the context of a single industry to better understand these relationships within the particular industry being examined. Exemplars of such work include Gonçalves, Boaventura, Costa and Fischmann (2008) study of stakeholders with the hospital industry sector or Costa, Vieira, Boaventura and Anez (2013) work examining the role of stakeholder management in the strategic planning process of public sector agencies.

However, some studies of the Brazilian business context relate more directly to the question of value creation among stakeholders. None, to the best of our knowledge, examine the question of how firms discuss how broadly they are attempting to create value. In research that is very close to the questions we are asking, however,

Matos and Silvestre (2013) examine how two national utilities, Petrobras (the Brazilian national oil company) and Eletrobras (the Brazilian national electrical utility), are attempting to better incorporate sustainable business practices into their respective business models. By conducting a number of interviews with stakeholders connected to both these organizations, these authors conclude that constructing a business model that gains support from all key stakeholders requires the business to shift from a single objective to a multiple objective approach that encompasses value creation metrics for all key stakeholders. Junqueira and Wada (2011) find in their work examining three firms within the hospitality sector in Brazil that how stakeholders are involved in firm decision-making process impacts the quality of the decisions reached. Similar to Matos and Silvestre (2013), Junqueira and Wada (2011) conclude that better stakeholder involvement correlated with better decision making.

Thus, we see a key opportunity to add to this discussion using the concept of broad and narrow stakeholder value creation strategies as an organizing lens. As we detail below, in examining a firm's communications with its stakeholders, we look for articulations of a business model which incorporates Matos and Silvestre (2013) finding of a shift from single to multiple objectives in a firm's value creation strategy. In essence, we seek to identify firms in our sample able to articulate an answer to Freeman *et al.* (2007) question of "For whom do we create value?". In the next section, we detail the qualitative methods that were used for classifying how firms communicate their value creation strategies.

3 METHODS

We use qualitative content analysis to investigate the types of value creation models discussed by Brazilian firms. Content analysis is a research methodology designed to analyze textual data (or other meaningful material) within the context in which they are used (Krippendorff,

2004). This type of analysis can be conducted quantitatively or qualitatively. However, qualitative content analysis is considered appropriate when smaller amounts of data are used to understand texts highly dependent on context and that may have multiple interpretations (Krippendorff, 2004), such as the topics addressed in this study. The approach we follow combines the ethnographic and grounded theory traditions, which "encourages content analysis accounts to emerge from readings of texts" (Krippendorff, 2004, p. 16).

3.1 Company selection

Our sample consists of the sustainability or integrated annual reports of the top 25 firms (by sales revenue) in Brazil as defined by the *Forbes* Global 2000 list. We selected these firms based on their positions as business leaders and trendsetters in Brazil. These firms are also more likely to be targets of stakeholder activism, more vulnerable to stakeholder opinions and, thus, they usually are early adopters of stakeholder management (Bartley & Child, 2014).

Of these 25 companies, 23 published sustainability or integrated annual reports recently (between 2011 and 2013) and were included in our final selection. The most recent reports for the firms in the sample were downloaded in June 2014. Of these 23 firms, only one (i.e., WEG) did not publish its sustainability report in English. The first author translated it from Portuguese. Table 1 presents some descriptive information for the selected companies. We classified these firms into six industry groups: non-renewable resources ($n = 3$, oil & gas operations, iron & steel); banks ($n = 4$, regional and major banks), food ($n = 3$, food processing and retail); manufacturing ($n = 4$, specialized chemicals, aerospace & defense, electric equipment, conglomerates); utilities ($n = 5$, electric and diversified utilities); and service ($n = 3$, telecommunications, diversified insurance, business & personal service, other transportation).

TABLE 1 – Descriptive information for participating firms

Rank by Sales*	Firm	Industry Group	Type of Report Issued	Year of Last Report	Followed GRI?
1	Petrobras	Non-renewable Resources	Sustainability Report	2012	Yes
2	Bradesco	Bank	Sustainability Report	2012	Yes
3	Banco do Brasil	Bank	Integrated Annual Report	2012	Yes
4	Itaú Unibanco Holding	Bank	Integrated Annual Report	2012	Yes
5	Vale	Non-renewable Resources	Sustainability Report	2013	Yes
6	JBS	Food Industry	Integrated Annual Report	2013	Yes
7	Grupo Pão de Açúcar	Food Industry	Integrated Annual Report	2012	Yes
8	Braskem	Manufacturing	Integrated Annual Report	2012	Yes
9	Gerdau	Non-Renewable Resources	Integrated Annual Report	2012	No
10	Eletrobras	Utilities	Integrated Annual Report	2012	Yes
11	Cosan	Food Industry	Sustainability Report	2012/2013	No
12	BRF – Brasil Foods	Food Industry	Integrated Annual Report	2013	Yes
13	Oi	Service	Integrated Annual Report	2012	Yes
14	CPFL Energia	Utilities	Integrated Annual Report	2012	Yes
15	Cemig	Utilities	Integrated Annual Report	2013	Yes
16	Embraer	Manufacturing	Integrated Annual Report	2012	Yes
17	Porto Seguro	Service	Integrated Annual Report	2012	Yes
18	Sabesp	Utilities	Sustainability Report	2013	Yes
19	Banrisul	Bank	Sustainability Report	2012	Yes
20	WEG	Manufacturing	Integrated Annual report	2013	Yes
21	Cielo	Service	Sustainability Report	2012	Yes
22	CCR	Service	Integrated Annual report	2011	No
23	Itaúsa	Manufacturing	Integrated Annual Report	2013	No

*Participating firms were ranked according to their sales as determined by Forbes Global 2000 (2014 list) – The World's Biggest Public Companies (Forbes, 2014).

