THE THEORY AND PRACTICE OF VALUE CREATION

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ACKNOWLEDGEMENTS

The foundation of my value-centered approach to life was established while growing up in the southeast region of the Quaker State (Pennsylvania, USA) where I was nurtured in the ideas and convictions of the state's founding father(s). Thus, I have a tremendous amount of gratitude for the mentors and positive role models of my childhood and youth. This book represents many years of reflecting on the role of values in the human experience that I began shaping into an academic discourse at the University of Chicago Cluster of Theological Schools. It was during seminary training at The University of Chicago that I first began writing academic articles on the role of values in the lives of individuals. It was also at the University of Chicago that I was introduced to a discourse between the Booth School of Economics (with a focus on economic value theory, rational expectations/model-consistent expectations, and satisfying the interests of shareholders) and The Chicago School of Sociology – sometimes described as the Ecological School. The Chicago School of Sociology maintained a focus on social value theory, human well-being in social psychological terms, and representing a theoretical tradition still influenced by early Pragmatism.

I must also acknowledge the influence that came from my courses at the University of Chicago's seminary that proposed eco-justice as a viable approach to sustainable peace for our future global society. While studying peace research, Professor Engel in particular (professor of social and environmental ethics and a member of the Commission writing the Earth Charter) admonished that given the rising concern over environmental crises, angst over the environment and climate change would increasingly be felt by larger segments of humanity. He envisioned that the crises would increase the extent to which there will be concerted efforts to co-create a more sustainable global future. Doctor Engel impressed me with his vision that the sustainability paradigm would become a future basis for international cooperation. In other words, increasingly larger numbers of people would be willing to cooperate to collaboratively co-create a future more reflective of the respect for nature that is shared by humanity. He believed that concern for the environment, for the fair management and distribution of the world's natural resources, for social planning that balances endeavors to increase material satisfaction with the desire to increase humanity's experience of higher order values, and planning that increases holistic well-being would contribute to transforming the problems of the current economic development paradigm by means of the preferred sustainability approach to social economic development.

In addition, I must acknowledge the benefits of the many years of experience as a university instructor in the very northeast corner of Europe where I experienced the intersection of Scandinavian views on co-creating social reality, their mixed economy and social welfare approach to social economics and political economy, and Western views on freedom of association. In particular, the further one goes toward the north and east of Europe, one will find an extremely high level of value placed on harmonious nature-human relations. Thus, the experience taught me how people living in one of the most challenging climates in the world are among those who seem to have the strongest desire for planning social and economic activity that is least disruptive to the environment. However, what is almost amazing, I learned that as well as pioneering environmentalism the north and east of Europe represent economies that are among the world's most impressive, who score high on the global innovation scoreboard, have a large number of municipalities on the Forbes top ten list of the world's smart cities, who top the list of the least corrupt countries in the world, which Forbes has listed as the best places in the world to do business, and who score highest on the world's happiness index. Thus, it was in the very northeast of Europe that I began to clearly see the social economic, social psychological, as well as eco-aesthetic advantages of applying the value creation concept to sustainable social economic planning.

My acknowledgements must include mention of the benefits of collaborating with academic partners in Odisha and Northeast India where we conducted research on a value-based approach to sustainable social economic planning. Doctor Biswajit Das (Head of the PhD Program and professor of marketing at KIIT University in Bhubaneswar, Odisha, India) made it possible for me to spend extended periods of time researching Indian perspectives on value and the role of value in Indian social economic planning. Finally, The Indian Council of Social Science Research acknowledged the benefit of the Value-based Approach to Sustainable Social Economic Planning in the form of a small research grant given in cooperation with The International Center for Northeast Studies – a center located in Shillong, Northeast India. This grant provided an opportunity to explore the difference in the value perspectives of tribal-villagers, larger village units, small municipalities, and large urban areas in India.

PREFACE

Value creation is heralded as being one of the most effective means for improving professional, organizational, institutional, and social economic performance. Its effectiveness is based on its ability to engage customers and stakeholders in interactions that take place in a network that produces outcomes that are beneficial and satisfactory for increasingly larger numbers of social stakeholders. Acclamations in support of the value creation concept are proclaimed by social scientists, experts in organizational behavior, management experts, marketing professionals, public administrators, and even heads of state. For example, Barack Obama, the former president of the United States – characterized as the first social media president – intentionally used social media networks in his attempt to create public value by means of establishing an open participative public platform to interact with social stakeholders. It was on his first day in office that he issued a statement indicating his commitment to creating an unprecedented level of openness and participation by engaging citizens in a process of collaboration to co-create outcomes that would be beneficial and satisfactory for society. He believed that engaging the public by means of social networking would "Strengthen democracy and promote efficiency and effectiveness in government" (quoted by Hibbets 2013, 8). Obama's statement is an indication of the extent to which the value creation concept is influencing social relations and social communications at every level of society and is now even influencing transnational social activity.

The resurgence of the value concept is reminding scholars that prescriptions for creating value are fundamental to Western Civilization's notion of social relations and market activity. There are fundamental principles that undergird Western Civilization's social economic activity that stress the essential connection between conceptualizations of value creation, ensuring the right of individuals to pursue what they believe is in their best interest, and social flourishing. I use the term resurgence because, as this book explains, the value creation concept calls for re-consideration of our fundamental notions of value and the relationship between values and sustainable social economic growth. This includes reconsidering value rationality, the neural dynamics of choice (neurological value predispositions), the role of values in social action and social exchange, the impact of the co-creation of value concept on government-public relations, and the role of values in conceptualizing humanity's relationship with the environment.

This book explores the fundamental principles underlying the value creation concept by tracing it back to its roots. The fundamental principles form the basis of a comprehensive explanation of the role that the value concept played in establishing the foundation of Western convictions on how to increase benefits for individuals while creating outcomes that are mutually beneficial. For much of history this perspective on value served as the model for market exchange and social economic relations plus was considered the best means for social flourishing and for establishing the most suitable relationship between society and the environment. In fact, initial conceptualizations of valuation established the foundation of notions of natural law (the precursor of Human Rights). This book traces the development of the value creation concept as it rose to become one of the most prominent contemporary social constructs. The prominence of the concept results from the fact that it reflects the fundamental principles of how a just society establishes beneficial interactions between its societal members, how to protect and promote individual rights, how significant the nature-human relationship is for social flourishing and, as well, the concept is expressive of perennial wisdom that most societies continue to cherish.
Creating value by networking to generate knowledge of how to increase benefits for shareholders, customers, and stakeholders has become the basic intention or main goal of almost all business organizations. The concept has evolved to the point of initiating a global value creation network that cooperates in the effort to increase the effectiveness of the global value chain and to make sure that global stakeholders experience the value they are hoping for. This endeavor is tantamount to widespread agreement that cooperative relationships can be organized at multi-levels to ensure that the global value creation network – in addition to increasing material prosperity – operates in a way that increases human well-being, that promotes sustainability, and promotes the fair use and distribution of natural resources. The fair use and distribution of natural resources promotes peace and the reduction of resource-based conflicts.

This new perspective is the consequence of a shift away from the prior firm-centric focus on *capturing value* from customers as a means of increasing profit. The value creation concept represents a shift toward a customer-centered relational approach to organizational-stakeholder interactions. Contrary to the prior *capturing value* approach to market exchange and social economic relations – that dominated the industrial era and persisted throughout parts of the last century – the new paradigm is not only based on creating value for customers but proposes the co-creation of value process as a means of establishing and maintaining a more personalized relationship with the customer. This approach prompts a new perspective on how business organizations and public institutions interact with the public – which is now referred to as a relational approach to organizational marketing and a co-creation of value approach to how public institutions increase public value. Thus, the concept promises to offer a framework for democratizing value creation and for rectifying some of the problems that have hampered improving the quality of democracy – for example, Max Weber's concern with instituting a more effective democracy by balancing social and economic value theories.

An exploratory study of contexts where the value creation concept is successfully applied to produce highly desirable results reveals that it equips individuals, organizations, public administrators, and experts in political economy with a comprehensive, integrative, multi-dimensional means of improving social economic performance. The value creation concept is a comprehensive model for reconciling the longstanding dichotomy between increasing value in terms of material prosperity and value in terms of individual and social well-being. In this respect, this book is an explanation of how the value creation concept addresses and satisfies the interests of stakeholders at every level of social interaction.

This book will provide benefit to individuals who are looking for ways to be more successful in their professional lives while, at the same time, it offers insight into how individuals can be happier and experience more meaning and fulfillment in their personal lives. In this respect, the book offers individuals a prescription for experiencing more of what has intrinsic value and it provides insight into how to couple professional success with holistic well-being. It offers tremendous benefit for entrepreneurs, for organizational leaders, and for managers by providing a value creation framework for generating knowledge that contributes to increasing innovative activity and improving organizational performance. It also provides an explanation of how to effectively motivate knowledge workers, thus insight into effective human resource management. In addition, the book explains the relationship between the co-creation of value concept, increasing customer satisfaction, and increasing customer loyalty. Institutional leaders also benefit from the book's insight into how to increase relational capital, how to increase social capital, and how to create public value. Thus, this book has enormous value for public administrators who are now realizing that the success of the value creation concept in the private sector can also be experienced by public sector institutions. Public sector administrators are increasingly showing interest in applying the concept as a strategy for improving the relationship between government and the public, for improving the quality of services offered to the public, for increasing social value, and for improving the quality of democracy.

The value creation concept also addresses the growing environmental concerns expressed by larger segments of the global community. Increasingly, global stakeholders agree that the environment is a shared value that is so important that it is worth transcending our differences, rivalries, and attempts to gain power advantages to cooperate in collaborative networks to determine how to co-create a more sustainable future. This environmentally oriented global social network operates with the intention of co-creating strategies for addressing one of today's most vital concerns (if not the most important issue of our time according to the UN). Along these lines, collaborating to co-create strategies for counterbalancing the inadequacies of the development paradigm by implementing the sustainability discourse is necessary for our collective security. Without this step forward the quality of the conditions of nature – one of humanity's most cherished and essential values – will continually deteriorate. In this respect, the book proposes that the co-creation of value concept is a new and viable approach to corporate social responsibility and is a means for resolving the long-standing dichotomy between social and economic value theories. Thus, this book proposes that there is a preference amongst global stakeholders for widening the otherwise narrow scope of or perspective on values that had typically dominated economic development planning. By widening conceptualizations of value, to balance material values with values in a broader social sense, we are better able to shape our future global social and environmental condition into a ubiquitous eco-aesthetic blend that appeals to and satisfies humanity's material and higher order value needs.

INTRODUCTION

> *"Value is a conception – explicit or implicit – that is distinctive of an individual or characteristic of a group. Value propositions distinguish what is considered desirable and they influence the selection, preferences, and ends chosen from available modes, means, and actions"* (Kluckhohn 1951, 395).

The integrative multidimensional approach to value creation has a long history of being successfully applied as a strategy for performance improvement. Testimonies of its effectiveness are proclaimed by individuals who refer to it for insight into how to achieve happiness, success, and prosperity; by organizational leaders who use it as a theory of management; by public authorities as a strategy for improving social processes; and by political economists for determining how to generate wealth. In addition, it has been used to determine how a society can balance its material pursuits with its endeavor to have a proper relationship with the natural order. The valuation concept is associated with the foundational principles of Western social economics, market exchange, political economy, and social psychology. In accordance with its traditional meaning, creating value is the practice of establishing processes, procedures, and activities that enhance the quality of relationships, enhance market exchange, improve the quality of the goods and services offered to the public, and increase social solidarity. From its inception, the success of the value creation concept has been based on engaging individuals in value creating processes and networks. Value-creating processes and systems are market networks that are integrated with social networks to create value for a greater number of social stakeholders. Thus, value creation is defined as processes and activities that establish alliances of sustainable cooperation between stakeholders. Each stakeholder engages in interactions within value creating networks, each cooperates to co-produce and deliver increased benefits in terms valued by the individual stakeholders, and each engages in processes connected with a particular aspect of a value chain. In reference to organizational behavior, value creation is defined as processes that enhance social action by generating an increase in benefits and satisfaction in addition to other rewarding outcomes.

The value creation concept contributes to increasing the effectiveness of organizational activity and the efficiency of organizational processes by integrating internal and external relationships, communications, and networks in a way that generates knowledge of how to achieve optimal internal and external performance improvement. The value creation concept increases effectiveness and efficiency because it is not only a strategy for assessing performance, but it is also a strategy for generating knowledge of how to improve performance. The interrelationships prove to be an effective means of strengthening the organization's ability to produce and deliver value to its customers and the participants in its value network. Thus, it is the quality of the relationships that improves performance. The sustainable competitive advantage of an organization is enhanced by establishing value-creating communication networks. The internal communication interactions contribute to enhancing the value-added component of the value creation process and the external communication interactions contribute to the co-creation and co-production aspects of the value creation process. Thus, applying the integrative value creation concept improves performance because it calls for establishing communication networks that enhance the organization's value-added processes as well as those for value creation.

In this way, value creation is a strategy for determining the most effective and efficient means of achieving the organization's mission, vision, and goal. In fact, increasing the value creation capabilities of today's businesses is within itself the primary goal that organizations and institutions seek to achieve. This book provides insight into the most effective and efficient means of achieving the organization's mission, vision, and goals by explaining a strategy for integrating the value assets available in the form of relational capital, the value assets made available by establishing value creating processes with stakeholders, and assets in the form of structural capital. Structural capital includes the networking resources made available by advanced communication technologies. In this respect, the value creation concept is applied as a strategy for internal-external collaboration which improves performance by generating knowledge of how to transcend the limitations of the usual narrow scope of a firm – which traditionally has been internal.

Value-creating networks are actually (re)defining the nature of contemporary market activity and exchange. The interface between the value creation concept and networking represents a paradigm shift from the way organizational specialists and economists thought of the nature of value during the prior segment of the industrial era. Value in the new market sense is co-created within a chain of relationships that facilitate the input and output of value between organizations, institutions, their stakeholders and the flow of knowledge, resources, and finances. Thus, adopting processes of networked collaboration is an essential aspect of improving the organization's performance. Organizations adopting value creation processes generate a new type of transformative power that is indicative of what gives rise to power in the networked economy. The new type of transformative power is characterized as an increased convergence of industries, resources, markets, and information communication technologies which are restructured into integrated networks. This makes the value that is co-created in integrated networks the key value driver of today's market. In this respect, the integrative approach to value creation plays a role in improving performance because it is a strategy for increasing the adaptive efficiency of professionals, organizations, and economies.

Adaptive efficiency means being able to learn new possibilities; to generate knowledge that induces innovation; and having the flexibility to transform existing resources into value offers that are of higher quality, have functions that are more user-friendly, have features users find more appealing, and provide greater satisfaction to end-users. Therefore, adaptability means being able to generate new possibilities for creating value. Adaptive efficiency is the outcome of making use of intangible capital to determine the aspirations of stakeholders and convert customer aspirations into profitable performance outcomes. In other words, it means realizing and taking advantage of the tangible benefits created by effectively managing and making use of value intangibles. Value creation contributes to adaptive efficiency and flexibility because it generates knowledge of how to co-produce the innovative new creations that shape the direction in which the economy is evolving. Flexibility enables adjusting and transforming current operative processes and procedures in ways that increase their value-creating capabilities. Value creation prompts innovation, quality improvement, and performance improvement by inducing problem-solving information and innovative knowledge that generates new, innovative, creative breakthroughs.

The impact of the value creation concept on social relations and market activity has prompted analysts to claim that the future of market exchange and activity will be described in entirely new revolutionary social and economic terms. The change can be described as a shift from an emphasis on gaining competitive advantage by effectively marketing products thought important to a business to emphasizing the competitive advantage of engaging with stakeholders in co-creating the value deemed important to end-users. This shift decentralizes the notion of what is of utility value and regards improvements in value, quality, and function as outcomes generated by relationships occurring between the company and its stakeholders. In this respect, achieving the benefits that the application of the concept potentially offers requires an integrative approach to value creation. On the one hand, from an organizational perspective, an integrative approach to value creation is a strategy for satisfying the interests of the wide range of stakeholders associated with an organization (e.g., owners/shareholders, managers and workers, customers, and social stakeholders).

However, on the other hand, conceptualizations of valuation have a broader meaning that reflects an integrated systems perspective on how organizational, institutional, economic, and social systems work best. This approach proposes that systems operate best as integrated, open, collaborative, communication networks. The integrated systems approach to creating value balances concern for the internal factors influencing performance with concern for the external factors that influence performance. The environment is considered an external factor that impacts individuals, organizations, communities, economies, and social systems. This makes the integrative approach to value creation a comprehensive model that is based on the conviction that there is a correlation between improving social economic performance and increasing beneficial relationships between nature and humanity. In addition, the integrative or systems framework emphasizes the concepts interdependence and relationality – which are important for analyzing the social psychological dynamics of organizations, institutions, economies, and social systems. In other words, the integrative approach emphasizes that organizations, institutions, and economies exist as subsystems within a larger environment in which they are embedded – which implies the necessity of having concern for social responsibility and sustainability.

This book explains how the integrative approach to value creation can be applied to social economic systems as a means of integrating the resources of society to create increased benefits for larger segments of society and, in doing so, improve the performance of the overall social system. This approach ultimately generates an increase in public value and plays a role in creating social capital. In fact, it can be argued that social systems work best when the various institutions of society (e.g., government, educational and research centers, the commercial sector, economists, the media, etc.) all cooperate to coordinate or integrate the resources of society to promote an increase in what is valued, desired, and sought by its individual members. In this sense, the extent to which a society creates value determines its ability to develop a thriving, healthy, just social system where individuals experience what they have reason to value (Sen 1999). Flourishing societies are ones that are most effective in creating value that can be experienced by individuals in accordance with their value preferences and by the overall public in terms of prosperity and social flourishing.

Improving the overall conditions of society in the technological age occurs by initiating processes of social action that take place within open, participatory, integrated, communication networks. Such value creating networks include the public, the market and marketing specialists, public authorities, and the media – both established and alternative media (alternative media are, in general, media facilities made available by advances in information communication technology). In this respect, creating value is no longer thought of in terms of what is done exclusively inside of a factory that produces items with a high level of value for exchange (i.e., items that can be sold with the right type of value added to generate profit by convincing the customer that the value is worth the price). In addition, value is also no longer merely thought of as market or economic activity that focuses on increasing the material capabilities and advantages of individuals and of special interest groups. Value in the knowledge economy is collaboratively co-created by stakeholders who interact in value-creating networks using alternative forms of capital to produce outcomes satisfactory to the stakeholders. Various forms of value assets include equitable intangible capital which is easily converted into tangible and profitable capital. Pierre Bourdieu (the first to refer to new forms of capital such as relational, social, and cultural capital) defined capital as “The aggregate of resources linked to socially instituted networks of relationships” (2002, 286).

The information communication technology (ICT) revolution in particular increases possibilities for more effective coordination of organizational processes, for more efficient production of desired outcomes, for improving internal-external communication processes, and ICT enhances patterns of interaction in ways that maximize the value created by participants within integrated social networks. This makes an understanding of network capital an essential aspect of managing businesses and institutions in the technological age. An understanding of network capital involves knowledge of how information communication technology can be employed to enhance value creation processes, to dramatically reduce cost, to increase organizational flexibility, thus to effectively and efficiently operate and better manage the intangible and tangible resources of private organizations and public institutions. The ICT revolution is part of the new techno-economic paradigm shift in which people, organizations, and institutions engage in inclusive interdependent relationships in an endeavor to optimize their ability to sustain the value created at each stage of the value chain and to maximize the benefit in terms of the value that the system provides. ICT breaks down the barriers that have kept stakeholders isolated from each other and, at the same time, plays a role in integrating and converging their interests. These interactions, for the most part, take place by means of the communication media resources provided by information communication technology – which establish more effective and cost-saving ways for stakeholders to collaborate and coordinate their efforts.

Although what is considered valuable is subjective (people decide themselves what is worth devoting time and energy to or what is worth devoting time and energy to obtain), the process of creating value has always been a matter of social action. Creating value happens best in relationships, interactions, and exchanges. From the inception of conceptualizations of value creation, it was understood as a process that requires effectively managing interactions and effectively negotiating exchange. In this respect, this book also explores the social psychological aspects of creating value by explaining why it is not only a matter of market exchange and economic activity but, as well, is a form of social exchange and social action. This includes explanations of why there is a connection between the intention to create value and the endeavor to enhance the dynamic capabilities of a social economic system and its agents. That is to say that the fundamental principles of value creation include insight into what intrinsic ends are most worth achieving and what instrumental means are best for achieving the desired outcome. This includes realization of the significance of interdependence in every aspect of contemporary social activity and at every level of economic exchange – which makes success dependent on counterbalancing one's efforts at personal achievement with cooperative collaboration.

Values involve preference and, as well, values spark the endeavor to "Substitute a more satisfactory state of affairs for a less satisfactory" (von Mises 1998, 13). In addition, values motivate action aimed at bringing about the preferred, desired, or valued end state. Successfully achieving one's desired end value means achieving one's goal and the ability to achieve the outcome one desires is a manifestation of a particular type of power. In this respect, the value creation concept offers a means of empowering individuals in their pursuit of happiness and success by reminding them to keep a focus on their core values. Keeping a focus on core values is the basis of quality and excellence in character and performance – which becomes the key to increasing prosperity. This book explains why and how performance improves when individuals align their vision and goal with their personal core values. One's value orientation influences success because core values determine what a person believes is of ultimate worth (your vision), what steps you plan to take to transform your ultimate goals into tangible accomplishments (your mission), and the means that you consider appropriate for achieving your goal (your values). This is especially true of those who reach higher levels of success and, as well, is true of outstanding leaders. Superior performance stems from what is referred to as "value centered leadership", principled leadership, or transformational leadership. The key is using relational leadership or the transformational style to increase adaptability and synergetic interactions, and to align value commitments with life endeavors (Burns 1978, 4).

Values concern the core issues of our lives in that they are a guideline for how we conduct our lives, they determine how we relate to others, they are the basis of inner vision, the basis of self-motivation, of self-determination, and for transforming possibilities into tangible outcomes. This means that the value orientation of individuals determines their ability to create the value outcome they are hoping for. The value orientation of individuals determines how they understand what it means to create value for themselves, for the organizations and institutions they are affiliated with, and what it means to create value for the communities they are a part of. Individual perspectives on values also determine the receptiveness of others to their value proposition. Simply put, the core values that one operates by are evident in the value-creating capabilities of the person and his or her ability to sustain value-creating relationships. Core values are the basis of success for individuals, the driving force for the success of organizations and institutions, and, as well, the basis of a meaningful and fulfilling life. According to Michael Eugene Porter (Harvard University Professor of Business and one of the pioneers in promoting the resurgence of the value creation concept), a person's core values represent the primary component of happiness and success.

Personal values are guiding principles and the perceptual filter through which individuals decide how to align their convictions with their professional, organizational, institutional, and social activities. Top performers in life and in business align their values, life pursuits, their way of acting, and their way of relating to others to maximize the value return for themselves but in ways that are also considered valuable for others. By all indications, success in life and in business is based on the extent to which individuals are motivated by an inner driving force that energizes and motivates them and provides a sense of life mission, purpose, and vision. In this respect, this book offers the benefit of advising individuals on how to be better at sustaining well-being, happiness, and success. As is made clear by Western Civilization's foundational principles of holistic well-being, social psychology, and social economics – the key to the ability to achieve the outcome one is hoping for is a value-centered approach to life. Developing one's character is important because it is the means of eliminating the gap between what a person values most and what the person experiences most. In addition, for leaders of organizations, institutions, and society, the book provides insight into how to sustain flourishing and prosperous social systems. Thus, the book explains how a value-centered approach to life enables individuals to get more of what they want out of life, and it explains the character traits that empower managers and organizational leaders to motivate other professionals in a way that results in improved organizational performance. In short, empowering individuals, organizations, institutions, and societal leaders with an increased ability to experience the outcome they are hoping for is one of the main benefits this book has to offer.

Chapter one explains the connection between personal values and happiness, holistic well-being, professional success, the relationship between values and management, and the relationship between core values and effective leadership. The chapter also explains the connection between the fundamental principles of value creation and self-motivation, self-determination, professionalism, management, and leadership. Thus, chapter one explains the connection between core values and the essential principles of management that are also advocated by social psychology. These leader-types all reflect a character that has achieved some degree of "self-actualization" in terms of Humanistic Psychology. Such leaders reflect personal integrity, authentic being, and self-cultivation in terms of how one could interpret Aristotle's Virtue Ethics and his explanation of the character traits connected with achieving one's highest good. They also reflect transformational leadership in terms put forth by James MacGregor Burns (an expert on leadership who received a Pulitzer Prize for his written work on leadership) (Miller 2015a, 13). Burns stressed that a value-centered approach to management and leadership has a transformational effect that is manifest in terms of an improved quality of relationship between the leader and the workers, an increase in high-quality outputs that are inspired by the relationship, and a value congruence established between the workers and the organization. Value congruence contributes to achieving the mission, vision, and purpose of the organization – thus the transformational effect is evident in high quality performance (Burns 1978, 18-21).

Chapter two analyzes the stages of the development of organizational theory to explain the reasons why the value creation concept has become so popular in organizational literature. The chapter begins by explaining the definition and nature of organizations. This includes explaining the evolution of the contemporary value creation concept and its role in management theory. This involves explaining value in terms of the economic value added, the process of added value during production and by marketing, value in exchange, and ultimately the relationship between the value creation concept and the resurgence of the *value in use* concept. In addition, chapter two explains why congruence between the value commitments of the workers, managers, and owner(s) plays an important role in achieving the organization's mission, vision, and goal. In this respect, the chapter helps organizational managers and leaders to understand the relationship between value creation and the effective management of a company's tangible and intangible resources. This is followed by explaining the impact of the transformation of the value management concept into the value creation concept plus the impact that advances in information communication technology have on organizational behavior and strategies for improving performance.

Chapter three provides a detailed explanation of the integrative value creation concept. This includes explaining the foundation of the value creation concept and why its resurgence is heralded as the most viable strategy for effective organization management, for the effective management of economic resources, and for progressive social economic activity. This chapter traces the value creation concept from its roots at the foundation of Western Civilization through Adam Smith's claims about the role it plays in creating wealth, on up to Max Weber and finally to recent claims that the value creation concept can be applied to social economic activity to increase the society's ability to create prosperity and flourishing. In other words, the chapter explains how the concept can be employed in a way that enhances society's ability to provide its citizens the good life. The chapter emphasizes why the integrative approach to value creation generates value in both material terms and in terms that appeal to humanity's higher order value concerns. In this respect, the chapter highlights the role that the integrative approach to value creation plays in reconciling the dichotomy between social value theory and economic value theory.

Chapter four explains the factors involved in applying the integrative approach to value creation as an organizational strategy and for designing an organizational structure. The chapter indicates that value creation is not only a significant new perspective for satisfying stakeholders, but it can also be applied as a viable business model and strategy that is congruent with theories on improving knowledge age business operations. Although the recent literature has popularized the value creation concept, by asserting that it is a particularly beneficial new perspective on organizational and market activity, the literature has been inadequate in explaining the value creation concept in terms that are most important to practitioners. To fill in the gap chapter four specifies the factors that make it effective for improving organizational performance and, as well, the factors that can be applied by researchers who want to test the validity of the claims. Thus, the chapter explains how the concept applies to new conceptualizations of the business model and strategy and how it applies to how an organization is structured.

Chapter five points out the role that the value creation concept plays in creating sustainable value. That is to say that the chapter explains how the basic concept of value creation can be expanded to include co-creating benefits for society, the economy, and the environment. Thus, chapter five introduces the prospect of democratizing value creation by reinstituting the fundamental principles of social economics and the relationship between thriving societies and social action that is in harmony with the forces shaping the natural order. The fundamental conceptualizations of social and market exchange propose that a flourishing social system is based on establishing types of social action that increase the benefits individuals enjoy in their relationship with each other and with their environment.

Chapter six proposes that a value creation theory can be derived from the concepts and principles that are fundamental to value creation. Since its emergence, the value concept has been explicated in an abundance of literature. However, there has been little in terms of explanations detailing the theoretical underpinnings of the concept. Chapter six fills that void by explaining the theoretical framework for the creation of value concept. Chapter six also explains the theoretical strategy for conjoining the firm-centric (value in exchange) and client-centric (value in use) economic value theories. The integration of the two reconciles the historical dichotomy between social value theory and economic value theory. Because the value creation concept has a history rooted in the earliest stages of Western Civilization and has an interface with so many disciplines, an explanation of the theoretical framework for value research demands an integrative, interdisciplinary, and historical approach to analyzing the social psychological and social economic aspects of the concept. Therefore, the chapter provides a historical and social economic analysis of the topic as found in the works of Aristotle, 1959; Weber, 1947, 1978; Schumpeter, 2006; Parsons and Smelser, 1956/1969. However, an analysis of the literature on value creation is also inclusive of organizational theory as it evolved in the twentieth century and reflected in the literature of the contemporary proponents of value creation.

CHAPTER 1

THE ROLE VALUES PLAY IN HAPPINESS, SUCCESS, AND LEADERSHIP

"*There rarely is a conflict between a person's strengths and the way that person performs. The two are complementary. But there is sometimes a conflict between a person's values and the person's strengths. What one does well – even very well and successfully – may not fit with one's value system. Many years ago, I too, had to decide between what I was doing well and successfully, and my values. I was doing extremely well as a young investment banker in London; it clearly fitted my strengths. Yet I did not see myself making a contribution as an asset manager. People, I realized, were my values. I had no money, no other job in a deep Depression, and no prospects. But I quit —and it was the right thing. Values, in other words, are and should be the ultimate test.*"
(Drucker 2007, 153-154).

Conceptualizations of value creation are in accord with the Capability Theory claim that values have social psychological and social economic significance. Capability theorists propose an approach to social exchange, market exchange, economic activity, sustainability, and social economic development that empowers individuals to live in accordance with "The kind of life that they have reason to value" (Sen 1999, 10) and it commits itself to respect an individual's power of self-determination. "It is focused on freedom of choice – holding that the crucial good that good societies should promote for their people is the freedom to choose" (Nussbaum 2011, 18). In this respect, the value creation concept has a complementary connection with the fundamental principles upon which the theories of self-cultivation and self-actualization are based.

The link between Capability Theory and the ability of individuals to live in accordance with the kind of life that they value most was established with the initial conceptualizations of the value creation concept. Capability Theory can be traced back to Western Civilization's foundational principles of social economics and social psychology. Capability Theory entails the proposition that individuals have the natural right to exercise the freedom to pursue what they believe is in their best interest. This entails the freedom to experience what they consider to be life's most worthwhile pursuit. In other words, the freedom to exercise their rights by eliminating the gap between what they value most and what they experience most. For example, Aristotle proposed that every action is undertaken to achieve a *value end* and human capability is defined as the ability to produce one's desired outcome or, in other words, the ability to produce outcomes where nothing valued is lacking (Aristotle 2004, 10-11). Adam Smith thought that "The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature" as from the cultivation of one's capabilities (2007, 10). Smith claimed that the difference lies in the extent to which a person has developed his or her potential to create unique expressions of value. Thus, he believed that wealth generation is based on an individual's ability to fully develop his or her inherent creative abilities. Smith, like Aristotle, described individual well-being, the ability to create prosperity, and social flourishing in terms of both economic value theory and social value theory (Smith 2007, 132-133 & 135-136).

In this respect, empowerment involves enabling individuals to develop the capability to experience and to live in accordance with their core values – as is emphasized in Nobel Prize winner Amartya Sen's book *Development as Freedom* (1999, 10 & 30-32). However, freedom must be grounded in something that impels acting in ways that are directed toward a person's highest good or, in other words, impels action toward the highest value end that is worth pursuing. That is to say that empowering individuals to be able to enjoy the freedom – or their natural right – to experience their highest good requires encouraging them to act in accordance with a will empowered by being anchored in core values. Self-cultivation enhances will power in terms of strengthening the determination to shape actions into expressions of ultimate value. In this sense, "Will and power are [elemental] forms of affect and all other affects are only [manifestations] of it" (Nietzsche 1967, 366).

The desire to manifest one's most cherished *end values* as a tangible expression of the person's inner qualities is a powerful motivational force for creating value. Power results from learning to direct your actions toward manifesting the intrinsic value ends that you believe will create happiness – after which every living thing is supposed to be striving (Nietzsche 1967, 366). A person who is free to act by virtue of self-determination will strive to realize the state of existence that he or she desires most: happiness, success, holistic well-being, self-actualization, good fortune (i.e., the feeling of being fortunate), or prosperity. (Rokeach 1973, 5). In other words, individuals are primarily striving to develop and exercise the power to experience what has ultimate value because they believe this will bring lasting happiness.

Conceptualizations of value creation also explain the extent to which there is an interface between theories regarding how to effectively manage wealth, how to improve the performance of organizations and institutions, fundamental notions of market activity, stakeholder theory, and how to improve the performance of the economy. This connection was emphasized with Western Civilization's fundamental principles of valuation and re-asserted when the social sciences began to gain ground as a distinct and viable academic discipline. In this respect, the value creation concept also proposes a means of establishing a complementary interface between the social sciences and social economics. That is to say, the value creation concept proposes a means for establishing a complementary interface between market activity that is in the best interest of social stakeholders and the type of social action that is best for enhancing market activity, the type of social exchange that is best for improving organizational performance, and for improving the performance of the economy. This makes the value creation concept a knowledge age framework for social action, social exchange, market exchange, and social economic activity – which prompts re-conceptualizing the established classical economic perspective on *The Nature and Causes of the Wealth of Nations*.

Social scientists assert that social action and social exchange are motivated by intrinsic values as well as instrumental material pursuits (Weber 1978, 14-15, 24-26, 36-38, & 40-43). This means that planning social economic strategies that are effective for both creating the good life and generating prosperity necessarily includes plans for creating social value – which involves a strategy for addressing and satisfying the total scope of the value interests of stakeholders (Durkheim 38-41 & 43-46). In this respect, initial proponents of a social psychological perspective on value creation stressed the significance of stakeholders in social economic planning by proposing that there is a connection between collective social action and value rationality. Planning any type of effective social action (including economic exchange) requires accounting for the role that collective social action and value rationality play in providing moral grounding and a stabilizing force for individual social actions (Aristotle 2004, 43; Jung 1973, 2919).

Western Civilization's fundamental principles of social psychology and social economics propose that there is a complementary relationship between value theory and planning from the perspective of the overall social sciences. This initially involved various attempts to reconcile the dichotomy between materialism and what has ultimate intrinsic value plus to reduce the impact of skepticism on endeavors to realize humanity's higher order values. Skepticism is a particular concern for value theorists because it proposes diminishing the analysis of intangible values in researching social action while accepting the prospect that the focus on tangibles can be empirically demonstrated to create the most beneficial outcomes for organizations, the economy, and society.

The earliest proponents of the social sciences as well as the earliest proponents of the value creation concept asserted that there are aspirations that people seek to fulfill – in addition to their endeavor to satisfy their material needs – that are motivated by higher order human values. The fact that these are not merely aspirations connected with material interests was substantiated by a popularized study conducted by the Federal Reserve Bank – with a team of researchers from the University of Chicago, MIT, and Carnegie Mellon University. The Federal Reserve Bank study revealed that knowledge workers are motivated by purpose and meaningfulness as well as the need to find fulfillment in their vocation, occupation, or profession. This is contrary to the assumption established during the rise of the industrial era – when it was expected that workers were willing to trade their labor for their salary even if they find the work to be unfulfilling.

However, knowledge workers are motivated, inspired, and energized by their higher order value commitments. Higher order human values also serve to elevate society and are considered essential for both social flourishing and a society's ability to offer its members "the good life". In this respect, higher order values inspire individuals to shape their life activities into expressions of what they value most. In addition, they inspire cultures to shape society in ways that reflect the values that enrich cultural life and add to the eco-aesthetic dimension of social life – with instrumental pursuits being important because they are the means to achieve higher order *value ends*.

From a social science perspective, individuals are motivated to create value because of their desire to outwardly manifest their innermost desires and their core values. In other words, they are motivated to create value in ways that portray quality and excellence, that display aesthetic sensibilities, portray their character and power of will, and that increase the prospect of self-determination. A heightened creative ability is the outcome of integrating one's desire for self-expression with one's sense of what has intrinsic value – which is also connected with fundamental conceptualizations of the self-actualization concept (Fichte 2005a, 43-46 & 116-117). Creative genius is the outcome of a holistic approach to developing one's full potential. Creative genius results from integrating one's deeper creative impulse with one's mental powers and enterprising ability. Connecting with one's authentic self is considered tantamount to connecting with the source of what inspires creativity. In this sense the act of creating value is motivated by a natural impulse of an aesthetic nature – the urge to turn one's life into a beautiful experience (Foucault 1994, 97-100 & 261-262).

The fundamental conceptualizations of value theory, social economics, managing wealth, political economy, and social psychology stress that core values reflect a person's authentic self and if unfulfilled can cause psychological problems and can make laboring for pecuniary profit unfulfilling (Jung 1958, 3-4 & 46-48; also see Weber 1992, 123-124). In this respect, the value creation concept is rooted in fundamental social psychological conceptualizations of the human need to act in ways that reflect purpose and meaning. The initial scholars reflecting on the human experience from the perspective of value theory realized that values exist in a hierarchical order – with basic material values being instrumental in fulfilling higher order values (Aristotle 2004, 3-4; Scheler 1973, 86-100). In this sense, the value creation concept represents a holistic approach to developing human capabilities. It also provides an explanation of how to satisfy the full scope of human value needs, and it explains what is involved in improving an individual's life experience. Thus, creating value is regarded as the outward manifestation of an inward impulse to creatively express urges that are inherent in one's nature and with the endeavor to creatively express what has meaning for an individual.

The integration of the fundamental conceptualizations of value creation, what has intrinsic worth, and social economics provided a comprehensive conceptual framework for how society can provide its members with an enriching life experience – both in terms of what elevates society and generates material prosperity. This integrated framework was more highly refined with the development of the social sciences. This includes social science explanations of the significance of value creation in social action, market exchange, and social economic activity. In addition, this includes recognition that individuals have a psychological need to develop and creatively express their unique individuality.

This chapter begins with a detailed explanation of the role that values play in developing one's capabilities, in self-cultivation, and in self-actualization. This includes an explanation of why an understanding of the difference between intrinsic values and instrumental means is important to self-cultivation. An intrinsic value is the ultimate *end value* that one desires most, while instrumental means are the stepping-stones that individuals believe are essential to achieving the things they desire. Instrumental means are the preliminary steps individuals believe to be necessary to reach their desired goal. This explanation is based on the fundamental principles of value creation which point out the problem with over emphasizing instrumental means as compared to focusing on intrinsic value ends. In addition, the chapter explains why an understanding of this difference is essential for eliminating the gap between what a person values most and what the person experiences. Thus, this chapter explains the principles underlying the value creation concept and their role in increasing the likelihood of experiencing the outcome one desires most. The chapter emphasizes the role that valuation plays in reaching the highest level of personal achievement, in leadership, in acting in a way that is in one's best interest, and achieving a person's highest good (Aristotle 2004, 37-45). This includes a comprehensive analysis of the connection between the fundamental conceptualizations of valuation and the role that values play in the ability to discern the right mode of conduct for experiencing one's desired outcome and for realizing what is most worthwhile devoting one's time and energy to.

