# 72. Sustainable value creation

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## Outline of the topic

Value creation is a central part of innovation management and is typically considered through various perspectives and contexts, such as value co-creation, open innovations, business model innovations, social innovations and shared value creation in innovation ecosystems. Innovation management and processes involve various stakeholders that together cooperate for change, rendering innovation management a highly relational activity which occurs at the individual, organisational, network and societal levels. This entry introduces the concept of *response-ability*, discussed by Bozalek and Zembylas. The relational perspective they describe is helpful for examining value creation and innovations. In the context of complex and urgent sustainability challenges, different kinds of organisations, including companies, together with their stakeholders must find ways to create multidimensional value that innovatively fulfil and integrate economic, social and ecological dimensions of sustainability. In innovation management terms, this means a shift from dominant, incremental innovation strategies to more rare, radical or even revolutionary strategies with greater potential for sustainability. Via the lens of response-ability, this entry discusses how organisations, especially companies, together with their stakeholders can create more just and sustainable value through their innovations.

## Conceptual overview and discussion

Companies that orient towards sustainable value creation abandon the narrow economic value creation view and examine how their products and services could contribute to solving urgent sustainability issues, such as social inequity, biodiversity loss and planetary damage. As Dyllick and Muff argue, these companies often adopt an outside-in perspective, aiming to create value for the common good, including society and the planet. Value creation is directly linked to the kind of value and for whom and in what way it is created. This is often discussed through the concept of a business model (i.e., how a company creates, delivers and captures value). To analyse a company's business model in relation to value creation for sustainability, Laukkanen and Tura present a sustainable value creation framework that brings together environmental, social and economic sustainability aspects to be considered, for example, in the context of developing novel and innovative business models related to the sharing economy. Furthermore, as Freudenreich and colleagues posit, value creation for sustainability is tightly coupled with creating value with and for a broad range of stakeholders. As an example, Lüdeke-Freund uses sustainable entrepreneurs that perceive sustainability innovations as business opportunities and unmet expectations within the markets and then develop their business models accordingly to create well-being for the natural environment and humanity, including multiple stakeholders in society.

As the examples of sustainable value creation imply, sustainability requires a systemic and relational understanding of business and value creation, focusing on value-creating stakeholder relationships within socio-ecological systems. The systemic phenomenon, sustainability, demands understanding how a system and its parts intra-act and change, with special attention to relationships between the parts of the system. For example, in the case of sustainable entrepreneurs presented by Lüdeke-Freund, the particular socio-technical context (e.g., public policy) of the entrepreneurs has impact on how sustainability can or cannot be considered successfully in innovations and business models. In a similar vein, according to Laukkanen and Tura, a sharing economy business model may not necessarily lead to sustainable value creation including all sustainability dimensions and could even destroy value on some dimensions. Hence, a systemic and relational perspective to business highlights that everything is connected, requiring simultaneous and holistic consideration of multiple aspects related to value creation.

A distinction between a relational and a more technocratic perspective or paradigm can be made to illustrate the difference and impact of such approaches on sustainable value creation and innovations. According to Walsh and colleagues' literature review, the dominant, technocratic paradigm often focuses narrowly on some isolated and

fragmented parts of the system. This might lead to partial optimisation and create value for few while destroying value for others connected to the system. In contrast, the emerging relational paradigm entails a shift in thinking to understand the whole system, including the relationships between its parts. Here we move from seeing a world made up of things, to seeing a world that is open and made up primarily of relationships. It tells us that a deeper-level reality exists beyond what we can articulate. Most importantly, relationality moves away from limited binary options to a more complex range of possibilities. This paradigm shift engages those companies seeking value creation and innovative relationships, in nurturing an ability to go beyond the often dualistically constructed outcomes and closures. They are willing to stay open to the ongoing generation of collective perspectives and understandings. They understand that well-being is created through creating value and well-being for all. Ultimately, companies that engage in sustainable value creation are challenged to better understand their interconnected relationships with their stakeholders, as well as the surrounding societal and natural environments. Consequently, the key question arises: how to understand these multidirectional and multispecies relationships in the socio-ecological contexts where the companies operate?

The concept of response-ability can be deployed here to understand how humans relate to each other as well as all other planetary species, including plant life. Grounded on feminist new materialist and posthuman theoretical perspectives, response-ability conveys a view that everything comes into being through intra-active relationships and co-responding. This view emphasises the material connection between the entities that, in fact, are co-constituted in response, in touch with each other and, therefore, inseparably entangled. Hence, instead of an individual, human focus, this view promotes collective knowing, being and doing.