3.2 Data analysis

We focus our analysis on areas of the reports that could offer an aggregated, summarized picture of firms' expressed commitments to stakeholder management. These areas include the CEO/President's message; the message from the Board of Directors or chairman of the Board (when available); mission, vision, and values statements; and the materiality matrix (when available). These areas are also the most likely, in the opinion of the authors, to be accessed by external stakeholders and thus represent corporations' best opportunities to shape stakeholders' beliefs.

We followed a combination of ethnographic content analysis and grounded theory approach to analyze these data. In

ethnographic content analysis, researchers classify data into categories and focus on the contexts in which the data is embedded (Krippendorff, 2004). Grounded theory methodology is a systematic way of analyzing qualitative data in order to identify theoretical concepts (Glaser & Strauss, 1967). Letting themes emerge from the data is emphasized in both approaches (Krippendorff, 2004; Glaser & Strauss, 1967). In a traditional quantitative content analysis, the coding process starts with a clear delimitation of categories and themes as well as the development of a dictionary, which is used identify and count words with the assistance of content analysis software. The qualitative content analysis approach used in this study borrows from ethnography (Atkinson & Hammersley, 2007) and grounded theory (Glaser

& Strauss, 1967) and, instead of creating a pre-defined coding scheme and dictionary, researchers let categories and themes emerge from data during the analytical process.

Reports were uploaded into NVivo 10, a software package designed to assist in qualitative analysis. The first step consisted of reading through the reports in order to get a general sense of the data and major topics addressed in them. Based on this initial exploration of the data and the literature on value creation for stakeholders (e.g. Freeman, 1984; Freeman *et al.*, 2007), we focused on two apparent major themes in these reports: scope of value creation models and areas of value creation. Figure 1 illustrates how key themes emerged from the data given our initial coding categories inspired by the literature on value creation for stakeholders.

During the first round of coding, we identified two major categories of value creation models that firms seemed to be implementing: broad or narrow. Firms that concentrate their efforts on creating value mostly for shareholders and a narrow group of market stakeholders were classified within the narrow value creation model, while those that create value for both market and non-market stakeholders were coded within the broad value creation model. In addition, firms that create value for three or more market stakeholders were also classified within the broad value creation group. As this iteration of coding continued, we noticed that many firms could be categorized into both categories of scope of value creation to varying degrees. In general, these firms communicated conflicting messages about their stakeholder value creation approaches in their reports. For example, firms could state in their mission statement that customers and shareholders concerns were at the core of their

strategic decisions, while affirming in the CEO/President's letter that the concerns of the local community were a top priority for firm. In order to address this issue, we conducted two additional rounds of coding and identified many firms that seemed to be transitioning from narrow to broad value creation models.

We conducted additional analysis in order to gain a more in-depth understanding of firms transitioning from narrow to broad value creation models. We selected three firms – one from each scope of value creation – and conducted an exploratory analysis of their last three sustainability reports. In general, we looked into how their reporting practices changed over time to address issues of value creation for stakeholders. Vale's 2009, 2011, and 2013 sustainability reports were included in the analysis representing firms in the broad value creation category. Braskem was selected to represent firms in transition from narrow to broad value creation orientations and we coded its 2010 and 2012 sustainability reports. Because Braskem did not issue any sustainability reports prior to 2010, we included the firm's webpage information on voluntary commitments as part of the analysis. This webpage contains some historical information about Braskem's involvement in sustainability and stakeholder management. Cemig represented firms in the narrow value creation category. This firm did not publish any sustainability reports prior to 2011. Therefore, we included Cemig's sustainability reports from 2011 and 2013 in the analysis. The CEO/President's message, the message from the Board of Directors or Chairman of the Board (when available), mission, vision, and values statements, and the materiality matrix (when available) were coded in each report.