Chapter one also explains the foundational social psychological and social economic principles involved with achieving exceptional levels of entrepreneurial-type creativity. The fundamental principles of value creation explain the role that an individual's values play in the ability to produce unique creative expressions of high quality, the role that core values play in enabling individuals to be successful in organizational and institutional management and leadership, and the connection between the values of society and conceptions of achieving the highest level of success. This includes an explanation of the role that the values of society play in the understanding of what it means to achieve prosperity. The chapter explains why there is a resurgence of the fundamental conceptualizations of value creation and how the reconsideration of value theory influences contemporary conceptualizations of personal and professional success, organizational management, leadership, and the ability to enjoy beneficial interactions with one's social and natural environments. This includes emphasizing the connection between value theory, Humanistic Psychology, and Positive Psychology plus explanations of transformational leadership. A special emphasis is placed on contemporary explanations of the hierarchy of value concept put forth by Humanistic Psychology. (i.e., what Humanistic Psychology refers to as the hierarchy of needs). Valuation theory, Humanistic Psychology, and Capability Theory all emphasize developing one's full potential and self-actualization. Conceptualizations of valuation also emphasize self-efficacy, happiness, success, and holistic well-being as put forth by Positive Psychology. In addition, value theory also involves explanations of how to portray characteristics of prudence, leadership, and charisma as put forth by proponents of transformational leadership.

The chapter concludes by re-emphasizing the connection between intrinsic values, understanding what has ultimate value, and determining what has ultimate meaning in life. Thus, the chapter reminds the reader that maximizing one's value creation capabilities is not only based on acquiring the management skill of doing things right but, in addition, developing the leadership skill of discerning how to do the right thing (Drucker 2004, 16-17). The conclusion also emphasizes the connection between creating value and producing what has both social and economic value (Schumpeter 1997, 422 & 812). In essence, the chapter concludes by emphasizing why the ability to display traits of leadership, charisma, and entrepreneurial creativity is typically evident in individuals whose sense of mission and vision are anchored in their core values.

1.1 Core Values, Happiness, and Success

Developing the talent and ability to produce outcomes that are clearly creative but also indicative of a higher level of quality and excellence is the outgrowth of self-cultivation and developing one's capabilities. Expressions of higher quality and excellence result from fully integrating one's physical, mental, and creative abilities and then deciding which discipline is best to focus on in order to channel and express one's ability (e.g., some form of art, a vocation, or a chosen profession). In short, the higher levels of quality, excellence, and success result from fully integrating a person's value judgement (based on value rationality or an understanding of what has worth based on normal rational calculations) with basic inclinations. Basic inclinations are value preferences that are motivated by one's inherent value predisposition and innermost inclinations. That is to say, individuals are deeply motivated by an urge that stems from an inherent inclination to express their capability in ways that enable them to experience what they are hoping most to do or be (Maslow 1954, xii-xiii). “Motivation is governed by the expectation that behavior will produce certain outcomes and the value of those outcomes” (Bandura 1993, 128).

Ingenuity and a person’s enterprising ability can be thought of as resulting from utilizing one’s higher-level cognitive ability to discern the best way of expressing and fulfilling basic natural inclinations. But for this inherent potential to manifest as wealth and good fortune, there is another component that is essential for happiness and success – the ability to create value. Creating value is the ability to produce something of worth, quality, and of importance to the life of the individual who undertakes some innovative, creative, or artistic means of self-expression but, as well, creating value involves making a significant contribution to the material and/or eco-aesthetic dimension of social life. In this sense, an explanation of value creation is defined as a logical conceptualization, explicit or implicit, of the actions of individuals and the processes of social systems that are involved with selecting (from the available modes, means, and ends of action) what individuals consider desirable, of worth, or preferred (Kluckhohn 1962, 395-403). Fundamentally, the individual’s ability to create or produce outcomes that express what truly has value is the result of self-cultivation.

For example, according to the psychological views of the renowned Western philosopher Immanuel Kant, character development is the process of cultivating four aspects of one’s person: (1.) the propensity to be creative, (2.) a sense of aesthetic value, (3.) authenticity or originality, and (4.) self-knowledge. Self-knowledge means cultivating the self to the point of connecting with the deeper level of consciousness – which is the source of creative imagination. For Kant, the propensity to create value is the outcome of a type of personal growth and development which results in achieving personal integrity. According to Kant, creative genius requires four things occurring “in happy relation”: (1.) freedom – i.e., freedom in the sense of being unrestrained by conventional instrumental pursuits and the freedom to pursue what is of value for its own sake, (2.) holding true to one’s core values, (3.) sincerity or being true to oneself, and (4.) trusting one’s creative imagination in order to determine how values are best manifest in one’s daily endeavors. Creative genius is manifest as effectively communicating to others with sincerity and integrity – which is the outcome of being true to one’s core values (Kant 1987, 185-186).

Kant's ideas about creativity, value, and the freedom that results from the right focus of the will concur with fundamental principles explaining the significance of intrinsic values. They both stress that what is truly of value lies beyond instrumental or utilitarian pursuits (Kant 2002, 10-11). Kant reemphasized the perennial claim that it is possible to realize and experience what has ultimate worth by keeping one's focus on intrinsic values. In this way, Kant made happiness subject to prudence. He introduced *the imperative of prudence* as a concept that explains what is involved in discerning how to integrate will and action to produce a desired outcome. Developing qualities of prudence – such as integrity and discernment – are based on cultivating a solid foundation for determining how to make the right choice. Kant's liberation proposition – for how individuals can become freed from the constraints of convention and the distraction of the instrumental pursuit of utility maximization – was further developed by scholars who claimed that increasing one's value creation capability is achieved by exercising one's "Freedom by acting in accord with the laws of one's own being" (Schelling 2006, 49 & 50). In this respect, creative genius stems from drawing from the value core of your own inner being and making core values the basis of the choices you make – which enables you to create in ways that display superior aesthetic quality and excellence (Scheler 1987, 164-169).

Fully comprehending the connection between the ability to create value and the development of a person's capabilities is based on understanding the role that values play in creativity, self-cultivation, and self-actualization (Scheler 1987, 164-178 & 186). This is because conceptualizations of value creation are also connected with the fundamental principles of Capability Theory, those for self-cultivation, and conceptualizations of self-actualization. Conceptualizations of Capability Theory contributed to the initial perspectives on value creation because they provided an ethical, social psychological, and social economic framework for how individuals can experience the *functionings* that they regard as important for achieving their desired outcome. The fundamental conceptualizations of both valuation and Capability Theory propose that individuals achieve a certain level of excellence by willfully endeavoring to realize the level of competence that they are by nature potentially capable of achieving. As is the case with contemporary perspectives of Capability Theory, Humanistic Psychology, and The Hierarchy of Value Theory (what is referred to as The Hierarchy of Needs Theory in Humanistic Psychology) the full development of one's capabilities is reflected in the individual's ability to manifest valued *functionings*. Valued *functionings* are such things as holistic well-being, self-determination, integral being, being well-integrated in one's social and natural environments, flourishing, and the freedom to create what one values (Sen 1999, 75-76; & Aristotle 2004, 10-13).

Creating value is the means individuals employ in their endeavor to express their innermost inclinations in a way that makes their capabilities evident. Creating value is an attempt to produce expressions that accurately attest to one's authentic self and is the way individuals endeavor to create an increase in benefits for themselves and others. That is to say, people endeavor to indicate the meaning and purpose of their lives by the value they create (Nietzsche 1968, 481). Value creation is the endeavor to develop and manifest an inherent quality that is at the core of a person's being. Value creation is the expression of one's innate urge to manifest his or her inherent value preference. Humanity has a natural value predisposition to experience complementary interactions with others and with the other aspects of existence and to enjoy beneficial interchange with others and with the natural environment (Miller 2011, 80). The drive – which is a fundamental motivational force – is related to the urge to develop and express one's nature, to act effectively so that things progress in a way one hopes, to reduce the threats to one's well-being, and to act in a way that achieves a desired outcome.

It is in this respect that the foundational conceptualizations for value creation are related to those of The Hierarchy of Value Theory – which includes prescriptions for happiness, for establishing a good bond with others, for having a beneficial relationship with the forces shaping the natural order, and an explanation of how to enjoy the feeling of being fortunate (Aristotle 2004, 3-4; Scheler 1973, 86-100). Being fortunate is also thought of as the ability to experience good fortune, the feeling that things are progressing the way one hopes, and the ability to generate fortune. The term fortune relates to flourishing, prosperity, and well-being in addition to its connotations regarding wealth. Happiness can be defined as experiencing positive emotions, a feeling of the joy of life, and self-efficacy. Happiness derives from being capable of creating value outcomes that have a positive effect on a person's feelings about life (Seligman 2012, 16-20; & Bandura 1993, 118 & 131). Cultivating the self by integrating one's basic human nature and cognitive ability with the creative ingenuity inherent in the deeper levels of consciousness contributes to the feeling of happiness and being fortunate because it enhances the powers connected with a person's *psyche* (Aristotle 1935, 455-467). By integrating the normal sense of self (the ego) with one's inner self (one's deeper self or one's authentic self – according to renown psychologist Carl Jung) a person engages in what Humanistic Psychologists call the process of self-actualization. Expressing oneself authentically enhances one's creative potential, heightens one's mental skills, improves health, and increases the ability to experience one's desired value outcome.

The Hierarchy of Value Theory proposes that the end value that people ultimately aspire to, if obtained, satisfies because it provides the experience of what is ultimately desired while, at the same time, the achievement of the ultimate end value incorporates or fulfills subsidiary instrumental values (Maslow 1954, 97-100). Both the classical and contemporary perspectives of Capability Theory claim that fulfilling basic or fundamental needs is primary to experiencing higher level values and achieving self-actualization. Thus, the theory proposes that creating value outcomes that are indicative of achieving the highest level of the value hierarchy is based on self-cultivation but is portrayed in terms of living well, prosperity, good judgment, and displaying qualities related to fortune. The foundational conceptualizations of the value creation concept and Capability Theory both establish a framework for how an individual can achieve the highest level of the value hierarchy.

Conceptualizations of value creation are related to The Hierarchy of Values Theory in that both emphasize the relationship between instrumental pursuits and the ultimate *end value* the person desires. The initial hierarchy of values concept was an insightful explanation of why it is necessary to have a good understanding of the relationship between instrumental pursuits and the goal a person desires to achieve (Aristotle 2004, 3-4). In other words, the hierarchy of values concept emphasizes the importance of establishing priorities to avoid getting so caught-up in instrumental pursuits that one gets distracted from achieving the ultimate *end value* or goal for which one's actions are undertaken. Invariably, the ability to discriminate between which pursuits should be prioritized and which should be subordinated is based on learning to make decisions that are in line with one's core values.

This involves both integrity and prudence – prudence is necessary to understand why maintaining a focus on one's ultimate value ends is essential for being fortunate. In addition, prudence is important to discerning the role that wealth plays in relationship to the good life, flourishing, happiness, and well-being. Prosperity and flourishing (of which wealth is only one aspect) is generated when one's character portrays integrity and when what one produces portrays value, quality, and excellence. An increase in wealth is one of the rewards for self-cultivation and the development of one's full capabilities. Although, most people already realize that wealth does not necessarily bring happiness, it is still possible to get so caught-up in prioritizing wealth or focusing on instrumental means that the very qualities necessary for producing it get subordinated. Thus, many people fail to follow the admonition prescribed by Steven Covey, in his best-selling book *The Seven Habits of Highly Successful People*, remember to "Put first things first" (Covey 1990, 145). In fact, without self-cultivation the pursuit of wealth, within itself, can indeed be an obstacle to lasting happiness.

Socrates, for example, explained that all people wish to act in a way that will produce their desired outcome. In this sense, he claimed that self-cultivation – which leads to authenticity – is the basis of gaining insight into how to achieve the *end value* that they ultimately desire (Plato 1952, 411-419). Socrates asserted that being true to oneself or to one's core values (thus maintaining integrity) is the key to ingenuity and prudence. He also thought of ingenuity and prudence as characteristics that accompany authenticity – which empowers individuals to creatively express the qualities inherent in their inner nature. Being authentic, for Socrates, involves a process of learning to discern how to bring to fruition what truly has value. Being authentic becomes a motivational force that inspires a person to devote his/her life to creating outcomes that express what he/she believes has true worth and what is ultimately worth devoting life to. Being authentic provides individuals with the ability to portray a character that is magnanimous, to create productions of high aesthetic value, and to create in ways that are innovative. It enables individuals to perform or produce in impressively unique ways, to successfully achieve what they are hoping to achieve, and to pursue their path to success in ways that are in keeping with their authentic selves.

Socrates asserted that "missing the mark" – thus experiencing disappointment, failure, or unfortunate outcomes – results from individuals basing their appraisal of what has ultimate worth, their notion of self, and of success on the superficial aspects of existence or the superficial aspects of their being. In other words, individuals base their sense of worth on extrinsic values, social convention, and superficial appeals, etc. This results in a person focusing on values that are conditioned and failing to pay adequate attention to values that stem from the authentic self. Socrates admonished that the solution to this tendency is self-knowledge, for without it a person is likely to fail to maintain focus on values that are unconditioned. That is to say, the person will not be able to avoid being subject to the power of external factors which can determine the conditions of a person's life activities (Plato 2010, 272-275, 344, & 345; also see Foucault 1984, 351). Socrates concluded that what distinguishes individuals who display characteristics of prudence and authenticity is that they maintain a focus on the most important, worthwhile, and rewarding life pursuits (Plato 2010, 7-9). Socrates' ideals introduced a new era in Western social and political thought. In addition, his experience and testimony reflect the extent to which some forces of society can have the effect of pushing individuals in the direction of convention despite the powerful forces attempting to guarantee their right to self-cultivation regardless of social status, background, or prior training.

In this respect, value creation involves principles of liberation, freedom, and natural rights in that it explicates a means by which individuals can transcend the forces that would otherwise fragment, splinter off, or hinder the integration of various aspects of their personal and social life. The value creation concept has an emancipatory effect if one remembers that "One of the main features of human existence is the capacity to rise above conditions, to grow beyond them" (Frankl 1988, 154). Adherence to the fundamental principles of value creation helps individuals to avoid the fragmentation that results from forces that create a dichotomy between material value pursuits and higher order human values (Weber 1956, 151-153). Conceptualizations of value creation have a liberating effect in that they prescribe a means by which happiness and success are no longer dependent on factors over which the individual has no control but are dependent on strengthening a person's will power. For, as asserted by Socrates, a person's reality is shaped by decisions, prudence, and outlook, not by conditions.

Exercising one's freedom of choice effectively brings about an improvement in one's quality of life. Thus, improving one's quality of life is the outcome of the power derived from keeping the will focused on acts that create one's most desired outcome. By strengthening the will, individuals are empowered with the ability to creatively transform hopes, values, and desires into actuality (Fichte 2005b, 7, & 24-30). This is because the desire to create value as part of the endeavor to actualize one's hopes. It is "Something primary which is grounded absolutely in oneself and nothing outside of oneself" (Fichte 2005b, 30; also see 2005b, 60). An individual, in this respect, is no longer merely subject to being passively conditioned by external power forces but is free to independently decide how to shape the forces that determine the social economic conditions one is confronted with into manifestations of one's own unique individuality (Foucault 1994a, 330-332 & 340-342; Foucault 1992, 10-11; & Foucault 1987, 112-131).

The happier and more successful people in life are constantly reflecting over the conditions and circumstances imposed on them by reality and emerging through obstacles with their values and their ultimate goals still in focus. Core values remain the basis of the choices they make, what determines their actions and interactions, and the consequences they experience as the result of their actions (Miller 2015, 13). Effectively exercising freedom of choice, in this respect, is the key to avoiding being reactionary and the basis of becoming proactive (Covey 1989, 65). For, "Everything can be taken from a [person] but one thing: the last of the human freedoms - to choose one's [reaction to] any given set of circumstances, to choose one's own way" (Frankl 1988, 86). Thus, the value creation concept has from its inception – and continues to have – a liberating effect because it explains how by remaining true to oneself individuals are empowered with the will, courage, and strength to create for themselves a life that they identify with as distinctly their own (Nietzsche 1966, 26; Nietzsche 1967, 403-404 & 411). This involves understanding how individuals – by engaging in activities related to the aesthetics of the self – can become liberated from social constraints by establishing their own unique social space in which to create value (Foucault 1989, 452).

From the outset, the proponents of the value creation concept, Capability Theory, and self-cultivation pondered over the extent to which individuals can develop their capabilities and remain true to themselves despite social pressures and their social status. Social theorists recognize that social status and economic conditions could play a role in a person's ability to fully enjoy natural human rights. In this respect, social theorists have been and continue to be concerned about the connection between capabilities and the functioning of society (e.g., notions of democracy, social-formation, political economy, ideology, religion, and how to overcome being victimized by the constraining forces of society). Thus, there was increasing recognition that promoting an individual's ability to create value, helping individuals develop their full capability, and promoting self-cultivation necessitate a critical analysis of principles related to other aspects of the social sciences: e.g., economics, law, political economy, governance, social psychology, and religion. In addition, a critical analysis of conceptualizations of management and administration – of both private organizations and public institutions, of managing wealth, managing social relations, and of the administration of social systems are essential for establishing viable conceptual frameworks for both creating value plus realizing individual well-being and social flourishing.

1.2. Value Creation and Conceptions of Management

"If I have the belief that I can do it, I shall surely acquire the capacity to do it even if I may not have it at the beginning" (Gandhi 1940).

The best way to manage the future successfully is to create it (Drucker 2002, 73-84).

The art of management "Deals with the fundamentals of knowledge, leadership, wisdom, and self-knowledge" (Drucker 2001, 11 & 13). Success in management is based on a commitment to "Create new value and new satisfaction" (Drucker 2011, 262). The fundamental principles of management place an emphasis on character development, a person's manner of communication, the way a person motivates and persuades others, and building lasting relationships based on trust, reliability, and creating mutually satisfying benefits. According to its fundamental principles, management also entails wealth generation, the act of or manner by which one acquires needed resources, social action that is in harmony with the natural order, and the act of or manner by which an individual develops quality relationships (Aristotle 1959, 37-41). In this respect, management is defined as traits of an individual's character that are manifest as the act of or manner by which the individual creates desirable outcomes for him/herself and for the significant relationships the person is involved with, the act or manner of adjusting to change, and creating new innovations. In addition, as a character trait, management involves integrity, self-confidence, self-motivation, being well-organized, plus possessing traits of ingenuity and enterprising skills. The ability to generate and manage wealth effectively is also a part of the fundamental principles of creating value. The ability to generate and manage wealth are actions or activities that increase the extent to which there are beneficial outcomes for oneself and others, that increase flourishing, increase well-being, and increase prosperity (Aristotle 2004, 87-89).

Given that management includes the acquisition of the things needed from the environment to satisfy material wants and needs, an understanding of how to maintain beneficial relations with the environment is also emphasized in the fundamental principles of management. More precisely, the fundamental principles describe management as an economizing activity – the essence of rationality – in that it involves organizing time and energy in such a way as to maximize the value achieved out of social relationships and humanity's relationship with nature (Polanyi 1957, 239-240). However, the foundational principles prescribing how to manage resources and social relations underwent an alteration that shaped the practice of management in the late 19th and early 20th century. The alteration was the result of Adam Smith's emphasis on the manager's ability to apply utility maximizing strategies toward increasing wealth, Frederick Taylor's emphasis on the manager as a person who exercises power and control and effectively applies incentives to motivate workers, and Max Weber's emphasis on the manager as a powerful person with a self-cultivated character who effectively balances bureaucratic traits with charismatic leadership skills.

Adam Smith is credited with introducing specialization as a significant aspect of effective management. He claimed that an individual's productive ability is increased by specializing in areas where the individual is most proficient. Smith asserted that the ability of individuals to create value and generate wealth is maximized when they interact within particular social networks to establish processes that generate knowledge, promote exchange, spark new creative innovations, and add value to the value chain (Smith 2007, 6-8). In addition, Smith believed – in accordance with the fundamental principles of social action – that a natural providential force would ultimately play a role in the process of social interactions and economic exchange to ensure mutually satisfying outcomes despite the natural human sentiment to seek advantage. Smith did imply that management skills are manifest as the ability to maximize benefits for oneself, for other relevant stakeholders, are manifest as operating in line with the principles of value creation, and in a way that maximizes value outcomes of higher quality at a lower price. However, his exchange ethic did not coincide with the ethical principles and convictions he expressed in his *Theory of Moral Sentiments* (Miller 2015c, 56). Consequently, his emphasis on utility maximization and profiteering altered the foundational notion of valuation, which would have a serious impact on the value concept for years to come (Vargo & Lusch 2004, 6). That is to say that Smith's utilitarian slant emphasized in his *Wealth of Nations* resulted in restricting the normative perspective on valuation he stressed in his *Theory of Moral Sentiments*. It was his emphasis on wealth generation and profit-making that became the established view on classical economics as we entered the 20th century (Miller 2017a, 151).

Adam Smith's emphasis on the value of utility maximization – in addition to both Frederick Taylor's theory of scientific management and Max

Weber's theory of bureaucracy – established the firm-centric perspective on wealth generation and profiteering that dominated in the late 19th and the first half of the 20th century. Taylor defined management as the art of envisioning exactly what can be accomplished and motivating others to accomplish it in the most effective and efficient manner (Taylor 1903, 1343). He thought of management in relational terms in that he believed that the most important aspect of the art is the ability to get others to accomplish what you believe is worth achieving. Motivation is an important factor in that an effective manager convinces others that it is mutually beneficial to accomplish a particular undertaking. Taylor, like Adam Smith, believed that management is the skill of being able to achieve excellence in relations and actions so that prosperity is sustained for those engaged in the relationship and increased profit is the outcome of exchange (Taylor 1998, 1). His concept of management was grounded on what he called the philosophy of initiative and incentive – which is based on principles of harmony and cooperation (Taylor 2003, 140).

However, it should be noted that Taylor was writing at a stage of the industrial revolution when the mechanistic view of how complex systems operate was the established paradigm. Tayler's background in engineering prompted him to believe that social systems must obey the laws of nature the same as other natural phenomena. Thus, he claimed that they operate in ways that are predictable and controllable. Given the fact that Taylor's views were complementary with Behaviorism (the dominant perspective on psychology and motivation at the time), management tended to be thought of as the practice of using incentives to predict and control human behavior, using monetary rewards to positively reinforce desired behavior, and using adverse stimuli as a means of negative reinforcement. Thus, in accordance with Behaviorism, managers were regarded as effectively motivating workers when they apply the right stimulus to gain the desired response/outcome. In addition, because incentives were viewed in monetary terms, management was thought of as the art of reconciling differences in values and interests that are presupposed to occur in relationships by maximizing the material rewards gained from the interaction. Thus, Taylor's notion of management placed the emphasis on efficiency, utility maximizing, and rational calculations to determine how to maximize profits.

Weber believed that the process of self-cultivation is the essential first step to success in life. Self-cultivation teaches an individual how to reconcile what often is a dichotomy between formal rationality (i.e., calculating to produce the quantitatively highest yield) and substantive rationality (i.e., discerning how to experience what has intrinsic value). This dichotomy, if unresolved, can create a certain degree of anxiety for the individual, tension between the individual and society, and even conflict between individuals in society. The cultivated person has learned to resolve the anxiety and reduce the tension by integrating the various aspects of the self. The outcome of which is creating a life that is based on deliberately chosen values and aiming action toward achieving a chosen ultimate end value (Weber 1978, 450-451). Such a person acts in accord with value-rationality but in a way that shapes routine activities into more personally and socially meaningful and rewarding actions. Thus, the cultivated person acts in ways that transform mundane acts into *rational-teleological* activities. That is to say, Weber believed that by basing one's course of action in life on aligning value and action, a person develops exceptional qualities of personality and character.

Weber was concerned with the growing trend toward specialized, technical, calculating bureaucratic thinking and its impact on the development of a person's personality and character (Weber 1978, 1000-1002). He asserted that the one-sidedness of such bureaucratic thinking tends to create a problem in terms of individuality, freedom, and human dignity. He referred to a failure to adequately manage bureaucratic impersonalism as possibly trapping individuals in an "iron cage". He admonished cultivating one's character by integrating instrumental value-rationality with what has inner meaning and value – "Thus, to find unity with the self, others, and with the cosmos" (Weber 1978, 506). Weber proposed that the process of self-cultivation would train a person how to balance the development of one's normal intellectual ability with the exploration of one's deeper inner self. Such a person would act in accordance with consciously and deliberately chosen values plus the person would be endowed with the strength of character, the courage, and the will power to create a life experience of recognizably admirable quality. This is because the cultivated individual transforms mere instrumental rationality into social activity that is more teleologically and axiologically fulfilling.

Weber's perspective on principles of self-cultivation was influenced by his appreciation for Classical Greek conceptualizations of the relationship between value rationality and social action. In addition, he was influenced by his study of the critical responses to Kantian Transcendental Idealism that were popular. Weber thought of a cultivated individual as a person who balances the demands for acting according to calculated rationality (instrumental values) with consideration of one's "specific affects" and substantive values. In Weber's own words, the outcome of self-cultivation is “Belief in the value, for its own sake, of some ethical, aesthetic, religious, or other form of behavior, independently of its prospects of success” (1978, 2). In other words, on the one hand, Weber believed that the outcome of developing one’s capabilities is being able to effectively discern how to successfully “Attain a definitely given and [desired] end by means of a precise calculation of adequate means” (Weber 1946, 293). While, on the other hand, he claimed that a highly cultivated person is characterized by “Meaningfully oriented action” which has moral grounding recognized as consistent with the traditional convictions of a particular community or society (Weber 1978, 25 & 215).

Weber proposed that adhering to the fundamental principles that prescribe how to effectively manage social relations, organize social groups, and manage resources continue to be essential for successfully attaining one’s desired ends. In pre-classical social economics and political economy these principles were proposed as the basis for character development, were believed to play a role in developing one’s leadership qualities, and for developing the power of charisma. “The term charisma applies to a quality of individual character by virtue of which the person is considered extraordinary and treated as though endowed with exceptional powers or qualities. These are not accessible to the ordinary person but are regarded as exemplary, and because of such traits the individual concerned is treated as a leader” (Weber 1978, 241). Aristotle referred to the traits as ethos, pathos, and logos. Weber drew from the classic conception of the charismatic individual to add that he/she combines *pathos* (emotional appeal) and *logos* (knowledge) with ethos (personal integrity). Weber emphasized that these character traits (or more accurately his variation of the character traits) continue to be essential for effective social action because they are also connected with legitimate authority. He believed that authority has to do with one’s value-commitments; with possessing extraordinary, exceptional, highly appealing, and dynamic qualities or powers; and has to do with a type of rationality that is manifest in terms of norms, beliefs, convictions, and compelling ideas.

Weber – concurring with fundamental principles of social psychology, with the social psychological principles that emerged at the culmination of the Enlightenment, and with the cultural anthropological and social psychological claims of German Idealism – asserted that both personal and cultural values have formed the conditions that motivate individual behavior and shape social reality (1949, 52-56). In this respect he assigned social psychological significance to the act of creating value as well as to the type of social action where certain value commitments are displayed in the form of creative advancements that contribute to the flourishing of society. Weber, like Joseph Schumpeter, believed that creative breakthroughs in the social economic conditions of Western society are sparked by a particular type of character – that both he and Schumpeter referred to as the entrepreneurial-type – who is motivated by subjective value-commitments, the desire to create, and ethical integrity (Weber 1978, 222-223, 225, 1131, & 1403-1404; also see Schumpeter 1949, 90-94).

Weber conceived of the manager as a person who has cultivated skills based on learning and adhering to certain principles. The person's managerial skills are recognized by others to warrant legitimate authority and power. His ideas about self-cultivation and personal self-development inclined him to believe in value-rationality in both practical terms and as a conceptual, hypothetical, ideal-type (or pure-type) of social action. However, Weber, himself recognized that what he was admonishing, in terms of cultivating the qualities that characterize an exceptional person, is an ideal – especially in terms of how he conceived of the practice of management. "An ideal type is present in the mind of the person as an ideal to be striven for in practical life or as a maxim for the regulation of social relationships. In this sense, it is no longer purely logical auxiliary devices, no longer concepts with which reality is compared, but ideals by which it is evaluatively judged" (Weber 1949, 95 & 98).

In an ideal sense, management is the ability to establish meaningful connections with and between people. However, "Only occasionally, often only in the case of a few individuals, is the subjective meaning of the action, brought clearly into consciousness. The ideal-type of meaningful action, where the meaning is fully conscious, and explicit is a marginal case" (Weber 1978, 21-22). Weber recognized that managers are likely to be faced with a conflict of interests in their attempt to act in accordance with the ideal unless they reconcile the difference between two forces that have an impact on the practice of management. The first is based "Purely [on] material interests and calculations of advantages" (Weber 1978, 212-213). The second force influencing the conception and practice of management is the endeavor to use ingenuity to create value that enriches and ennobles the human experience (Weber 1978, 25). Weber recognized that the concept of management within itself implies social activity that necessarily involves creating quality interactions. In other words, Weber was influenced by the sociological assertion that "Individuals cannot accomplish their desired value ends without reference to others" (Hegel 1896, 179-180).

In short, for Weber, management is the ability to effectively exercise power and authority to achieve "Certain [desired] ends by choosing appropriate means" (Weber 1978, 5). Power and authority increase the probability that the intentions, hopes, and will of the authoritative person will be carried-out by a given group of persons. "Power is the ability [of] one actor within a social relationship to carry out his [or her] own will despite resistance" (Weber 1964, 152). On the one hand, Weber thought of management as the ability to organize or structure one's social relations in such a way that others are motivated to adhere to certain prescribed procedures and processes to achieve certain prescribed goals and objectives. On the other hand, although his ideals impelled him to believe that the character of a manager could reflect a "pure-type", his sense of realism compelled him to believe that the ideal for management is constrained by the bureaucratic demand for rigid stereotyping, calculative value-rationality, and the pursuit of competitively advantageous social action. As stated above, because of the mechanistic view of the ontological nature of systems – that prevailed at that time – the principles of management emphasized strict "Administrative regulations, a bureaucratic governance structure, the belief in power and control, fixed official duties, and an authority and command approach to carrying-out duties" (Weber 1946, 196).

However, his works also remind us that instrumental rationality, within itself, is not enough for happiness, for effective management, and for successful leadership. Weber admonished that without a proper appreciation of work-life balance a person could amass a significant amount of wealth but fail to enjoy the fruits of his or her own labor. He admonished that the bureaucratic-minded person has an increasingly diminished ability to enjoy prosperity. This is because such an individual is so focused on instrumental means he/she is not able to find fulfillment in ultimate value ends. "In fact, the summum bonum of this ethic, the earning of more and more money, is above all completely devoid of any eudæmonistic, not to say hedonistic, admixture. It is thought of so purely as an end within itself that from the point of view of the happiness of or utility to the single individual it appears entirely transcendental and absolutely irrational" (Weber 1992, 18). Thus, Weber proclaimed that an ethic of ultimate ends and an ethic of responsibility do not absolutely contrast but rather they supplement each other and only in unison constitute a genuine person (Weber 1946, 127). Weber's social psychological insight prompted him to advise that an identity rooted in one's intrinsic values tends to afford the person self-efficacy. This claim would continue to be advanced due to the impact that Humanistic Psychology, Positive Psychology, and transformational leadership have on the concept of management. That is to say, the social psychological impact on the practice of management and organizational behavior established a link between effective management, improving organizational performance, and promoting the self-actualization of professionals (Drucker 1974, 83-86; Larsen 2000, 117).

Humanistic psychology prompted theorists to realize that managing an organization in such a way that its vision, mission, and value goals are achieved is based on motivating knowledge workers according to their values and self-development needs. The Humanistic approach to motivation is based on insight into how to resolve the gap between individual human needs and the attempt of the organization to use basic human needs to create economic value (Miller 2015c, 59). Positive Psychology addresses a similar concern – why is it that social and economic conditions can be structured in a way that seems to compel individuals to do something, whether (or not) it helps them to realize what they ultimately value? Positive Psychology is defined as an approach to management (or to effectively managing relational capital) in accordance with values considered more meaningful and in such a way as to collaboratively co-create outcomes that are more satisfactory. More satisfactory outcomes are inclusive of an increase in happiness, prosperity, flourishing, and well-being (Seligman 2010, 234; also see Miller 2015c, 61). Positive Psychology proposes that it is possible to manage organizational relations in ways that make organizations more profitable while, at the same time, increases the sense of well-being of the individuals in the workforce. Transformational leadership "Occurs when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality'' (Burns 1978, 20). Transformational leadership consists of four factors: (1.) charismatic leadership or idealized influence, (2.) inspirational leadership or motivation, (3.) intellectual stimulation, and (4.) consideration of the significance of individualization or, in other words, leaders who are sensitive to the needs of others, bring out the best in others, and minimize their weaknesses. Bernard Bass (1985) defined a transformational leader as one who motivates followers to accomplish or achieve more than they originally expected.

Adam Smith's perspective on wealth acquisition and value in economic terms; Frederick Taylor's emphasis on power, control, and effectively applying incentives as a means of motivation; and Max Weber's emphasis on rationality and bureaucracy dominated conceptions of management, organizational behavior, and market exchange, at the beginning of the 20th century. Indeed, Weber's notion of a *pure type* of manager continued to shape conceptualizations of the ideal manager. As a result of the influence of Weber's *pure-type* or ideal, a manager was also thought of in terms of possessing exemplary character traits and having qualities of charismatic leadership. The social actions of the ideal-type manager, as well, was thought of as exemplary – what in contemporary terms is referred to as mentors or role models. Such character traits stem from the value commitments of managers which enrich every conscious moment of their existence (Scheler 1915, 10-11). Exemplary leaders portray character traits such as vision, the ability to rally others, integrity, superb curatorial and coaching skills – e.g., an eye for talent, the ability to recognize correct choices, contagious optimism, a gift for bringing out the best in others, the ability to facilitate communication and mediate conflict, a sense of fairness, and, as always, the kind of authenticity and integrity that generates trust (Bennis 2009, xxiii).

The exemplary manager-type displays a combination of virtue, vitality, and vision. The vision that the manager espouses is a goal that can be realized by cooperating to create a desired value outcome. To motivate commitment to achieving the vision, the manager explains, in terms that seem achievable or realizable, a means of obtaining an outcome desired by the participants. In this respect, an ideal-type manager motivates professionals to achieve a better self, a better life, and what constitutes a better world. People are attracted to, drawn to, and become adjoined to characters they feel to be exemplary "By some kind of positive value/valuation – which are, as it were, 'a priori ideas' of values" (Scheler 1987, 133). Exemplary managers represent the higher categories of value in that they propose values that elevate individuals, humanity, and society. Such characters are admired because they demonstrate insight into the highest good for individuals and society (visionary leader); wisdom, discernment, and good judgement (the sage or genius), exemplars of self-cultivation, integrity, and good character (a role model); and what increases the enjoyment of life (master in the art of living). The exemplary leader inspires others not only to pursue prosperity but life values such as enhanced well-being, flourishing, and progressive advancement for themselves and others.

The terms used to describe a manager whose drive to create value is motivated by the desire to realize value ends are "Visionary Leader" and "Value-centered Leader". Visionary Leadership implies that the person creates value as a way of managing the future (Drucker 2002, 73-84). Developing such a character is important because it is the key to enabling a person to get more of what he or she wants out of life, a person is more influential, and with such a character a person contributes to enriching the lives of others (Miller 2015a, 12). A value-centered approach to increasing one's effectiveness in personal affairs and as a professional involves an ongoing process of aligning actions with values so that they are congruent as well as making core values the guiding focus of one's life activities (Covey 1990, 98; also see Covey 1990, 49-52 & 185-203). In other words, value creation is the art of self-formation, the path to independence, and the basis of leadership – which is why it evolved into the basis for innovative and entrepreneurial activity. Thus, developing management skills involves adopting the principles for self-cultivation in that increasing one's effectiveness requires a focus on the development of one's person (Drucker 1954, 14 & 266).

Self-cultivation or self-creation – as it applies to one's ability to create value – is a process by which an individual's life activity is orientated toward manifesting one's core identity as the end goal or ultimate outcome of his/her endeavors. Self-cultivation, as it relates to the exemplary manager, is the process of engaging in life activities that increase the benefits one produces for him/herself, the organizations/institutions they are a part of, and for society. Self-cultivation – which is manifest as self-motivation, being self-directed, and self-determination – is the process of being guided by one's own ingenuity, creativity, inner commitments, and inner vision to create beneficial value. In this respect, for self-cultivation to result in improving one's management skills there must be a special emphasis placed on self-management (Drucker 2002, 163-195). Value creation is an essential aspect of effective self-management because self-management stems from self-direction and self-motivation which are prompted by a value-based approach to determining goals and the actions necessary for achieving them (Miller 2011, 1-3). It also involves the process by which individuals engage in interaction and interchange with others and with the environment to obtain what is necessary to increase the satisfaction of life.

Self-management involves the act of creating value as an expression of one's ingenuity and unique creative ability in that it enables a person to achieve professional success in a way that provides enrichment to the eco-aesthetic dimensions of social life (Drucker 2001, 27). Self-management implies both self-organization and an integrative approach to self-cultivation in that it calls for holistically integrating aspects of oneself and one's actions so that they are coordinated with a larger purpose (Comte 2009, 384-393). Self-management implies personal growth in that it includes realizing how to move toward what is in your best interest. Thus, the self-management concept is an essential aspect of an integrative perspective on management. An integrative approach to management means organizing one's activities so that there is a congruence between one's internal motivations, one's social interactions, and it includes being well-integrated within the larger ecosystem. Such a person is characterized as displaying traits of integrative management by effectively managing available resources so that the needs and expectations of all stakeholders are taken into consideration and equitably addressed (Dalling 2007). Integrative leaders relate to others in a way that helps them to grow as individuals and professionals, realize their ambitions, and to develop their potential. The integrative approach to management, social exchange, and social formation is, in fact, a pendulum swing back in the direction of the fundamental principles upon which individual success and social flourishing are based.