In the context of sustainable value creation, response-ability offers an opportunity to explore capacities to understand the role of humans and their activities, including businesses, in relation to the biosphere. In effect, response-ability is founded on sensibilities and/or practices that facilitate understanding relationships with others, such as attentiveness, politeness and curiosity, rendering each other capable, openness to encounters, and iteration or ongoingness. *Attentiveness* refers to the capability to notice and pay attention to the details of the entangled relationships with others through our senses (e.g., touch, smell, vision) in order to evaluate the responsiveness in that relationship. *Politeness and curiosity* call for an ability to stay open and respond politely towards all without any assumptions about how the other would respond or act and in this way give space for surprise and unintended consequences. Curiosity also allows us to access different knowledge systems, such as indigenous and tacit knowledges that are relevant for value creation and innovation in the context of sustainability. Response-ability also underscores the need to *render each other capable*, hence, the parties within the dynamic relationships affect how the competencies of each party are either increased or decreased. *Openness to encounters* means that, ultimately, we come into being in responding to each other, and care for others can only take place in openness to these encounters. Finally, *iteration* and *ongoingness* highlight the understanding that response-ability is an ongoing process in which truly trustful and fruitful relationships with each other can develop and ultimately foster the flourishing and collective capability as the best possible way.

## Application: response-ability in practice

The application of response-ability can be done at various levels in organisations. It can be followed at the individual level and at the organisational level within value creation and innovation processes to approach sustainability issues in business. Applying response-ability directs attention to all relationships, inside and outside the company, including human and more-than-human. The first step is to acknowledge that a company's value-creation relationships involve multiple species with multidirectional effects. To better understand these relationships, the identification of these relationships as well as each individual's ability to be open and willing to explore those relationships become relevant. Attentiveness, curiosity and politeness represent guiding principles to explore the relationships further: what is happening in these relationships, how the others naturally behave, what is important or relevant to them, how we affect each

other, what I can learn from others, what I can bring to the relationship. Curiosity and aspiration to profoundly understand others patiently and without making knee-jerk responses challenge the efficiency thinking typical of our time but can allow novel approaches to emerge. As already well known, urgent sustainability issues necessitate cooperation of multiple stakeholders to bring together different perspectives, knowledges, capabilities and competences. The response-ability approach takes one step further by directing attention to how each actor can increase the competence and capabilities of others on a continuous basis. As a result, companies together with their stakeholders become 'more than the sum of their parts' and can come up with novel solutions that have potential to create societal and ecological well-being.

One example of the continuum from technocratic to relational paradigms can be taken from mining company behaviour. Previously, when operations ended, mines were closed and left without taking care of the extensive planetary and social damage caused by their extractive activities. Now, there are laws and requirements to repair the damages. However, mostly, they apply a technocratic approach that looks at the partial solutions, which is not enough to repair the area to the state in which they found it before mining started. For example, restoration requirements might be limited to landscaping the destroyed area with solutions that are actually poor in terms of biodiversity. As another example, mining companies might build insect hotels and bird nests or plant trees only to compensate their activities, without understanding the functioning of the whole ecosystem. These technocratic approaches with the isolated focus on only specific parts of the system are not sufficient for sustainability. In contrast, sustainable solutions would aim to repair the biome to its original balance, requiring a holistic and relational approach. In effect, the relational approach emphasises careful understanding of the ecosystem before mining begins and/or how it has evolved during the active mining period. The knowledge and solutions lie within the relationships with the stakeholders including the local community, as well as with the plant and animal species within the ecosystem. Response-ability as an approach guides the company to understand deeply the specifics of the ecosystem including the multispecies and multidirectional relationships, which in turn can result in novel, innovative solutions that ultimately generate or regenerate social and ecological well-being.

## Critical summary

While the need and urgency for business contributions to sustainability have been discussed over decades, it is often only incremental changes that have been achieved through value creation and innovations. One of the missing pieces of the puzzle centres around our understandings and constructions of both business and sustainability and how we relate to the surrounding socio-ecological systems, including the more-than-human. There are increasing numbers of examples of sustainability efforts both in theory and practice that go beyond the prevailing paradigms in order to transform current ways of living and doing business. By adopting relational paradigms and cultivating capabilities to respond to others and let others respond, collective flourishing and emerging transformative or even revolutionary innovations can emerge.

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## Further readings

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