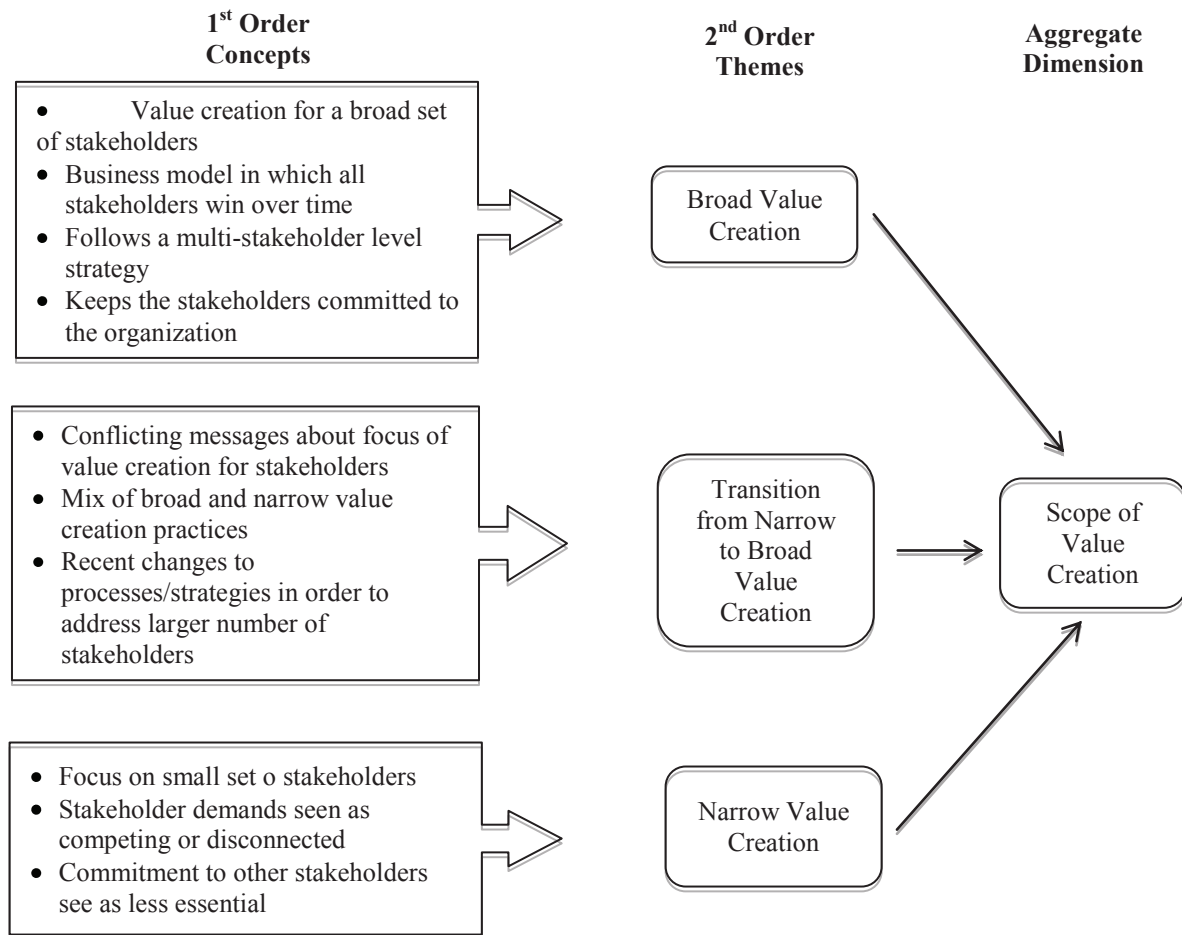


Figure 1 – Data analysis structure

The second theme that emerged from our analysis concerns areas of value creation. This theme indicated general areas of value creation for the activities undertaken by these firms. We allowed these areas of value creation to emerge from the data and, as coding proceeded, grouped them into broader categories. The final categories for areas of value creation were better stakeholder relationships, better work environment, environmental preservation, increased customer base, local development, reputation, and stakeholder dialogue.

Two authors coded all the data to ensure reliability of the coding process. The first author conducted the initial coding of the data, which was substantiated by the second author. The authors agreed on 89.3% of the coded data.

When we found discrepancies or lack of clarity, the authors discussed the passages and adjusted the coding accordingly, ultimately agreeing on all of the coding.

4 RESULTS

4.1 Scope of stakeholder value creation models adopted by Brazilian firms

Many of the 23 Brazilian firms that comprised the final sample for this study seemed to be transitioning from narrow to broad value creation models for stakeholders. However, we saw evidence of a dominant value creation model for firms and categorized them into one of three

scopes of value creation models: broad, narrow, and transition from narrow to broad. Firms within the broad value creation category have adopted a multi-stakeholder management approach, have implemented this enterprise-level strategy (Freeman, 1984; Freeman *et al.*, 2007), and/or adopted an enlightened self-interest approach (Frooman, 1997). The following quotes exemplify these results:

"In Bradesco Organization, we remain steadfast in our intention of contributing to Brazil's sustainable development, where the guiding principle will always be our traditional objectives of increasing the number of people with access to banking services while democratizing access to credit" [Bradesco].

"Social businesses will continue to be part of our strategy, since they represent a fundamental part of our corporate mission of promoting the sustainable development of Brazil" [Banco do Brasil].

"Since 2010, we have counted on a corporate sustainability program inserted into the strategic planning cycle, responsible for defining short-, mid- and long-term goals and prospects of our social and environmental commitment" [CCR].

"In 2013, we made progress in our strategy of sustainable business management. Vale reaffirms commitments taken in the past, focusing on health and safety, resource optimization, building a positive legacy for communities close to areas where we operate, and adopting best practices in social and environmental management, including a positive influence to our value chain" [Vale].

These quotes reflect broad value creation for stakeholders, as they show firms writing about their contributions to Brazil's sustainable development as well as the incorporation of sustainability and corporate responsibility in the their core business strategies. While the quote from Vale shows a multi-stakeholder approach, the quote from Bradesco is an example of how firms can modify their strategies in order to create value for multiple stakeholders at the same time and with the same line of products. Bradesco's strategy follows the stakeholder synergy approach suggested by Tantalo and Priem (2014).

In addition, we see discussions of sustainable development as business strategy as reflective of a commitment to a wide set of stakeholders, including many non-market stakeholders.

Firms within the narrow value creation model have adopted a specific stakeholder management approach (Freeman *et al.*, 2007) and show a detachment between their stakeholder management model and their business strategies, as the following quotes demonstrate:

"The customer is our reason for being" [Grupo Pão de Açúcar].

"... our main objective is to bring the consumer to the heart of decision-making and guidance of our business" [BRF].

"Embraer's business is creating value for its shareholders by fully satisfying its customers" [Embraer].

"In regards to social responsibility, we continue to develop projects in health, education, culture, sports, and recreation" [WEG, translated from Portuguese].

The quotes from Grupo Pão de Açúcar, BRF, and Embraer demonstrate a focus on customers and shareholders in their approaches to value creation for stakeholders. The quote from WEG mentions a number of social responsibility projects that the firm implements. However, we could not find any evidence that WEG incorporated its espoused social responsibilities into its business model in meaningful ways.