The social theorists and contemporary scholars promoting the resurgence of the fundamental conceptualizations of value creation stress that an individual's basic needs are best met by taking the integrative approach to self-cultivation. In connection with entrepreneurship, an integrative approach to management is the development of an individual's capabilities expressed in terms of creating value by ingeniously integrating human, natural, and social resources. Leadership from the integrative perspective is based on developing creative insight and one's capacity to generate knowledge essential for innovation and entrepreneurial activity. Integrative leadership focuses on the strategic task involved in effectively managing relationships, social groups, resources (natural and human), and wealth – which means values and motivation are key components of effective management. A value creation perspective on management involves determining the best means of optimizing the value added with the resources available. The manager begins to add traits of the integrative approach to value creation by providing exemplary guidance as a means of motivation and empowerment.

1.3. Value Creation and the Fundamental Conceptualizations of Leadership

The management focus on power, authority, tangibles, and material incentives – that dominated at the beginning of the 20th century – gradually expanded to include the ideal type of leader who uses instrumental rationality to determine the best way to make a creative breakthrough. By the middle of the 20th century Weber's notion of an ideal-type manager/leader with a creative and charismatic character evolved into the idea of an entrepreneurial-minded person with the ability to make "Appropriate adjustment of ends and means to new environmental conditions" (Barnard 2014, 240). That is to say that by the middle of the 20th century the ideas of Joseph Schumpeter regarding entrepreneurial activity began to have an influence on conceptualizations of management and leadership. According to Schumpeter, leaders are extremely innovative and find ways to create new opportunities with their path-breaking creative ideas (Schumpeter 1997, 422 & 812). In this sense, the conceptualizations of the ideal-type transformational leader are significantly related to those involving improving organizational performance, innovation, and entrepreneurship. "Therefore, the two main dimensions of entrepreneurship – the manager's proactivity and innovativeness" – are also reflected in leaders (Eyal and Kark 2002, 212 & 2014).

Entrepreneurial-minded individuals "Are energetic in their actions [and] distinctive in will. The activity of such leadership types consists of combining existing possibilities in a new way" (Shionoya 1995, 169). Although they encounter uncertainty or resistance, as they attempt to produce a 'creative new breakthrough', they have "Enough energy and will, foresight, and creativity to overcome difficulties and introduce innovations" (Shionoya 1995, 169). Both the exemplary leader and the entrepreneur are motivated by the desire to be path breakers in their endeavor to create new value. In this sense, leaders are exemplary because of the ability to spark new dynamic creative action. As an outcome of creative action, they are enabled to enjoy the social prestige and power that comes from actions that reveal the uniqueness and fullness of their being. Subsequently, the contemporary notion of a visionary leader includes an entrepreneurial-minded character who motivates others in ways that generate creativity and innovative activity.

In terms of contemporary descriptions of leadership, developing and portraying leadership skills call for the ability to create value based on innate "Core conceptions of the desirable" (Rokeach 1973, 2). This means organizing one's life activities so that there is a congruence between one's character, relationships, and performance. This involves creating value as part of one's approach to managing relationships, organizations and institutions, and social groups. Such an approach to life and relationships results in experiencing a more fulfilling personal life, being more influential in one's professional life, and reaching higher levels of success (Drucker 2002, 296-299; also see Drucker 1954, 14 & 266). Because developing one's capabilities and the ability to create value are both based on self-cultivation, they both necessarily involve the broader aspects of the social sciences: social psychology but, in addition, effectively managing social relations, wealth management, and appropriately managing one's relationship with the natural environment. Because acquiring things needed from the environment is an essential aspect of organizational activity, leadership involves having the vision of how to do this effectively.

The contemporary conceptualization of leadership is a return to fundamental leadership principles that stress the social psychological aspects of the art. In fact, by the beginning of the 21st century the concept of leader was defined as a person that has learned to balance self-management with effectively managing stakeholder capital. In addition, a leader is thought of as a person who is able to create value regarded as beneficial to a larger number of social stakeholders and a person who balances his or her personal sense of self-efficacy with impression management by participating in value creating networks. Thus, the primary goal of an ideal leader is to transform what truly has value into material manifestations that increase prosperity for related stakeholders. For the ideal leadership-type life becomes an endeavor to find a means to achieve a mission/vision, ultimate goals, and to realize core values (Bennis 2009, 119). Today, organizational leadership involves a focus on both tangible and intangible assets and with one of the most important resources being knowledge of how to create value. "For leaders, and would-be leaders, the take-home lesson of the New Economy is that power follows ideas, not position" (Bennis 2009, xvi).

With the resurgence of the fundamental conceptualizations of the integrative approach to value creation – which was further developed by social psychologists – the ability to transform one's hopes into reality was considered to result from aligning the desire to express one's unique qualities with one's professional activities (Durkheim 2010, 47-50). Such a pursuit is tantamount to realizing what has ultimate worth or value and living authentically (Jung 1975, 97-106). "Finding and nurturing that authentic self is the one sure way of becoming a leader" (Bennis 2009, xxviii). Thus, Weber's notion of valuation, administration, and charismatic leadership evolved into conceptualizations of transformational leadership that were mixed with new social psychological trends and new theoretical claims which are having an impact on motivation, social and market exchange, conceptions of leading organizations, strategies for improving social-economic performance, and for improving public-private partnerships. That is to say that the prior notion of transactional leadership evolved into transformational leadership – especially in contexts that involve knowledge workers. The shift was evident in a change from a focus on management based on strategies for increasing the quantity of work accomplished and motivating workers with monetary incentives to relational approaches to improving the quality of performance and motivating knowledge workers by appealing to their values.

Chapter 2

A Value Creation Perspective on the Definition and Nature of Organizations

An organization is "A solution designed in its own time to meet a challenge or satisfy a need of society" (Cooperrider & Witney 2011, 395).

Individuals enhance their own personal freedom and the chance of achieving their own personal goals by cooperating in organized endeavors that create value (Delthy 1989, 99-108).

"Profits are the reward to the firm if it continues to produce true value for its customers" (Ouchi 2011, 385)

Theory is an explanation of the principles and factors connected with why and how things happen. Clarity on why and how things happen contributes to predictability. Organizational behavior theories have historically involved explaining the principles and concepts connected with phenomena related to "Doing and making by persons caught up in some specific historical era" (Gouldner 1980, 9). In this respect, organization theory is defined as an explanation of why it is preferable to do things in a certain organized way. Organizations are defined as systematic ways of structuring social relations to satisfy the needs of their members. "For the purposes of this [section of the chapter] the term 'organization' will be used to refer to a broad type of collectivity that shares common features and is orientated to the attainment of a specific goal. The attainment of the goal [requires effectively managing the] relationship between the system's internal structure and its external relations" (Parsons 1956, 63-64). Organizations exist as long-term relationships in which the participants are committed to pooling their resources to increase their assets (Coase 1937, 393; also see Parsons 1991, 15). In other words, the origin of the term organization is rooted in fundamental sociocultural conceptualizations of the cooperative engagement of people involved in the process of creating and producing value.

"Organizations provide the setting for a wide variety of basic social processes, such as socialization, communication, ranking, the formation of norms, the exercise of power, and goal setting and attainment" (Scott 2003, 8). Organizations are an important aspect of sociocultural activity because of the order they create in society, the nature of the social relations they structure, and because of their ability to promote value creating social activity. Organized cooperative interactions are a means of structuring social action to create public value. Organized cooperative interactions enrich social life and increase social flourishing. However, as the ground rules for human association changed – as societies became more complex, for example, with the emergence of division of labor – so did conceptualizations of organizing and the nature of organizations (Durkheim 1960, 39-43). The increase in complexity requires organizations to be more intent on deliberately choosing the most effective strategies for achieving a goal and establishing structures that are deliberately planned to attain the highest efficiency (Thompson 2011, 490 & 491).

Organizations and institutions are regarded as the aspects of social systems that establish forms of social solidarity because they structure cooperative activity aimed at realizing a common goal and prescribed values. "Common values govern the goals for which [social groups or organizations] strive – their ideals and their idea of what is desirable" (Blau & Scott 2011, 207). Organizations, in effect, reflect what a society believes is of value or worth and they also have the power to influence individual, intra-organizational, inter-organizational, and social values (Etzioni 1999, 49 & 162). "Although the values and ends are subjective, they influence behavior, and their integration enables society to operate as a system" (Merton 1968, 82). In terms of a theory of the role of value in social action, the power of organizations is evident in the extent to which social structuring can compel individuals to act in accordance with social economic necessity. In addition, organizations motivate individuals to cooperate in co-creating value that satisfies individual interests while contributing to the common good. Of course, the best functioning social systems are those that are models of integrating the interests of their stakeholders to create value that its members find enriching, ennobling, and elevating.

A social system structures interaction to ward off disorganization – which would be an indication that the social system is badly organized and experiencing increased entropy. In this respect, organizations and institutions are systematized structures of social action that contribute to effectively managing the aspects of reality that otherwise tend to disorder.

Disorder is evident in such things as corruption, injustice, deception, exploitation, manipulation, etc. Disorganization is tantamount to a failure to operate on the basis of the ontological principles of social existence that promote shaping interactions into a structured and integrated means of producing beneficial outcomes for its members. Thus, organized social activity is also a means of generating knowledge of how to structure social action to increase the extent to which a system can thrive, its members enjoy social life together, and experience prosperity.

It is in this respect that organizations and social institutions play a role in influencing a society's conceptualization of ontology, teleology, and axiology. That is to say that organizations exercise social power in that they are structural systems that define what has ultimate value, what is ultimately worth devoting time and energy to, and equally significant, how humans should relate to the forces shaping the natural order. Conceptualizations of ontology, teleology, and axiology are all rooted in fundamental explanations of value theory. Ontology is knowledge regarding the nature of existence but is also related to knowledge regarding the value of having an appropriate relationship with the natural order. Teleology is an explanation of what has meaning and the meaningfulness of social economic activity. And axiology is an explanation of the aspects of human activity that involve valuation.

Organizations flourish and enjoy prosperity to the extent to which they maximize the enjoyment people experience in their social relations and the extent to which they produce a satisfactory amount of material artifacts that create prosperity and enrich the eco-aesthetic dimension of social life. In practical terms, this means that an underlying assumption of organizational theory is that individuals participate in structured or ordered relationships to create value in terms of things defined as useful for both personal and social reasons. However, a significant fact of social activity is that prosperity is increased if the things produced also have exchange value or, in other words, if they have added economic value and if they can be exchanged. Thus, organizational success depends on integrating the value interests of the producers with what is of worth in terms of the value interests of social stakeholders (Bourdieu 1993, 30). In this respect, organizations and institutions produce various types of capital that have personal and social value. Social capital includes such things as the development of individual competency, relational capital, an increase in the eco-aesthetic dimension of social life, capital resources, and resource mobilization.

In terms of explaining the concepts related to organizational performance improvement, the remainder of this chapter focuses on organizations of the type "That in the course of being organized are also economic" (Grandori 2013, 3). There is no one unified body of knowledge that can be called the paradigmatic organizational theory. In fact, there are various explanations of factors related to the various aspects of organizations that are believed to effect performance. Organization theories address aspects such as leadership, human resource management, motivation, organizational culture, core values, technology/automation and performance, information systems and communication systems, performance metrics, etc. Theories regarding what is best for improving organizational performance range from classical industrial age claims regarding rationality, predictability, and strategies for increasing productivity to the human resource movement stress on motivating the worker, teamwork, and the consideration of the impact of structure on performance. In addition, more recent claims regarding networking are important contributions to revealing the factors connected with the ability to create value. However, the one thing that theorists and practitioners agree on is that a unifying concept of organizations is that systems necessarily operate with a purpose. The purpose – although based on satisfying the interests of the owner/shareholders – includes creating benefits for managers, workers, customers, and stakeholders. That is to say that practitioners and the theorists of the various schools are all primarily concerned with the factors that are most significant for enabling an organization to achieve the goal of increasing its value creation capabilities. Organizational goals are defined as a "Desired state of affairs which the organization attempts to realize" (Etzioni 1964, 6) or, in value creation terms, goals are "Value premises that lead individuals to select some goals rather than others as premises for their decisions" (Simon 1964, 3).

This chapter continues by expanding on the description of the nature and definition of organizations – however with a particular emphasis on business organizations. Section 2.1 elaborates on the definition and nature of an organization. It also explains the connection between the impact of the value concept on organization behavior and improved performance. This is followed by 2.2 which explains the role that the value creation concept plays in the performance of the various functions of an organization: human resource management (section 2.2), organizational leadership (2.3), and marketing (2.4).

2.1. The Definition and Nature of Business Organizations

Conceptualizations of human organization date back to the emergence of culture, developed with the progression of civilization, and evolved to encompass various branches of the social sciences: cultural anthropology, theories of governance, the management and leadership of organizations and public institutions, and economics – just to name a few. The principles underlying the framework for the numerous organizational theories are rooted in group theory, social psychology, management studies, business studies, theories of structure-agent relations, and theories of structure-environmental relations. However, organization theory (from the perspective of the science of managing business organizations) emerged from the classical perspective of organizations that was heavily influenced by the natural science field of engineering. From the classical perspective, a business is a system that operates best with predictability and control, is primarily focused on operations occurring within its four walls – thus it is firm-centric, is primarily concerned with the value interests of its owners/shareholders, and performance is enhanced by rational calculations that determine how to maximize profits (Simon 1997, 82-91). In the classical period, organizations were viewed as autonomous/independent structures that operate at their best when public authorities take a laissez-faire approach to business, commercial, and economic activities. However, the scientific framework that was dominant in the classical period prompted a view of the nature-human relationship in which nature was regarded as subject to technologies that could make reality amendable to human design.

Within the classical framework, organizations are regarded as closed systems and the primary aim of their theorists and practitioners is to predict and control the factors that influence performance. From the classical perspective value, "In its simplest terms, is the amount of output we get per input" (Kearns 2007, xiii). In other words, the primary intention of practitioners is to maximize the assets of the company and the primary indication of good performance is maximizing the units of output while minimizing the units of input. The underlying assumption of classical organizational theory is that the reason for the existence of a business organization is to maximize its success in exchange. From this perspective, success is dependent on selling the things it produces in exchange for the added economic value it can derive in return. Given that the main goal is increased value (although in terms of economic value or added value), the business strategy of a closed rational organization is to maximize the value added to the raw materials the company produces. Managing assets in a way that increases the economic value added to the organization is primarily a matter of improving effectiveness and increasing efficiency. Management strategies for improving effectiveness involve doing the right things to achieve the organization's goal or mission. Increasing efficiency is a matter of doing things right. The simplest way to think of managing efficiency to increase economic value is implementing a strategy for producing at a desirable level of volume and quality while reducing the quantity of resources needed for output.

The value-focus of classical organization theorists and practitioners is on increasing the firm's assets by means of adding value to its basic resources primarily through its production. Resources are valued "Because they enable a firm to conceive of or implement strategies that improve its efficiency or effectiveness or [to] exploit opportunities and/or neutralize threats in a firm's environment" (Barney 1991, 105). Value, from this perspective, is thought of as an increase in exchange value. Value is also understood to be added by innovative alterations of a basic product to give the buyer the impression that the product is of greater worth, has greater value, or a higher quality. "Added value is an improvement in the quantity, cost, or quality of the product or service produced" (Kearns 2007, 41). If the customer weighs price against value, then the challenge for business, management, and marketing is how to add more perceived value. It is the firm's success at making its product distinctive by means of adding value and then making propositions that the customer attaches value to that increases the firm's competitive advantage. A value proposition is an appeal made – in the form of a promise to deliver value and/or benefits – to satisfy the needs or wants of a customer by offering the company's product. Thus, "Organizational theorists and practitioners were increasingly pressed to devise a strategy for organizational management that would contribute to value maximization (to increase the total long-term market value of the firm given the assumption that the entire economy improves when companies maximize their total firm value)" (Miller 2015, 60; also see Rappaport 2011, 6).

The realization that organizational success involves both increasing tangible assets and the effective management of human resources prompted firms to understand that they do not perform at their best by merely commanding and controlling their internal and external interactions and relationships (Scott 1987, 495). Consequently, theorists conceived of improving performance by synthesizing the classical mechanistic view with the human relations view of organizations that was emerging (Burns & Stalker 1961).

By the middle of the 20th century, the primary goal of an organization remained increasing the economic value added. However, theorists realized that the strategic management of human assets also play a key role in improving performance (Mayo 2003, 1, 39, 54, 79, & 124-131). Although rational choice continued to play an important role in calculating competitive advantage, theorists recognized that performance improves and profit increases with a value-centered approach to management. The human relations movement influenced organization theory and conceptualizations of valuation by proposing that organizations are most effective when the values of the various agents are aligned to generate added value for the business.

In addition, enhancing the organization's ability to add value was increasingly regarded as a matter of strategic value management – which included effectively managing what heretofore were considered as intangibles (Drucker 1998, 90-92). Value management "Is a managerial approach to managing a company by focusing on the key value drivers in order to create value" (Claes 2006, 271). Value management provides a viable performance metric upon which to make strategy, procedural, and operating decisions (Copeland et al. 1994, 97). Value management proves to be an effective strategy for organizational management because it establishes congruence between strategies that focus on increasing the value-added dimension of the firm to ensure satisfying the interests of the owner(s) and shareholders; strategies for enhancing the value creation capabilities of the system and the knowledge workers; and, as well, strategies for satisfying the value interests of the customers and stakeholders. "A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freedman 1984, 46.).

An emphasis on value management resulted in expanding the scope of the value-added concept from a narrow focus on what happens within a company that adds value to production to the broader perspective of creating value to increase both internal and external capital. Although the basic idea of the classical era organization theory continued to influence/shape strategy, there was a gradual shift toward customer satisfaction. Organizational theorists promoting customer satisfaction proposed that firms gain a competitive advantage by either providing greater satisfaction to customers or by producing greater value and quality at a lower cost. "In short, an organization learns to think of itself not as producing goods or services but as a customer-creating and customer-satisfying organism – as buying customers" (Levitt 1975, 11-12). This involves integrating the concern for the value interests of the owners, the managers and workers, and the customers, which resulted in introducing the integrative approach to improving performance plus the stakeholder concept (Bourdieu 1993, 30). Thus, value management is increasingly recognized as the basis of improving the firm's performance and generating the knowledge necessary for innovative and value creation activities. Such knowledge is generated from both inside and outside of the organization – which laid the foundation for theorists and practitioners being concerned about the role that the relationship between the firm and its environment plays in performance.

New concepts introduced into organizational theory like the knowledge worker, the knowledge society, and the networked economy prompted re-evaluating conceptualizations of valuation. The introduction of new concepts also involved the resurgence of the pre-classical *value in use concept* to describe the nature of exchange and economic activity – which was an addition to the established value in exchange concept. This resulted in the need for the classical economic theories and concepts related to valuation to be re-conceptualized and reformulated (Baskerville & Dulipovici 2006, 83-105). This is because, in addition to the value in exchange focus on increasing the perception of quality the customer receives, the *value in use* framework includes a focus on what is of value from the customer's perspective and offering customers satisfying experiences. This resulted in integrating the emphasis on maximizing the value-added dimension of organizational activity with maximizing the value creation capabilities of the business. Consequently, there was a reconceptualization of the notion of business activity. Business began to be conceived of as "Activities which create value and management [is] the organizing of those activities" (Normann and Ramirez 2005, xix).

In this new approach, relationship management (for example, managing human resources and external capital) is regarded as equally important as managing with a focus on increasing returns on investments (Miller 2015, 57). Consequently, perspectives on organization theory continued to evolve as the result of theorists re-conceptualizing the structure-agent relationship. As human resource management became more important, the firm-centric emphasis on structure, hierarchy, power, predictability, and control was expanded to include emphasis on strategies for effectively managing and motivating workers. By the third quarter of the twentieth century, theorists acknowledged that the relationship between structure, goals, and performance is not as was presupposed in classical theory but contingent on various factors – with the primary factor being strategy. A business strategy is an explanation of the performance drivers that enable the organization to achieve its desired performance outcome. The aim of strategy is "To cause the people to have the same thinking as their superiors, to organize logistics, and the control of expenses" (Kaplan & Norton 1996, 19 & 252-254; also see Sun Tzu 1993, 73).

Strategy is based on how an organization decides to develop and use its natural, human, and technological resources to accomplish its objectives. Strategy involves developing procedures, activities, processes, and tasks to achieve objectives and allocating resources to implement the plan. "Strategy is the creation of a unique and valuable position by establishing a difference that the firm can preserve, delivering greater value to customers, or creating comparable value at a lower cost" (Porter 1996, 61 & 62). Strategy also involves the endeavor to integrate the value interests of the various stakeholders of the organization. "An organization can be said to have a strategy when the leaders and the other members of the organization (as a whole) have committed themselves to a particular vision of how the organization will operate to create value and sustain itself in the immediate future. Such strategies consist principally of components from a substantive vision of the value the organization intends to produce" (Moore 2000, 183). A business strategy is a devised course of action for creating value that can be offered to customers in the form of the company's value propositions.

Success in exchanging value for profit requires effectively managing business processes. Processes are activities and procedures necessary for implementing strategy and for realizing the organization's goal. The term business process is defined "As a collection of inter-related events, activities, and decision-points that involve a number of actors and objects, which collectively lead to an outcome that is of value" (Dumas et al. 2018, 6). A business process is a structured and measured set of related tasks that are performed to achieve a predetermined and well-defined outcome. Processes occur from end-to-end and from top to bottom of a business with some processes occurring within the departments of a business (see Figure one below). A business process is also a means by which strategy is achieved by interconnecting processes, by connecting stakeholders with activities, and by providing the necessary resources (tangible and intangible). In other words, business processes are the means for executing the strategy, for achieving the mission, realizing the vision, aligning activities with core values, and achieving the goal of the company. Thus, an organizational theory, that is effective for increasing the value creation capability of an organization and improving performance, explains how the business model (the way a business decides to organize itself to be more effective and efficient) and business strategy (processes and procedures for effectively managing the interactions between internal and external agents) complement each other (Kaplan and Norton 1996, 30; also see Drucker 1994, 95–104).

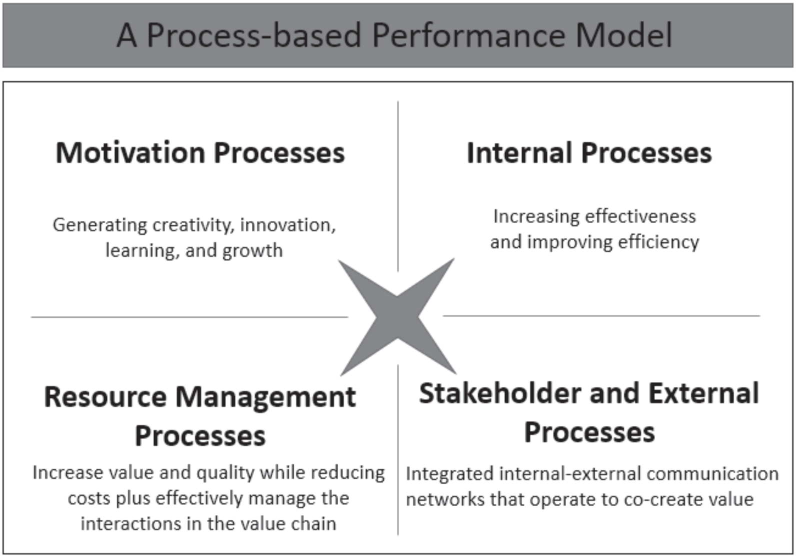

Figure 1: a model of a management tool for clarifying the role that business processes play in increasing the value creation capability of an organization.

As the emphasis on value intangibles and relational capital increased, organizational theorists asserted that “Social order (structures, institutions, systems, etc.) cannot be accurately conceived without understanding the role of agency in producing them, and similarly, agency cannot be understood ‘simply’ as human action, but rather must be understood as always already configured by structural conditions” (Feldman & Orlikowski 2011, 1242). Thus, social institutions and structures – with their norms, values, and networks – and agents with their processes, activities, interactions, and relationships co-constitute the social economic systems in which they are embedded by integrating resources to maximize the benefit they create as the outcome of their relationships and activities. “Structure is regarded as rules and resources recursively implicated in social reproduction; institutionalized features of social systems have structural properties in the sense that relationships are stabilized across time and space. Structural properties are both medium and outcome of the practices they recursively organize" (Giddens 1984, xxxi & 25; also see Bourdieu 1990, 52-54). An agent is defined as having "The capability to make a difference, the ability to influence a particular process or state of affairs and has the ability to deploy a range of causal powers" (Giddens 1984, 14).

Thus, organization theory once again evolved as theorists conceptualized an organization as a social system that is co-constituted by means of structure-agent interactions. Structure directs the way people organize their activities and how they operate in relationship to their peers and to the organizational elite. "Managers must, therefore, closely examine the way their company is structured in order to decide what, if any, changes should be made in the way work is accomplished" (Wheelen et al. 2018, 303). Agency involves strategic plans for structuring relationships to increase the effectiveness of the organization's internal and external value creation activities. Performance is improved when the organization operates in such a way that the structure and its stakeholders dialogically co-create the means for realizing more profitable, enriching, and satisfying outcomes. In this respect, effective management involves planning the relationship between the structure and its agents so that the relationship sparks transformative type dynamics that are characteristic of a learning organization. In this way, an organization is managed so that the internal and external relational networks are more effective in generating innovative knowledge.

As the twentieth century ended and the twentieth first century began, theorizing performance improvement focused on the connection between three key aspects of the organization: the organization's core competencies and capability, the organizations capacity for learning (generating new knowledge that contributes to innovation), and the organization's ability to create value (i.e., increasing the organization's value creation capabilities). In this respect, the transformation of the value management concept into the value creation concept and the advances in information communication technology are having a revolutionary impact on organizational behavior. The impact was evident in the shift to a marketing orientation which prompted adopting integrated processes by which every aspect of the business generates knowledge of how to increase the innovative and value creation capabilities of the company. In business terms, this was proclaimed as a value creation strategy for improving performance by means of the structure engaging in co-creating and co-producing value with its value creation agents. The value creation agents, internally and externally, are composed of knowledge workers and managers, members of the value chain, customers, stakeholders, and networks (Prahalad & Ramaswamy 2000; & Vargo & Lusch 2004).

In terms of improving organizational performance, value creation is the process by which the self-interest and ambitions of individuals can be managed in a way that increases the value assets of the business. Values are desirable end states that motivate the choice individuals make and the basis of their reaction to social economic value propositions. Harvard Professor Michael E. Porter and senior fellow Mark R. Kramer, in their Harvard Business Review article "Creating Shared Value" argue that re-evaluating value theory in light of the value concept "Offers significant new ways to innovate and unlock new economic value that most businesses have missed. The value creation concept defines a whole new set of best practices that all companies must embrace [because] it opens up new avenues for innovation and shared value is created" (Porter and Kramer 2011, 67). For, as is true with any system, if value is intended as the outcome that a company wants to produce then its processes, performance, and its output must all be based on certain principles that will generate that value. Because of the fact that good performance (or good practice) is based on good principles, if the strategy for performance is completely based on achieving quantitative and tangible outcomes, then it is clear that the intangible value assets will be stressed less in what is intended to be achieved by the strategy. This has prompted a Harvard Business Review article asserting that the shortcoming of contemporary business is the failure to operate by the most recent principles that promise to increase the value dimension of organizational activity.

2.2. Value Creation, Motivation, and Human Resource Management

Much of management behavior is focused on increasing benefits – usually thought of in terms of increasing the quantity and quality of value that the company produces while, at the same time, reducing what it costs to produce the value. Good from this perspective is primarily thought of as the practice of managing value creating processes in a way that increases tangible outcomes and increases the company's cash flow and net worth. However, "It is self-evident that any organization, from whatever sector, can only maximize its output and value by maximizing the contribution of everyone who works for it" (Kearns 2007, 167). Thus, what is preferred by business, or what is thought of as good business practice, is motivating workers so that they contribute to increasing the value creating capability of the company. This talent (referred to as the art of motivation, management skills, or the art of persuasion) is valued because it facilitates achieving the desired results. Managers with such skills (or such motivational and persuasive talents) are highly regarded because of their ability to improve performance, their ability to increase stakeholder satisfaction, and to increase profit. Developing such motivational skills, management skills, skills in the art of persuasion, and leadership ability is important because it is the key to enabling individuals to get more of what they want out of life.

There is no surer way to get ahead in business than to master the art of motivation. Mastering the art of motivation provides a manager or leader with a skill that has tremendous and continuous payoff. Motivation, and persuasion (one of its accompanying attributes), are qualities that are characteristic of the most successful managers and of charismatic leaders. Possessing the talent of motivation, persuasion, and the trait of charisma is what Max Weber thought of as an ideal manager. Although theories of organizational management and leadership have evolved since Weber, theorists and practitioners continue to refer to his ideal-type manager and leader. The ideal-type manager is a person who is self-cultivated, good at making rational calculations, plus a model of traditional normative standards and ideals – thus has characteristics of a management-type that is motivational and a leadership-type that is charismatic. The fact is that the ideal manager-type is even able to motivate those who might be hard to deal with, are not fully cooperative, or for some reason are withdrawn. The ideal-type manager, with good leadership skills, can motivate the workers in ways that not only improve their performance but, as well, improve relationships.

The emphasis on motivation as an aspect of human resource management occurred at the same time as a shift in the dominant theory of social psychology in society. That is to say that social psychologists began to assert that the most promising approach to effective motivation – thus, to human resource management – was "In the writings of the so-called higher-order need psychologists" (Herzberg 1987 [1968], 7). Consequently, the dominance of Behaviorism (the earlier rewards, incentives, and punishment by negative reinforcement approach to motivation) was superseded by Humanistic Psychology – i.e., Abraham Maslow's Hierarchy of Needs Theory of motivation. Humanistic Psychologists stress that the worker is not expected to leave the value aspects of his or her character "At the doorway of work every day [which] is quite effortful, and at times, stressful. Trying to compel people to be different on the job from who they really are in terms of their true selves is not only stressful and wastes energy, but it also essentially sends a message that who people really are is not what the organization wants or desires on the job" (Pfeffer 2003, 32). Nowadays, rather than expecting professionals to suppress the most important aspects of themselves – one could say their authentic selves – organizational specialists admonish that core values are an important basis for motivation, are innovation generators, and play an important role in the extent to which individuals are fully engaged in their work.

The term "Motivation refers to the purpose or goal of an action": the desire, need, incentive, impulse, drive, emotion, or reason a person has for acting in a certain way (Schacter et al. 2015, 258). "Motivation is a process that starts with a physiological or psychological deficiency or need that activates a behavior or a drive that is aimed at a goal" (Luthans 2010, 157). The level of motivation the worker has is influenced by the worker's intrinsic values, the extent to which the worker is influenced by extrinsic rewards, the worker's self-efficacy, and the worker's expectations. Self-efficacy is the amount of confidence the worker has in his or her ability to perform a certain task. Self-efficacy is a cognitively based source of motivation in that it involves "Being able to conceive in thought" the possible future consequences of an action (Bandura 1997, 193) and "The amount of opportunity for self-expression" (Vroom 163 & 173-174). Intrinsic motivation is the desire to perform an action, engage in an activity, or to achieve or experience something for its own sake. Extrinsic rewards are distributed by others, typically have tangible value, and are desired because they are instrumental means of obtaining an intrinsic value. Expectancy is defined as a person's estimation that a given behavior will lead to certain outcomes or one's belief regarding the possibility of successfully executing the behavior required to produce a desired outcome.

The art of motivation is the ability to provide someone with an incentive to do something or the ability to successfully convince someone to agree to, accept, or do something. Persuading someone to do something is usually achieved through reasoning and verbal influence. However, when traits of Positive Psychology and transformational leadership are added, the motivation talents of the manager or leader then portray characteristics like charisma, charm, acting in a way that is a good example for others, and demonstrating good reasoning powers. Good reasoning power means that you make convincing arguments, you clearly point out the inadequacies of the current condition, and convincingly explain a plan/vision for improvement. Managers who understand and make use of the recent breakthroughs in cognitive science, Humanistic Psychology, Positive Psychology, and transformational leadership can lead, influence, and inspire outcomes of higher quality and excellence. Such an ability is essential because it can influence how much the worker is wholeheartedly invested in his/her task. Understanding and applying principles of motivation based on cognitive psychology can impact the worker's "Level of cognitive involvement (the worker's cognitive resources and mental energies), emotional involvement (satisfaction), physical energies, and efforts at persistence (motivation)" (Sparrow et al. 2015, 151). That is to say that inclusiveness of insight on inherent human value preferences and human motivation from the standpoint of cognitive psychology resolves a long-lasting embarrassing confession by earlier managers about their ability to grasp the depth of the human experience (Dimitriadis et al. 2019, 44; also see Kotler and Armstrong 2012, 129).

The manager's success in implementing organizational strategies and achieving its goals is largely based on understanding what values motivate the behavior of workers and knowing how to motivate in accordance with those values so that employees are fully devoted. Consequently, social psychological, organizational, and social economic theorists are re-considering the role of value-rationality in social action. The reconsideration of valuation is resulting in new ways to think about how to motivate workers, to produce outputs of higher quality, plus how to manage or lead organizations and their workers in ways that the workforce finds more meaningful and inspiring. Without an increase in meaningfulness and purposefulness, even the best laid motivational strategies are converted from a scientific concept aiding the understanding of human nature and what enhances task achievement into mere strategies for getting employees to work harder. A failure to effectively manage value assets results in organizational leaders being primarily focused on how to improve performance but failing to understand how to enhance value creation processes by making work more psychologically meaningful and purposeful. When management motivational strategies, organizational strategies, and social economic activities fail to be inclusive of the meaningfulness and the value dimensions of the human psyche, work is reduced to a means of "Fitting the individual into the requirements of mass society with its production and consumption systems" (Sievers 1986, 336-339 & 346).

A study of the literature explaining factors that play a role in the performance of the most successful businesses today indicates that the key to their performance and excellence is the ability to create an organizational culture that is highly innovative and knowledge generating. This requires motivating workers so that they are inspired to achieve exceptional levels of quality and creativity. Corporate culture is defined as explicit and at times tacit norms, assumptions, sense of identity, behavioral patterns and expectations, beliefs, and values that are perpetuated throughout the company over time (Schein 2004, 3-23). Corporate culture is a well-established and shared set of expectations about the type of values, incentives, and goals that influence patterns of communication and information sharing, motivate performance, and shape the nature of relationships. In this sense, corporate culture reflects the personality of the organization. As is true with the personality of individuals, the higher the level of congruence between values and action, the higher the likelihood of gaining the desired outcome. Consequently, performance improvement requires congruence between corporate culture, the motivation strategy of management, and the core values of the organization. Performance improvement occurs when there is congruence between the culture, values and aims, and the mission and goals of the company.

Establishing congruence between the motivational strategy, the company's core values, and corporate culture results in higher levels of creativity and innovative activity. The values which manifest themselves as the organization's culture greatly influence the values shaping performance and the value creating capability of the company. "The extent to which employees are engaged and even whether they are empowered to contribute more" can often be the key differentiator between high and low performing organizations (Kearns 2007, 156). This is true because the key to creativity and innovation is cohesiveness, reinforcing the norms and values of the organization, and a motivation strategy inclusive of talent management. Managers who employ their power of motivation in this way transform organizations by convincing the owner and their co-workers to accept their strategy for increasing the value creation capability of the company. In addition, it increases the ability to offer value propositions to customers that they find more experientially satisfying. Thus, their internal motivational strategies result in better management of external capital which increases customer satisfaction and loyalty.

Effectively employing motivational strategies requires "Understanding the ontological nature of desire" (Linstead & Brewis 2007, 351). Desire is an axiological, powerful, and purposeful motivational drive aimed at achieving some goal. Desire is a free-flowing creative force motivated by the quest to achieve an outcome that satisfies the desire. We are each engaged in actions that we undertake because we believe they will fulfill some desire or intention. From the perspective of Maslow's theory of motivation, the desire to be and creatively express one's unique individuality, to express oneself artistically, and to create productions of high quality are ultimate motivational factors. The manager facilitates the creative desire of the worker by making use of seven factors as incentives: (1.) knowledge sharing; (2.) providing resources; (3.) creating an atmosphere of autonomy; (4.) providing necessary guidance and training; (5.) a participatory approach to planning as a motivational strategy; (6.) allowing the freedom to experiment with "trial and error" and (7.) nourishing the worker's inner work life (Amabile 2012, 31-32). Motivating the creative, aesthetic, and artistic talents of the worker not only results in the worker creating something of unique value as an expression of his/her talent but, as well, productions that have a broader basis of appeal to stakeholders.

Higher levels of creativity and quality occur when there is an overlap between competence (expertise), strong intrinsic interests (deep passion or desire), artistry, and motivational strategies specifically geared to encourage creativity. Artistry (or mastery), if we speak about it in connection with the professional's work experience, has to do with the extent to which the worker feels inspired by the nature of the work and the creations that the work produces. Competence is feeling a sense of mastery or craftsmanship plus the anticipation of completing the task with some degree of excellence. Competence includes the feeling that one is responding well to task situations, has mastery of the task or its activities, and is confident about handling similar tasks in the future (Fry 2003, 699). Competency and artistry are the fullest manifestations of the creative worker's ambition to express him/herself professionally – that is to say, that professionals desire that their work will be an expression of their authenticity, integrity, and excellence.

Keep in mind that there is an aspect of aesthetic competency involved in turning workplace interactions and productions into enriching, elevating, and ennobling outcomes. Furthermore, aesthetics transforms promotional efforts into memorable, enriching, and beautiful experiences. In classical Greek terms, aesthetic competency (askesis or self-making) is the outcome of self-cultivation and achieving holistic well-being (Foucault 1994a, 238). The discipline for achieving artistry (or self-mastery) in classical terms is *techne.* Techne is defined as an art or discipline which, at the same time, is a means of self-cultivation. Techne resonates with the classical emphasis on the importance of being one's authentic self and expressing one's character by way of creative expression. Understanding the value that self-mastery has for workers is increasingly becoming an essential aspect of organizational success. A systematic study of the economic significance of understanding human motivation, the desire for self-mastery, and for holistic well-being corresponds with studies on the connection between human growth and development and value creation.

Motivational experts have discovered that people's mental maps (people's ideas, beliefs, hopes, expectations, anticipations, and attitudes) play a more central role in human experience than was previously understood. The fact is that appealing to a person's core values and tapping into his or her deep psychic anticipations, whether conscious or buried in a person's deeper brain centers, plays an important role in the art of motivation and the power of persuasion. Thus, "Few would deny that the most important focus in the micro approach to organizational behavior" is effective motivation (Luthans 2010, 156). Consequently, artistry, creativity, and novelty in the organizational sense are generated by a strategy of motivation that inspires workers to perform their tasks in ways that have a higher degree of aesthetic quality as part of their endeavor to fulfill the desire to achieve *askesis*. This implies that there is a great deal of art and craft as well as science involved in the skill and art of motivation. Although social psychology is the basis of organizational theory, such views on human motivation would have been considered idealistic only a few years ago.