Firms transitioning from narrow to broad value creation models appear to have a mix of broad and narrow value creation practices. They are usually in the early stages of implementing, or even still designing, an enterprise-level strategy. The following quotes illustrate these results:

"JBS' first materiality matrix reinforces its commitment to transparency and prioritizes the reporting of relevant issues for the company and its stakeholders" [JBS].

"The Company's corporate governance practices were honed via an update of its risk map, a rethinking of the Sustainability Committee, and the creation of Compliance and Internal Auditing departments" [Embraer].

“Addressing sustainability, in 2012 we have developed a model that aims to create and deliver value to our stakeholders, ensuring the continuity of Cosan’s business and culture” [Cosan].

“In 2010, we conducted studies that identified key impacts and externalities on the stakeholders. (...) Our main challenge now is to consolidate the management processes that will turn us into a reference company for sustainability in Brazil” [CCR].

These quotes communicate changes to firms’ processes and strategies in order to embed sustainability and broader stakeholder value creation in their operations. In addition, they reflect the challenges of implementing these changes, which may range from finding appropriate tools to changing organizational culture. As the quote from Cosan illustrates, many of these firms see sustainability as a way of delivering value for their stakeholders.

In general, all firms had a mixture of broad and narrow value creation practices. However, some firms were more characteristically in transition from narrow to broad value creation models. These were the firms that did not exhibit a dominant model of value creation (i.e., narrow or broad). Besides being in the initial stages of developing a more complete enterprise strategy, these firms seemed to communicate mixed messages when talking about their purposes and commitment to different stakeholders. An example is Oi, a telecommunications firm, which affirms that its mission is “to surprise [its] customers every day with simple solutions for communicating and connecting”. However, later in its report, the firm states that “throughout the year the firm continued its strategy of incorporating sustainability into its business as part of an ongoing maturing process”. These statements show that, while this firm articulates very clearly how it intends to create value for customers, it is vague about value creation through sustainability or a true multi-stakeholder

approach. This is an indication that the firm does not have a clear vision and understanding of what value creation through sustainability means and it shows a firm in the early stages of moving to a broad value creation orientation.

In an attempt to look deeper into the transition from narrow to broad value creation approaches, we analyzed the last three sustainability reports of three firms: Vale (representing a broad value creation model), Braskem (representing firms transitioning from narrow to broad value creation), and Cemig (representing narrow value creation). Results show that there were some notable differences in how these firms addressed issues related to sustainability and value creation for stakeholders (Table 3). Vale has been reporting on its sustainability performance for a longer time (since 2005) than Braskem (since 2010) and Cemig (since 2011). Vale showed a thorough multi-stakeholder approach when compared to the other two firms. Overall, the firm has implemented a multi-stakeholder enterprise-level strategy and has been taking progressive steps to embed sustainability across firm functions. Braskem shows strong activities addressing value creation for multiple stakeholder groups. However, these activities seem disconnected from the firm’s core business strategy as well as from one another. In its 2013 sustainability report, Braskem put less emphasis on its commitment to sustainability (in relation to its commitment to economic goals) when compared to its 2011 sustainability report. Although it is expected that the amount of information provided about sustainability and broad value creation for stakeholders in different years will vary, Braskem showed a lot more variability than did Vale. Cemig, representing firms in the narrow value creation category, developed a new vision/mission in 2011 that involves sustainability. However, its social and environmental activities appear to be very much disconnected from one another and from the firm’s business strategy.

TABLE 2 – Illustrative quotes of in-depth analysis of transition from narrow to broad value creation approaches

Company	2008-2009	2010-2011	2012-2013
Vale	<p>Our mission: To transform mineral resources into prosperity and sustainable development.</p> <p>It is important to highlight that the global economic crisis has not had any impact on Vale's sustainable development strategy. In fact, the crisis provided the company with an opportunity to reiterate its commitment to its various stakeholders, and to try to act to minimize the impact of the reduction in mineral demand, not only on the financial area, but also on the company's social and environmental performance.</p> <p>In 2009, as planned, the company published three new global policies – for Sustainable Development, Human Rights, and Corporate Security – which establish a set of standard guidelines that Vale units are committed to following. The Global Rules for Accountability in Health, Safety and the Environment were also approved, defining the processes for reporting incidents and significant events, and the parties responsible for achieving performance targets in these crucial areas.</p>	<p>Vision: To be the number one global natural resources company in creating long term value, through excellence and passion for people and the planet.</p> <p>Commitments made to its stakeholders direct the company's action to establish best practices, whether in terms of environmental management, facing the challenges of climate change, or valuing people and communities.</p> <p>Looking to the future, we revised our Mission, Vision and Values, embarking on a new journey that will reach its destination when everything expressed there is reflected in all our behavior, with the aim of everyone working together continuously for a Vale that is ever more robust and aware of the new world in which it operates.</p> <p>In 2011, our Action Plan on Sustainability reached all company operations, establishing targets for fundamental indicators such as water and energy consumption.</p>	<p>In 2013, we moved forward in integrating environmental and social criteria in our business strategy, based on our five pillars: take care of our people, embed sustainability into our business, manage our portfolio with discipline and efficiency, focus on iron ore, grow through world-class assets.</p> <p>In 2013, the Action Plan on Sustainability (PAS, in Portuguese) reached 88% of its targets. Associated with key aspects of our operations, the plan aims to materialize our strategic vision in operational practices and tangible benefits.</p>
Braskem	(No report)	<p>To become the global leader in sustainable Chemistry, innovating to better serve people is Braskem's 2020 Vision. It means producing more while consuming less natural resources, dreaming the dreams of our clients and strategic stakeholders in order to identify and meet their needs, and increasingly investing in research and innovation in order to introduce more products and applications featuring increased efficiency and lower environmental impact.</p> <p>Braskem will maintain its long-term strategy based on three main pillars: meeting the domestic demand for plastics, which tends to continue to grow, with increasing competitiveness; to reaffirm its leadership position in the Americas through international projects; and to increase the production of biopolymers by developing new production processes. Based on these pillars, our top priority is to find new opportunities to continue generating value for our shareholders and society as a whole.</p>	<p>In accordance with sustainability principles and seeking better results, Braskem operates on an integrated basis with regard to its economic, social and environmental dimensions.</p> <p>2020 VISION</p> <p>Set out in 2010, the 2020 Vision serves as the foundation of Braskem's planning for its long-term growth. From the perspective of sustainability, the 2020 Vision encompasses three strategic pillars: increasingly sustainable feedstocks and operations; a portfolio of increasingly sustainable products; and solutions for an increasingly sustainable life.</p>

(Continua)

Company	2008-2009	2010-2011	2012-2013
Cemig	(No report)	<p>The Company's Mission is to "Perform in the energy sector with profitability, quality and social responsibility".</p> <p>With regard to performance, the impact potential was established for the existing assets around 4 pillars: clients, community, the environment and shareholders, according to performance analyses and comparisons with benchmarks.</p> <p>In 2011, the first integrated strategic plan for the Cemig Group was produced with the purpose of leading the Group to greater productivity, quality of services and improved results, by working to identify synergies between the companies that compose the Group.</p> <p>Work was divided into three main fronts: operational performance of assets, growth and organizational health.</p>	<p>With regard to new investments, a number of significant events occurred for our Company in 2013. (...), which will enable this Company to implement a significant investment program in the coming years and consolidate our position as one of the major participants among Brazilian conglomerates in the renewable energy market.</p> <p>Once again, we ended the year that the task was completed, adding value to our shareholders, and through our actions, reaffirming our role as a consolidator company in the Brazilian electricity sector.</p> <p>We also want to emphasize our commitment to society by improving the quality and reliability of service to our customers.</p>

When examining the distribution of firms in each scope of value creation by industry group (Table 3), results show that firms in the bank and utilities industries have been adopting a broader value creation model for stakeholders. The food industry group is leaning more towards narrow value creation models, while participating firms

from the service and manufacturing industry groups appear to be in transition from narrow to broad value creation models. The firms within the non-renewable resources group were equally distributed among these three scopes of value creation.

TABLE 3 – Distribution of firms in each scope of value creation by industry group

Industry Sector	Scope of Value Creation		
	Broad Value Creation	Narrow to Broad Value Creation	Narrow Value Creation
Non-renewable Resources (n = 3)	Vale	Gerdau	Petrobras
Banks (n = 4)	Bradesco Banco do Brasil Itaú Unibanco Holding Banrisul	--	--
Food Industry (n = 4)	--	Grupo Pão de Açúcar Cosan	JBS BRF – Brasil Foods
Manufacturing (n = 4)	--	Braskem Embraer WEG Itaúsa	--
Utilities (n = 4)	CPFL Energia Eletrobras Sabesp	--	CEMIG
Service (n=4)	--	Oi CCR	Porto Seguro Cielo
Total (n = 23)	8	9	6

4.2 Areas of value creation

Areas of value creation emerged as another important theme in our analysis. We identify seven main areas of value creation for the 23 firms in our sample: *better stakeholder relationships*, *better work environment*, *environmental preservation*, *increased customer base*, *local development*, *reputation*, and *stakeholder dialogue*. Table 3 provides illustrative quotes for each of these categories. Some of these areas of value creation overlap with one another conceptually. For example, establishing better relationships with employees overlaps with creating a good work environment. Nonetheless, we kept these areas separate due to the specific insights they offer on the types of activities firms implement to create value for stakeholders. In addition, each of these areas represents a different outcome of managing for stakeholders, which further reinforces our decision to keep these categories separate.

The category *better stakeholder relationships* shows that some of these firms were discussing in their reports efforts to improve relationships with employees, communities, and customers as a result of their efforts to manage more effectively for stakeholders (Freeman *et al.*, 2007). Some examples of these initiatives include developing activities, products, and/or services that benefit local communities and establishing partnerships with clients for the development of environmentally and socially responsible products and services. Many of these firms wrote of implementing initiatives to improve working conditions, ranging from giving employees paid hours to volunteer with social organizations, hiring an ombudsperson in order to ensure ethical behavior and transparency, improved health and safety programs, and improved education and training opportunities. These initiatives were also classified as part of the *better work environment* category.

Indeed, the category of *better stakeholder relationships* is particularly difficult to separate from the other areas of value creation. It overlaps in part with most of the other categories with the exception of *environmental preservation*. And even

in this case, it can be argued that good relationships with environmental groups and governments may lead to improved environmental preservation. Despite these notable overlaps, *better stakeholder relationships* was maintained as a separate category in order to emphasize its distinctiveness as an important area of value creation.

Most firms also suggested that they were implementing initiatives that lead to *environmental preservation*. These initiatives range from developing environmental indicators, creating clean technology, designing environmentally friendly products, and implementing educational programs to help consumers preserve natural resources. Some firms were able to combine the interests of different stakeholder groups in a portion of their value creation strategies, which also resulted in an *increased customer base* (Tantalo & Priem, 2014). Some of these activities were primarily aimed at increasing the customer base of these firms, while others focused first on the value creation for all stakeholder groups with the side effect of increasing customer base for firms. We included in this category initiatives such as educational activities for consumers about the product or service offered by firms. Some of these activities served multiple purposes, such as stimulating resource conservation and greater understanding of financial services, while also promoting firms' products and services, as well as promoting stakeholder dialogue.