2.3. Value Creation, Positive Psychology, and Leadership

Three prevailing assumptions continue to govern the human resource development (HRD) movement: (a) the belief that people are capable of exercising far more initiative, responsibility, and creativity; (b) that people have untapped resources useful to the organization that are wasted unless their ultimate convictions are aligned with their work performance; and (c) management has responsibility to motivate the workers in order to "mine" their personal resources (Sergiovanni & Starratt, 1993). Managers and organizational leaders rely on the motivation principles of Humanistic and Positive Psychology to bring out the best in their workforce. HRD based on the principles of Humanistic Psychology employs motivation strategies that help workers realize their full potential and apply themselves fully to their performance at work. Positive Psychologists raise a similar concern to that addressed by Humanistic Psychologists in that they are also concerned with the role that values play in creating positive subjective experiences and increasing the quality of life. Positive Psychology has beneficial effects on the workplace because it sparks creativity and originality (Seligman & Csikszentmihalyi 2014, 279-280). In this respect, Positive Psychology complements the Humanistic Psychology approach to organizational motivation.

Positive Psychologists admonish individuals to devote themselves to structuring organizational, economic, and societal systems so that social stakeholders enjoy increased happiness, an improved quality of life, the realization of values they consider meaningful, being holistically well-integrated, and where its members collaboratively co-create outcomes that increase social benefits (Seligman 2010, 234). Positive Psychologists influence theories of organization management by developing an approach to motivation that results in optimizing human *functionings*. Functionings are states of being that enable individuals to live in accordance with their values. In addition, motivating the workplace based on Positive Psychology generates a dynamic that is referred to as flow. Flow is a force that acts in a similar way to that of synergy – where workplace activities and interactions result in a higher level of quality performance while, at the same time, workers are in an emotional zone that heightens satisfaction with the work activity. “Flow denotes the holistic sensation present when we act with total involvement” (Csikszentmihalyi 2014, 136). Flow occurs when individuals place high intrinsic value on an activity and engagement in the activity is rewarding and fulfilling within itself. When managers and leaders employ the principles of Positive Psychology to engage the workforce, it generates positive psychic energy that, in terms of workplace dynamics and work performance, enhances quality and excellence.

Organizational leaders who employ the principles of Positive Psychology motivate individuals so that they experience enhanced self-efficacy and express themselves more creatively. Increased self-efficacy leads to the type of peak performance outlined by Maslow’s Hierarchy of Needs Theory. Increased self-efficacy is not a matter of adhering to a prescribed style but in being true to oneself. From the perspective of Positive Psychology, “Who I am” is every bit as important as “what I know” and “who I know” (Luthans et al. 2004, 45). Self-efficacy is associated with the worker’s sense of positivity, self-confidence, the worker’s sense of satisfaction, and even the feeling of happiness regarding work and the workplace. “A person reporting high self-efficacy is able to persist in the face of difficulty and failure, put a great deal of effort into attaining desirable goals, solve problems more effectively, be interested and immersed in the task more deeply, and attain satisfaction from their endeavors toward the task" (Hagger & Chatzisarantis 2005, 106).

Self-efficacy is highly effective when employed as a motivational force – especially when connected with an expectation incentive. Leaders apply self-efficacy as an approach to motivation by connecting it with a worker's expectation and by helping the worker realize how his/her actions will produce an outcome that is highly desired and valued. Self-efficacy works to motivate workers to function at their peak level of performance when leaders engage the professional workforce in collaborative interactive processes to determine how to align their values and strengths with their performance. Leaders are effective in motivating the workforce by using self-efficacy to enhance their performance when they bring out the worker's best qualities and minimize their weaknesses (Drucker 2011, 221). Motivating workers by enhancing their sense of self-efficacy appeals to "The needs that are of the greatest significance to management and to humanity: needs that relate to one's self-esteem — needs for self-confidence, for independence, for achievement, for competence, for knowledge and — needs for status, for recognition, for appreciation, for the deserved respect of one's fellows" (McGregor 1997, 205-206).

Leaders who effectively employ the principles of Positive Psychology to motivate the workforce are characterized as displaying traits of transformational leadership. Transformation leaders tend to establish mutuality which allows each side to contribute to the stimulation and elevation of the other plus motivates each other to interact more authentically and with more integrity (Burns 1978, 4). To be successful as a transformational leader, one must demonstrate by example the conviction that creating value is the basis of the organization's processes, its mission, and its goal. It is in this respect that leadership provides guidance on how workers can manifest and achieve what has true value and transform work into activities and processes that reflect the capability of the organization to truly create value of an unusually high level of quality. This is because "The stronger the value systems, the more strongly leaders can be empowered and the more deeply leaders can inspire followers" (Burns 2003, 211). Thus, transformational leadership sparks positive psychic energy (e.g., flow) as an aspect of workplace dynamics, which increases the value creation capability of the company and heightens the quality of its performance.

Transformational leaders typically build relationships with their professional staff based on the Constructivist paradigm – which calls for employing a dialogic collaborative process where leaders and knowledge workers together attempt to determine what will raise the level of meaningfulness and purpose to higher levels. James MacGregor Burns, winner of the Pulitzer Prize for his book *Leadership* and the first to popularize the theory of transformational leadership, is credited with outlining a leadership model that has become one of the dominant leadership paradigms today. According to Burns, transformational leadership occurs when workplace interactions are "Mutually stimulating and elevating" and when "Leaders and followers make each other advance to a higher level of morality and motivation" (Burns 1978, 4 & 20).

"Transformational leaders inspire confidence, communicate a positive vision, and emphasize their followers' strengths. Transformational leadership consists of four dimensions: (1.) idealized influence, (2.) inspirational motivation, (3.) intellectual stimulation, and (4.) individualized consideration" (Walumbwa et al. 2009, 349 & 351; also see Bass 1998). Transformational leadership enhances organizational performance by inspiring trust in the integrity of the leadership, a greater and higher vision, faith in the mission, goal, and the direction of the leadership, a concern for others (defined as an attempt to achieve what is best for the collective), and collaborative processes for aspiring to higher aims. The key to obtaining such skills is motivating workers by personal example. Being inspired by personal example means the workers are motivated by the example of the leader to develop their own personal capabilities and elevate the level of their own personal performance. That is to say that transformational leaders establish a strategic example/model of values that are worth devoting time, energy, and life to and what has true worth. It is only because of leadership by example that workers aim to achieve a level of excellence that is needed to effectively manage the uncertainties of today's market-centered economy.

Presuming that organizational leaders portray such transformational skills by interacting with authenticity, then leaders motivate workers by demonstrating integrity. In this respect, "Transformational leadership ultimately becomes moral in that it raises the level of human conduct and the ethical aspiration of both the leader and those who are attracted to the leader's vision. Thus, it has a transforming effect on both" (Burns 1978, 20). "One of the major challenges that many organizational leaders face today, is the enactment of leadership that deepens the inner meaning that work and work performance have for both themselves and their followers" (Frey & Kriger 2009, 1686-1687). Studies on what contributes to the satisfaction of professional employees indicate that the primary motivator is not increased material benefits. Increasingly, workers are demanding that their work fulfills their desire to experience purpose and meaning at work beyond what money alone can provide. Workers are naturally motivated to integrate their ultimate value commitments with the business's attempt to motivate them to perform in ways that are commercially profitable. Professionals are sincerely devoted to producing artifacts that are of the highest quality and value as an expression of their professional talent. This is because they know that the things they produce or invent as well as the quality of the things that the company produces reflect their professional skills. They want what they produce (or the reputation that both they and the company gain as a result) to reflect real value and quality and to be a demonstration of their professional excellence.

In this sense, the values of the workplace are an important aspect of what motivates workers to feel more passionate about and energized by their work, find meaning and purpose in their work, feel that they can express themselves more holistically at work, and feel connected to those with whom they work (Kinjerski & Skrypnek 2004, 27). Managers and leaders are impelled to motivate workers in such a way as to "Continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together" (Senge 1990, 3). Developing the characteristics of transformational leadership that inspire higher quality is based on five aspects of self-cultivation that must be mastered: being clear on one's life focus, a value-centered approach to professional life, open to feedback, charisma, and authenticity (authenticity is also reflected in sincerity and integrity).

2.3.1. Life Focus

The literature on leadership proclaims that there is an unequivocal need for visionary leaders. Some leadership theorists even argue that being visionary is a necessary character trait of a true leader. Having a life focus, acting in accordance with core values, being pro-active – of course, and discerning the best path to success, all depend on one's vision. Only when the vision is clear can you discern how to proceed into an uncertain and unpredictable future and be able to make value propositions that satisfy the interests of stakeholders. Visionary leaders not only have a clear idea of what is possible, they are involved in bringing it about. Mahatma Gandhi was doing more than promoting the value of harmlessness, tolerance, cottage industries, and independence for the people of India. He was, in effect, articulating his own vision of how to create social entrepreneurial value in Indian society. He devoted his life to transforming his vision into reality. Every aspect of his life was an expression of what he was seeking for India: his diet, his clothing, his lifestyle, his speech. When a reporter asked him to provide a brief statement of his message for the world, Gandhi replied, “My life is my message”.

2.3.2. A Value-centered Approach to Professional Life

According to Stephen Covey – the author of the bestselling book *The 7 Habits of Highly Effective People* – developing the power of a transformational leader is the outcome of aligning values with action. In other words, being value-centered (Covey 1989, 98). Do you think of leaders as successful business entrepreneurs or outstanding public authority figures? Or is it more personal than that? Is it in what you do in your daily life to give your best and to help others do their best? Have you come to understand that your own personal sense of leadership involves the ability to draw from your inner potential? Are you able to shape your inner desires into what you experience in your life during each-and-every day in all areas of your life? The happier and more successful people in life have a strong sense of inner direction and they trust in their inner guiding powers. Such people make decisions based on their personal core values, their ethics, and on their personal guiding principles. People are happiest when they realize what they believe has intrinsic value and when they align their inner values and inner vision with their daily actions. The vision of transformational leaders remains the focus of their life direction and activities, the basis of choice, thus the outcome of their daily action.

2.3.3. Feedback

Once you have a good idea of your perspective on things, it is time to get feedback. Open-up to a dialogue with friends, significant others, or within small groups. Test your ideas with others. Discuss and debate your planned direction. Ask for feedback and, as an outcome, get new ideas. It is important to give others an opportunity to buy-in to your ideas, and to contribute suggestions. To be knowledgeable of the interests of stakeholders, it is important to learn how your ultimate goals relate to the type of value outcomes they are hoping most to achieve. Learning the value commitments of others is an essential tool for motivation and persuasion because it helps you to understand how to plan in a way that creates value congruence. By getting feedback, you gain a good sense of people’s values, concerns, needs, and issues. Think clearly about the benefits your plan will bring them. Will it make work easier, improve service, increase job security? If you cannot think of any value and benefits your ideas bring to the people you want to persuade, you'd better start over and make your first strategy to collect needed feedback!

2.3.4. Charisma

The dynamic mechanisms involved in transformational leadership include the components of what is defined as the ideal leader-type: value focused, visionary, and charismatic (Bass and Riggio 2006, 38). Transformational leaders who also show traits of having charismatic appeal have a high level of intelligence and ingenuity, display an extraordinarily high level of skill and talent, they empower others in ways that bring about the realization of a shared vision, they tend to promote mutually respectful relationships, and their high sense of integrity and ethics attract the admiration of others. Such leaders are models of cherished perennial values and ethics, consequently, their character and vision inspire loyalty. "A leader who is a role model for followers, and one who behaves consistently with the values she or he espouses, can more easily build commitment to a group's or an organization's values, goals, or standards of behavior" (Bass and Riggio 2006, 36).

Thus, in organizational settings, charismatic-type transformational leaders "Develop and articulate a vision, provide a positive role model, and motivate employees to look beyond their self-interest for the good of the group" (Bass and Riggio 2006, 29). What is important, in terms of leading organizations, institutions, and social groups, is that the vision of the charismatic-type transformational leader is congruent with the aspirations of the followers. However, what distinguishes a transformational leader with charismatic-type traits from other historical examples of charismatic leadership is their ability to influence followers to realize the aims specified by Positive Psychology. That is to say that they lead their followers to realize goals that promote happiness, well-being, and prosperity. In this respect, charismatic-type transformational leaders typically display six traits:

1. The ability to induce values, ideals, passions, and commitment in others.
2. They align their deepest convictions and values with their actions.
3. They show individuals and social groups the way to fulfill their value convictions and hopes by following a shared vision.

4. They are gifted with the power of attraction, magnetism, and influence.
5. They have knowledge or insight into how to achieve the goal despite obstacles and resistance.
6. They establish a strong sense of rapport (i.e., ethos – or emotional appeal).

2.3.5. Authenticity (Be sincere, not half-hearted)

"*Leadership begins and ends with authenticity*" (George 2003, 11).

"*If you are not putting your whole self into it for some reason then some aspects of your life have become fragmented*" (Miller 2015a, 14-15).

Sincerity and authenticity are regarded as essential traits of good leadership. Explanations of the relationship between leadership, authenticity, and sincerity can be traced back to the fundamental principles of social psychology, social theory, management theory, and the role that authenticity and sincerity play in effective public administration (in other words, the role they play in establishing credibility and legitimacy). In addition, explanations of the complementary connection between leadership, authenticity, and sincerity are proclaimed in the world's most cherished wisdom traditions. Authentic leadership is defined as "A pattern of leader behavior that draws upon and promotes both positive psychological capacities and a positive ethical climate, to foster greater self-awareness, an internalized moral perspective, balanced processing of information, and relational transparency on the part of leaders working with followers, fostering positive self-development" (Walumbwa et al. 2008, 94). Sincerity is defined as the absence of pretense, deceit, and hypocrisy.

Authenticity is personified in transformational leaders by their sincerity, being non-pretentious, not deceptive, and by not being manipulative. Authenticity is evident as a character-type that displays integrity and is filled with positive energy. Organizational theorists began to declare exhortations for authenticity when they recognized that a lack of sincerity was having detrimental effects on corporations, at the very least, and causing the total downfall of some corporations at the very worst, thus having a harmful effect on the integrity of social relations and even on social systems (George 2003, 1-6; also see Tilling 1972, 109 & 112-114). Authenticity coupled with ingenuity and genuine sincerity sparks a predictable positive response in interactions with others. In business organizations, such a person displays a generosity of character – in terms of being willing to interact with others in a way that increases mutually beneficial outcomes. Coupled with the powers of persuasion and motivation, a person possessing the qualities of authenticity and sincerity makes others open to their insight into how to improve performance and quality – thus increasing desired outcomes for those engaged in the relationship.

Sincerity simply means presenting yourself without pretension or hypocrisy. A leader characterized as sincere portrays genuineness, integrity, and honesty. Heartfelt sincerity strengthens relationships and increases the amount of meaning and fulfillment both parties experience in the relationship. Sincerity means that leaders are open and honest in their dealings with others. Sincere leaders are "Genuine, trustworthy, competent, caring, and really work hard, in many cases against the odds, to do what they really feel is the right thing" (Kolditz 2007, 18). Those interacting with a person who lacks sincerity can intuitively sense the discrepancy between what the person professes and the person's behavior. Your credibility declines once the workers sense that you are not genuinely sincere.

One of the things that impresses me about the extreme northeast of Europe (the Finno-Ugric culture in particular) is that they place a high value on sincerity. In Finnish culture, good character is regarded as one of the most important things in life and sincerity is one of the most important aspects of good character. A person of integrity has a character-type that can be described as authentic. Thus, the Finns are extremely trustworthy in their business as well as personal affairs. Consequently, Finland has consecutively won the title of the least corrupt country in the world and typically places within the top five. In Japan (now the third strongest economy in the world – dropping from the second with the rise of China), the word for sincerity can be translated into English as pure (i.e., uncontaminated, authentic, naturally oneself). In addition, the reader might find it interesting that the etymology of the word sincere in English can be traced back to the Latin word *sincerus* – which can also be translated as clean, or sound, or pure.

In Indian philosophy, the power of persuasion is described in Hindi as ईमानदार – which can mean that the words of a person of sincerity "correspond with reality". In other words, speaking with sincerity is tantamount to your words corresponding with reality. The power of persuasion results from only saying things with such absolute sincerity. When you make such pronouncements, those knowing your character know that what you say is totally reliable because it corresponds with reality. People trust you, your credibility is high, and people perceive you as being a person of integrity because they believe your words are a pronouncement of what is so in reality.

2.4. Marketing and the Co-creation of Value (Effectively Managing External Capital)

"*The potential for value creation increases when the scope of practices extends into communication and marketing concerns*" (Sparrow 2015, 196).

"*Marketing is emerging as the most important single function in business*" (Keith 1960, 35).

"*Marketing is too important to be left to the marketing department*" (Forbes 2013).

"Traditional economics focuses squarely on the exchange of products and services between the company and the consumer, placing value extraction by the firm at the point of exchange at the heart of business management" (Prahalad and Ramaswamy 2004b, 121). Classical organizational practitioners regarded the market as the arena where sales experts engage with potential buyers to get them to purchase, consume, and dispose of as much as possible. Classical organizational practitioners conceived of consumers as primarily concerned with maximizing utility. In other words, the belief was that customers are seeking the best quality at the lowest price and marketing management focused on operations that would deliver quality products to the market at the most competitive price. This came to be regarded as a marketing myopia in that its professionals were too narrowly focused on internal concerns such as production, adding value, and price rather than being market oriented (focusing on customer values, needs, and wants).

The fundamental principles of marketing theory proclaim that marketing is effective when its professionals base their practice on the marketing mix and the four P's (Borden 1964; and McCarthy 1960). Marketing principles stress that marketing functions as an aspect of business operations that promotes exchange, and the marketing mix contains the tools for effective marketing campaigns – with the four P's being the most dominant tool. The term marketing mix refers to elements (or factors) that capture customer attention and create a positive response to the value proposition the company offers – and the four Ps are one of the most basic and effective tools for this. Thus, out of all the elements of the marketing mix that are essential for an effective marketing campaign, what has emerged as the most significant are the four Ps: product, price, place, and promotion (with promotion including advertising, interactive marketing, free publicity, and sales promotions).

However, the term valuation is also a core "Concept of marketing related to the basic analytical, planning, organization, and control tasks that make up the logic of marketing management" (Kotler 1972, 47). Value continues to be a core concept because the basic axiom of marketing is offering value in a way that produces a desired response – which means that success in marketing is ultimately based on being able to deliver value. "Exchanges depend on customer value, therefore customer value is the fundamental basis of all marketing activity" (Holbrook 1994, 22). Consequently, with an increased emphasis on a market-oriented approach to improving organizational performance, there was a corresponding rise in emphasizing the value creation concept, stakeholder satisfaction, and building enduring relationships with customers. This means that contemporary marketing developed the way it did because the valuation concept continued to be one of its core axioms.

To increase their effectiveness at persuading customers to accept the company's offer, marketing professionals had to become "Specialist at understanding human wants and values and knowing what it takes for someone to act" (Kotler 1972, 53). Understanding the role that values, wants, and needs play in motivating customer choice is basic to the theory and practice of marketing. That is to say that marketing effectiveness improves when its professionals expand their scope from merely selling to making offers that satisfy the customer's needs, wants, and demands. "Human needs are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. Marketers did not create these needs; they are a basic part of the human makeup" (Kotler and Armstrong 2012, 6). Wants are not the same as human needs in that they are not demanded by human nature but desired because they satisfy preferences. Wants are the form human needs take as they are shaped by individual personality and culture. Individuals are motivated to satisfy wants because they desire security, safety, comfort, leisure, pleasure, etc. When a person insists that producers are compelled to provide what they need or want because of their purchasing power – then they are making demands on the market. People turn to the market to satisfy their needs, wants, and demands. Thus, "Outstanding marketing companies go to great lengths to learn about and understand their customers' needs, wants, and demands" (Kotler and Armstrong 2012, 6).

The switch from sales to marketing required businesses to focus on creating innovations for a product or service to provide the customer with a new level of satisfaction and a more satisfying experience. The types of organizational activities that play a role in innovation are knowledge management, customer relations management, customer knowledge management, new developments in production strategies, plus the co-creation and co-production of value (Florian 2008, 294). Knowledge management emerged as a significant factor in managing externals, although its focus initially was on "Fostering productive and collaborative relationships along the lines of 'If only we knew what we know'. However, customer knowledge managers propose an additional dimension, namely 'if only we also knew what our customers know'" (Gibbert et al. 2002, 559 & 561). In contemporary business enterprises, the creativity needed for innovation is generated when a marketing orientation permeates the firm's internal and external activities. Since "The purpose of business is to create a customer, the business enterprise has two – and only two – basic functions: marketing and innovation. Marketing and innovation produce results; the rest are all costs" (Drucker 1974, 47). Marketing is all about improving the overall quality of life for stakeholders by truly increasing quality and value. Marketing involves aspects of the organization's strategy that ensure the acceptability of what the company offers (Philip and Zaltman 1971, 4-5). Innovation is sparked by improving the internal and external processes and activities that enable the company to deliver a more satisfying value experience to the customer and, as well, by processes and activities that enhance the firm's value creating capabilities.

"Marketing is not the art of finding clever ways to dispose of what you make, it is the art of creating genuine customer value" (Kotler 2003, xii). "Marketing is the whole business seen from the point of view of its final result, that is, from the customer's point of view" (Drucker 1974, 48; also see Drucker 1954, 39). When the focus shifts to offering value that satisfies the needs and wants of customers and to experiences that provide meaning and fulfillment, there is a greater tendency for "Marketing activity to result in a customer who is ready to buy. All that is needed is to make the product or service available, i.e., logistics rather than salesmanship, and statistical distribution rather than promotion" (Drucker 1974, 49). Thus, marketers had to "Change their mindset by adopting new analytical, decision, and forecasting techniques" (Dimitriadis et al. 2019, 24).

As an alternative to the sales mentality that dominated the mass production era, contemporary marketing professionals are concerned with “The mood, feeling or experience that they could stimulate in consumers” (Arvidsson, 2006, 55; also see Kotler 2003, 1). In this respect, marketing (a term that distinguishes its professionals from the classical era designation) rose to prominence when organizational theorists began heralding a new mantra – be obsessed with customer satisfaction (Drucker 1974, 49). The new mantra sparked a shift in the notion of marketing away from “Promotional efforts designed to overcome customer resistance to a ‘market concept’ focused on determining the needs and wants of the customer and delivering satisfaction along those lines” (Jakki and Sarin 2009, 2). The focus on the consumer requires marketers to display professional talents far more sophisticated than merely expertise in sales. Contemporary marketing professionals display talent in terms of creativity and aesthetics, communication skills, expertise in motivation and persuasion, plus semiotics, social psychology, and neurology.

“The marketing concept holds that the key to achieving organizational goals consists of being more effective than competitors in creating, delivering, and communicating customer value” (Kotler 2001, 12). Creating and offering value is the primary function of organizations and the primary function of marketing management is to offer the value in a way that stimulates a positive response. Organizational motivation experts also admonished “That marketing takes as its object the programming of consumerist self-production. This fundamental step, from the product to the relations between product and the consumer (or better, the recognition of the contingency of these relations) constituted a first important step towards contemporary marketing” (Arvidsson, 2006, 59; also see Gibbert et al. 2002, 460). Wedding the consumer’s desire for *value in use* with the producer’s desire for value in exchange increases the value-added dimension of a company’s bottom line – which provides companies with a competitive advantage. This compelled marketing professionals to become genuinely interested in their relationship with customers and to share with its stakeholders a common interest in “Producing desirable and valuable outcomes. This reflects a fusion of public communication and the production of economic value where our everyday life-world becomes filled with attempts to manage and steer how we actually produce truth, beauty, and utility around goods (which results in creating both ethical surplus and economic value)” (Arvidsson 2005, 236). In this respect, marketing specialists envisioned the possibility of establishing a complementary connection between what is in the best interest of organizations and what is in the best interests of stakeholders – in other words, an integrative approach to creating value.

Integrating internal and external knowledge generating networks is essential for both organizational and social learning. The practice of improving performance by linking internal and external communication networks to increase external capital enhances the capability of a company to generate the innovative knowledge necessary for providing increased satisfaction to customers and stakeholders. The integrative practice of marketing is based on the conviction that "Societal needs, not just conventional economic needs, define markets" (Porter and Kramer 2011, 65). In other words, knowledge management is a means by which the emphasis on individualism that is evident in classic economics can be reconciled with the social value and environmental concerns of stakeholders. Effective knowledge management is a means of satisfying the interests of individuals in a way that maximizes the common good. This approach to external knowledge management (or in other words, marketing) resulted in establishing a complementary connection between activities aimed at creating social value and the prior focus on activities that produce what has material value. A marketing approach to satisfying customers requires co-creating what is more aesthetically pleasing, beautiful, and appealing to the whole person, and contributes to a stronger feeling of nature-human complementarity. "However, developing an integrative framework for marketing is complicated by the need to clarify the connection between the market, exchange, relational networks of resource integration, and value creation" (Miller 2018a, 9).

Heretofore, marketing professionals were sectoral experts and not thought of as playing a central role in overall organizational processes. However, the shift from sales personnel to marketing professionals coincided with marketing no longer being regarded as merely a sector of a production company. Consequently, marketing activities transcended boundaries by expanding from merely being a department to becoming central to the company's internal processes and functions, the management of its external capital, and to becoming the guarantor of satisfactory value creation interactions between the company and its primary stakeholders. Thus, marketing and its strategy for effectively integrating internal and external relational and communication networks have now become a mindset that permeates the entire organization, its notion of value, its culture, and its processes (Kohlbacher 2008, 29). The movement toward a new perspective on the nature of the market and the cross-boundary perspective on the function of marketing prompted marketing researchers to reconceptualize value rationality, rational choice, the nature of the market, and the nature of exchange. From the contemporary perspective, the market is not merely a sphere where economic exchange takes place but an arena where social economic agents co-create an increase in value outcomes that are multidimensional. Such revolutionary boundary-spanning activities of marketing accompanied a shift in "Attention from problems of production to problems of marketing, from the product we can make to the product the customer wants us to make, from the company itself to the marketplace" (Keith 1960, 35).

Marketing even became boundary-spanning in terms of prompting "A virtual revolution in economic thinking" by mediating the value creating activities of stakeholders in ways that create greater social value (Keith 1960, 36–38). In the new market-oriented view of economic activity, the company offers a value proposition to the consumer with the intent of building a stronger relationship with the client – by allowing more input, interaction, and participation in co-creating and co-producing value. Thus, the classical era of marketing was superseded by the consumer culture era with its stakeholders craving value propositions that satisfy material needs, that appeal to their eco-aesthetic concerns, and concern for holistic well-being (Arvidsson 2006, 58). With the concept of value becoming central to theories and strategies for improving organizational performance, marketing and the idea of the market evolved into the notion of a networked system within which individuals, participants in the value chain, and social stakeholders co-create outcomes that satisfy what they need, what they value, and that they find meaningful (Kotler et al. 2004).

Along these lines, the concept of marketing to create customer satisfaction and stakeholder value expanded into the notion of marketing to create shared value. The proponents of creating shared value were all concerned with integrating what is in the best interest of internal organizational stakeholders with what is in the best interest of external organizational stakeholders, what is in the best interest of improving the quality of goods and services offered to the public, and with what is best for the economy. The marketing perspective on creating shared value is tantamount to a concern for increasing the possibility of "co-creating the good life". Thus, marketing specialists proposed enhancing an organization's ability to create value by acting to mediate the value made available to the public and by producing value in a way that improves overall social economic conditions (Miller 2018b, 51). With the reconceptualization of the value concept, experts expanded their approach to theorizing organizational performance by including ethical appeals, interactive communication appeals, proposing to resolve the dichotomy between social value and economic value, an increased concern for corporate social responsibility, and an emphasis on the significance of environmentalism. Marketing professionals admonished organizational leaders and managers to move into "The new value co-creation space where managers need to invest in building new infrastructure capabilities, as well as new functional and governance capabilities – capabilities that are centered on co-creation through high-quality customer-company interactions and personalized co-creation experiences" (Prahalad and Ramaswamy 2004a, 12).

In this respect, the value creation concept initiated a move toward enhancing public-private relations and empowering social partners with the ability to co-create more satisfying, fulfilling, meaningful, and prosperous social lives. That is to say, the value creation movement is a potential source of empowerment if handled effectively by knowledge managers. The increase in both prosperity and well-being are not just the outcome of organizational learning processes but they are, as well, the outcome of the co-creation of value concept which prompts Social Constructivist-type knowledge generating processes that result in a learning society. This theoretical view on the effective management of external capital and public-private partnerships is based on using networks to create shared value (Dewey 1927, 21-47). Thus, by meshing communication media theory with social network theory and social economic exchange theory, practitioners realized that knowledge management is complementary with an integrative multi-level approach to performance improvement.

The benefits created by the network are generated by effective management of external capital. External capital is "Defined in terms of consumer needs, preferences, plus satisfaction and well-being. The objective is to maximize the consumer's well-being by increasing their pleasures and decreasing their pains. Pleasures and pains are to be construed in terms of positive and negative emotions, respectively" (Sirgy et al. 1985, 221). Organizational theorists describe the new market paradigm as "Co-creation thinking as it holds the key to expanding an economist's vision to a space where an enterprise can be seen as a nexus of engagement platforms and the economy as a nexus of enterprises, with competition centering on individuated co-creation experiences that yield unique value to each individual in space-time" (Chakrabarti and Ramaswamy 2013, 6). Thus, "Contemporary marketing is driven by the pursuit of developing management techniques that bring about social cooperation. In its current incarnation, this pursuit involves the mobilization and expropriation of knowledge, creativity, and communication with consumers as the direct basis for economic value" (Zwick and Darmody 2008, 177).

CHAPTER 3

VALUE CREATION: AN INTEGRATIVE APPROACH TO IMPROVING ORGANIZATIONAL AND SOCIAL ECONOMIC PERFORMANCE

"It is important to recognize that the propositions of economics, as it has developed as a science, deal, inter alia, with values; but they deal with them as individual or social facts" (Robbins 1984, xviii).

Effectively managing resources so that they produce a greater amount of benefit for organizations and the economy requires integrating concepts and principles connected with management theory, organizational and institutional theory, social economics, political economy, social theory, social psychology, ethics, and legal theories of distributive justice. A comprehensive understanding of the wide scope of the principles and concepts of an integrative approach to resource management is a necessary basis for gaining knowledge of how to manage resources in a way that generates social and economic benefits for wider segments of society. The integrative approach to performance improvement has roots anchored in the fundamental principles of wealth generation and resource management. The fundamental principles stress the effectiveness of the integrative approach for enabling individuals to live happier, healthier, and more prosperous lives, thus for creating "the good life" (Aristotle, 2004, 4; also see Miller 2017a). Integrative, in this sense, means that the value created is beneficial in more than just material terms but the value created is both economic and social. This chapter explains the principles of an integrative approach to value creation and the connection between the categorical conceptualizations of the integrative approach to performance improvement and the factors that improve organizational performance and generate wealth.

Much of the insight into an integrative approach to managing resources, so that they improve both organizational and social economic performance, is drawn from the renowned social science scholar and social economic theorist Max Weber (especially as found in his works *The Theory of Social and Economic Organization*, his seminal work on *Bureaucracy*, and his social science explanation of the role of the value concept in social action – found in *Economy and Society*). Weber's ideas stem from Western Civilization's fundamental principles prescribing how to generate wealth and effectively manage resources. However, it should be noted that Talcott Parsons provided the initial translations of Weber's works into English – therefore some aspects of Weber's ideas are presented from the perspective of Parsons. In addition, to understand how the classical scientific theories of management and organizational behavior evolved into technological age conceptualizations of an integrative approach to value creation one must understand the fundamental principles connected with generating and managing wealth and the reasons for the resurgence of the fundamental integrative approach to creating value. This chapter clarifies why, after a long history of relying on classical economic theory and subsequently the classic organization perspective on value, theorists and practitioners are reviving the integrative approach to creating value. In addition, this chapter details the reason why the value creation concept acts as an integrative theory that encompasses material and higher order human values (Kluckhohn 1951, 388-434).

This chapter is divided into three sections. Section 3.1 explains the fundamental principles and conceptual framework for an integrative approach to value creation. Section 3.1 also explains the role that an integrative approach to value creation plays in resolving the dichotomy between social value theory and economic value theory. That is to say that 3.1 emphasizes why the integrative concept resolves the dichotomy between endeavors to satisfy humanity's material needs and those aimed at addressing humanity's higher order values. In this respect, this section explains why "A rational social form of economic activity must be oriented towards the service of life if it is to be meaningful" (Ulrich 2008, 1). Thus, section 3.1 explains the integrative approach to enabling individuals and social groups to realize the specific goals they aim to achieve by structuring organizations.

Section 3.2 explains why there is a resurgence of the fundamental concepts and principles. Section 3.2 also elaborates on the role that the integrative approach plays in organizational activity, market exchange, and social exchange. In other words, section 3.2 describes the evolution of value theory from its initial stages – as Western Civilization's foundational theory for the generation of wealth and the management of economic resources – right up to recent explanations of the benefits of the value creation concept. Thus, this section explains why the concepts associated with value creation have become the preferred approach for creating desired outcomes, for social exchange, and for social action. The desired outcomes are achieved by integrating value-added with value creation, value in use with value in exchange, and social value theory with economic value theory. The integration of the three improves organizational and economic performance. In addition, this section explains how the resurgence of the integrative approach to value creation establishes a means for increasing shareholder benefits as well as stakeholder benefits and, in doing so, increases the profitability of an organization.

Section 3.3 provides a detailed explanation of the factors that make the integrative approach effective for improving organizational and social economic performance. Section 3.3 also explains the role of the value creation concept in effectively managing internal and external assets – such as intangible and relational assets as well as material assets. Thus, this section describes the integrative approach to value creation as a strategy for effectively managing the full range of organizational resources. In this respect, section 3.3 articulates the principles and conceptualizations of the integrative approach to value creation in the form of factors that make it effective for improving the performance of organizations and market activity. Section 3.3 emphasizes five factors: (1.) matching the organization's value proposition with what is valued in the market, (2.) integrated value creation networks, (3.) integrating the internal and external communication networks, (4.) integrating the interests of stakeholders, and (5.) integrating profit driven and value driven social activity. Section 3.3 not only describes the value creation concept as an integrative theory that is effective for balancing the need to maintain organizational stability with the endeavor to generate change and growth, but also as a fundamental approach to social and economic flourishing. In doing so, this chapter offers the practitioner a state-of-the-art explanation of the relationship between conceptualizations of an integrative approach to value creation and factors that enable organizations to effectively meet the demands of the market.

3.1. The Fundamental Principles of the Integrative Approach to Value Creation

People form organizations to structure social action in a way that increases their ability to experience what they value, to fulfill their needs, and to satisfy their desires. In this sense, organizations are not merely a means of transforming resources into commercial value but are systems by which owners, shareholders, and stakeholders create and produce what is valued by each of them. Organizations reflect the intention to structure social activity so that the individual members of the organized body are more effective in satisfying both their tangible material needs and the intangible needs they desire to fulfill (Parsons 1991, 3 & 7). Theorizing about organizational behavior involves analyzing the relationship between social action aimed at satisfying basic material needs and social action motivated by the desire to institutionalize society's normative ideals. Social ideals include humanity's shared value for being well-integrated within the fabric of existence – which requires inclusiveness of the value-oriented aspect of social life (Parsons 1956, 66-69). Prescriptions for how to satisfy the fuller scope of human interests are rooted in the principles of both The Philosophy of Science and The Philosophy of Social Science. In fact, the fundamental epistemological standard for analyzing the relationship between pursuits to create social value and those aimed at generating wealth still serves to inform The Philosophy of Science and The Philosophy of Economics regarding what constitutes reliable knowledge and a viable theory for establishing a flourishing society. Thus, the basic principles of The Philosophy of Social Science inform The Philosophy of Economics by explicating the relationship between the role of the value concept in economic activity and the role of values in social action, the relationship between political economy and wealth generation, and the relationship between economic exchange and social exchange.

The most epistemologically sound basis for conceptualizations of an integrative approach to value creation is rooted in the fundamental principles of management, economic philosophy, ethics, and social theory. In this respect, the integrative approach to generating and managing wealth establishes The Philosophy of Social Science principles for balancing the endeavor to increase quantitative outcomes with the effort to increase qualitative outcomes (Aristotle 2004, 89-92; also see Van Leyden 1985, 14). From the outset, the epistemic goal of humanity has been to generate knowledge of how to integrate social endeavors to satisfy material needs with society's desire to live in accordance with the principles undergirding society. The integrated approach to social action, in this sense, resolves the problem of a dichotomized conception of value. A dichotomized conception of value is evident in terms of a value-free economic sphere and a value-laden social sphere. Conceptualizations of the integrative approach to performance improvement specify that the economic sphere is an integral part of the larger social sphere in which it is embedded. Such social science insight has epistemological significance because it demonstrates how to produce reliable knowledge that is scientifically valid while at the same time referring to, addressing, and analyzing value-rationality – thus substantiating the relevance of both quantitative and qualitative approaches to knowledge generation. This is especially true in terms of the social science endeavor to gain reliable knowledge regarding how to establish a complementary relationship between psychological approaches to creating economic value and social psychological endeavors to increase human well-being (Boulding 1969, 2-4).

In addition, the fundamental principles of the integrative approach to value creation, management, wealth generation, and social formation are related to the grounding principles of liberal democracy (Locke 1980, 46). The conceptual framework underlying the integrative approach to value creation clearly explicates a theory of exchange that promotes natural freedoms, distributive justice, and contributes to creating a commonwealth that would utilize its social and economic resources to support the individual's right to realize the intrinsic value that he or she ultimately desires (Schmoller 1894, 2–5). The foundational conceptualizations of the integrative approach to creating value, thus to social action, describe well-functioning liberal democracies as ideally operating in accordance with the Systems Theory perspective of social reality – because it is a model that conceives of the members of society as well-integrated within their social and natural environments. From a Systems Theory perspective, the members of an organization, the organization itself, and the environment form a whole interdependent system. In addition, the grounding principles for liberal democracies propose that social systems flourish when social reality is co-created by means of deliberative processes that establish complimentary relations between the structure and its agents (Giddens 1984, 26; & Parsons 1991, 3-4). Deliberative democracy is a framework for reconciling the dichotomy between the pursuit of what is of personal interests and what is of social interest.