Some of the value creation activities undertaken by these firms also had the outcome of assisting in the *local development* of the communities in which they operate. Some of the activities that firms discussed include educational and training activities for children and teenagers, better access to products and services, and development of local infrastructure, such as schools and recreational areas. This category of value creation overlaps greatly with other categories, such as better relationships, stakeholder dialogue, increased customer base, environmental preservation, and improved reputation.

Managing for stakeholders may also improve the *reputation* of firms. Many of the firms in our sample argued that their participation in

sustainability groups and indices as well as awards received demonstrated their commitment to stakeholders and sustainability. Both the activities and the awards were seen as pathways to a better reputation amongst stakeholders.

Stakeholder dialogue was the last area of value creation that we identified. Many of the

participating firms emphasized their efforts in communicating with stakeholders by establishing stakeholder dialogue practices and by participating in events such as the Rio +20 Conference. This area of value creation is very closely related to *better stakeholder relationships*.

TABLE 4 – Illustrative quotes for each area of value creation

Better Relationships	<p>“If we are to achieve these ambitious objectives, a comprehensive and intensive exercising of talent management and a corporate culture which prioritizes meritocracy and high performance will be crucial. We want the right people in the right places, working in a healthy and safe environment” [BRF].</p> <p>“In the area of green plastic, which is made from ethanol, a 100% renewable feedstock, new relationships were forged with clients such as Kimberly-Clark, DuPont, Tigre, L’Occitane, Tecnar, Plantic and Faber-Castell” [Braskem].</p> <p>“With the Program for Broadband in Schools, run in partnership with the Federal Government, we promote digital inclusion for more than 30 million students and have connected over 51,000 schools to the Internet” [Oi].</p>
Better Work Environment	<p>“The Banco do Brasil movement to expand the range of the Voluntary Work Program resulted in almost 9,000 of our employees enrolled at the end of 2012, an investment of almost R\$10 million in 158 projects” [Banco do Brasil].</p> <p>“We invest strongly in training and developing our people so that they can continue to improve the quality of customer service and as a way to promote their professional development” [Grupo Pão de Açúcar].</p> <p>“... the continued evolution in Braskem’s Health, Environment and Safety indicators, which was further confirmed in 2012, shows that we are moving in the right direction” [Braskem].</p>
Environmental Preservation	<p>“As part of our strategy of developing new technologies for predominantly clean and renewable electricity generation, I would particularly mention the inauguration of the Tanquinho plant in Campinas in November 2012 – the first solar generation plant in São Paulo state and the largest in Brazil, with an installed capacity of 1 MWp” [CPFL].</p> <p>“With the Water Rational Use Program (PURA), good consumption practices and equipment to reduce waste in public buildings were expanded only in 2013 to another 160 schools of state schools network” [Sabesp].</p> <p>“We advanced in the development of the methodology for assessing our risks and impacts on biodiversity, and strengthened our actions in the territories through Vale Fund” [Vale].</p>
Increased Customer Base	<p>“Banco do Brasil has embarked on several financial education initiatives for the conscientious use of financial products and services, as can be seen in the BOM PRA TODOS strategy. Using this strategy, BB has improved the lot of the less well-off strata of the population while stimulating the demand for services by smaller companies, in line with the trend towards better economic and social indicators” [Banco do Brasil].</p> <p>“Four stores were inaugurated, including the first green supermarkets outside of São Paulo, in Goiânia and Recife. The chain reinforced its strategic pillar of promoting and propagating conscientious consumption ...” [Grupo de Pão de Açúcar].</p>
Local Development	<p>“Despite the difficulties we faced in 2012, Banrisul also took new steps on the sustainability path it is laying. To evidence this commitment, we created products and services such as the CDC Sustentabilidade and the financing of sustainable real estate projects, in addition to entering into community partnerships, such as the Cool Apprentice (Aprendiz Legal) program” [Banrisul].</p> <p>“Through partnerships with both governmental and non-governmental organizations, Cielo invests in social responsibility, using its own funding and tax incentives in projects promoting education, culture, health and vocational training for children and young people with a focus on socio-economic inclusion” [Cielo].</p> <p>“In the area of social responsibility, the Oi Futuro institute, which completed 11 years in 2012, accomplished its mission to employ new communication and information technologies in development of projects in education, culture, sport, the environment and social development – always with a view to promote across-the-board access to knowledge and shorten geographical and social distances, with special focus on young people” [Oi].</p>
Improved Reputation	<p>“Our efforts to spread knowledge about financial education and the assessment of socio-environmental criteria have been recognized as models in Brazil and abroad, demonstrated by the many awards we have received and the bank’s presence in key sustainability indices overseas (Dow Jones Sustainability World Index) and in Brazil (Bovespa Corporate Sustainability Index)” [Itaú Unibanco Holding].</p>
Stakeholder Dialogue	<p>“In line with the commitment to generating sustainable results, in 2012 we promoted on the fourth process to upgrade the actions of our Sustainability Plan – Agenda 21, version 2013-2015. Our stakeholders provided us with important inputs regarding the processes to be prioritized, and we involved senior management in defining the new challenges to be taken up in this regard” [Banco do Brasil].</p> <p>“In 2010, we conducted studies that identified key impacts and externalities on the stakeholders” [CCR].</p> <p>“For the first time in our history, we organized a panel for dialog with stakeholders to hear the perceptions of different parties affected by our operations” [Oi].</p>

These results show interesting trends. In particular, the transition of Brazilian firms from narrow to broad value creation models points toward changes in managing for stakeholders in Brazil. The areas of value creation for stakeholders and firms alike offer further insights on how firms can make this transition. Next, we will discuss these results, their implications, and opportunities for future research.

5 DISCUSSION AND IMPLICATIONS

The most striking result in our analysis, and one we did not expect to find, is the number of firms that are in a transition state between narrow and broad stakeholder value creation orientations. There could be several explanations for this. First, firms may be recognizing the problems that a strictly narrow focus causes in terms of keeping all stakeholders committed to the firm. As Freeman *et al.* (2007; see also Freeman *et al.*, 2004) argue, a single stakeholder focus presents long-run problems for a firm because other stakeholders perceive that one particular stakeholder is favored by managers; by definition, that means that other stakeholders are less favored and valued. Second, it may be that some firms have actually realized what stakeholder theorists have long preached; that working to create value for all stakeholders leads to improved firm-level performance (e.g., Jones, 1995). Third, it must be remembered that our analysis was based on self-reports via sustainability and integrated annual reports. Thus, it may be that firms see the reputational effects of articulating a broad value creation strategy, but have not actually internalized such a focus in their daily activities. The available data did not let us determine whether firm explanations were *ex post* rationalizations of firm actions in an effort to appear legitimate. The example of Oi, a telecommunications firm, perhaps best exemplifies this possibility where it at once both espouses a narrow and broad value creation focus. The simple fact is that many firms may be somewhat lost in implementing a stakeholder

orientation that focuses on value creation for all stakeholders if they had previously had a narrow stakeholder orientation. In many such cases, firms seem to want to transition to a broader value creation model but have not fully completed the transition or figured out how to do so.

In an attempt to look more in depth into the transition from narrow to broad value creation, we analyzed the last three reports of three firms in our sample, each representing a different scope of value creation. As expected, this transition is confusing, meaning that firms go back and forth between narrow and broad value creation. We posit that the main difference between firms with a broad value creation approach and firms transitioning from narrow to broad value creation is the robustness of their enterprise-level strategy formulation and implementation. Vale, for example, exemplifies a robust enterprise-level strategy and constantly communicates how value creation for multiple stakeholders improves their financial performance and vice-versa. Transitioning firms, however, generally communicate about multi-stakeholder value creation in a more fragmented way. The main challenge in transitioning from narrow to broad value creation models appears to be truly embedding a multi-stakeholder mentality in everything the firm does, which then aids in how they communicate with stakeholders.

Another significant but not surprising finding is the number of firms which showed evidence of articulating some version of the “separation thesis” (e.g., Freeman, 1994; Freeman, 2000; Martin & Freeman, 2004; Harris & Freeman, 2008), whereby the idea that “business” decisions are somehow separate from “ethical” decisions is broadly defined. Such firms can articulate how they work to create value for a broad set of stakeholders, yet have trouble explaining how this value creation is incorporated into, or flows naturally from, their business strategies. This is troubling because such firms may pull back from their investments in stakeholder relationships when resources are perceived to be constrained, a critique offered by many activist groups

(Christian Aid, 2004). Further, activities such as philanthropic donations may have trouble being sustained for failure to demonstrate a proper return on investment if these activities are seen as non-essential to the firm's business model.

Another important finding provides further evidence on the impact of industry level practices on firm-level stakeholder management. As has been demonstrated in previous research (e.g., Hoffman, 1999), industry context is vital in terms of setting standards for how stakeholder practices are implemented and how stakeholders are prioritized and recognized by firms. This study simply adds more fodder to the importance of the industry context. Our findings suggest that something as holistic as value creation models may diffuse over time throughout industries. Unfortunately, because we do not have longitudinal data tracking the movement from narrow to broad value creation models, we cannot say how or through what mechanisms this diffusion happens. Our results also show that industries differ in their scopes of value creation. In particular, banks appear to have already grasped the broad value creation model. This might be due to the highly regulated environment in which they operate, with the government requiring banks to be more proactive in their reporting practices. A similar trend and interpretation of the results applies to the utilities sector. The food industry is mostly in the narrow value creation model, with some firms just starting the transition from narrow to broad value creation models. This is not a surprising result given that this is a highly competitive sector in Brazil, with a major focus on customers. Although these findings suggest that differences in value creation models in varying industry sectors exist, it should be noted that they are based on an exploratory study and merit further examination.

Finally, it is worth noting the wide variance in emphases that firms placed on developing relationships with various stakeholders. We identified seven distinct, but overlapping, areas of value creation. Even as the stylized "average" firm in our sample was moving from a narrow to

broad value creation orientation, each firm was doing this using a unique combination of the seven areas of focus. Thus, as many stakeholder theorists have argued (particularly Freeman, 1984, 1994; Freeman *et al.*, 2007) there is no one "right" way to manage stakeholder relationships. Each firm has a unique combination of stakeholders, regulatory issues, business model, and managers (to list just a few of vectors upon which firms might differ) which means that for each individual firm there will be a unique way to realize its value creation strategy. That said, there is a need for coherence in linking strategy with stakeholder relationship management and value creation.

Looking forward to future research, we believe all four areas warrant further study. However the most interesting aspect to us is the industry differences. While the importance of industry has been well documented across research questions (Buysse & Verbeke, 2003; Carroll, 1991; Hoffman, 1999), better understanding how industry context impacts a firm's value creation orientation might help us understand what factors are drivers of a broad versus a narrow value creation orientation. In addition, industry sector membership may also provide insight into the appropriateness of different value creation models for different sectors. These further explorations might help answer questions such as "Would some firms benefit more from a narrow value creation model?". The examination of how firms create value for their stakeholders represents another area of future research suggested by this study. Data on social and environmental performance of firms would aid in responding this question and we suspect these data will show industry-level differences.