As a theory for organizational behavior, the integrative approach describes social reality as shaped by individuals who participate in co-creating value outcomes that appeal to and meet the value interest/demands of the market. This is because the fundamental principles of the integrative approach to value creation propose a means of organizing social transactions so that they maximize beneficial outcomes for individuals (i.e., the agents) while increasing benefits for the social system (i.e., the structure) and, in doing so, creating agent-structure complementarity. In fact, contemporary organizational theorists and practitioners, marketing specialists, and social economists acknowledge that in liberal democracies, complementary interactions between the structure and its individual agents are co-constituted or co-created by means of Constructivist-type interaction processes. Constructivism, which is in line with the founding conceptualizations of valuation, is a framework for explaining how interactions and exchanges – based on the principle of co-creating social reality – generate satisfactory outcomes for the individual in ways that maximize self-sufficiency and self-determination. In other words, it maximizes what the foundational principles of valuation refer to as internal goods and as a basis for co-creating social prosperity. The prescription for increasing both individual and social benefits is based on Aristotle's Action Theory. Aristotle's Action Theory prescribes a means for increasing the enjoyment of the good life for a larger number of social stakeholders – which he asserts is achieved by employing an interactive approach to managing resources (Aristotle 2002, 24 & 36-48; Nussbaum 1978, 337).

This makes the integrative approach to value creation a participative strategy that expands the concept of value from a narrow material framework to one that theorizes how to balance material needs with the desire to increase the meaningfulness and fulfillment individuals experience in social activity. This means that value is not merely thought of from a production and exchange perspective (i.e., not merely thought of in terms of utility value and exchange value) but includes what has ultimate meaning in the human experience. The integrative approach to value creation establishes a complementary relationship between the individual members of a social group and the organizations and institutions they are members of, plus between the individual members and the overall social economic system. Thus, the integrative model is a participatory approach to promoting individual liberty in ways that contribute to the common good. The basic concept proposes that values are not only co-created as an outcome of economic activity, but value creation is a part of the fundamental processes of social formation (Parsons 1991, 7 & 26).

The integrative perspective on social action is a theory of practical value-rationality. The term value-rationality refers to the connection between value and social action in that every action has a motive related to value, which is the basis of human action. In other words, behavior is intended to realize something of either instrumental or intrinsic value. From the outset, theorists established that the integrative approach works best when analyzing the connection between the valuation concept and social action, the connection between individual value pursuits and the value commitments of the overall society, when it is necessary to analyze the relationship between value means and value ends, when there is a need to generate knowledge of how to reconcile the differences in the value commitments of individuals and social groups, when the decisions made will impact a large number of stakeholders, and when agents are concerned with determining how to have an appropriate relationship with the natural order (Aristotle 2004, 106-124; also see Vargo & Lursh 2008b, 146-147). Thus, the integrative approach to resource management is relevant to social economic planning because it provides insight into sustainable means of increasing prosperity (Kitcher 1992, 63 & 64).

Contemporary conceptualizations of value creation draw from the fundamental principles of The Philosophy of Social Science and from its conceptualizations of valuation as the basis for devising a viable means of eliminating the dichotomy between methodological individualism and methodological collectivism/holism. “By methodological individualism I mean the view which holds that meaningful social science knowledge is best or more appropriately derived through the study of individuals; and methodological collectivism is the view which holds that meaningful social science knowledge is best or more appropriately derived through the study of groups, organizations, forces, processes, or problems” (Samuels 1972, 249). On one side of the issue is the argument that organizational performance is improved by taking subjective value preferences into consideration. On the other side, is the claim that organizational activity takes place on a level that transcends individuals. Attempts at resolution have prompted contemporary organizational and social theorists to emphasize the significance of integrated multi-level and multi-dimensional processes that shape the nature of organizational activity and for structuring value configurations. Value configurations manifest when individuals interact in systems that enhance their individual value creating capabilities – such as integrated exchange networks, resource integrating networks, and relational networks.

Value configurations increase the value creation capability of individuals and systems when resources are utilized in processes and procedures in ways that satisfy the value demands of customers, stakeholders, and the market. The components of a value configuration are the value preferences of individuals; the culture of the organization; and the activities, relationships, and the networks that make-up a business’ value creating system. The value configuration concept explains why it is evident that value propositions and value exchanges cannot be linear (one way from the company to the customer) but must be interactive. "This shift in focus has implications for conceptualizing social interactions and social structures that are markedly different from the ones suggested when the focus is on the exchange of operand resources and potentially has ramifications for understanding exchange processes, dynamics, structures, and institutions beyond commerce" (Vargo & Lursh 2008a, 6).

It is in this respect that the integrative value creation concept expands the classical notion of organizational performance, which was focused on increasing the economic value-added factor. The classical era focus was on an increase in the *value added* to overall company assets. From the perspective of the integrative approach to value creation, an organization no longer acts to autonomously produce items of its choice without consideration of the value demands of the market and the value interests of its stakeholders. The new principle upon which social and economic exchange is based is the idea that the value that organizations would like to increase is necessarily co-determined and co-created – as is true of overall social reality. In other words, organizations are the outgrowth of the value creating activities of their stakeholders. The expanded view of value reduces the prospect of organizational autonomy and economic exclusivity, which were problems with the prior approach to industrial activity that hindered the prospect of integrating shareholder interests with that of the stakeholders and the endeavor to balance an increase in GPP with an increase in social well-being. Improving organizational and economic performance from an integrative perspective requires an understanding of the ontological nature of social phenomena which is informed by the integrative concepts underlying Social Action Theory.

3.2. Why the Resurgence of the Fundamental Approach to Value Creation

Although there is a vast amount of historical and contemporary literature stressing the significance of the integrative approach to value creation and its effectiveness for creating multidimensional benefits, there is a scarcity in terms of literature that provides a comprehensive explanation of the conceptual framework that underlies the value creation approach. This section of the chapter adds to the body of literature that is calling for a re-evaluation of the valuation concept by explaining why the integrative approach to value creation has re-emerged to become a highly acclaimed multidimensional approach to improving organizational and social economic performance. This section emphasizes the role that Social Action Theory –

originally introduced by Aristotle as Action Theory and expounded on by Max Weber – plays in developing a conceptual framework for the integrative approach to value creation.

The need for an interdisciplinary or multidimensional approach to analyzing the role of values in social action was stressed by Max Weber – in part connected with his attempt to address the issues related to the Methodenstreit controversy. The Methodenstreit controversy (or the methodological controversy in economics and the social sciences) involved an epistemological problem in economics that had implications regarding The Philosophy of Science and for determining the most epistemologically sound approach to analyzing social interactions. Weber proposed Social Action Theory as a viable approach to addressing and resolving the controversy because Social Action Theory is a means for maintaining scientific rigor while investigating valuation. However, Weber also chose Social Action Theory because it is rooted in fundamental conceptualizations of valuation (Weber 1947, 12–26; also see Miller 2014, 148–149).

Weber's analysis of valuation is based on Western Civilization's fundamental explanations of the role of values in social action. That is to say that his comprehensive analysis of valuation is rooted in Aristotle's notion of Action Theory. Action Theory is a framework for analyzing practical value-rationality. Value-rationality is the use of one's capabilities to achieve the outcome one desires most or to achieve the ultimate value end one desires. In this sense, value theory is rooted in explanations of individual and social endeavors to achieve desired value ends, explanations of the relationship between values and intentionality, and the role of values in social action. The concept of value creation (in psychological, sociological, and economic terms) refers to a process that rational agents engage in to create their desired outcome and that social groups engage in to create the good life and a flourishing society (Aristotle 2011, 48–50). Value creation is a dialogic process that enhances "Social relations, both in living together and in participating in discussions and actions" (Aristotle, 2011, 83–84, 164–165).

Such ideas, that established the foundation of Western Civilization, were prescriptions for applying the principles connected with Action Theory to social economics and political economy. It was believed that freedom and social justice would be safeguarded if such principles were adhered to while engaging in wealth generation. These principles are based on an understanding of the integrative approach to value creation and managing economic resources. In fact, they resonate with the Constructivist framework for social action in that the principles propose that the ability of those participating in interactions to create beneficial outcomes would be enhanced by engaging in deliberative and dialectic communication. In addition, the deliberative approach is effective because it generates knowledge regarding how to achieve the desired value outcome of the participants in ways that are mutually beneficial and satisfactory. Thus, the process increases relational benefits, tangible value outcomes, intangible value assets, social capital, and overall social benefits. From this perspective, freedom is not the result of attempting to maximize benefits in autonomous isolation – merely for oneself. Regardless of the extent of self-interest, it is still the case that social action takes place within social structures that are both enabling and constraining.

There has been a resurgence of interest in the integrative approach to value creation because it is a viable conceptual framework for valuation, it is compatible with Social Action Theory, and it proposes Constructivist-type communication processes as the approach to co-creating social reality. In addition, the fundamental value concept is inclusive of prescriptions for sustainable social economic planning or, in other words, how to improve nature-human relationships. The integrative model involves an interdisciplinary and pragmatic approach to knowledge generation that encompasses insight from natural sciences, the social sciences, ethics, and logic (Lakatos 1976, 144–152). The integrative approach yields a breadth of knowledge greater than that of the special sciences, but only via an interdisciplinary taxonomy (Wimsatt 2007, 28). Thus, the integrative approach is useful for developing a theoretical framework for value creation in that it is an epistemologically sound basis for research regarding value ends and for generating knowledge regarding how engagement in social and market exchange creates social flourishing (Aristotle 2011, 119–142). In fact, the concept of "mutual subjective utility" (as a perspective on exchange) and the notion of reciprocity in exchange are, indeed, essential aspects of the fundamental conceptualizations of the integrative approach to value creation and clearly have implications for resolving the discrepancy between value in use and value in exchange (Aristotle 2011, 99–101; also see Smith 2002, 215; & 2007, 36–38).

A departure from the fundamental integrative approach to value creation, wealth management and generation, political economy, and social economics occurred with Adam Smith's introduction of classical economics. "Smith's focus on nominal value and tangible exchange represented a departure from the previously accepted focus on use-value and has had critical implications for the development of economics and the understanding of market exchange" (Vargo & Lusch 2004, 6). Smith prioritized value in exchange (the value objects have because of the profit they produce when exchanged) over value in use (the value or worth objects have for the user) – thus value in exchange became the theoretical framework that shaped approaches to economic activity during the industrial era. That is to say, Smith's ideas shaped the social economic views of an era that came to be dominated by a preference for tangible values, utility maximization, increasing material capabilities, increasing power capabilities, and consumption. This gave rise to the Taylorian bureaucratic power and control model of organizational behavior with its emphasis on the value of profit producing goods, where the value commitments of the workers were considered irrelevant to the work setting, there was little or no consideration of intangible value assets, plus, in addition, the assumption was that workers primarily value an increase in their salary and customers' primary value concern is to maximize utility.

Smith patterned his ideas on Isaac Newton's view of the natural order, the natural sciences, and a mechanistic view of the universe. However, he did also clearly envision that market transactions would be influenced by natural providential forces that would reconcile the dichotomy between self-interest and humanity's moral sentiments. He thought that there were within the nature of existence ontological forces at work shaping human social existence, interactions, and exchange. Smith stressed that the self-interest underlying market exchange and business transactions is reconciled by nature's providential forces. Smith's views concerning providential economics also resonate with the fundamental principles proposing that providential forces ordain the natural right of individuals to live in accordance with what they believe is in their best interests. Smith's ideas on wealth generation coincided with Modernity's perspective on progress and harnessing the forces of nature as the basis of social economic development (Vargo et al. 2008b, 147).

However, Smith himself realized that there is a discrepancy in the value concepts that if left unresolved could have detrimental effects on the human character, on economic exchange, and on social action. Smith addressed the discrepancy by saying that merely focusing on the pursuit of wealth can incline individuals to place too much emphasis on instrumental means over intrinsic value ends. If the value discrepancy is left unresolved, it can ultimately impel individuals to believe that utility maximization at any cost justifies the means. Such individuals would ultimately "Deceive and even oppress the public” (Smith 2007, 163). In fact, due to his concerns about the changing socio-economic conditions of his time he envisioned developing a theoretical framework for valuation that encompasses both normative economics and positive economics.

Smith’s ideas about wealth generation were an ingenious contribution to Modernity and to the capability of nations to increase wealth. However, as he proclaimed, there were problems resulting from the unresolved discrepancy between the value concepts that became increasingly apparent. Smith, in his *Wealth of Nations,* placed priority on value in terms of objects and their value for exchange because this is more relevant to generating wealth. Yet, in his *Theory of Moral Sentiments,* he professed that there are qualities that we consider of higher value than the things that we appraise in quantitative terms (Smith 2002, 220). Thus, it can be argued that Smith’s overall social philosophy is inclusive of a consideration of the social and ethical problems resulting from the discrepancy between social value theory and economic value theory. Smith proposed that a solution could be achieved by developing a theoretical framework for valuation that encompasses the social and ethical as well as the economic aspects of human interactions.

Max Weber, in his critical analysis of economics, also recognized that there was a dilemma caused by the discrepancy in the value concepts which results in a dichotomy between economics as a socially liberating discipline and the approach to the discipline that creates an economically structured “iron cage” (Weber 1992, 123-124). Weber proposed that a comprehensive theory of value could play a role in reconciling the difference between substantive rationality (i.e., values that are oriented towards higher ideals and/or ethical principles) and instrumental values (actions aimed at utility maximization, which he referred to as formal rationality) (Weber 1978, 81, 85-86). He proposed that a comprehensive scientific investigation into the relationship between intentional value pursuits and social action is necessarily inclusive of an analysis of the ultimate ends and ideals that underlie value pursuits – even if, or especially if, they are instrumental pursuits (Weber 1947, 54, & 184-186). Weber explained in his book on social economics (*Economy and Society*) that developing a theoretical framework for an integrative approach to value creation must be based on a conceptual framework that encompasses intrinsic value ends as well as instrumental value pursuits (Weber 1978, 214– 216).

Weber's ideas were popularized primarily through the works of Talcott Parsons. Parsons incorporated Weber's Social Action Theory into his book explaining *The Structure of Social Systems* and his explanation of the relationship between economics and social action. Parsons claimed that "The goal of the economy is not simply the production of income for the utility of an aggregate of individuals. It is the maximization of production relative to the whole complex of institutionalized value-systems and functions of society and its subsystems" (Parsons & Smelser 1969, 22-23). Thus, Parsons concurred with Weber's idea that a viable theoretical framework for an integrative approach to value creation is inclusive of concepts related to social action, intrinsic value ends, instrumental value pursuits, value-rationality, and human passions (Parsons 1949, 640-649).

For example, it is commonly accepted in the theory of economics that social acts are aimed at creating value. People engage in the pursuit of what they need or desire to try to substitute a more satisfactory state of being for a less satisfactory one (von Mises, 1998, 13). Individual and social acts are undertaken with the expectation that the actions will lead to an outcome believed to be more satisfying and more desirable. However, the ultimate value that the act is meant to satisfy varies from individual to individual. It can range from "Material and tangible advantages to the attainment of 'ideal' or 'higher' satisfactions. Therefore, there is no standard of greater or lesser satisfaction other than individual judgments of value, different for various people and for the same people at various times" (von Mises, 1998, 13, 14, & 18). This is indeed the case as far as economic exchange is concerned as well. The primary driver of economic and market activity is the feeling of being deprived of something an individual has some reason to value, coupled with the expectation that by interacting with others or the environment, what is desired can be obtained.

It has become increasingly obvious that thriving economies depend on far more than tangible value offerings and the satisfaction of material needs. "Orthodox economics overlooks the fact that practices may have principles other than mechanical causes or the conscious intention to maximize one's utility and yet obey an immanent economic logic" (Bourdieu & Wacquant 1992, 119). That is to say that classical economists fail to integrate the wide range of social functions into modelling. Therefore, "There remained a gap as social and economic conditions increasingly departed from the assumptions concerning the market on which trade theory was built. New interpretations of economic activity were needed, as were new applications of management science to distributive business" (Bartels 1986, 12). The discrepancies were evident at the level of economies in that there were problems resulting from the inadequacies of the neoclassical economic research tradition, epistemology, problems with its exclusivity, and with its established logic (Hunt 2000, 1-2). “Classical and neoclassical economics look at relationships between supply, demand, and value of tangible goods, especially manufactured goods. This limited focus, in turn, is rooted in the philosophical and scientific thought that preceded the development of economic science as well as in the intentional limited purposes of its early scholars” (Vargo and Morgan 2005, 42).

In addition, the need for a framework for establishing value congruence was evident at the macro level in the contrast between a positive economic approach to social planning and normative approaches that address the need to protect public interests. The established economic value paradigm provides no theoretical basis for reconciling the objective-subjective divide nor the divide between the psychological basis for economic value theory and the social psychological basis for social value theory (Bourdieu 2005, 1-3, 6-10, & 24-39). “Classical economists met in the pursuit of their investigations an obstacle which they failed to remove, the apparent antinomy of value. Their theory of value was defective and forced them to restrict the scope of their science” (von Mises 1998, 2). The problem of defectiveness is evident in the inability to integrate the social economic notion of socialization and the primacy for the greatest good for the largest number of stakeholders – “Whose civil rights and duties have priority over all private interests (whose legitimation is at issue here) and over communal conceptions of the good – whose peaceful and fair coexistence must be guaranteed in a pluralistic society” (Ulrich 2008, 286).

“A big part of the problem lies with companies themselves. They continue to view value narrowly (e.g., optimizing short-term financial performance) and in a bubble while ignoring the broader influences that determine their longer-term success” (Porter and Kramer 2011, 62). From the narrow firm-centric perspective, the market was viewed as the center where companies engage in value in exchange. In this view of the market, social exchange is not regarded as interactions aimed at co-creating and producing value for stakeholders. Organizational theorists and practitioners now realize that the way forward necessitates determining how the company’s endeavor to add value can be enhanced by re-consideration of the value concept. Re-consideration in this sense means broadening the value concept to include not only the economic value added but the prospect of creating value that benefits customers and stakeholders.

Problems were also evident in organizational strategies for managing individual professionals. Organizational theorists and practitioners realized the need to shift from the Taylorian notion of power and control as the basis for managing knowledge workers to human relations, a team-orientation, and ultimately to the humanistic approach to organizational behavior, motivation, and management – which takes intrinsic human values into account. In addition, at the organizational level, there was a need to account for and to effectively manage the intangible value assets of an organization. Thus, there was the need for better methods for appraising and managing value assets of a wider scope: e.g., knowledge and innovation generating processes, to account for intangible value assets on financial and accounting reports, and there was a basic need to appraise and manage the organization's relational capital.

Furthermore, the reduction of blue-collar workers and the increasing number of knowledge workers sparked the realization that "We live in a world and time dominated by industries that perform rather than produce" (Albrecht & Zemke, 1985, 1). In the new world of organizational and market activity, there is a clear shift from a goods-centered economy to a service-centered economy. The service systems and service logic perspective caused a significant change in the notion of value which resulted in a complete value theory pendulum swing. The service dominant (S-D) logic or a marketing-oriented view represented a change of emphasis from value in exchange back to an emphasis on value in use. The resurgence of the integrated framework prompted "Inclusion of the other primary activity involved in value co-creation – resource integration – and then explication of the idiosyncratic and experiential nature of value" (Vargo and Lusch 2017, 47). This shift is evident in the increasing agreement amongst practitioners and theorists that the application of competences for the benefit of another party (that is a service) is the foundation of all economic exchange (Vargo & Lursh 2008a, 4).

As a result of the coupled influence of the natural and social sciences, there was a corresponding recognition of the fact that organizations and economies are dynamic input-output systems (Katz & Kahn 2011, 258). Without effective management of this internal-environmental relationship, organizational and economic activities could diminish the quality of their own activities and, as well, the quality of life of the societies in which they operate. This fact prompted social theorists to realize that organizations and economies exist "As a complex set of dynamically intertwined and interconnected elements – including the environment in which they operate and with which they continuously interact. The interconnections tend to be complex, dynamic, and often unknown; thus, when decisions involving one element are made, unanticipated impacts usually occur throughout the system" (Shafritz & Ott 2001, 242). In other words, the quality of what comes out of a company is dependent on the quality of what comes into that company. This not only includes its human and financial resources but its natural resources – which implies that organizational success requires a heightened sensitivity to the changing dynamics of the environment and the impact that organizational activities have on the environment. For organizations to achieve their primary goal of stability and growth, they must develop beneficial relationships with their human, social, and natural environments (Boulding 1956, 201 & 204).

Organizational theorists and practitioners also realized that an adequate response to the challenge required developing a theoretical framework for integrating the value concepts and, in doing so, integrating the interests of internal and external stakeholders. Responding to this challenge also played a role in prompting a resurgence of interest in the integrative approach to value creation (Prahalad & Ramaswamy 2004; Vargo and Lusch 2004; Vargo 2008; Vargo, Maglio, & Akaka 2008; & Porter & Kramer 2011). Consequently, theorists proposed that a solution could be found in a reconsideration of the fundamental principles of exchange and conceptualizations of the market. The fundamental principles emphasize an integrative approach to value creation, creating mutually satisfactory and beneficial outcomes, and an approach that is in line with Systems Theory claims that there is an essential interconnection between a system and its environment (Alderson 2006, 143-144 & 168-174). Theorists and practitioners realized that the integrative model for value creation is a viable solution because it "Conjoins three sets of fundamental conceptualizations: those that held from the foundational conceptualizations of social and market exchange and valuation until the industrial era; those introduced during the mass production and consumption era; and recent contemporary conceptualizations of the practice of co-creating value" (Miller 2018a, 10).

The integrative approach to value creation re-established the fundamental notion that the means to increasing the competitive advantage of organizations and the wealth of a nation is by integrating value creation networks. Integrating networks increase value assets by complementing and/or supplementing natural resources – tangible assets and value capital, with intangible assets. Value creating networks also operate to generate the knowledge necessary for integrating the interests of shareholders, the management structure of the organization, that of the worker, the stakeholders, and the value concerns of the social economy in which the enterprise is embedded. The network is a systematic way of creating shared value. "The concept of shared value can be defined as practices that enhance the competitiveness of a company while simultaneously contributing to advancing economic and social conditions" (i.e., integrating social benefits with sustainable economic growth) (Porter and Kramer 2011, 63). The concept is based on the premise that both sustainable economic development and social progress can be achieved by employing the concepts and principles of the integrative approach to value creation.

In addition, organizational analysts asserted that the integrative approach to social formation provides the most viable explanation of how agents and structures interact, learn, adapt, and grow. Learning and growth take place by engaging in processes of co-creating social reality. In this respect, conceptualizations of the integrative framework for value creation call for reconsideration of the role of value intangibles in organizational activity, in market and social exchange, and in the relationships and processes occurring within networks of resource integration. In terms of organizational and market activity, the integrative approach defines a value creation network as a public sphere where interactions result in integrating the resources of the system to increase the benefits for its stakeholders (Aristotle 2004; Alderson 2006; Dixon 1990; Boulding 1956; & Giddens 1984).

"The resurgence of an interest in an integrative approach prompted the need to reconsider the connection between the market, exchange, relational networks of resource integration, and the valuation concept" (Miller 2018a, 9; also see Hunt 2015, 175; & Popper 2002, 50-54). In terms of a contemporary approach to improving organizational and economic performance, the discrepancy that resulted from value being thought of exclusively from the firm and goods centric perspectives is eliminated. The integrative approach to value creation is compatible with the technological age view of knowledge generation. The technological age perspective proposes that managing processes for creating value is in practice complementary with processes for generating innovative knowledge and managing relational capital. Value, like all social phenomena, is co-created in the process of social interaction although phenomenologically experienced uniquely by each individual (Edvardsson et al. 2011, 327).

3.3. An Integrative Multi-Dimensional Approach to Creating Value

"It is astonishing what foolish things one can temporarily believe if one thinks too long alone, particularly in economics"
(Keynes 1936, vii).

The integrative value creation concept shares with the classical economic philosophy of Adam Smith the premise that free market ideals promote mutually beneficial and satisfactory outcomes for both the buyer and the seller. They both also agree on the principle that the free-market ideal of voluntary association and the social networking processes that come about as aspects of the free market are the best models for promoting individual freedom, individual and social well-being, and social flourishing. In addition, the integrative approach concurs with Adam Smith's claim that interactions must be mediated by another intervening force for market principles to work effectively. In other words, there is agreement that the market functions best, societies are better able to create wealth, and are more successful in functioning as liberal democracies when the precepts regulating organizational behavior, market exchange, and economic activity reconcile the dichotomy between economic value from the perspective of the company and value from the perspective of the end user (Aristotle 1959, 9-13; Smith 2007, 18; Locke 1980, 23; & Vargo, Maglio, & Adaka 2008, 146-147). However, conceptualizations of the integrative approach to value creation stress that resolving the dichotomy necessitates more than reliance on a providential ontological force. That is to say, Smith's reliance on a mediating providential force as a reliable means of reconciling the difference in interests between the buyer and seller is insufficient if, at the same time, there is only emphasis on one side of the discrepancy – value in exchange. The providential forces that Smith envisioned would mediate between individual self-interest and endeavors to increase mutually beneficial outcomes can only be made operable when they are reinforced by a framework inclusive of integrated market forces that encompass the value interests of the buyer and the end user.

The solution lies in a model for improving organizational and economic performance that integrates the profit pursuits of individual economic agents with the creation of shared value activities of society's market and economic system. The integration of the two concepts creates a highly effective means of connecting business with its stakeholders to "Create innovation, productivity, and growth in the economy" (Porter and Kramer 2011, 62). The integration of value creation and the creation of shared value concepts results in a strategy for increasing the profits and competitive advantage of companies by re-conceiving the relationship between the company's value creating activity and its endeavor to meet market demands. This requires implementing a strategy that accomplishes five things: (1.) focusing on customer satisfaction and meeting market demands, (2.) co-creating value in networks that integrate resources to create greater benefits for larger number of key stakeholders, (3.) open and collaborative communication activity, (4.) mutuality and interdependence – i.e., co-creating mutually beneficial and satisfactory outcomes for social stakeholders, and (5.) a systems perspective on organizational and social economic activity – i.e., recognizing the importance of the environment.

The locales that are frontrunners in implementing the integrative approach to value creation (thus improving individual, organizational, and institutional performance as well as integrating the resources of society to create greater benefits for a larger number of stakeholders) were soon producing some of the best performing economies in the world. These locals were consistently ranked high on the Forbes list of the best places in the world to do business and high on the newly instituted measurement of Quality of Life. Moreover, several countries pioneering the integrative approach to value creation list a city on the world's top ten smart cities index. In addition, from the business organization perspective, the frontrunners prove effective in integrating the interests of owners/shareholders, management, workers, and those of customers and stakeholders. It was evident to theorists that it was worth determining how the principles of the historic and contemporary conceptualizations of the integrative approach could be expressed as factors for improving performance in other locales.

By synthesizing the fundamental concepts and principles of the integrative approach to wealth generation and resource management, Smith's views on generating wealth, Weber's views on social economics, plus the contemporary conceptualizations of value creation and creating shared value, it is possible to express the conceptualizations of the integrated approach to value creation in the form of the factors that improve organizational and economic performance. The combined concepts and principles would be tantamount to blending the integrative value creation approach to improving organizational performance with the creating shared value approach to improving social economic performance (Porter and Kramer 2011, 62 – 77). The integrative concept, in this sense, applies as a methodological tool for resolving the apparent opposition and contradictions in the valuation concept and the discrepancy between value in organizational and economic terms and value in terms of what social systems attempt to provide to individuals, families, communities, companies, and economies. A synthesis of the fundamental conceptualizations of wealth generation and management and contemporary explanations of the value creation concept establishes five factors that make the integrative approach effective for improving organizational and social economic performance: e.g. (1.) matching the company's value proposition with what is valued in the market, (2.) integrated value creation networks, (3.) integrating the internal and external communication networks, (4.) integrating the interests of stakeholders, and (5.) integrating profit driven and value driven social activity.

3.3.1. Matching the Company's Value Proposition with what is Valued in the Market

The fundamental conceptualizations and principles of social and economic exchange stress that the market is a social system that structures interactions between individuals and the public in a way that generates wealth while at the same time improving civic relations. The integrative concept is grounded upon the notion "That the market is driven by consumer's desires" (Vargo and Morgan 2005, 48). Profitability for the firm occurs by satisfying those desires. Thus, all social economic activities should be integrated to meet customer, stakeholder, and market needs. To operate in accordance with the integrative approach to value creation, organizations must design what they do around what they promise to deliver. The company must base its internal operations on what is occurring externally in the market and on delivering what is valued by customers. The value proposition "Should be the firm's single most important organizing principle" (Webster 2002, 61). Identifying the value needs of the market, thus the values that the firm intends to offer to the market and, as well, developing an effective value proposition necessitates an organizational process that has five steps: (1.) identify the stakeholders, (2.) determine their needs, wants, demands and what they value, (3.) facilitate dialogue and knowledge sharing, (4.) identify value creating opportunities, and (5.) co-create value propositions with the stakeholders (Frow and Payne 2011, 233).

The value proposition is "A promise the seller makes that value-in exchange will be linked to value-in-use" (Lusch et al. 2007, 13). A value proposition is an alluring and attractive offer a company makes as a way of distinguishing itself in the market, as a way of attracting new customers, and is a way of engaging stakeholders. The "Intention and capability to offer value of a particular kind in a particular way is communicated to potential buyers and resource-provider partners in the form of a value proposition" (Lusch & Webster 2011, 132). The value proposition is an offer that a company makes to provide what is useful because it is productive of good and, in that respect, satisfying (Grönroos 2011, 282; also see Vargo and Lusch 2008, 5 & Aristotle 1984, 53). The idea that a value proposition promises to provide what is productive of good is clearly thought of as offering consumers the means to experience what will improve their quality of life. Thus, the fundamental notion of a value proposition is that it offers a way for stakeholders to clearly become better off. That is to say, the value proposition offers a means by which stakeholders become better off in terms of what they ultimately value. However, the principle also specifies that because an effective value proposition is based on use value, it must also match what is valued in the market – rather than merely focusing on the value added to what the company produces or value in terms of what produces profit when exchanged.

Markets are defined as centers where social and economic agents interact to determine the demands of the market, the most effective process for co-creating value that satisfies market demands, and how to offer value propositions that meet market demands. The market is also defined as the center where exchange takes place. The market from this perspective is conceived of as an arena where agents that are focused on increasing economic value engage with agents hoping to experience their desired end value. The business-minded agents present their offers in the form of value propositions that aim to satisfy the interests of the end user. A value proposition is the business-minded agents' statement of the valued offerings and experiences it intends to create and deliver on an ongoing basis in relationship with customers.

The final step for success in the classical organizational model was getting the customer to buy what the company produced. In the integrative value creation model the final step for success is developing and maintaining an ongoing relationship with the customer. What gives birth to a good relationship is the value proposition the company makes and what sustains a good relationship is co-creating valued experiences with the customer. "The value proposition, if successful, will also provide the basis for differentiation" (Ballantyne et al. 2002, 22). Agents create desirable outcomes for the individuals involved in exchange and for society by making value propositions based on market demand. This is because adherence to the principles underlying the fundamental principles of the value creation concept, social exchange, and market exchange results in guiding the economy in a way that "Induces individuals to do desirable things" (Hayek 1996, 88).

3.3.2. Integrated Value Creation Networks

Advances in social economic conditions occurred when "Established network connections between people and organizations extended to networks connecting things, people, and organizations. We are now beginning to see more clearly the many-to-many networks that characterize business and society" (Greer, Lusch, & Vargo 2016, 28). Networks are technologically advanced systems that increase the value creating capabilities of the participants in the network and provide a greater amount of satisfaction for the end users. Networks are established by building strong, mutually beneficial, collaborative relationships with key partners who add value to the market offering. The participants in the network are connected by interdependent interactions that aim at delivering tangible and intangible value. A value-creating network is an interactive system of exchanges of information, materials, resources, and finances. Value networks play a role in enabling organizations to gain competitive advantage because they facilitate knowledge generation, cooperation, plus interaction within joint ventures, within value chains, with strategic partnerships, and with customers and stakeholders. In this respect, the mantra for the emerging network economy is that one must be good at co-operating in networks to be effective at competing. Networks exist because companies are not able to maintain a competitive advantage by limiting their communication, interactions, and value creating processes to their internal operations.

Companies "Depend on the environment in terms of resource access and [for] a competitive advantage. Yet access to external resources is often too costly or unavailable. Beyond acquisition or organic development of the required resources" participation networks are the most viable option (Czakon 2011, 131). Organizations, institutions, and the overall public are increasingly participating in networks because they play a role in determining how work can be accomplished more effectively, in determining the points where there are problems in the value creating process, determining how to convert resources into value more efficiently, and how to offer a more effective value proposition. Because the scope of the nodes (i.e., the direct and indirect points at which the actors and actions within the network are connected) extends almost without limits, networks greatly extend the company's reach and its potential for entering new markets. Networks are indicative of the shift toward improving organizational performance by engaging participants in the network in various forms of interaction, cooperation, and collaboration (Miller 2017c, 2-3).

Proponents of the integrative value creation concept assert that "The future of competition lies in an altogether new approach to exchange, markets, social economics, and value creation. Future success demands establishing networks that connect suppliers, dealers, and support staff with customers and consumers with one another" (Prahalad and Ramaswamy 2004c, 5; & 2004b, 95). In fact, the impact of the multi-dimensional network approach to improving performance is likely to match the impact of the shift from the classical, closed system, firm-centric perspective of organizations to the integrative, market-focus, open systems view of organizational success (Vargo et al. 2010a, 25). This is because networks provide a means by which companies can make use of the resources available to the network to extend their reach, increase their value creation capabilities, improve their effectiveness and efficiency, and generate knowledge of how to produce valuable innovations that satisfy their current customers and attract new ones. Networks operate as open systems with the potential of an increasingly larger number of interaction points. The main units are well defined, but the connections, interactions, and partnerships between them are not. "The latter ones are formed, dissolved, and reformed based on projects, campaigns, and strategies" (Dimitriadis et al. 2019, 226).

Networks are an outgrowth of a multi-dimensional form of organizing. They represent a way in which organizations structure aspects of their internal and external processes to increase the scope of their value creating activities. A company can draw from the resources made available by its value creating network to expedite its ability to meet market demands and offer valued and satisfying services, products, and experiences to customers. Networks also provide a platform that a company can use to announce its value proposition plus as a means of engaging stakeholders in some aspects of the value creating process. The positive dynamics of a network compel organizations to link their business processes with their internal and external relational and communication processes. "Networks are linked by common, dynamic processes (i.e., service provisions). The actors are defined in terms of service provision (i.e., resources applied for benefit) [and] the resource-integration activities that the service exchange affords. The network has a purpose in the sense of individual survival/wellbeing, as a partial function of collective wellbeing" (Vargo and Lusch 2017, 49).

Organizations engage in networks to improve their internal and external operations; as a means of co-creating and co-producing value with stakeholders; and as a strategy for sharing ideas, information, and resources. Businesses that shift to the integrated network approach to creating value grow faster and perform better. Business operations are enhanced because all aspects of a company's value assets grow faster when invested in networks than they do when maintained exclusively within a company or, in other words, maintained within a closed system. Networks improve internal operations because they generate more inter-functional activities. The inter-functional activities allow for better integration of all internal resources. External operations are improved by engaging in knowledge generating, innovation generating, and value creating interactions with stakeholders – including the value chain – to enhance the ability of the participants in the network to achieve their desired outcome (Kotler & Achrol 1999, 161). In addition, networks facilitate the effective management of internal and external relational capital and internal and external communication channels. Thus, business theorists and practitioners increasingly stress that networks represent a new digital age form of communication power that business managers and leaders can tap into (Dimitriadis et al. 2019, 203).

Proponents of the integrative approach to value creation describe networks as a means of developing generative power. That is to say that an analysis of networks reveals that their significance lies in the fact that they generate future social and economic value. In this respect, they also play an essential role in social power, social cohesion, in the power of special interest groups, and the power of open participatory integrated networks. In addition, the fundamental principles of the integrative approach stress that the market ideally operates as an integrated, open, participatory network where individuals offer their value propositions to enrich the lives of those involved in exchange. The networking approach to improving performance in multi dimensions is complementary with conceptualizations of the integrative approach to value creation and with Systems Theory principles for creating beneficial relations with others and with the environment.

In addition, proponents of the economic development discourse acknowledge that the participatory value creating network approach to social exchange and structure-agent relations could ultimately resolve some of the inadequacies of the prior approach to economic development. Sustainability is enhanced because the network approach to creating value represents a knowledge age perspective on social economic growth based on improving the relationship between social systems and the environment. This is because the major actors in the value creation network – "Within both the market and the nonmarket sectors – begin to [shape] a path toward the sustainability of more significant commons-based production of the necessities of human development" (Benkler 2006, 316). From the perspective of the integrative approach to value creation, the market arena is a center where stakeholders interact in voluntary and free social activity to determine how to co-create sustainable growth. In fact, the sustained benefits derived for the entire economy is one of the reasons why networking is included on the list of criteria for a smart city (Angelidou 2016, 18).

The social economic systems most successful in integrating resources to satisfy the diverse tangible and intangible needs of society structure market networks so that they operate as "The provisioning system of society" (Fisk 1967, 48). The market, from this perspective, is a value-creating network made-up of individuals, firms, stakeholders, and institutions. A value creating network can be defined as the systematic exchange of tangible and intangible value that individual social gents, institutional agents, organizational, and economic agents participate in to create outcomes that enrich the lives of the individuals of society. "A value network is a spontaneously sensing and responding spatial and temporal structure of largely loosely coupled value proposing social and economic actors interacting through institutions and technology, to co-produce service offerings, exchange service offerings, and co-create value" (Lusch et al. 2010, 20).

The beneficial outcomes of integrated value creating networks result from "High quality value creating interactions enabled by active, informed communities, and their capabilities" (Prahalad and Ramaswamy 2004b, 7 & 8). Value creating networks are the new locus for creating qualitative benefits for society that are evident in appreciable quantitative terms. An exploratory study of networks reveals that there is a correlation between networking and effectively integrating the resources of society in a way that improves social economic performance (Laamanen & Skålén, 2015: 381-400). In this respect, networks prove effective as a means for satisfying the value pursuits of individuals in a way that creates social flourishing (Aristotle 2004, 4-11). Thus, networking proves to be an effective means of balancing the pursuit of increasing economic prosperity with the concern for sustainable social economic development (Aristotle, 1998, 8 & 12–18).

From the perspective of the integrative approach to value creation, market activity is based on and reflects the interdependence between social actors. That is to say, the fundamental conceptualizations of the integrative approach to value creation – which explain the significance of networking, cooperative collaboration, co-creating value, and enhancing structure-stakeholder relations – broaden the conceptual scope of economics to include insight into what increases social well-being and improves the quality of life (Iyer et al. 2005, 1018-1021; also see Smith 2007, 6-8). Networking improves the social and economic conditions of society by enhancing the operating effectiveness and efficiency of private organizations and enhancing public-private partnerships. The success of a network is determined by how effective it is in integrating resources for the benefit of its stakeholders, how effective it is in addressing and solving problems, and how effective it is in improving overall social economic conditions (DeSeve 207, 217).

Networking contributes to democratizing value creation in that "It promises to enable social production and exchange to play a much larger role, alongside property and market-based production, than they ever have in modern democracies" (Benkler 2006, 3). The notion of integrating the resources of society for a larger number of social stakeholders also demonstrates that interacting in accordance with the principles of mutuality and interdependence can resolve the differences in the interests of the members of a diverse society (Stiglitz 1999, 64). Thus, the network economy represents a shift from focusing a business on the goods it produces to a focus on sustaining relationships in market networks.

3.3.3. Integrating the internal and external Communication networks

Getting things done in an organized fashion necessarily involves establishing communication channels and networks. "If an organization is conceived of as people interacting and giving meaning to that interaction, communication becomes an organization-making function rather than just an organization-maintaining one. Communication, then, is central to organizational existence and does more than simply carry out organizational plans" (Sueldo 2016, 122). The more complex the organized activity and the larger the scale of operation, the more there must be extensive well-planned channels of communication. These purposefully structured channels of strategic communications expand into networks as the scope of interactions enlarges (Mintzberg 1973, 44-48). Good business practice necessitates communicating effectively with employers, employees, investors, suppliers, customers, and the market. This means that integrating the interactions and transactions that occur internally and externally is a crucial factor for effectively managing organizational communication challenges.

Managing value creating processes effectively requires integrating internal and external communication networks so that stakeholders are linked together in a way that enhances the efficiency of the organization's processes and the effectiveness of its value proposition. The integration of internal and external communication networks is defined as "The management of various sets of activities that aim at seamlessly linking relevant business processes both within and across firms" (Ralston et al. 2015, 47). Integrating value creating communication networks is one of the means through which organizational activity is converted into economically profitable outcomes (Varey 2002, 249-267). The beneficial effects that communication channels have on an organization's value creating capabilities are determined by the strategic position of the firm within its communication network, the nature of the relationships in the network, and the profile of the other parties in the network.

Businesses can only become effective by developing strategies, systems, and structures that align their internal processes with their external processes, thus linking their value creating processes with partners within their value creation network. Communication channels permeate organizations, connecting the vast array of internal and external systems and subsystems ranging from colleagues to customers to resources. A communication network is a web of freestanding participants linked or connected by one or more shared values (Harris & Nelson 2019, 123). An integrative approach to linking communication channels is a comprehensive plan for employing communication networks to establish profitable, nurturing, and sustainable relationships with stakeholders. Integrating the internal and external communication channels is necessary for effectively coordinating between upstream suppliers, internal operations and processes, and downstream stakeholders. Integrating internal and external communication networks is defined as "Strategically managing audience focused, channel-centered, and results-driven communication programs over time" (Kliatchko 2005, 23).

Organizational theorists and practitioners point out that the internal operations of an enterprise are, within themselves, a network of engagement platforms. However, the firm also participates in external engagements (e.g., the market and the economy). Internal and external engagements together make-up a communication network. "With competition centering on individuated co-creation experiences that yield unique value to each individual agent participating in the network" effective management of the value creation network is essential for competitive advantage (Chakrabarti & Ramaswamy 2013, 6). The internal communication network coordinates the processes that enable the organization to make the most effective and efficient use of its resources and to ensure that the actual output of the organization matches its goal. A holistic perspective on internal communication networks shifts the emphasis from leader-subordinate communication to a dialogic approach to communication. From this perspective, communication processes are a means of achieving mutual understanding. External communication focuses on the main message the company would like to send to its customers and stakeholders. However, from an integrative perspective, external communication networks also include public relations, risk assessment, obtaining resources and information from the environment, and determining the quality of the information/data in both content and credibility. Internal and external communication channels and networks must be aligned to play an effective role in meeting the organization's goals.

To enhance their ability to deliver value to the market and maintain their competitive advantage, businesses are finding new ways to interconnect their processes with partners. "In an ideal world, the relationship between retailer, intermediary, and manufacturer would be interdependent, if not integrated, so that all parties could create customer-orientated communication messages, and essentially so that the manufacturer could develop customer-specific products" (Kitchen and Burgmann 2010, 4). When the communication is aimed specifically at the customer, it must not only contain a message (information) but offer an experience. This means that the message must be combined with some other elements that spark a sense of meaning. Integrated networks, facilitated by advances in communication technology, enable companies to integrate resources, information, tools, assets, and processes at multiple points across the value network to offer customers seamless and meaningful value offers. Advances in information communication technology have blurred the distinction between internal and external communication channels and processes. This has resulted in businesses being faced with the challenge of adapting their organizational model and structural design to meet the necessity of fitting integrated communication networks into their organizational system.

The established approach to communication emphasizes that communication is a means of transmitting messages that are sent through established channels and media. The focus is on content, and the content is aimed at the receiver with the intention of generating the response desired by the firm. Organizational leadership and management systems control the formal communication channels. The established approach to communication both shapes and constrains effective communication. The formal system of communication reflects certain values and meanings – e.g., the distribution of "Shares of power, wealth, and other values. In every society, the values are shaped and distributed according to patterns of institutionalized communications which are invoked in support of the network as a whole" (Lasswell 1948, 42-43). This approach to communication hinders the communication network from becoming an effective part of the organization's value creating strategy. In the contemporary view, communication is a form of social interaction that takes place in open networks and the participants engage in interactions that enhance the value creating ability of the network.

3.3.4. Integrating the Interests of Stakeholders

An integrative approach to business is about creating as much value as possible for stakeholders, without resorting to trade-offs
(Freeman et al. 2010, 28).

The idea of integrating the interests of stakeholders stems from the Systems Theory claim that the external environment is an essential factor in the success of a business, that gaining a competitive advantage requires a strategy that includes management of the external forces that impact an organization, and stakeholders are an important and influential aspect of the environment. Organizations are not autonomous bodies that stand apart independently from their environments. "Organizations are embedded in networks of interdependencies and social relationships. The need for resources from the environment, including financial and physical resources as well as information, makes organizations potentially dependent on the external sources of these resources – hence the characterization of the theory as resource dependence" (Pfeffer & Salancik 2003, xii). In this respect, the scope of business strategizing must include plans for managing the external factors that influence the success of a business. This claim is based on the conviction that because stakeholders have an impact on business, they are necessarily included in business strategizing.

Companies recognized as outstanding at providing high quality products and services as well as highly appealing value offers operate within a network of relationships in which each stakeholder has a particular interest that motivates participation in the network. The particular interest involves a benefit the participant is hoping to receive from the relationship. That is to say, "Each individual (or firm) perceives offerings and integrates them with other resources differently. Thus, value is always uniquely and phenomenologically determined by the beneficiary" (Greer, Lusch, & Vargo 2016, 30). To increase the value creating capability of an organization, it must facilitate cooperation and collaboration between its internal and external stakeholders in an endeavor to maximize the value creating capability of its network. "Moreover, management literature provides a strong argument that strategies for management of relationships, interests, and negotiations with and between various actors have become vital for ensuring sustainable long-term success" (Kujala 2010, 16).

In the competitive world of business relations, a value provider faces the important challenge of integrating the individual interests of the stakeholders so that they form a collaborative network of participants engaged in co-creating mutually beneficial outcomes. On the one hand, this means integrating the value concerns of the shareholders, key stakeholders (e.g., managers and workers, and participants in the value creation network), and other societal stakeholders. However, on the other hand, this also involves addressing the question of how the firm can hold true to its own value commitments while simultaneously co-creating different types of value necessary for satisfying the value interests of its various stakeholders? In other words, effective management is defined as coordinating the interests of individuals, organizations and institutions, special interest groups, and other social groups that have an interest in a company and can either affect or be affected by its operations. The proponents of integrating stakeholder interests stress that firms that establish processes for serving the interests of a broad set of stakeholders create more value and establish a better image in the market. The positive outcome results from the network's ability to enhance the value creating activities and processes the company engages in, increase the resource pool the organization can draw from, enhance the organization's relational image, and induce a stronger commitment to the company from the stakeholders.

Organizations initiate strategies for managing stakeholders because of the potential impact that stakeholders have on organizational performance. Thus, companies decide to establish beneficial relations as a means of effectively managing that impact. In this respect, stakeholder management is a strategy for determining how to establish a complementary relationship with key powerful players (e.g., those who are most influential, those who are most impacted, and those who can have the most impact on achieving the desired goal of the organization). In addition, stakeholder management includes a strategy for accommodating the interests of those who are less powerful but are non-the-less a part of the stakeholder network. This includes categorizing stakeholders according to their level of commitment, contribution, power, and the risks they pose; their level of interest and their expectations; determining the best means for addressing their interests and meeting their expectations; and evaluating the extent of mutuality between a firm and the stakeholder.

Stakeholder management involves promoting the image of the company, building and sustaining good relationships, conflict management, implementing communication strategies, and establishing a feedback mechanism. Stakeholder management is a systematic way of integrating "What managers often deal with separately – strategic management, marketing, human resource management, public relations, organizational politics, and social responsibility" (Freeman et al. 2010, 175). It calls for an approach to strategic decision-making that integrates all the organizations' internal and external value creation, value production, and value network processes. In this respect, stakeholder management also integrates three aspects of strategic management that are key to gaining competitive advantage: resource acquisition, effectively managing relational capital, and effectively managing the forces which are "The fundamental determinant of a firm's profitability" (Porter 1998, 4). In short, stakeholder management is a means of maximizing opportunities and minimizing threats.

By developing a strategy for stakeholder management, a company can enhance its core capabilities and generate knowledge needed for effectively responding to complex environmental conditions that are constantly and rapidly changing. Because integrating the interests of stakeholders increases the resources the company can draw from the supply of benefits meets or exceeds the demand for benefits (see March and Simon 1993, 103-118 for an explanation of the Inducement-Contribution Concept). In other words, the benefits the company gains by acquiring resources generated by the combined stakeholder network exceed the benefits the company can gain by individually focusing on capturing value. Thus, the strength and success of the network is based on the benefits it provides to stakeholders which satisfy the interest that motivates their participation.

Successful performance is also contingent upon how effective leadership and management are in dealing with environmental forces (Kast & Rosenzweig 1972, 459-460). The interdependence between organizations and their environment "Is complex and threatening to organizational survival. And to the extent that organizational choice is constrained by the patterns of interdependence and influence emanating from the social context, then changes in the patterns of influence and/or interdependence require new organizational adaptations" (Pfiffer and Salancik 2003, 138-139). In this sense, organizations that effectively manage their external, environmental, and stakeholder challenges learn, adapt, and grow in ways that enhance their own performance. Peak performance is based on implementing a strategy for determining how the environment may affect the firm, how the firm can affect the environment and, as well, for actively plotting new directions for the firm. Successful organizations engage in strategic analysis of their external environment to identify and analyze strengths, weaknesses, opportunities, and threats; to positively interact with, influence, or control their environments; and as a way of dealing with uncertainty. Integrating the interests of stakeholders proves effective because it addresses and resolves many organizational concerns. Integration "Embraces external analysis to help firms deal with a turbulent environment, acknowledges obligations to other than stockholders, integrates economics with political strategy-making processes, contains elements of adaptation and enactment, is consistent with what managers actually do, incorporates an organizational learning perspective, and includes the concept of resource dependence" (Freeman et al. 2010, 91).

Much of management strategy is necessarily focused on analyzing the configuration of the relationship between the company and its environmental forces. The primary agent in the company's environment is its stakeholders. Management is a strategy for influencing the environmental forces so that they work in the organization's favor (Porter 1980, 4). An effective corporate strategy "Has two main elements: prediction and adaptation. First, is an environmental scan to identify trends that predict the business environment. Second, is identifying the best way to adapt to the environment to maximize the firm's position. A stakeholder approach provides a single strategic framework, flexible enough to deal with environmental shifts without requiring managers to adopt new strategic paradigms" (Freeman and McVea 2001, 4 & 9). The first step in the process of integrating the interests of stakeholders is to do an analysis of the profile of the participants in the stakeholder network to determine their capacity to positively, or negatively, influence the strategic objectives of the organization. This step provides a means of categorizing the interest-role of the individual participants. Businesses undertake a strategic analysis of their stakeholders to determine how to manage stakeholders with different levels of interests and influence plus to determine a process for successfully engaging each stakeholder. "Stakeholder analysis is done to answer important questions that effect performance: What strategies and/or actions are best to accommodate or cope with environmental challenges or opportunities? What response should be made to these challenges or opportunities – accommodating, negotiating, manipulating, resistance, or a combination" (Friedman & Miles 2006, 180)?

What is essential in integrating the interests of stakeholders is harmonization, or in other words, synthesis. Synthesis involves developing communication, engagement, and feedback systems that generate knowledge of innovative alternatives that are more effective and efficient for co-creating value plus in addressing and satisfying the interests of the stakeholders. For example, advances in communication technology provide a means of simulating ideas and information inputs from stakeholders and to systematically synthesize them into the most viable, effective, and efficient new innovations. The concept of harmonizing the interests of stakeholders is based on the theoretical principle that an organization is a multi-dimensional system of constituencies and interests – the total scope of the constituencies is referred to as stakeholders. The theoretical principle adds that to maximize the company's ability to create value (of a noticeably high quality), it must engage in co-creating value with its stakeholders by means of integrated processes and activities. "For stakeholder theory to be relevant to business there needs to be an understanding of how to achieve equilibrium. The starting point appears to be searching for similarities of actions, interests, and objectives between stakeholder groups or for common elements between strategic programs to integrate them" (Friedman & Miles 2006, 183). An effective strategy for achieving this is implementing a social network analysis approach to stakeholder management and then using the data gathered from the analysis to engage the network in co-creating new innovations.

The more extensive and diverse the network of stakeholders – with each stakeholder having a unique perspective on what it needs as the outcome of participating in the network – the more difficult it is to develop a strategy for harmonizing their interests. Thus, as is true for managing interactions between individuals and groups, a management strategy for integrating stakeholder interests includes a plan for dealing with conflict. Stakeholder conflict is defined as an interaction between interdependent people who acknowledge that the differences in their objectives, wishes, and values are capable of interfering with each of their individual goals (Moura & Teixeira 2010, 287). Managing stakeholders effectively calls for avoiding being reactionary in response to stakeholder issues (e.g., responding to an issue when it becomes apparent that there is a problem, implementing a strategy for containment, and attempting to resolve the problem by offering trade-offs). An alternative is to "Think beyond trade-offs to a question of value creation. Where stakeholder interests conflict the executive must find a way to focus on the jointness of stakeholder interests rather than solely on the trade-offs that sometimes must be made" (Freeman et al. 2010, 15-16 & 28).

The integrative approach contributes to conflict reduction and to resolving conflicts because it shifts the focus away from conflicting interests and the necessity of trade-offs to the shared commitment to create value outcomes that are mutually beneficial and satisfactory. The integrative approach admonishes interacting agents to keep the focus on the shared commitment to experience a value outcome that – although appraised individually – is maximized by the cooperation and collaboration taking place within the stakeholder network. The integrative approach calls for taking a proactive stance toward addressing the problematic issues that could be a potential source of conflict if not managed properly. From a proactive perspective, issues are an opportunity because they prompt generating knowledge of how to co-create or co-produce a new dynamic creative breakthrough. Although managing stakeholder conflict centers on reducing risks to the organization (e.g., damage to its image or reputation, losing customer confidence, and disrupting its value creating processes), the main intention of stakeholder conflict management is bridging or harmonizing what can otherwise develop into a lack of congruence in interests. Communication is critical to networking processes but also to managing conflict because it facilitates integrating the interests of stakeholders. Communication is the key to managing relationships, generating knowledge related to how to meet the needs of the stakeholders, and how to improve performance. Communication is also a means of getting feedback and evaluating progress.

Integrating the interests of stakeholders is a holistic approach that organizational leaders and managers can undertake to have an influential impact on the conditions of the social economic system in which the organization is embedded. Both the organization and the economy in which they are embedded are components of a social system. Each individual part has an interdependent relationship with the other components shaping the social system. The prosperity and well-being of the system depends on the effectiveness of the resource integration, value co-creation processes, and the overall activities of the system. In other words, there is a strong correlation between increasing the firm's value assets, increasing the value offered to stakeholders, and improving the conditions of the overall social economic system (Putman 1993, 167; also see Bourdieu & Wacquant 1992, 119; & Coleman 1990, 302). The claim that the integrative approach improves performance is based on the premise that all stakeholders have customer-like power that has a heavy impact on improving the performance of the participants in the value creation network. In effect, integrating the interests of stakeholders results in each stakeholder acting as a resource-integrator in a process that collectively satisfies the inducement that motivates contributing to the value creation network. In this respect, the value that is created and produced for the individual stakeholder is dependent on how effective the social economic system is in maximizing the capability of its value creation networks.

3.3.5. Integrating Profit Driven and Value Driven Social Activity

"For economists, profit is a mechanism for the effective, some would argue optimum, allocation of scarce resources. If you are a business manager, the profit motive may seem as natural and unquestionable as breathing" (Kearns 2007, 2 & 8). However, the obsession with profit comes with a huge cost if it fails to be balanced with the value-creating outputs that ultimately generate profit. Profit is maximized when its pursuit is balanced with value creating strategies. Value creation strategies meet stakeholder and market demands and create innovative value outputs that enhance well-being. A 2019 World Economic Forum article, "*The Future of Business? Purpose, not just Profit*", stressed that businesses cannot thrive in a world in which their activities diminish the quality of what people rely on for existence (World Economic Forum 2019). Quantity, within itself, is certainly worthwhile – especially if it increases the experience of what people value or, in other words, increases the ability of individuals to enjoy what, in their opinion, is the best of what life has to offer. However, an intention to increase quantity that is not balanced with an intention to increase quality is certainly not the most prudent approach to social economic planning and to increasing well-being. Enjoying the best that life has to offer is indeed reflected in being able to enjoy a certain quality of life. In my experience working as an international consultant for "A Value-based Approach to Sustainable Social Economic Planning" specialists and lay people alike are deeply impressed when I point out that the top scoring countries in wealth fall considerably lower in ranking when it comes to level of *Gross National Happiness* and rankings of *Gross Level of Peacefulness*. In fact, the wealthiest country in the world is also ranked as the most violent of the developed countries. Increasingly, specialists and lay people are finding it more desirable to strike a balance between economic and social well-being.

A highly celebrated Nobel Prize Winning contribution to social economic activity and market exchange – that has a tremendous impact on thinking about social interactions and economic exchange – is the ideal of creating win-win outcomes. Transactions based on this principle make evident the fact that balancing the extremes is the most likely path to sustainable profit. Most business theorists and practitioners are familiar with the fact that the outcome of business transactions could either be win-win, win-lose, lose-win, or lose-lose. Accordingly, the best position to take or the preferred conviction given the likelihood of such outcomes is “no deal is better than a bad deal”. That is to say, the preference is to be in relationships where exchanges result in beneficial outcomes. Although the win-win outcome does not maximize possible short-term returns, the fact of a balanced outcome (i.e., mutually beneficial for both parties in the transaction) is most likely to create sustainable profit and long-term relationships. What is true for business negotiations applies to organizational performance as well. Analysts and practitioners have found that balance is the best approach to planning performance measures – that is why the balanced scoreboard became so popular. Thus, as is asserted by systems theorists, there is an increase in the system’s ability to balance maximum value creation with maximum profit when the entire system is balanced and holistically well-integrated (Parsons 1991, 23). Balancing the profit motive and the value motive proves to be more effective for improving performance because “The value motive generates an improvement in quality as well as quantity and cost. The profit motive might be at the heart of the capitalist system, but it requires being balanced with the value motive to develop a coherent, holistic system for creating the best distribution of societal value” (Kearns 2007, 30, 85, & 89).

And, of course, balance is the key to effective leadership and management as well as personal success and happiness. The most cherished wisdom literature of both the East and West stresses that individuals achieve their highest good and are more likely to experience physical and emotional well-being when their driving motivational force is the desire to live a balanced life and to be well-integrated within the fabric of existence (Aristotle 2004; and Confucius 2003). In fact, most people profess that living a balanced life is their primary aim because they are sure that it is the basis of reaching the highest level of the value hierarchy – self-actualization. The opposite – imbalance – is not psychologically healthy and can even be a threat to one's physical well-being. In this respect, the motivation for any personal, economic, or social endeavor should be balance and the significance of a balanced life should never be underestimated.

CHAPTER 4

FACTORS MAKING VALUE CREATION EFFECTIVE (BUSINESS MODEL, STRATEGY, AND STRUCTURAL DESIGN)

"Strategists have in mind a consistent logical picture of their firms. A framework to create such a logical picture of the firm is the business model. A business model is a conceptual framework that helps to link the firm's strategy of how to compete, to its activities, or the execution of strategy" (Richardson 2008, 135).

"Explaining variations in performance and effectiveness is one of the most enduring themes in the study of organizations. This emphasis is most explicit in the field of organizational strategy, which is often described as having organizational performance as its primary focus, but the idea that performance is to be predicted, understood, and shaped is commonplace throughout the field" (March & Sutton 1997, 698).

The change from mass producing what a business believes would increase assets and increase the economic value added (EVA) to a focus on producing what the customer values requires developing a new business model. The transformation to creating value for customers as the primary objective of a company necessitates conceiving of a business model that is appropriate for a value system approach to business strategy. A value system business model is basically a representative description of how the one-time sale of a product or service is transformed into an ongoing relationship. In other words, it is a description of how the interaction taking place between a business and a customer can be sustained. A new business model is also necessary because of the shift from business strategies based on the notion that a company creates value which is depreciated or destroyed by customers to a focus on the role that customers play in creating value. This is because the shift to a customer and market focus also requires a new perspective on the value proposition concept. The new perspective necessitates a change from attracting potential buyers to purchase what the company produces to a value proposition that promises to deliver what the customer values.

"The digital economy provides novel forms of value creation, which are networked in the sense that value is created in concert by a firm and a plethora of partners, for multiple users" (Zott et al. 2011, 1029). Thus, recent conceptualizations of value creation necessitate a re-conception of the business model. The new approach to business models proposes a strategy for operating within value creation networks. It presents a representation of how to organize the human and structural resources of a firm to increase its assets and it is a conceptual plan for how a business will function. In addition, it is a framework for organizing processes, procedures, and activities to gain a competitive advantage by creating and delivering customer value. In short, the business model is a description of how to organize human and structural resources to achieve the organization's goal and a business model determines the design of the company structure. The goal is operationalized by a business strategy which includes a plan for dealing with contingency factors.

The key to success in business is conceiving of a model for increasing the value creating capability of the business by integrating the drivers of value creation. An effective business model aligns the drivers of value creation and is a conceptualization of how to organize people and resources into a value creating system with integrated internal and external processes. In addition, the business model must address the need to maximize the output (in quality and quantity) of the resources generated by the firm's value creating network. However, it is difficult for leaders and managers to conceive of a model that incorporates all the necessary components needed for success – including the intangibles in addition to the tangibles – and to combine them into a system that effectively integrates internal and external value creation activities. That is to say that it is difficult to conceive of a model for effectively managing the primary and supportive value drivers (see Porter 1985, 31- 43). The difficulty also lies in the fact that the external business landscape is complex, in constant flux, volatile, can be unpredictable, and is filled with uncertainties. Thus, the business model must be a flexible strategy for designing organizational interactions so that they generate innovation, entrepreneurial thinking, and are transboundary in scope.

Although the primary step in initiating a business is devising and implementing a viable plan for achieving the organization's mission, what undergirds an entrepreneurial vision is a business model. A business model is a conceptual framework for how the business will ideally operate. Creating a business model begins with deciding the identity, mission, and goal of the organization and then determining a conceptual scheme for achieving its goal, for implementing its strategy, and designing a structure that is best for organizing people and resources into a value creating system (Chandler 1962, 13-17). That is to say, success in business begins with establishing a model for engaging people in processes and activities that maximize the value added to resources, improve the efficiency of processes and procedures, and maximize the effectiveness of people and organizational units.

"The business model defines the value-creation priorities of an actor in respect to the utilization of both internal and external resources. It defines how the actor relates with stakeholders, such as actual and potential customers, employees, unions, suppliers, competitors, and other interest groups" (Wallin 2006, 12). A highly effective business model is a plan for integrating the essential aspects of the firm's operations into a unified system (Zott et al. 2011, 1031). A business model is a plan for integrating the internal activities of an organization with the interactions taking place in the external environment (see Figure 2 below). Ideally, the business model is a conceptual scheme for aligning the four essential factors that increase the value creating capability of a company and operationalizes the factors by means of a business strategy that interconnects the firm's internal and external value creation activities. The four essential factors that increase the value creating capability of a company are (1.) effectively managing firm-customer relations, (2.) the interactions that take place between key internal and external stakeholders who are integrated into a value creation network, (3.) the value proposition, and (4.) performance metrics that measure the effectiveness and efficiency of the value creating processes, activities, and procedures that transform resources into customer value (Osterwalder Yves Pigneur 2010, 16-46; also see Teece et al. 1997, 516).

An Illustrated Conceptualization of a Business Model

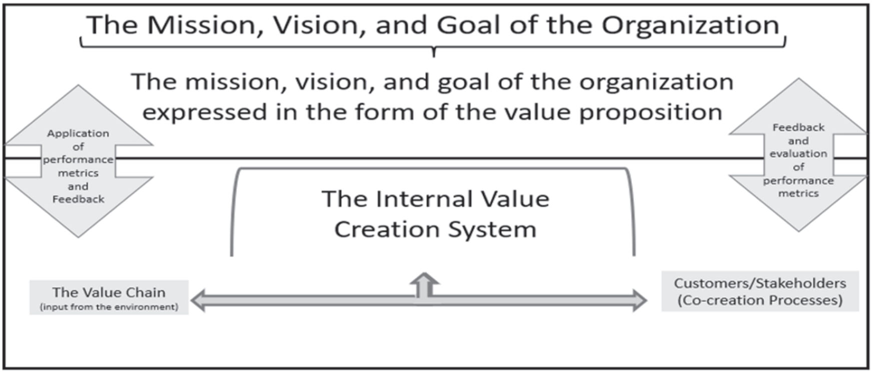

Figure 2: an illustrated conceptualization of how a value creation system is structured so that the internal activities of the organization are integrated with the interactions taking place in the external environment.

"A recurring theme in discussions of both business models and strategy is value. The business model framework is organized around the concept of value. The three major components of the framework – the value proposition, the value creation and delivery system, and value capture – reflect the logic of strategic thinking about value" (Richardson 2008, 138). The emphasis on creating and delivering value to customers and the market has prompted business leaders and managers to conceptualize the business model as the framework of a strategy for competing in networked markets. Competing in a networked market-centric economy requires a model for establishing cooperation and collaboration plus devising a strategy for outperforming competitors in appropriating value. Thus, "Business model implementation and management include the 'translation' of the model as a plan into more concrete elements, such as a business structure (e.g., departments, units, human resources) and business processes, and systems. The business model is a plan that allows designing and realizing the business structure and strategy" (Osterwalder et al. 2005, 13-14).

A good business model includes the representation of a strategy for aligning the interests of stakeholders to maximize the ability of the network to create sustainable value. Ultimately, developing a good business model is an integrative exercise – in that it entails conceiving of a strategy for incorporating all the necessary components needed for success into a well-coordinated business operation. In addition, a business model is integrative because it is a conception of a plan for integrating all aspects of internal and external processes and activities into a unified well-integrated value system. This chapter highlights the factors that make an integrative value-based business model effective. This includes a plan for effectively managing intra-firm activities and interactions plus for engaging customers and stakeholders in transactions from which they each receive what they value. In terms of an organizational strategy, the integrative model emphasizes redirecting the accounting focus on short-term tangibles toward focusing on the market's valuation horizon or, in other words, redirecting the typical focus on short-term profit to strategic decisions that maximize long-term value assets (Rappaport 2006, 66–69).

Experts of organizational performance – especially as it evolved over the latter part of the 20th century – increasingly stress that planning for improved performance on the basis of an integrative approach is advantageous because it emphasizes combining three things: (1.) strategy – which became one of the most influential organizational theories, (2.) applying the integrative approach as a means of maximizing value creating capabilities, and (3.) improving organizational performance by applying performance measures (Drucker 1954, 42-48; Snow et al. 1980, 527 & 532-537). General Electric (when Jack Walsh became CEO) is a good example of how the combination of strategy, creating value, and the practice of using performance measures resulted in "A 40-fold increase in value" (Zenger 2013, 72-73). Thus, the integrative approach, within itself, is a strategy for implementing the factors that maximize the firm's ability to create and deliver value.

However, "Despite the widespread embrace of the value creation concept, an explanation of the tools to put this concept into practice is still in its infancy" (Porter et al. 2011, 1). This chapter contributes to remedying the problem of a shortage of literature on how to put the concept into practice by explaining the essential factors that make value creation effective for managing the complexity and uncertainties of the business landscape. In this respect, the chapter outlines a state-of-the-art value creation business strategy and a model for designing organizational structures that are knowledge-generating, that generate innovation, and that excel at generating customer loyalty. The theoretical framework for value creation proposed by this chapter is based on integrating the four essential aspects of business operations: (1.) effectively managing firm-customer relations; (2.) the interactions that take place between key stakeholders who are integrated into an internal and external value creation network; (3.) the value proposition; and (4.) performance metrics that measure the effectiveness and efficiency of value-creating processes, activities, and procedures for transforming resources into customer value.

Sections 4.1, 4.2, and 4.3 explain the value creation concept in terms most useful for practitioners – the factors that make the value creation concept effective for improving performance. Section 4.1. explains the factors that make the value creation concept an effective strategy. Each subsection of 4.1 goes into detail on the essential factors: e.g., effectively managing the firm's value creating processes and activities (4.1.1), internal value creation processes (4.1.2), firm-customer relations as one of the most important factors (4.1.3), the role of value creation networks (4.1.4), and the role of the value proposition as a factor in performance (4.1.5). Section 4.2. explains a value creation perspective on designing an organizational structure. And section 4.3. explains the role of performance measures in a value creation approach to improving performance.

4.1. A Value Creation Business Strategy

"A theory of business has three parts. The first are assumptions about the specific mission of the organization. The second are assumptions about the environment of the organization: e.g., society and its structure, the market, the customer, and technology. And the third is assumptions about the business strategy or model needed to accomplish the organization's mission" (Drucker, 1994, 95-104; also see Parnell 2014, 3). The organization's mission statement proclaims how the organization views itself or, in other words, proclaims its identity. The organization's mission statement and core values guide the organization in its endeavor to compete. But when steps are taken to put the mission into practice, it must be clearly stated in terms of a strategy that represents a plan for how the company intends to shape its future. Given the assumption that the creation of value is the primary objective of the business, then achieving the mission of the organization involves designing and implementing a strategy for creating value. Strategy is an explanation of the processes, activities, and procedures the company will implement to improve its value creating capability. Thus, "One of the most critical drivers of business success is designing and implementing a value creation strategy for the company" (Wheelen et al. 2018, 37).

Strategy describes the processes and activities that are necessary for realizing the company's desired future. Strategy includes evaluation, a system of control, a means for analyzing the internal and external environments, a plan for the business to become a learning organization, and a plan for generating knowledge and feedback. Strategy is also a plan for generating growth by effectively managing the "Dynamic interaction between a firm's productive resources and its market opportunities" (Penrose 1960, 1). Thus, strategy is the implementation of the principles that govern the growth of a business, how fast it grows, and how long it can grow (Penrose 2009, 6). Strategy is a way of integrating the activities of the diverse functional departments within a firm, including marketing, production, research and development, procurement, finance, and the like. An explicit and mutually reinforcing strategy is needed to counter the centrifugal forces that lead functional departments in separate directions (Porter 1991, 96). The other management disciplines – like marketing, human resource management, and finance – are concerned about specific aspects of operations. However, strategic management views a company from a holistic overarching perspective.

Strategy is the determination of the best plan for allocating the company's resources (Chandler 1962, 13). A successful strategy implements processes for effectively and efficiently transforming resources into value. Ideally, strategy includes a plan for using a company's resources to create a value breakthrough that will shape the future of an industry. This includes determining the best way to apply internal resources to external contingencies. The match between internal resources and external conditions underlies the foundations of strategic management and its crucial goal is to understand the reasons for the success or failure of businesses. An effective strategy entails managing the activities that determine the company's strategic position and activity in the market. The key role of strategic management is "Appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment" (Teece et al. 1997, 515).

A business strategy is like a game plan for how the company will compete and outperform its rivals. However, a winning strategy is based on being better than rivals at providing customers with what they value, responding effectively to market conditions, gaining a favorable position in the market, and sustainability (Porter 1985, 3-22). The essence of strategy is planning how to effectively respond to environmental circumstances during the process of delivering unique value to the market. "The main goal of strategy is to match key success factors at the industry level with the distinctive competences at the firm level in order to achieve high performance for the firm" (Becerra 2009, 4). The most viable strategy is a plan for how to employ value-creating processes and activities to provide an advantage to a firm that is in direct competition over resources and customers.

The value creation concept provides a comprehensive strategic approach to improving performance. A value creation approach to strategy is emphasized because it is based on a state-of-the-art model of strategic management and is also deeply rooted in the fundamental principles for generating wealth and managing resources, for creating social and economic prosperity, and a flourishing society. Thus, a value creation "Strategy determines and reveals the kind of economic and human organization a business is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers, and communities" (Andrews 1987, 13). Strategy formation is a process of defining the functional activities necessary for transforming operand and operant resources into valuable outputs, which is the means of enhancing the company's value creating and innovation capabilities (Penrose 2009, 76). The integrative approach to value creation also impacts the theory of organization economics by proposing that all economic actors are resource integrators. From this perspective, organizations are economic agents that play a vital role in the performance of the overall economy and a society's ability to enjoy more of what it values. Thus, economics is certainly at the core of business success because growth is based on strategizing for the most productive use of operand resources and leveraging operant resources to secure an advantage in the marketplace.

An integrative approach to organizational strategy is necessary because practitioners must draw from different disciplines, including economics, sociology, and psychology to determine the best strategy – but particular emphasis is placed on the market concept, resource management, and organizational economics. Developing a business strategy is ultimately an integrative exercise in that it involves a network of stakeholders whose interests must be aligned. The integrative approach provides a comprehensive explanation of the value creating activities and relationships that apply to strengthening the company's ability to take advantage of opportunities and out-maneuver competition by becoming more visible and better positioned in the market. Integrative in this sense involves a strategy for aligning three activities connected with the full scope of a company's value creation process: (1.) the internal and external relational aspects of the co-creation process, (2.) effectively managing the value creation network's ability to increase its provision of resources at a reduced cost, and (3.) maximizing the ability to appropriate a profitable portion of the value created.

From the perspective of an integrative framework, a business strategy is a plan for how a company increases its capital assets by engaging in value-creating activities with its staff, customers, and stakeholders. An integrative business strategy implements factors that improve organizational performance by positioning the company in relationship with customers, the market, and the industry in such a way that its processes and activities minimize the cost of providing value to customers and the cost involved with the value creation activities of the value chain. However, the implementation of the factors that make the value creation concept effective for improving performance also maximizes the resources available for creating and delivering satisfactory and beneficial value to customers and stakeholders.

In sum, a strategy is a plan for creating unique value that both satisfies customers and offers them a meaningful experience (Porter 1996, 64). Thus, strategy is a plan for creating an appreciably unique, valued experience that is difficult for others to duplicate; strategy is a plan for motivating and inspiring innovation; and for engaging stakeholders in a way that sustains the ability of the company to create desirable and beneficial outcomes. Conjoining the variations of the value creation concept into an integrative business strategy resolves the dichotomy between the firm-centric and customer-centric perspectives on increasing an organization's competitive advantage by generating value in four dimensions:

1. The value added to resources (in terms of increasing beneficial outcomes) (Kay 1995, 19-24),
2. An increase in relational capital (both internal and external),
3. Benefit to stakeholders which are "Subjectively realized by target users (or buyers) who are the focus of value creation" (Lepak et al. 2007, 182), and
4. Overall social economic benefit that is distributed throughout the society (Chakrabarti & Ramaswamy 2013, 6).

The value creation concept has an impact on organizational planning, which is evident in the extent to which there is now a transformation in strategic thinking. The value creation concept proposes a model for integrating existing approaches to strategic management (e.g., marketing, human resource management, operations management, etc.) in addition to concerns about stakeholder management and corporate social responsibility. The first step in devising a value creation business strategy is to explicate the factors that are the drivers of value within a company, industry, and the marketplace. As depicted in the illustration below, a value creation strategy is based on four factors: (1.) establishing value creation as the basic business model and strategy (i.e., a value creation strategy for transforming resources into customer value), (2.) the value proposition, (3.) effectively managing firm-customer relations, and (4.) the interactions that take place between key stakeholders who are integrated into an internal and external value creation network (see Fig. 3 below).

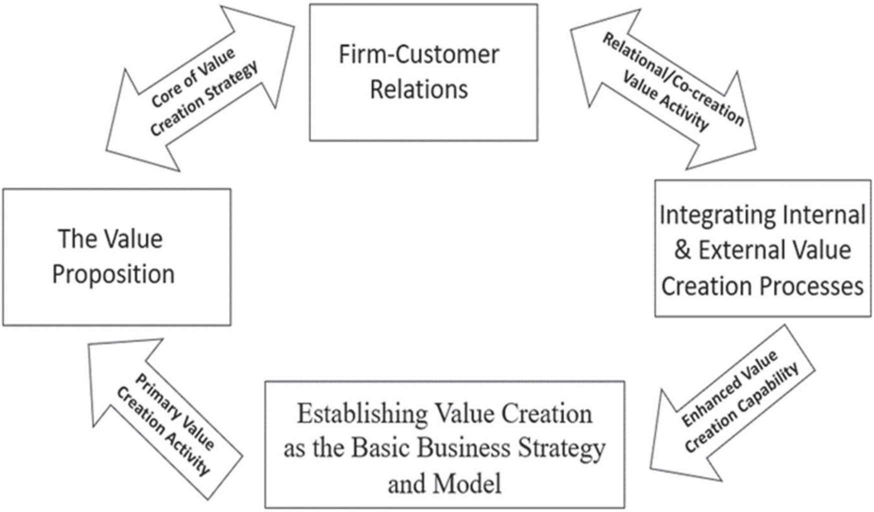

Figure 3: Value creation as the basic intention of managing organizational processes and activities, thus the fundamental core of the organization's strategy.

4.1.1. Value Creating Processes and Activities

During the second half of the 20th century, organizational specialists introduced value management as a new knowledge-age approach to motivation, managing a company's tangible and intangible resources, and appealing to customers. By the latter part of the century, value management evolved into the value creation concept and became clearly established as the fundamental modus operandi of business organizations. Value creation is regarded as a technological age advancement of the value-added and value management concepts. That is to say, the value creation concept rose to prominence because it is recognized as the primary mission (or the fundamental objective) of any business. With the assurgency of the value creation concept, the basic concern of an organization is focused on designing effective and efficient value creation processes. Consequently, success in business is now regarded as based on a business model that is an effective plan for implementing operating systems, processes, and activities for creating value. In other words, a model that shapes processes, procedures, and activities into a value creation system. A business's value creation system is its procedural operating process for transforming resources (inputs) into "An output that is of value to the customer" (Hammer and Champy 2001, 38). A business system is the combination of the parts that shape the business into a complex, unitary whole. A system is the methodical procedures a company employs to provide specific goods or services to customers.