If the transition from narrow to broad is as prevalent among large firms as our sample suggests, we see at least two roles for researchers. First, we need to better understand all dimensions of the causes and mechanisms surrounding this transition. What does precipitate this transition in value creation orientation for a particular firm? What mechanisms are firms using to spread value more broadly? What is the role of the

top management team in ensuring a successful switch in mindset among the firm's managers and employees regarding how value is created and dispersed? Relatedly, how can firms ensure that they do not fall prey to the separation thesis as they make this transition? We explore the potential theoretical contribution of some of these questions in the next section.

We also see a unique role for stakeholder theorists to influence the world of practice. After all, who better than people steeped in the nuances of the theory to help firms in their transition from a narrow value creation orientation to one that sees the wisdom in a broader value creation orientation? We now turn to a more focused discussion on the implications of our findings specifically for stakeholder theory and offer some propositions that are suggested by our findings.

5.1 Contributions to theory

Our main contribution lies in connecting transition firms, enterprise-level strategy (Freeman *et al.*, 2007), and the separation thesis (Freeman, 1994; Freeman, 2000; Harris & Freeman, 2008; Martin & Freeman, 2004). While firms with a broad value creation orientation seem to be characterized by robust enterprise-level strategies, firms with a narrow value creation orientation often enact the separation thesis in their relationships with stakeholders. Firms in transition from narrow to broad value creation orientation showed an interesting mix of both. The desire and effort to change to broader approaches is apparent. However, when faced with difficulties (especially of the financial kind), these firms seem to revert to the separation thesis strategy. Here we offer three propositions that emerge from our analysis.

Freeman (1994) argues that the stakeholder approach denies the separation thesis. This means that if firms follow the separation thesis in their business practices, then they are not truly engaging in the practice of making value creation for stakeholders paramount in their business models, be it from a narrow or broad perspective.

Nevertheless, our data show that these two views exist simultaneously for the majority of firms that we studied. A possible explanation is the generalized difficulty that organizations have in getting past the separation thesis and moving toward a fully integrated notion of business and ethics (Freeman, 1994). Due to a combination of factors, firms are now endeavoring to implement broader value creation models, but we argue that this is happening gradually with firms initiating these changes while still holding a separation thesis mindset. During the process of change, we predict that this mindset will eventually be replaced by a more encompassing view of stakeholder engagement.

Our results suggest that broad value creation models are highly connected to the implementation of enterprise-level strategies. As Freeman *et al.* (2007) posit, enterprise-level strategies require four components: 1) purpose and value; 2) stakeholders and principles; 3) societal context and responsibility; and 4) ethical leadership. Therefore, an enterprise-level strategy leaves very little room for a separation thesis mentality.

Proposition 1: Firms that overcome the separation thesis mentality successfully transition to a broad value creation approach by implementing robust enterprise-level strategies.

Our next question then becomes: how do firms overcome the separation thesis mentality and complete the transition to broad value creation approaches? Firms transitioning from narrow to broad value creation models in our sample seem to have developed one or more of the necessary components of an enterprise-level strategy (Freeman *et al.*, 2007), but not all four of them. We noticed many of these transition firms presented a combination of values and purpose, definition of main stakeholders, and awareness of social context and responsibility in their reports, but the connection and implementation of these components seemed fragile. Freeman *et al.* (2007)

suggest that the role of ethical leadership in the implementation of an enterprise-level strategy is key, and this might explain the confusion we see from many firms. Specifically, Freeman *et al.* (2007) see seven central tasks for ethical leaders. These tasks range from adequately communicating and embodying the purposes and values of the organization to finding and developing the right people. We suggest that a firm's strength of ethical leadership will be a key factor in whether or not it successfully transitions to a broad value creation model.

Proposition 2: Firms with strong ethical leadership dedicated to broad value creation approaches will successfully complete the transition from narrow to broad value creation models.

There can be a steep learning curve for firms in learning to develop a robust enterprise-level strategy, requiring radical shifts in their organizational culture and processes. Organizations can change in both subtle and radical ways. Our results indicate that most of the firms in our sample are subtly changing toward a broad value creation orientation. Subtle changes occur through continuous or incremental processes that lead to small adaptations (Weick & Quinn, 1999), but they can also be transformative and strategic (Nadler, Shaw, & Walton, 1995; Fox-Wolfgramm, Boal, & Hunt, 1998).

Proposition 3: Most firms shift to broad value creation models through subtle changes in their organizational culture and processes.

As discussed earlier, this study is limited to a small sample of Brazilian firms. However, these are the largest firms in Brazil (by sales revenue) and most likely they are leaders in many aspects, including value creation for stakeholders. Although it is not possible to extrapolate these results to all Brazilian firms, especially for smaller and less visible firms, this exploratory

study provides some suggestions for additional investigation of value creation in the Brazilian context.

6 CONCLUSION

This study represents an additional step toward understanding how firms are discussing their value creation orientations in Brazil. Using a sample of large Brazilian firms across industries, we find that the majority of firms are transitioning from a narrow to a broader view of value creation and dispersion. Our study raises many questions about this transition, but knowing that this transition is happening is one piece of affirmation that firms are increasingly seeing the wisdom of taking a broader view to stakeholder value creation. We welcome fellow researchers to join us in a journey towards better understanding the more fundamental questions regarding this transition.

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