Processes are a series of activities that a business undertakes to transform resources into the types of value that will both satisfy customers and increase the company's value assets. Value creation processes are procedures involved with analyzing, designing, implementing, and continuously improving the quality-producing activities of a business system (Bowman & Ambrosini 2007, 360). A value creation process is defined as the procedures involved with managing relationships within the value creation system, interactions and exchanges with stakeholders, and the activities connected with receiving value from customers and stakeholders. Value creation processes are a holistic means of ensuring that there is a congruence between the values of the organization and the actions it undertakes to achieve its objectives – such congruence reduces waste and risks. Value creation processes include new product development, order fulfillment, customer service, decision-making, and resource allocation. "To execute these tasks, an organization must design, foster, and leverage three core business processes: product development management that aims to create outputs that customers need and want, a supply chain management process that transforms inputs (physical and informational) into customer solutions, and customer relationship management" (Srivastava et al. 1999, 169). A supply chain (also referred to as the value chain) consists of all parties and procedures involved in producing and delivering a product: e.g., suppliers, distributors, retailers, etc. The contributors to the value chain act as subsystems that are engaged in activities that add incremental value to what is ultimately experienced by the customer.

Value creation processes increase the firm's assets by adding value to the firm's resources. Thus, they are activities that result in innovation, that align the value commitments of the organization with those of its managers and workers, and that improve firm-customer relations. They are processes for acquiring and retaining customers, that enhance the activities taking place within the company's value creation network, and activities that improve the firm's relationship with stakeholders. Processes are the functional basis of a business's value creation system – how a company gets its work done and how information is communicated. Thus, they are the key to how businesses function and perform. Implementing value creation processes provides a business with greater assurance that its activities are unified into a well-integrated system. Assuring that the processes of a business are creating the desired value requires value process management. Managing value creation processes is more all-pervading than managing a department, a production, or a function. Value creation management is primarily concerned with analyzing the activities involved in creating value to minimize aspects of the primary activities that are ineffective and inefficient and to increase the efficiency of the supporting activities. For example, strategies for value creation management include applying *lean management* to the primary activities and eliminating those activities the business engages in that do not create value.

Value creation processes integrate the different segments of a company's strategic operations into one holistic framework. Value creating processes integrate the company's internal processes with its processes for managing the forces that shape an industry's economic structure (see Porter 1979, 137-145). To increase the effectiveness of value creation processes, organizational leaders and managers must understand the connection between value-drivers and process management. Value drivers are the key elements that build or protect the value of your business. Value drivers are such things as customer satisfaction, increasing efficiency, beneficial interactions and exchanges with stakeholders, increasing capital and resource assets, etc. Value creation processes are primarily concerned with the optimization of procedures. The value-creating processes of a business are the basic tasks it undertakes to provide customers with innovative value offerings that satisfy their needs and wants. Value creating processes minimize risks and are activities the company undertakes to improve its position in the marketplace. Activities are the series of steps involved in the value creation process. The activities that shape a process are the building blocks of a business system. Value creating activities can be divided into four types: (1.) those happening internally within the company, (2.) a joint sphere where mediating activities facilitate interaction and exchange between the business and its value creation partners (i.e. the co-development, co-designing, co-creation, co-producing of value processes), (3.) external activities (e.g. activities performed in the market and the environment), and (4.) value creating activities that occur in context (i.e., value in experience).

4.1.2. Internal Value Creation Processes

Establishing a strategy for managing the key internal factors that improve a company's ability to create value is essential to achieving higher levels of success. The factors that determine the nature of the internal environment of a business are defined as key activities. Key activities are primary and supporting procedures and processes that a company must perform well to fully operationalize an effective competitive strategy. Primary activities include managing the production and service activities of the business, managing the value chain, and marketing strategies – which include co-creating valued experiences with and for customers. The experience should be innovative, unique, and difficult to duplicate. Primary activities also involve the sequences of the value chain that add value to a product or service, transferring it to the customer, service afterwards, and attempts to establish a good ongoing relationship with customers and stakeholders. "The value chain is a collection of activities that are performed to design, produce, market, deliver, and support a product. A firm's value chain and the way it performs individual activities are a reflection of its history, its strategy, its approach to implementing its strategy, and the underlying economics of the activities" (Porter 1985, 36). This includes the inward and outward flow of value propositions, information/knowledge, operations, and the storage and distribution of goods and services. Supporting activities consist of the company's tangible resources, structural resources, technological resources, and the management of intangible resources.

The value chain supplies various types of resources and provides various types of services for the company's value system. The value system includes leadership, the corporate structure and management, the corporate culture which drives the implementation of its overall corporate strategy, and discrete functional activities carried out by specific departments. The corporate culture both reflects and determines the effects that the implementation of the firm's strategy has on its value system and at the unit level. The value system is the basis of the company's identity and it reflects the business strategy as well as the effectiveness of its value creation processes (Hammer and Champy 2001, 86). A company's value system is reflected in the key strategic tasks involved with integrating resources and relationships so that they not only create value but, in addition, co-invent new innovative ways to bring sustainable value to stakeholders. The effective integration of resources and relationships sparks new qualitative improvements that provide customers and stakeholders with a more satisfying experience with the company.

A company's "Key strategic task is the reconfiguration of roles and relationships among the constellation of actors in order to mobilize the creation of value in new forms and by new players" (Normann & Ramirez 1993, 65-66). The relationships take place within networks with distinct structures of "Intentionally created constellations of actors. These actors pursue repeated, enduring exchange relations with one another and deliberately work together to mobilize value creation. We conceptualize these structures as value constellations" (Kowalkowski et al. 2013, 19). In the theory and practice of both organizational behavior and strategic management, conceptualizations of the process of creating value have evolved from the basic value chain framework (Porter 1985) into more elaborate contemporary conceptualizations of the nature of value creation activities and networks – such as value constellations (Normann & Ramirez 1993).

There is no doubt that Porter's value chain model remains the basic framework for a contemporary strategy for optimizing the processes and activities of a company's value system. However, the contemporary model regards the value chain as an aspect of the value system (or its value constellation). Conceptualizations of the value system reinvent the nature of the relationship between stakeholders so that the roles of the creator, producer, and supplier of value are combined or integrated. Business agents who engage in value constellations take the notion of economic value beyond the idea of a dyadic transaction the company engages in (e.g., its production costs and the price it charges in exchange transactions). The new model conceives of interchanges taking place in complex transactional webs. The transactional webs are value-creating systems that exist among multiple stakeholders, each of which participates in creating, producing, providing, and exchanging benefits, cost-effective outcomes, and worth. Thus, successful internal value-creating strategies reinvent the nature of relationships in ways that culminate in more productive and inventive value constellations. From this perspective, increasing the value producing capability of the internal value system is the outcome of the positive and beneficial relationships established within the value constellation.

Internal strategizing based on the value creation approach focuses on identifying and taking advantage of opportunities to add value – both in terms of the perceived value offered to the customer and the value added to the company's assets. The integrative approach to internal strategy not only includes consideration of the value added throughout the sequences of steps in the value chain but admonishes managers to see the possibility of generating greater revenue growth and having a greater impact on the industry by creating an innovative value breakthrough in the industry and enjoying the benefits of the innovative breakthrough in the form of profit. The mechanism for reinventing value is the company's overall value system. The company's value system influences three important strategic areas: (1.) the operations of the value system (i.e., including strategies that promote the growth of the value system); (2.) managing the quality of stakeholder relationships in such a way that it improves how the company is viewed in the market; and (3.) the quality of the relationships that take place at the three levels of the business system: at the corporate level, the business unit level, and the functional-level.

Thus, the way in which corporate-level strategy impacts the overall value system is the fundamental factor in successfully reinventing value. This involves the impact that the company's values and culture have on achieving its strategic objectives; on its relationships, reputation, and image; and, as well, on the quality of its products and services. The corporate-level strategy determines the acquisition and allocation of resources; the growth of the company; how the company is structured; how to optimize human and capital resources; the most effective and efficient value creation procedures, processes, and activities; and the governance structure of the organization. A corporate level strategy is a comprehensive plan for coordinating the creation of value by the various business units. Corporate strategy also determines the scope of a company's activities and outlines a plan for how a company's units operate to achieve its goal. Thus, a corporate strategy precedes the competitive and tactical planning related to business units and functional strategies. However, as will be emphasized in the following paragraphs of this subsection of the chapter, corporate level decisions include plans for aligning all three levels.

For example, if one section of your business manufactures a product and another section of the business specializes in showrooms to sell the product, you will have a separate business unit strategy for each. But you will have one single corporate-level strategy that describes how those two units interact for the good of the whole organization. When the managers of a firm are faced with the necessity of developing a structural strategy for organizing the firm's value-creating activities, the simplest solution is to corporatize decisions to meet the demand for coordination. Thus, a corporate level strategy is a plan for enhancing value creation by corporatizing decision-making, leveraging core competencies, sharing activities, planning processes that coordinate the interaction between value activities so that they strengthen core competencies, and planning the extent to which there is a loose or tight coupling between the operational units of the firm. "Corporate strategy is what makes the corporate whole add up to more than the sum of its business unit parts" (Porter 1989, 234).

When corporate strategy is applied at the level of a business unit, it becomes a plan for outperforming competition in transforming resources into outcomes valued by customers. Having a strategy at the business unit level allows managers to plan procedures, processes, and activities that strengthen the value creation capabilities of each unit and to decide how to allocate resources to each unit. "While the corporate strategy concerns the basic thrust of the firm (e.g., where top managers would like to lead the firm), the business strategy, or competitive strategy, addresses the competitive aspect – e.g., who the business should serve, what needs should be satisfied, how core competencies can be developed, and how the business can be positioned" (Parnell 2014, 183). Determining a strategy for business units involves consideration of the complexity of the business operations and structure. Strategy at the level of the business unit is essentially relational and competitive strategies – i.e., increasing value by improving the quality of relations and by better competitive performance in the market. Business unit strategy is focused on how the company, its products, or services stand in relationship with its stakeholders and in terms of its position in the market. An important factor in increasing the value offered to customers and the market and, as well, the value appropriated by the company is how unit operations differentiate the product or service. Differentiation occurs when a product or service is perceived to be distinctly appealing in terms of value and quality, plus uniquely desirable in terms of experience compared to that of the competition and offering that value, quality, and experience at a lower price.

What it takes to accomplish the corporate goal of creating and delivering quality products and services to customers has a different meaning for each functional unit of a company. Thus, it is necessary to establish specific types of value-creating operations at the functional level for the overall corporate goal to be realized. Functional or operational strategies are specified daily activities that are undertaken by departments in support of the business unit and corporate level strategies. Functional level strategies are the specific operations undertaken by the different units to achieve the company-wide goal of maximizing resource productivity. They involve a level of strategy that improves an organization’s ability to function by focusing on the effectiveness of employee activities, the efficiency of processes, the innovative improvements in quality produced by each unit, and how the company’s performance impresses customers and stakeholders. Strategy at this level is often referred to as tactical. Specific functional level strategies are important because achieving corporate and business objectives requires multiple functional areas (e.g., HRM, production, distribution, marketing, customer service, R&D, finance, etc.). In addition, just as large corporations have several business departments, each with its own business strategy, each department can have its own set of sub-units or teams, each with its own functional strategy.

However, “Managers in all functional areas should understand how the areas should integrate, and they should work together to formulate functional strategies that fit together and support the corporate and business-level strategies – to ensure that the various departments are well coordinated and work together” (Parnell 2014, 219-220 & 236). Enterprise integration means managing the functional activities so that they contribute to improving the performance of the entire value system. There are serious drawbacks to a failure to implement integrated value creation business processes. A business suffers a disadvantage if it gets its work done by processes that promote narrow, predefined, and structured intraorganizational boundaries (i.e., departmental silos). Business processes that suffer from the silo drawback are fragmented because they lack cross-functional integration. Developing functional-level strategies that are aligned with the needs of the overall business requires establishing an effective communication system for feedback, evaluation, and tracking progress. Offering customers innovative products and services with a higher level of quality, value, and satisfaction is based on integrating value creation processes by means of the organization's information and communication systems so that all functional areas support the coordinated operation of these processes and provide a central information resource for the organization.

Coordinating business-unit strategies so that their functional activities are integrated with the company's overall strategic initiative is based on leveraging core competencies. Core competences are the bundles of resources and capabilities that provide a company with unique and distinctive advantages. Organizational leaders and managers are faced with the challenge of devising a strategy for coordinating internal processes so that they grow and sustain value for customers by bundling the resources that build capabilities and leveraging those capabilities to gain a competitive advantage. The effective coordination of functional processes is based on leveraging the ability to add value to resources by managing them efficiently. Thus, the essential objective of a functional-level strategy is to leverage the firm's core competencies so that corporate and business unit performance improves, and resource productivity is maximized.

One of the essential performance outcomes that leveraging core competencies is meant to achieve is offering innovative quality. In terms of value creating processes, quality is defined as the value generated by business activities that satisfy or exceed the expectations of customers and stakeholders. Strategies for quality management are meant to offer customers an innovative product or an appreciable experience and provide services that raise the level of the perceived value that the customer experiences. Quality management requires knowledge of how customers perceive and experience value and transforming that knowledge into processes that create and deliver products and services of a higher level of quality. Quality management includes a plan for improving the process by which decisions are made, integrating the value creation activities and processes so that they are standardized/invariable, and eliminating activities that are not creating value for customers. Quality Management (e.g., Six Sigma, Total Quality Management, and Lean Production) is a basic strategy for improving the processes that create value. Improving the quality of products and services involves formulating and implementing a strategy that exploits the uniqueness of a firm's portfolio of resources and capabilities. In this respect, quality management initiates quality-driven processes and activities for delivering better value to customers, plus for creating quality relationships that offer customers valued products, services, and experiences.

4.1.3. Firm-Customer Relations

The current prescriptions for success in business correspond with the fundamental principles of the integrative approach to value creation. The core principle is relationship building and related to that is the principle of engagement (i.e., the quality of the interaction is perceived as a highly appreciated experience). Relationship building means interacting with a customer in a way that results in the customer experiencing a distinctly and qualitatively valued feeling of satisfaction (Pine and Gilmore 2011, 120-122). The value creation concept is also based on the principle that good relationships require authenticity and integrity. There is a great deal of spontaneity in authentic relationships and this spontaneity generates creativity, novelty, and innovation. Such relationships last and there is a great deal of reliability and loyalty girding the relationship. Relationships last when you are sure the other person can be trusted and when you believe the other person is sincerely concerned about what is in your best interest. The better the relationship, the more there is also a great deal of reflection and careful consideration of how to sustain the quality of the relationship. The fundamental principles of both good relationships and value creation also include mutuality (i.e., the relationship provides mutually satisfying benefits). Finally, market exchange in contemporary value creation terms proposes commensurate exchange as a basic principle of the integrative perspective of social and economic exchange. Commensurate exchange means interacting in a way that the principle of mutuality is reconciled with the pursuit of capturing value and, in terms put by classical economics, an exchange where the buyer and seller are both satisfied with what is received in exchange for what is given.

The fundamental conceptualizations and principles of value creation emphasize effectively managing firm-customer relations as a primary means of ensuring that the customer experiences a more desired state of existence. Firms enter relationships with customers with the intention of facilitating their ability to experience what will improve their quality of life (Normann and Ramirez, 1993). When a company does a good job of managing firm-customer relationships, the customer, in return, voluntarily offers resources that benefit the business. In addition, positive engagement reduces the risk of the customer acting in any way that is detrimental to the company. Therefore, according to the conceptualizations and principles of value creation, effectively managing firm-customer relations ensures that both the company and the customer enjoy a greater amount of what they consider valuable (Payne et al. 2008, 86; also see Prahalad and Ramaswamy

2000 for explanations of creating value for both customers and the company).

The contemporary literature on organizational theory, management, and marketing stresses that the most essential factor in the value creation approach to performance improvement is to devote resources and competencies to creating desirable benefits and experiences for customers. In addition, the literature stresses that the customer tops the list of the most valuable assets of a business. "Since the early 1980s, the dominant force in the seller-customer relationship has shifted. Sellers no longer have the upper hand; customers do. Customers now tell suppliers what they want, when they want it, how they want it, and what they will pay" (Hammer & Champy 2001, 20). That is to say, the contemporary literature stresses that the relationship between the firm and its customers is the key factor in a company's ability to effectively apply the value creation concept toward improved performance (Vargo et al. 2008, 146). Therefore, a strategy for effectively managing firm-customer interactions and engaging customers in value creation processes and activities is a key component of the integrative value creation strategy. Effectively managing firm-customer relations is the key to increasing sales and customer retention. It is also the key to co-creating innovative ways of improving quality, features, function, and design, decreasing costs, and customer retention.

The most successful companies in firm-customer relations – thus in providing customer satisfaction – are more likely to gain the loyalty of their customers, have a better image and reputation, and have customers that spend more on their products and services. This fact prompts companies to establish customer-centric business models and strategies. A strategy for firm-customer relations is a plan for determining how to create a reciprocal value exchange between the firm and its customers (i.e., value in terms of what the customer receives and that the firm appropriates) and developing a sustained exchange with the customer. A conceptual model that focuses on firm-customer relations emphasizes integrating corporate strategy with a customer management strategy to maximize the ability to employ the firm's bundle of resources toward increasing its value assets. A value creation business model compels managers to think of customers as representing an opportunity, as a resource – in terms of a source of competence, and, in addition, each customer is a potential supplier. Thus, the goal of a customer-centric business strategy is to put in place a means by which resources are effectively and efficiently applied to opportunities. In other words, the value creation approach prompts managers to "Rethink the nature of both resources and opportunities, the locus of competence, and how access to competence is developed" (Ramaswamy and Ozcan 2014, 15).

The fact that top-performing companies structure possibilities for customers to take part in their value creation processes and activities has resulted in the value creation concept evolving into the notion of co-creating value. The co-creation aspect of the value system "Breaks down the distinction between products and services and combines them into activity-based 'offerings' from which customers can create value for themselves. But as potential offerings become more complex, so do the relationships necessary to create them. As a result, a company's strategic task becomes the reconfiguration and integration of its competencies with customers" (van der Heijden et al. 1993, 1). Co-creation is defined as designing and producing valued experiential outcomes by means of joint interactions between the firm and the customer. Co-creation involves the sharing of various types of value-creating knowledge and resources by means of two-way, open, and dialogical processes of collaborative interactive exchange. In short, co-creation means considering the customer as a key component of the company's value creation system (Normann and Ramirez, 1993, 69).

When the process is based on effective management of firm-customer relations, the firm facilitates opportunities to co-create value with the customer (Grönroos and Voima 2013, 145). The scope of co-creation activities encompasses the entire process of design and production, plus the end-to-end process of developing and launching a new service. "Consumers, and individuals at large, want to influence how they will be served and therefore want to be involved in the activities typically thought of as internal to the firm. These entail qualitative differences in access to resources and the value creation process" (Ramaswamy and Ozcan 2014, 27). Effective management of firm-customer relations increases the likelihood of the customer contributing to the input of resources necessary for providing outputs that are more satisfying to them. Thus, effective management of firm-customer relations results in the firm and customer jointly co-creating benefits desired by both.

The firm's relational capabilities influence its ability to acquire the knowledge necessary for reducing process costs and increasing efficiency. Thus, firm-customer relations top the list of the means for generating the knowledge needed for improving a firm's value creation capabilities. Knowledge is regarded as one of today's most valuable commodities. Thus, it follows that customer knowledge is one of a company's most important resources. "Knowledge is defined as the meaningful links people make between information and its potential applications in a particular setting and, as such, knowledge is closer to action than either information or data" (Dixon 2000, 13). In short, knowledge is the key input needed to achieve the desired economic output. The knowledge gained from relationships with customers provides a source for learning how to generate innovation by reengineering the firm's value creation capabilities. By developing strategies to leverage their relational resources in knowledge-based interactions, firms make their value offer more effective. Acquiring knowledge also provides a firm with a better understanding of how to reduce transaction costs. Effective management of firm-customer relations allows the company to "Segment its customers and market not only on the basis of products and services, but also according to how much can be learned from them. New customer segments are the most important source of learning and future strategic opportunities" (Zach 2003, 71).

"Customer relationship management is a customer-oriented business approach which includes the analyzing, planning, and controlling of relationships with customers through the use of state-of-the-art information technologies. It is a combination of business processes, customer strategies, and technology for achieving higher customer loyalty and profitability" (Khalilabad et al. 2006, 4). Today, it is possible for companies to create digital interactions in real-time focused-around the problems and needs of a particular customer. Customer relationship management relies on information communication technologies to gather "big data" about customers. A company uses that data to strengthen firm-customer relationships and to facilitate more profitable customer relationship management. Advances in communication technologies – such as social media, e-marketing, the loyalty business model, and call centers – provide companies with direct access to customers and vital information about them, which can be channeled into customer relationship management. "Technology, in the form of sophisticated, easily accessible databases, allows service providers and retailers of all kinds to track not only basic information about their customers but their preferences and requirements, thereby laying a new foundation for competitiveness" (Hammer & Champy 2001, 21). The point is that, if managed effectively, knowledge generation strengthens the value chain by transforming raw data (which is a vital resource) into value.

The application of knowledge management technology is the basis of an integrative framework for tracking customer relations throughout the entire enterprise and throughout the customer's lifecycle. Advances in communication technology allow companies to enter "Bilateral and multilateral relationships at the same time" (Ramaswamy and Ozcan 2014, 27). This means that the company's strategy must include a plan for developing its capability to use technological advances to gain insights into the individual experience domains of its customers and structure organizational operations that are geared to meet the variety of desired individual experiences accordingly. By integrating knowledge management with customer relationship management, the company generates the information needed to customize its entire relationship with each customer (Ramaswamy and Ozcan 2014, 155). Thus, firm-customer relations work as one of the most significant factors in value creation when company leaders and managers adhere to five things: (1.) create value in relationships that include internal and external stakeholders, (2.) the essential resources needed for success are primarily in the hands of the firm but supplemented by the resources provided from internal and external relationships, (3.) the relationship is created and sustained by establishing contexts where customers can have an appreciable experiential encounter with the value offer, (4.) develop a strategic plan for collecting, managing, and analyzing data on customers by means of demographic, geographic, and psycho-graphic segmenting, and (5.) adopt the relational approach to not only selling to customers but also retaining them.

4.1.4. Value Creating Networks as a Factor in Performance

In today's market landscape, businesses improve their performance and increase their access to needed resources by cooperating and collaborating with partners in value creation networks to co-create and co-produce value of superior quality. Participation in value-creating networks enhances a company's capabilities because cooperation and collaboration allow the participants to do far more with what is otherwise a limited number of resources (Poirier & Walker 2005, 6). In this respect, the value input of the participants in the network increases the value output for all participants. The combined co-creating capabilities and competencies of the participants in a network expedites the ability to adjust to market dynamics and changing customer demands. It also allows for rapidly responding to customer needs, immediate market demands, and business opportunities. Networks provide a means for companies to tap into strategic entrepreneurial opportunities, knowledge sources, and other resources that are available within an industry's cooperative, collaborative, and interdependent strategic partnerships. Networks are a critical factor in the ability of companies to extend their reach, their influence, and expand their ability to distribute products. Network "Interconnection makes it increasingly easy for different companies to carry out interdependent activities regardless of their geographical separation" (Parolini 1999, 47).

Today's economy is characterized as a network economy where companies operate in a demand-driven market arena in which business enterprises must expedite their response to the value demand. Responding effectively to a demand-driven market arena depends on acquiring reliable information from a variety of sources and acting on it quickly and effectively. Network arrangements include strategic alliances, joint ventures, partnerships within enduring buyer–supplier relations, and joint research and development projects. Value-creating networks are a key factor in performance because participation in a network is a primary means of strengthening the relational performance of the company. A value network is defined as "A dynamic, high-performance network of customer-supplier partnerships and information flow" (Bovet & Martha 2000, 2-3). They are a set of connections between organizations and/or individuals interacting with each other in a way that increases the benefits they enjoy from their value-creating partnership. The relation-specific resources generated by the network enhance a company's ability to produce unique and distinctive value outputs. The relational benefits include a reduction in transaction costs plus important legal and technical advice. Thus, the network is increasingly becoming an essential factor in a company's value creation capability because it optimizes the quality of the production of the value chain and the value created in relationships with stakeholders. In this sense, value creation networks advance the notion of the value chain by bridging corporate strategy with internal and external relational strategy.

Networking serves as an effective factor for improving performance when leaders and managers view value-creating processes and activities as taking place within strategic partnerships that represent a new type of structural sphere. The network factor is most effective when the relationship is made-up of the participants in the value chain, the customer, and the stakeholders. Networks are effective when each stakeholder in the value system is committed to the 'value-adding partnership'. Thus, those devising a business model for the network economy must conceive of a value system as an open network that can be coordinated with the activities and resources of partners. This includes changing the notion of "The structure of value co-creation processes from co-located contexts into dynamic, distributed, and technology-enabled ones" (Breidbach and Maglio 2016, 83). Just as value creation processes must align the activities of the various departments with the overall objective of the company, they must also effectively integrate network processes. Thus, value-creating networks are most effective as a factor in performance when company operations are based on a business model that conceives of value as created in complex interactions between a business (e.g., its operations, resources, and processes), stakeholders, and facilitated by advances in technology.

The activities of the network and the value-creating interactions between the participants are enhanced by utilizing advances in communication technology. New communication technologies provide an instantaneous supply of information. In this respect, the network provides an essential resource for generating strategic innovation. The reduction of technical barriers and seamless access to data initially leads to increased, more efficient, more visible information flows among network partners, more effective coordination of interfirm relations and activities, improved decision-making and planning processes, and rapid dissemination of industry-related information – although this does involve the possibility of exposing trade secrets (Barua et al. 2004, 379-380). The network economy – facilitated by information communication technology – empowers participants by combining their capabilities, resources, and skills to achieve goals that would not be possible working independently.

The network acts as a beneficial factor when there is a good match between the partner's long-term objectives, their expectations for the objectives of the alliance, and when the resources exchanged increase the value-creating capability of the partners (Becerra 2009, 194). Therefore, to maximize the benefits of the network as a factor for improving the company's value system (including the benefits of e-business and social networks), a company must develop a strategy for converting the value assets made available by the contributing individuals and organizations (e.g., services, resources, knowledge, and revenue) into forms that can be utilized by the partners to fulfill their economic and social goals. "However, this is only possible if the [individual and organizational participants] have the same opinion concerning the value that they are to create in their network, are convinced that they need each other in order to create it and have come to an agreement as to how the created value is to be divided" (Parolini 1999, 47).

In the process of reinventing business and economic models, scholars are increasingly realizing that the performance of the overall system is based on integrating social and economic value creation systems. Establishing effective value-creating networks, above all, means building lasting alliances and relationships with other economic players to ensure the competitiveness of the system. The stable relationships and lasting alliances with other economic players ensure that the system operates in a way that is more competitive than alternative systems. Thus, from an integrated systems perspective, value creation networks improve competitiveness, increase sustainable prosperity, and increase the stability of the entire social economic system. The integrative value creation theory is a model for ensuring the flourishing of the system because the process of co-creating and exchanging value includes acting as resource integrators for the benefit of the ecosystem, which is the basis of economic activity. Therefore, the integrative approach to value creation "Allows for a more holistic, dynamic, and realistic perspective on value creation, through exchange, among a wider, more comprehensive (than firm and customer) configuration of actors" (Vargo and Lusch 2016, 5-6).

This, in turn, suggests that a network generates a dynamic value ecosystem. Value creation networks are the basis of *Creating Shared Value* in that they produce knowledge of how a society can sustain a balance between enjoyment of material abundance and, at the same time, experiencing human flourishing and an improved quality of life (Porter & Kramer 2011, 66). The nature of our social, market, and economic reality is characterized as interdependent. A business has the opportunity and privilege to mediate the value created and experienced plus the values shaping social economic reality by engaging stakeholders in value-creating networks. Thus, the integrative systems approach to networking "Expands the total pool of economic and social value. No firm is self-contained. The success of every company is strongly influenced by clusters. Clusters are prominent in all successful and growing regional economies and play a crucial role in driving productivity, innovation, and competitiveness" (Porter and Kramer 2011, 65 & 72).

4.1.5. The Value Proposition as a factor in Performance

The value proposition concept was introduced earlier to explain the necessity of making a value offer that matches what is valued by customers and, as well, by the market. This section elaborates on the explanation of how the value proposition acts as a factor in improving performance. The emphasis is on the value proposition as an aspect of strategy, as an effective engagement tool for initiating relationships with customers, for enhancing relations with stakeholders, and how it acts as a mechanism for articulating the value that represents the company's identity, mission, culture, and capabilities. This section also explains a strategy for designing an effective value proposition. In this section, the value concept (in accordance with how it is conceptualized in the literature explaining how to make a good value proposition) is regarded as elements perceived as advantages over rivals that a company offers to meet the needs and aspirations of customers. Value is an offer the customer can realize in meaningful experiential terms and an offer that strengthens the relationship with the customer (Gummerus 2013, 19-20).

The value proposition serves as the key aspect of a strategy for manifesting the company's vision of value (Lanning 1998, xv). "At the heart of strategy is a unique value proposition; a set of needs a company can meet for its chosen customers that others cannot" (Porter and Kramer 2006, 89). It acts as an integrative tool for tying together the company's strategy for channeling its resources and competencies for creating and capturing value with its strategy for responding to the demands of the external environment. When used effectively, the value proposition determines how the company's value offer will be perceived by the target user. "Strategy requires a clear articulation of targeted customer segments and the value proposition required to please them. The clarity of this value proposition is the single most important dimension of strategy" (Kaplan and Norton 2004, 10). Strategy involves developing a differentiated customer value proposition. Proposing that your offer satisfies customers in the unique and personalized ways that they desire is the source of creating sustainable value in ongoing relationships with them.

The value proposition toolbox includes a mechanism for engaging the customer in a long-term and rather personalized relationship. The relationship is sustained when parties reciprocally communicate how to co-create and co-produce improvements in the value created. This includes reciprocally communicating how to increase the benefits the relationship generates. The appeal, for enticing customers to enter the relationship, is an offer that is distinguished in ways that make it preferable to what competitors offer. Companies are continuously endeavoring to learn how to adjust their value proposition to meet the consistent demand for innovation, better features, and a competitive price. This can be achieved by planning the relationship so that it includes co-creation and feedback generated by the company's relational strategy. Thus, the value proposition strategy includes designing, managing, and mapping the life cycle of the relationship with customers and stakeholders. The value proposition is an effective performance-enhancing mechanism because it acts to entice customers and the participants in the value network into a relationship that increases their benefits, satisfies their desire for meaningful experiences, and enables them to realize their desired value outcome. Organizational, marketing, and customer behavior research indicates that a greater percentage of companies operating with a strategy for engaging customers in experiential relationships exceed their profit goal as compared to those with no such value proposition strategy.

Companies develop a value offering in response to what they perceive to be the needs of customers. A key aspect of the company's value system is a strategy for offering value to the participants in its customer chain, those in its value creation network, the market, and stakeholders. For example, a manufacturing company may deal directly with a wholesaler who, in turn, deals with the retailer. Thus, it is the retailer who deals directly with the end user. In this case, the value proposition acts as an effective factor when a company has devised a strategy for managing value offerings intended for end users but facilitated by a process that includes a value network. That is to say, the ability to deliver value is based on the supplier and the customer co-creating "Components of the value proposition, which are then considered and modified to the satisfaction of both parties" (Flint and Mentzer 2006, 142). To do this better than competitors, the company must implement a preemptive strategy for relating to and negotiating with partners and other stakeholders on how to co-create, co-produce, and deliver value to customers and the market. Managers are effective at employing their value proposition to improve performance when they understand and utilize the tools involved in designing the value proposition and the mechanisms involved in its functioning.

At the strategic level, customer experience is integral to the organization's success and performance. As a factor in improving performance, the value proposition indicates how the customer will benefit in ways that are experiential – which is also regarded as the key to gaining customer loyalty. In the integrative approach to value creation, it is the experience that enables the customer to qualify the value of the company's offer, thus is the way that the customer determines the quality of the relationship. "Companies stage an experience whenever they engage customers, connecting with them in a personal, memorable way. Such experience offerings occur whenever a company intentionally uses services as the stage and goods as props to engage an individual" (Pine and Gilmore 2011, 5 & 17). Commodities, goods, and even services can seldom be experienced in a way that is personally internalized. To make the offer inherently personal, a company makes a value offering that the customer experiences as customized for personal satisfaction. Indeed, in the era of the experience economy, engaging the customer experientially is regarded as one of the most effective ways to distinguish a product or service and to differentiate an offering. The personalized value offer takes into consideration the subjective and context-based understanding of what is appropriate, novel, and useful. In addition, planning a value proposition by taking into consideration the individual's social and cultural context includes realizing that what is considered valuable has qualitative as well as quantitative aspects.

The value proposition is a manifestation of the company's business model and strategy. It is in this sense that organizational literature refers to a value proposition pyramid as the organization's ultimate mission. The value proposition pyramid is a model of how contemporary businesses motivate performance and achieve the company's strategy for manifesting its value capabilities in the form of meaningful customer experiences. Earlier, in the discussion about motivation and leadership, values were mentioned as a means of heightening the satisfaction experienced by stakeholders in their relationship with the company. This approach to motivation was accompanied by a change in the notion that the value produced by the company deteriorates when it reaches the customer and then can be disposed of. That is to say, when Maslow's Hierarchy of Needs Theory influenced social relations theorists and organizational practitioners began to conceive of a value proposition pyramid as a model for a valued experience and as the pinnacle of a good relationship with a customer. Think of the very bottom of the pyramid as representing the basic products and services that the company offers. When the emphasis is on the bottom of the pyramid, the relationship tends to be transactional. As we move to the second level, customer needs are less tangible and of a more emotional nature, thus the need for a more relational and experiential type of the value proposition. Ultimately, the highest level of value is transformational. The transformational value proposition is an offer to engage the customer in ways that are customized to provide satisfaction and enjoyment that is intrinsically personal, that improves the quality of life of the customer, and includes appeals to sustain the benefits of the relationship.

As is true with having a value-based business strategy that is focused on firm-customer relations, the value proposition permeates every aspect of the company: e.g., its mission, identity, culture, and procedures (Kaplan and Norton 2004, 38-49). The value proposition is the primary means by which a company's value creation mission and its strategy for customer satisfaction are articulated. Consequently, the company's internal strategy should include gaining a consensus on exactly which customer value delivery mission shapes its processes, procedures, and activities. In other words, strategy must manifest as a process for formulating and offering a value proposition. It is the formulation of the value proposition and the endeavor to implement it that determines how a company organizes its core capabilities to outperform the competition (Lanning & Michaels 1988). A business must know five essential things to know what its offering means or is worth to the end user and other stakeholders:

1. Timing – when and where is the offering needed (i.e., when must it be delivered)?
2. What positive value is experienced and the parity value of the experience (i.e., how does the experience compare to alternatives and what is the experiential outcome)?
4. How can we be in greater proximity to the specific group of customers we are targeting in both actual geographical space and/or in virtual space?
5. What other possible options can the customer take advantage of?

The value proposition captures attention because it makes a clear, compelling, enticing, credible, and convincing appeal to customer needs, wants, and demands at a price that delivers greater value than they can obtain from other merchants in the marketplace. The most successful companies "Craft their value proposition to meet the needs of their targeted and most profitable customers. They exploit three powerful offers: super service (especially speed and reliability), convenient solutions, and customization" (Bovet & Martha 2000, 247). To be persuasive, the value proposition must be distinctive in ways that resonate with the end user, it must propose distinct advantages in terms that are measurable (e.g., savings, functional advantages, quality advantage, features advantage, convenience, and solve a particular concern), and it must point out favorable differences that make the offer preferable to other options. To be an effective factor, the value proposition must have five components: e.g. (1.) the relational, (2.) the experiential, (3.) the co-creational, (4.) a digital (i.e., it must provide access to digital information and provide an opportunity for an interactive experience), and (5.) a service component. In addition, the offer must appeal to customers in one of three ways: delivering value in terms of quality and excellence but at a low price; delivering value by becoming a leader in the industry through innovation, excellence, and pathbreaking entrepreneurial creations; and delivering value by offering customers a customized experience that has value of high personal worth.

Appealing to customers with value propositions that improve their well-being in multiple dimensions makes co-creating and offering types of value that improve the quality of life the aim of the corporate strategy. Offering products and services that enrich the quality of life for customers and stakeholders adds a new dimension to strategizing for competitive positioning. Thus, there is an entrepreneurial spirit at the heart of the value proposition. At the heart of the value proposition is the desire to generate positive change in the form of a creative breakthrough that provides tremendous social and economic benefit. This includes the willingness to work with stakeholders in the value system to create more satisfying and beneficial future change. "Therefore, firms exist to integrate and transform micro-specialized competences into complex value propositions with market potential" (Vargo et al. 2010a, 21). Designing the value proposition tool so that it offers the realization of more satisfying, fulfilling, and profitable future relationships is an integral part of a viable value creation system and of flourishing social economic systems. In this respect, the normative function of a social and economic exchange system "Is to connect people, technology, and information through value propositions with the aim of co-creating value for all [agents] participating in the exchange of resources" (Vargo et al. 2010b,135).

4.2. Value Creation and Designing an Organizational Structure

A basic premise expressed in several sections of this book is that the top performers in business are driven by the desire to create distinctive value and are motivated to express that value in the form of a dynamic breakthrough. Their own core values are the basis of their personal vision and mission. It is their vision that determines how they conceptualize their business model, how they decide on a business strategy that operationalizes their mission, and how that strategy is implemented in their relationships with employees, customers, and stakeholders (Drucker 2002, 8). Their mission, vision, and goal shape the character of value-driven entrepreneurs, their business model, the strategy for optimal performance, and the design of an organizational structure for executing their desire to create and deliver distinctive value. In other words, the nature of the company and the design of the company structure are established as a means of achieving the ambition to create and offer something of unique value.

From the perspective of the integrative approach to value creation, designing the structure of a company is a matter of determining the best way to organize a firm's bundle of resources to gain and maintain a competitive advantage. The decision about how to structure an organization is influenced by factors that range from large firms that tend to increase the formalization (bureaucratization) of their systems (which tends to work best in stable environments) and entrepreneurial-type firms that operate in dynamic environments and have a greater need for structural flexibility (Mintzberg 1989, 322). However, because the resurgence of the fundamental principles of value creation places so much emphasis on customer satisfaction – which also changes the nature of market exchange – organizations are finding it necessary to redesign their structures. To adjust to the demand for customer satisfaction, a business must be structured so that customer-centric capabilities are prioritized by all its units and in all its processes, functions, and teams. The new approach requires designing a value creation system so that decision-making, business units, and communication networks are structured in a way that allows the customer's interests to be voiced, prioritized, and acted on throughout the value creation network. This changes the focus of structural design from inside-out to one that is outside-in. The outside-in system must be integrated with internal operations (e.g., a front-to-back communication and information system where people closest to the customer and stakeholders provide information to those at the back end). This includes designing structures that facilitate meeting, engaging, developing meaningful relationships with customers, and involving them in co-creating value on an ongoing basis.

In their effort to adjust to complex market dynamics, organizations are designing adaptive multidimensional structures which allow them to "Attain functional excellence, generate new products and services, and be responsive to customers" and stakeholders (Galbraith 2014, 99). These new multidimensional structures are referred to as hybrid or mixed structural designs. A matrix structural system is also a popular type of adaptive organizational design. "A matrix is a two-dimensional organization where the company is simultaneously organized around two dimensions – functions and profit centers" (Galbraith 2014, 32). In practice, the matrix combines features which will allow it to operate within a stable framework while, at the same time, it is structured as a balance between functional, product, departmental, and geographical approaches to designing the organization's structure. "Matrix organizations achieve the desired balance by superimposing, or overlaying, a horizontal structure of authority, influence, and communication on the vertical structure. For example, manufacturing, marketing, engineering, and finance specialists are assigned to work on one or more projects or products" (Gibson et al. 2003, 405). This is referred to as a dual authority and allegiance system. The matrix structure works better in situations where there is interdependence between various aspects of the value creation network, thus there is the necessity for joint planning. The matrix structural design is increasingly popularized because it simultaneously accommodates some degree of flexibility while operating within a rather stable framework.

Designing an organizational structure is a process of determining how procedures and activities are orchestrated to operationalize the organization's strategic intent. "Organizational structure is the formal means by which work is coordinated in an organization. An organization's structure dictates relationships and accountability and defines where and how the firm's work will be done. It establishes a framework for identifying the levels in the organization where decisions will be made" (Parnell 2014, 271). The structure of an organization is designed for the purpose of managing information flow and processes and policy implementation: e.g., corporate governance, its system of who reports to who and its reward system. In addition, the structure is designed for coordinating and integrating business units and functions so that they effectively "Carry out the basic goals and policies and knit together the total resources of the enterprise" (Chandler 1962, 14). Designing a structure is also a matter of determining how people are organized to achieve the organization's goals. Structure has an impact on how people act in relationship to their work functions and with each other. Thus, structure influences effectiveness and efficiency. To fully comprehend the role that structure plays as a factor in performance one must understand that the design of a structure influences what people do and the effects of what is done determine performance. Simply put, to achieve the desired performance objective, the system must be structurally designed so that it operates in accordance with the strategy.

Structure is a factor in performance because it is the channel through which to communicate the performance objectives that must be accomplished to achieve the company's goal. If the strategy is to create value for customers and stakeholders, the structure of the organization must be designed to operate as a value-creation system. Designing the structure of an organization that has the primary intention of being value-driven literally means designing the system so that each unit and function acts as a component in the value creation system. That is to say, the system is designed to coordinate relationships and operations that result in delivering what the company's promises in the value proposition. Therefore, at the top level of the structure is a directive which is meant to ensure that the company

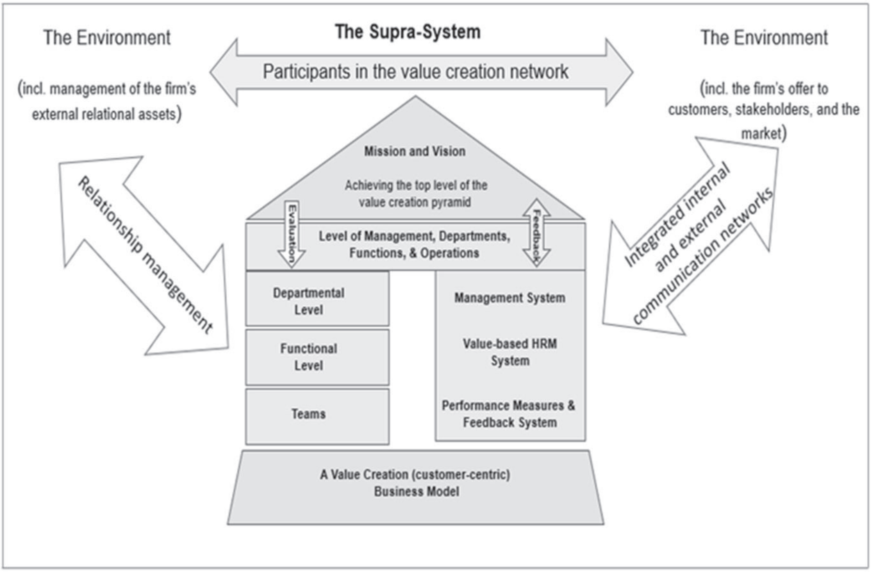

Figure 4: Illustrates a design for an organization structure that aims to achieve the top level of the value proposition pyramid, but as well, is designed for the value creation system to operate as a component of a supra-system.

is doing the right thing and that it delivers what it proposes to offer to customers and stakeholders (see figure four below for an illustration of the structural design of an integrative value creation system).

The top level is designed to designate how responsibilities to customers and stakeholders will be carried out, and this level also involves capital allocation. Although the top level of the system is focused on a corporate level strategy for providing experientially beneficial products and services, visionary leadership is also needed to design a future where the needs, wants, and demands of customers can be satisfied in sustainable, more fulfilling, economical, enriching, and elevating ways. The task of creating a future of more beneficial and desirable value experiences requires designing structures that reflect a harmonious interface between eco-aesthetics, technology, communication channels, and knowledge-intensive human interactions. This makes success in designing a business structure a matter of entrepreneurship, innovation, choice, and values. However, the most essential choice involves values, "In respect both to aim and to means. Inevitable to all social innovation is a value decision in respect to the objective, the specifications selected, the institution built, and the methods chosen" (Drucker 1959, 49).

The visionary leader – as is implied in figure 4 – designs a structure that not only shapes the nature of the internal organization but a structure that has impact on the nature of the supra-system as well. In fact, the executive level of an organization has the primary task of deciding how to structure itself as a facet of the environment, how to organize systems to enable obtaining what it needs from the environment, how and when to adapt to changes in the environment, and how to segment the environment (i.e., how to segment the market). This also involves determining parameters and the impact its activities will have on customers, stakeholders, and the environment. The "Structure and the environment need to be closely aligned; otherwise, organizational performance will likely suffer" (Wheelen et al. 2018, 304). Therefore, companies that are successful in adjusting their organizational system to meet changing environmental conditions are designed as learning organizations, are more innovative, creative, flexible, and operate more effectively and cost efficiently.

The second level of the organization's value creation system is designed for executing what is mandatory according to the organization's goal, objectives, and value proposition. The second level of the system also oversees the procedures, processes, and activities to ensure they are performed in a way that achieves the desired outcome. This level operates as a systematized means by which tangibles and intangibles are blended to engage employees in a way that is meaningful and produces outcomes that provide appreciable value for stakeholders. That is to say, the second level is where the company's leadership style, bundle of resources, culture, and core values all become evident in the form of value outputs. This level is designed to coordinate the connections between the departments, the functional activities, and the teams to ensure that the units and functions operate effectively. This management function is designed to add value to the system by motivating improvements in performance and regulating system activities.

It is the second level of the organization's value creation system that operates to create and deliver products and services to the marketplace. The value creation enterprise is designed so that business units and functional activities operate as platforms of engagements – using capabilities, resources, and networking to support interactive platforms. Companies that match their profits with companies with a much larger market share have done so by structuring themselves as value-creating platforms of interactions and information exchange (Brenner 2018, 6). The success of such operations depends on a structural design that integrates operations and the knowledge and innovation generating network. Designing organizational structures to facilitate networks is an important factor in strengthening the company's relational, creative, and collaboration capabilities. This makes designing a structure based on a value creation map an important factor in establishing processes that increase the internal value creating dynamics of the company (Marr 2006, 62-72). This can also be achieved by a design that facilitates knowledge generation and sharing and that increases relational capital (Drucker, 1975, 77; Ulrich & Ulrich, 2010, 55–73; Senge, 1990, 190–208; see also Miller 2015d, 16–17).

Operational management is designed to create complementary connections, cooperation, cohesion, and synergies between the value-producing activities of each department, functional unit, team, and with the firm's external value network. It is by designing complementary connections with network partners (e.g., by structuring a system in which assets can be shared) that the firm's capabilities are enhanced. Management also structures a repertoire of actions. A repertoire of actions is a system designed so that the prescribed actions, rules, and procedural norms are carried out in a way that enhances capabilities. The operational level can be designed to operationalize a strategy for grouping activities according to business functions. "When functional specialists interact frequently, improvements and innovations to their functional areas may evolve that may not have otherwise occurred without a mass of specialists organized within the same unit. Working closely on a day-to-day basis with others who share one's functional interests also tends to increase job satisfaction and lower turnover" (Parnell 2014, 275). However, it must be kept in mind that grouping employees according to their functional specialty is the basis of the silo effect. Consequently, if the firm is organized according to functions, it is important to design internal and external communication channels that will reduce the problems connected with functional silos.

Given the fact that an organization is a goal-seeking system, the structure of the system must be designed to align the value commitments of the individual constituents of the system with the value commitments of the overall organization. This includes designing a means for conflict resolution (Hammer and Champy 2001, 86). When the desired outcome is an increase in value, then the system must be structured to foster mutually beneficial exchange in the relationship between leaders and workers, and it must be designed so that each side contributes to co-creating the desired outcome (Burns 1978, 4; also see Miller, 2015a, 61). This includes designing both relational and communication systems that foster interactions between people as well as between people and resources to produce outcomes that enrich the lives of business leaders, employees, and external stakeholders.

Of course, ICT must be taken into consideration when designing a business structure. ICT must be "Embedded in business processes, the enterprise technical capabilities must be connected to the demands of internal managers and employees, plus the demands of external stakeholders as they leverage resources, access competence, and engage together in the co-creation of unique value" (Ramaswamy and Ozcan 2014, 144). The value creation system is designed so that functions and processes operate as integrated and interoperable services. This is achieved by designing the communication system so that different applications exchange information with one another to optimize operational processes. This includes integrating the information channels with the value network and structurally designing the network so that it is a service provider for customers and the various stakeholders in the value creation network. The feedback system is the aspect of the communication network that is designed to generate information about how the participants of the value creation system perceive the strengths and weaknesses of the system (i.e., to communicate how they perceive the system operating in practice).

A value creation organizational system must be designed/structured so that units meet with the environment to exchange ideas about the nature of value, to co-create value, and to exchange value. This aspect of the system must be designed in such a way that it ensures that information from the environment sparks innovative improvements in performance. For the system to operate in a way that achieves its desired outcome, it must be structured so that its internal interactions are aligned with the environmental conditions and, as well, structured in a way that allows adaptability to environmental contingencies. In this sense, designing the structure of an organization is a matter of establishing the connections necessary for creating a desired transformation (Baligh 2006, 39). Establishing the right type of firm-environment connections is necessary for creating valued transformations – which an integrative approach to value creation achieves.

Designing a transformative value creation system hinges on designing the organization so that employees, customers, and stakeholders are motivated to cooperate and collaborate to achieve the top level of the value proposition pyramid. That means cooperating to transform tangible resources into experiential outcomes and benefits that deliver what the company promises in the value proposition. Doing so effectively demands that the organization – like all organisms – is structured in a way that allows it to be nourished by and thrive in its environment. This implies that the organization-environment relationship must be based on certain principles that are referred to as an integrated system approach to value creation. In short, establishing a model that may be used to determine the business strategy and to design the structure of an organization requires adhering to the fundamental principles of market exchange and wealth generation. The fundamental principle for designing an integrative value creation system is that both capabilities and performance are enhanced (and the system flourishes better) if it develops a reciprocal interchange with the environment. Designing the structure as a sustainable value creation system is a matter of extending the range of beneficial interactions and exchanges with the environment. In sum, the nature of the structure of any organized system – but living systems in particular – is dependent on the nature and quality of the system-environment relationship and exchange.

4.3. Performance Measures

For the last several decades, the value creation concept has continuously risen in popularity to become the primary basis of how companies decide their strategy and design their systems. Although the value creation concept dominates the organizational and marketing literature, its validation requires a means of measuring its impact on performance. In other words, measuring the performance of the value creation concept is a significant factor in evaluating how effective it is for driving organizational improvement. Organizational leaders and managers increase their ability to improve performance by utilizing measurements to evaluate the outcome of applying factors prescribed to be effective for enhancing the operation of their systems. To make the connection between the integrative approach to value creation and performance clear, this section "Explains the factors involved in measuring performance improvement. With this knowledge, companies can make wiser strategic and operating decisions" (Koller et al. 2010, 5). However, the emphasis will be on indicating how and why the viability of the integrative value creation concept can be determined by means of performance measurements.

Performance measurement gives managers a valid impression of what proves to be effective or what has failed to meet performance objectives and the demands of the increasingly dynamic environment (David & Marquis 2005, 334-437). In today's rapidly changing economic environment, the nature of the market demands a flexible business strategy and aligning the type of measures used to determine performance with what is intended to be accomplished. The company's use of measures and metrics enhances performance when they indicate the improvements necessary to meet the business's performance objectives. Contemporary performance measures are a quantitative, qualitative, and multifaceted means of analyzing performance by comparing the current level of performance with a standard that represents a desired level and discovering where there are shortfalls. As part of their overall value-based management strategy, managers use performance measures to evaluate, control, reward, budget, motivate, promote, learn, celebrate, and improve their ability to create and deliver value (Behn 2003, 586).

Performance measures complement the business strategy by indicating the difference between how the company plans to perform and the actual outcome the company achieves. Performance measures are used to translate strategy into action because they can guide the behavior of the manager and employees. Therefore, companies engage in strategic performance management to "Steer the organization through the systematic definition of the mission, strategy, and objectives of the organization, making these measurable through critical success factors and key performance indicators, in order to be able to take corrective and preventive actions to keep the organization on track for great performance" (De Wall 2007, 5). Measurement is an effective means by which performance can become evident in terms that can be communicated to relevant stakeholders. Determining the effectiveness of applying the value creation concept is a matter of measuring how the firm performs in bundling its resources to create value, generate revenue, and reduce costs. However, an accurate analysis of the factors that influence the performance of a value creation system requires more than determining how to increase revenue and reduce costs. It also must be inclusive of non-financial measures (which are inherently difficult to quantify) and combined with the financial measures into an overall appraisal of performance (Meyer 2002, 107).

"Value is a particularly helpful measure of performance because it takes into account the long-term interests of all the stakeholders in a company, not just the shareholders. Alternative measures are neither as long-term nor as broad" (Koller et al. 2010, 3). When strategy is based on the value creation concept, measuring performance requires multidimensional metrics that include the customer's and the stakeholder's view of the performance of the firm. This perspective on measurement conceives of a business as an integrated system that incurs costs while creating value for customers. However, the firm generates appreciable revenues in return by focusing its performance on customer satisfaction. Customer satisfaction is a less tangible aspect of performance, yet it is the key to increasing revenue. Measuring customer satisfaction requires value-based performance metrics that can be adopted within a value-based management system and applied to monitor the connection between performance and the firm's relationship with customers and stakeholders, as well as how the firm is doing in increasing its revenue (Holler 2009, 12).

The value creation approach evaluates how successful the company is at creating value for end users. "It follows that connections between activities, costs, and revenues are best understood at the level of customers rather than business units or at the level of the overall firm as a whole. In the language of the social sciences, the customer is the unit of analysis; in the language of business, the customer is the profit center" (Meyer 2002, 122). From the perspective of the value creation concept, improving performance occurs by relating to customers in ways that allow the firm to learn more about what is valued from the customer's perspective. Thus, the value creation approach to measuring performance focuses on how well the company is doing in learning about customers, satisfying customers, and improving firm-stakeholder relations (Sveiby 2004, 374; also see Kearns 2007, 155).

If the overall financial performance of a company is strongly correlated with customer satisfaction, then a metric is needed that determines the revenue drivers of customer-centric value creation activities (e.g., carefully mapping and analyzing the process-cost link and comparing that to firm-customer value exchange and the revenue the exchange generates). “It is very difficult to find non-financial measures that both predict financial performance and pervade the organization. The problem for the firm is finding those activities that add value for the customer and generate revenues in excess of costs, extending those activities, and reducing or eliminating activities that incur only costs.” (Meyer 2007, 116 & 117).

The practical benefit of a value-based performance metric is that it measures the extent to which the application of the integrative value concept effectively aligns the organization’s values (as expressed in its mission statement and its value proposition) with its activities (i.e., what workers do to improve the ability of the company to create and appropriate value, plus how technology is used to improve effectiveness and efficiency). Traditional approaches to performance measurement focus on measuring the value added from an investment perspective. The investment perspective focuses on measuring the return on investments, economic value added, or total business return. The traditional measurement system is based on the exchange value view of performance with its focus on creating value for shareholders. These accounting and financial-based metrics “Measure a single dimension of performance [rather than] a complete assessment of performance. The narrower the [measurement] becomes, the more you get the specific behavior that you’re measuring, but not the total behavior needed for effective performance” (Galbraith 2014, 46-47). The accounting and financial basis of measuring performance has a focus on tangibles, whereas measuring the impact of applying the value creation concept requires inclusiveness of intangibles. Because value is difficult to measure (because of its intangible aspects), it is often overlooked in traditional measures of performance. But disregarding that which is not easy to measure proves to be fatal to success. Performance measures are effective if they play a role in aligning behavior, processes, activities, and objectives. “However, this can only work if the principal can measure all critical dimensions of performance. If the principal misses some aspects of performance, people will exploit the gap between what we want to measure and what we can measure by delivering exactly what is measured rather than the performance that is sought but cannot be measured” (Marr 2006, 104).

There are two aspects of measurement that are important for improving organizational performance: (1.) measuring effectiveness to see how close performance comes to matching the goal of satisfying the requirements of customers and stakeholders – which is the basis for determining if the company is doing the right thing; and (2.) measuring efficiency to see how much resources are used to achieve the desired performance level – which is the basis for determining if we are doing things in the right way (Mason & Swanson 1981, 14).

Measuring effectiveness is a matter of evaluating the extent to which there is congruence between value-creating activities and the desired outcome of those activities. The question is, are the right things done to make use of resources to deliver what is promised in the value proposition? Effectiveness measures aim to analyze such things as value enhancement, how the end user experiences the value offer, innovation, level of satisfaction, and service improvement. As a factor in performance, effectiveness analysis is meant to improve customer retention, customer acquisition, customer service, and increase sales and revenue. The effectiveness of the measurement technique is based on the amount and quality of the information it provides and if that information provides a means of building a better relationship with customers and stakeholders. But it should also be kept in mind that the way in which the information is gained is important to the customer and stakeholders because it is also one way in which an impression of the quality of the relationship with the company is formed.

Measuring efficiency is a matter of analyzing the process of delivering value or providing a service to determine if it is possible to increase the revenue generated while decreasing the cost incurred to produce that product or provide that service. The question is, are we doing things in such a way that we can deliver what we promise in our value proposition at a price that is better than our competitors and in a way that allows us to sustain competitive advantage? The simplest way of putting it is that an efficiency performance measure aims to determine if we could do things in a way that reduces costs. This basically involves determining if resources could be used in a better way to achieve the goal of delivering value to customers and stakeholders. In customer-centric terms, efficiency evaluation aims to determine how to keep customer satisfaction high but in ways that keep costs low. Efficiency analysis is an important factor in determining how to offer customers better quality at a lower price while being "Flexible enough to adjust quickly to changing market conditions, lean enough to beat any competitor's price, and innovative enough to keep products and services technologically fresh" (Hammer and Champy 2002, 9). As a factor in performance, efficiency measures evaluate what resources are involved and how they are used in the primary and secondary activities of the value creation network (i.e., this involves systematically examining the internal and external value creation network). Measuring the efficiency of a value creation system entails mapping the system to see how the network operates to create value for customers and stakeholders. Improving the efficiency of the value creation network is a key aspect of ensuring the company delivers on its value proposition while increasing profitability.

The balanced scorecard is a popular measurement framework that is inclusive of both financial and non-financial aspects of performance. "The balanced scorecard translates an organization's mission into a comprehensive set of performance measures that provide the framework for a strategic measurement and management system" (Kaplan & Norton 1996, 2). The balanced scorecard analyzes performance in four different domains and integrates them into "a framework for action": financial measures; customer satisfaction; internal business processes; and learning, innovation, and improvement activities – which are key aspects of the drivers of future financial performance. The rise in the popularity of the balance scoreboard corresponds with the rise of the value creation concept in that both emphasize that intangibles account for a significant percentage of a company's value assets. However, measuring with the balance scorecard by itself alone leaves out information about key stakeholders – such as employees, suppliers and distributors, and social stakeholders – which are important aspects of the value creation network and of the value creation approach to performance improvement.

Therefore, new trends in performance measurement are the outgrowth of organizations adopting an integrated systems perspective, which is prompting a holistic performance measurement framework. Integrative performance measures can be used to test the company's value creation narrative. Theorists and practitioners have increasingly realized that trying to force people to conform to preestablished quantitative goals almost inevitably leads to short-term emphasis on quantitative outcomes and overlooks long-term qualitative improvement – which tends to stifle innovation and creativity. The new framework for measurement focuses on the interaction between a business, its customers, and its stakeholders. The social measurement of the effectiveness of interactions is regarded as an important tool for improving the co-creation of value activities. The new developments are integrative in that they tie together a method for performance improvement with techniques for predictive and prescriptive analytics. "The performance data derived from the performance indicators can be used to analyze, review, and challenge the business model and to extract insights that allow you to build and reconfigure the resources of an organization in order to create new capabilities – thus determining the cause-and-effect relationships between chosen drivers of strategic success and outcomes" (Marr 2006, 147, 148, & 149). The data provided by the performance measure is used to rapidly innovate products and services so that they are better suited for customers and markets.

The new methods include utilizing technological advances to gain the knowledge needed for executing strategy and to bridge the gap between what the value proposition promises to offer to customers and stakeholders and what the value creation system actually offers to the business and its shareholders. The impact of advances in communication technology makes it clear that increasing customer satisfaction by innovating involves more than new and creative improvements in products and services. Innovation also involves upgrading the company's performance management system and measures. Advances in information technology allow firms to reengineer their performance measurement systems to make them more information intensive. If the aim is to increase revenue by increasing customer satisfaction – which requires having state-of-the-art measurement systems that provide the right information – then having advanced information systems is the key to successful performance management.

In today's information-rich society, performance measurement and management rely on advances in computer technology to gain valuable knowledge of what improvements are necessary to respond faster and better than competitors in satisfying the needs of customers and the market. Individuals leave their digital footprints in the form of data, thus digital performance measures can be used to track and map the customer's engagement with the company. Advances in technology provide a means of relating to individual customers in ways that track their interests and concerns to provide customers with a more satisfying experience with the company. Advances in communication technology allow data to be analyzed, quantified, and qualified. This means that technology can control data by screening and prioritizing the information provided and, as well, sorting out data that is irrelevant, contradictory, or nonsensical. Technology-powered customer perception measures are a means of eliminating the gap between customer expectations and perceptions of service performance. Although it makes use of big data, it also provides a means of individualizing the information so that the customer is involved in establishing performance standards (Zeithaml et al., 2009; also see Bitner et al., 2008).

Although the contemporary performance measurement system relies on big data, the information obtained can be individualized to inform how to provide customer preference in ways that entice customers to be loyal. “Big data refers to the volume, variety, and velocity of data today, combined with analytics to extract insight from data” (Galbraith 2014, 285). Big data is a new form of information flow that links companies to an information network that is critical to understanding and satisfying their customers. The information network is an essential aspect of the value creation network infrastructure that generates and shares information rapidly. Measurement systems provide information regarding what steps to take to be more successful in satisfying customers “in real time”.

A performance measure can be a means of determining the cost factors that cause a firm to receive a certain amount of revenue in return for the products and services it provides to customers. The aim is to see what factors can be manipulated to increase customer satisfaction while reducing the cost of undertaking that satisfying experience. This perspective on performance inclines a company to take a value-added approach to measurement (e.g., viewing the company as engaged in activities that generate revenue by providing activities for customers, but those activities also generate costs which the company wants to reduce – without impairing its revenue-drivers). However, from a value creation perspective, such a focus can place the emphasis on profit alone. The problem with a focus on “the bottom line” is that it fails to measure what really produces sustainable profit in today’s market arena. A focus on profits alone inclines companies to approach measuring from the perspective of the old assertion, “If you can’t count it, it doesn’t count”! In doing so, they miss what really counts in today’s business, market, and economic environments. Strategy for today’s organizations involves not just corporate objectives such as value-added but also an understanding of how this can be delivered. “Measures have to be developed for the customer value proposition, the core competencies, and the underlying resources. These become leading indicators for future performance and are important components of performance management” (Marr 2006, 8).

Good measurement systems “Track whether or not the strategies are actually being implemented, communicate the strategies within the organization, encourage and incentivize implementation of the strategy, and the measurement data can be analyzed and used to challenge whether the strategies are working as planned (and, if not, why not)" (Neely et al. 2002, 169). Performance management is about improving how the value creation system operates – this requires comprehensive measures for analyzing the system. However, if the end goal is to improve the overall performance of the company by satisfying the customers and stakeholders, then measurement must also determine the best way to blend the inputs that stakeholders contribute to the value creation network into co-created outputs that increase the level of satisfaction provided to the stakeholders in return. If the performance measurement provides the needed information regarding the customer-centric value creation activities that are revenue drivers, then it is a good measurement system for a value creation business strategy.

CHAPTER 5

CREATING SUSTAINABLE VALUE

"Every single social and global issue of our day is a business opportunity in disguise" (Drucker 2010, 31).

"It is management's responsibility to make whatever is genuinely in the public good become the enterprise's own self-interest" (Drucker 1954, 390).

The value creation concept indicates how a company can achieve a long-term competitive advantage by becoming a frontrunner in creating sustainable value. By adding sustainability to the established commitment to create value, it is easy to see how the focus on customers and stakeholders will enhance the firm's reputation, legitimacy, and position in the market, which will increase the firm's competitive advantage over a longer time period. The ability to create sustainable value requires developing three key operational and relationship capabilities, which are basic aspects of the value creation concept. First, the company must develop the ability to provide creative, innovative, and entrepreneurial-type value to its customers and stakeholders in the form of products and services that also satisfy the concerns they have regarding their ecosystem. However, in addition, the value delivered must fit the nature of the sociocultural, social economic, and environmental dynamics of the ecosystem. Second, the company must determine those needs by means of collaborative communication with stakeholders, which may necessarily involve the use of advances in communication technology. Third, the company must plan to sustain the relationship through ongoing engagement in mutually satisfactory and beneficial value exchange (e.g., collaboratively planning ways to enhance the well-being and prosperity of the stakeholders). In this way, the company engages with stakeholders in a process of creating sustainable value of the type that has a positive impact on the nature of the future ecosystem. Thus, the relationship establishes a model of socio-economic flourishing, eco-aesthetics, and social activity that reflects the features of a smart city, municipality, or community. To put it simply, to be sustainable, the quality of the relationship and its benefits must provide the type of value output that the involved parties would like to sustain.

Companies that take a proactive stance toward sustainability view it as an opportunity rather than a nuisance, a big risk, or a constraint. Frontrunners in creating sustainable value "Have begun to frame sustainability as a business opportunity, offering avenues for lowering cost and risk, or even growing revenues and market share through innovation" (Hart & Milstein 2003, 56). They are motivated by the challenge of having to upgrade their capabilities, improve their operating performance, and re-engineer their value creation systems in ways that increase efficiency. "These companies are not introducing incremental improvement or a greener, more ethical, socially responsible variation of the status quo. Instead, they are implementing some of the most disruptive and successful business innovations of the past decade" (Williams 2015, 53). The top performers are convinced that expanding the aspects of their value creation activities to include creating multi-dimensional benefits and setting competitive precedents is a means of outperforming competitors**.** Entrepreneurial-minded business leaders envision that to set the course for future success, they must rapidly upgrade their value creation capabilities and use advances in technology to re-engineer their enterprise's value creation activities to make them sustainable. Thus, top performers in many sectors are rapidly responding to the sustainability challenge (and the regulations imposed on businesses consequential to the environmental and climate crises) by establishing benchmarks in efficiency, cost reduction, and improved risk management. These firms are pursuing the new growth opportunities connected with transforming their value creation systems – all of which are important aspects of a sustainable value creation approach to performance improvement.

The "creating sustainable value" concept is simply a framework for establishing long-term multi-dimensional value-creating relationships and activities with customers and stakeholders, for building a unique but highly respected brand and position in the market, and for sustaining a competitive advantage based on such convictions and practices. In this respect, the creating sustainable value framework contributes to determining and achieving the long-term goal of a company and its strategy for operating in accordance with its long-term objectives. A company's ability to create sustainable value is largely dependent on the performance of its value creation system, its value proposition, implementing a sustainability approach to resource management in cooperation with partners in its value creation network, and the ability to provide value to stakeholders in multiple dimensions. Because the environment is an important aspect of a company's value creation system, a firm's ability to sustain good performance, given the uncertainties of the environment, requires both sustainable value creation and an integrated system framework for re-engineering internal and external capabilities to effectively manage the dynamics, relationships, and boundaries between the various aspects of a firm's ecosystem (Senge et al. 2008).

The previous chapter went into detail, explaining the factors that can be applied as a value-creation strategy for performance improvement. This chapter explains how those factors apply to not only helping a company become successful in creating and delivering value to customers and stakeholders, but also helping the firm shape its long-term future success by engaging customers and stakeholders in creating sustainable value. The following section of the chapter explains the factors that make the sustainable value creation concept successful and how to apply them toward improving operating performance. This is followed by an explanation of the relationship between creating sustainable value, organizational learning, and innovation. The final section addresses the prospect of co-creating the nature of the firm's future ecosystem in cooperation with stakeholders by applying the sustainable value creation concept as a strategy for increasing prosperity and well-being.

5.1. Factors that Increase a Company's Ability to Create Sustainable Value

The frequency, intensity, and complexity of unanticipated disruptions in the business environment increase the demand for an approach to doing business that enhances a firm's ability to have sustainable growth while effectively responding to the dynamics of its environment. The endeavor to enjoy the benefits of sustained growth prompts a company to generate knowledge of how to create value that meets the internal and external needs of the business while, at the same time, adequately responding to stakeholder concerns over the impact that business practices have on the ecosystem. From the perspective of the creation of sustainable value concept, the firm's ecosystem is primarily made-up of stakeholders and their social and natural environments. However, an important aspect of firm-stakeholder dynamics is the attitude of the stakeholders toward the impact that the company has on society, the economy, and the natural environment. Thus, stakeholder management is the basis of the creation of sustainable value approach to performance improvement and sustained company growth. However, the customer is still regarded as the foremost stakeholder. Generating sustained growth is based on collaborating with stakeholders to determine the best way to satisfy their needs given their attitude toward the condition of their ecosystem. In this respect, creating sustainable value represents a recent development in terms of how the value creation concept has evolved into an integrated systems approach to aligning organizational concerns about sustainable growth with stakeholder concerns about the sustainability of the ecosystem.

Integrating sustainable value creation into the company's operations begins with recognizing the competitive advantage of adopting a sustainability approach to value creation and making it a matter of *strategic choice*. Corporate leaders who make sustainability a matter of strategic choice realize its potential for transformational growth. Transformational growth is the outcome of collaborating with stakeholders to co-create outputs that have multi-dimensional value benefits (Pine and Gilmore 2011, 244-262). Effective transformation requires recognizing the long-term benefits of reengineering the value system. Such benefits include a more authentic and mutually beneficial relationship with customers and stakeholders, improved operating performance, and reduced operating failures. Companies are making sustainability a strategic choice because they realize that future opportunities in the emerging new era that will be shaped by the "industry four" sustainability paradigm. The opportunity results from identifying how to create value in new ways that are more efficient and by identifying new value assets that are potentially available to a company if they can be identified. Upgrading the firm's established value creation system to make it sustainable begins with corporate leaders communicating that the mission, goal, and objective of the company remain unchanged: generating continuous performance improvement by engaging stakeholders in ongoing co-creation of value activities. This is tantamount to planning to provide long-term stakeholder satisfaction by making perpetual innovation, growth, and performance improvement the focus of the value creation strategy of the company.

In this respect, creating sustainable value does not alter the pre-established commitment to provide what is of value to customers and stakeholders. By adding sustainability to the value creation concept, its scope is expanded to include satisfying the needs of customers and stakeholders in a more holistic and multi-dimensional way. In fact, it builds on and adds to the value-oriented strategy to identify opportunities for performance improvement and to utilize performance measures to continuously assess progress and make improvements. The performance excellence approach, integrated with the value creation concept, can contribute to strong sustainability through the principles of customer satisfaction, typical of the quality management philosophy, and continuous improvement, which is characteristic of the creating sustainable value concept (Garware & Isaksson 2001, 13). The mission remains to gain a competitive advantage by offering higher quality value at a lower cost than competitors. By adding the sustainability concept to its value creation mission, a company becomes involved in pursuing values that will provide the firm and its stakeholders with long-term social and economic benefits. Thus, by embracing the sustainability concept, a company reinforces its commitment to deliver increased satisfaction on a long-term basis while reducing the amount of resources it uses. The distinguishing factor is that the sustainability dimension calls for integrating concerns for the firm's ecosystem into its value creation operational strategy. This requires meeting the needs of stakeholders in ways that address and resolve their social, economic, and environmental concerns and integrating the factors for sustainable performance improvement into the established value creation strategy.

As is true with the basic value creation concept, the long-term success that the company aspires to is achieved by maintaining good relationships with customers and stakeholders. A company endeavors to sustain good relations out of the realization of the interdependence that exists between the firm, its customers, stakeholders, and the environment. The fact of interdependence coincides with the open integrated system perspective on the nature of value, on organizations, and on planning a value creation strategy. Such an approach to creating sustainable value provides a "Framework for enhancing the social, human, and natural capital of organizations while simultaneously meeting customer needs and creating economic value for the firm" (Stead and Stead 2017, 89 & 97). In addition, it is the basis of the firm's ability to offer a value proposition that addresses the concerns of stakeholders regarding the ecosystem, thus is indeed perceived as more relevant and meaningful than offers where sustainability is lacking. The relationship aims to determine innovative ways to create more satisfying value outputs more efficiently, increase both economic and social value, and decrease the harm to the environment. Engaging in relationships aimed at creating long-term value is an approach to firm-stakeholder relations that places a strong emphasis on collaborating with stakeholders to share and exchange resources and knowledge that contribute to cost reduction, better energy efficiency, and recyclability.

The first step in implementing the sustainability dimension of value creation is communicating how the firm intends to achieve its long-term vision by providing value in terms that meet the needs of its social, economic, and natural ecosystem. This starts with top management motivating the workforce by communicating a strategy for establishing strategic links between value creating processes and a managerial strategy for sustained performance improvement in both internal and external activities. The vision of becoming an organization that creates sustainable value must be clearly stated in terms of both objectives and benefits. Top management must communicate that by adding the term sustainability to the value creation concept, the goal is to wed the creation of customer and stakeholder value to that of generating social economic value. Communication is vital for motivating commitment and ownership throughout the enterprise. The strategic vision – articulated as a corporate vision by top management – serves to motivate sustained improvement throughout the value creation system. As employees come to understand that they share with the company the mission to increase value in multiple dimensions, they tend to find their work more meaningful and the corporate culture more fulfilling.

Following top management announcing that the organization's mission is to take an integrative and holistic approach to providing sustained value the company must plan to operationalize an integrated sustainability management framework. This involves incorporating into the management of the value creation system a sustainability-oriented management strategy. The main aim of sustainability-oriented management is collaborating with both primary and secondary stakeholders to determine the types of value exchanges necessary for co-creating benefits in a broader sense. The more inclusive perspective includes improving performance, creating new value opportunities, and generating new eco-innovation business ideas. This simply means interacting with customers and stakeholders in a process of co-creating new forms of value that provide multi-dimensional outcomes that are mutually beneficial over a longer time-period. Together the firm, its customers, and stakeholders engage in a value creation network to share capabilities, knowledge, and resources to create outcomes that are valued by the participants and, as well, to avert any outcomes that would be detrimental to the interests of any member of the network and its ecosystem. In this respect, the company engages with stakeholders to establish an internal-external culture of sustainable value creation to enrich the lives of the stakeholders, which, in turn, deepens the relationship between the stakeholders and the company.

Thus, the endeavor to create sustainable value is enhanced by committing to a relational approach to meeting the needs of customers and the market. The sustainability approach to performance improvement prompts recognizing that there is a co-dependence between the company, its stakeholders, and the natural environment (i.e., there is a symbiotic relationship that the firm has with stakeholders, society, and the natural environment). From this perspective, the internal-external exchange network represents a progressive socio-technical innovation system made-up of a network of relationships taking place between people, technology, and their environment, all interacting together to co-create sustainable and flourishing ecosystems. Sustainability innovation systems "Are in essence socio-technical service systems [that] consist of products and services but also explicitly include the economic and social actors that are required in the collaboration to combine their individual offerings into a coherent, customer-facing solution" (Ouden 2012, 63). The effective management of the socio-technical innovation system and the quality of the relationships in the system determine the quality of the firm's ecosystem, the social and economic well-being of its members, and the flourishing of the ecosystem itself.

In sum, the effective management of the collective actions of the socio-technical innovation system provides organizations with platforms and relationships that enable them to ensure the flourishing of the very system that the firm relies on to thrive and to continue to enjoy the full advantages and benefits that the ecosystem potentially provides. Collective intelligence is the only way to find solutions to the challenge of providing future value in terms that meet the social, economic, and environmental needs and interests of diverse stakeholders. In this sense, sustainability involves aligning the internal capability of a company with the external social economic needs of its stakeholders. The collaborative relationship is mediated by the organization's value management system and moderated by the value creation network. That is to say, the organization's sustainable value creation management system mediates the learning that takes place during the collaboration while its value creation network moderates the relationship between knowledge generation and creating sustainable value. Thus, creating sustainable value is based on an approach to knowledge generation that is referred to as "The Negotiated Economy", "Creating Shared Value", "The Integrated Network Approach to Co-creating Smart Cities", and "Democratizing Value Creation".

The top performers establish benchmarking models for a sustainability approach to value creation by employing a re-engineering of business operations strategy geared toward reducing operating costs and increasing efficiency. For the top performers, implementing sustainability has resulted in a "Combined $110 billion in annual revenue" in exchange for putting their vision and convictions into action (see Williams 2015, 47-48). This includes implementing an integrative, multi-dimensional, and holistic approach to planning performance excellence. Performance excellence is achieved by maintaining a focus on how to continuously improve the quality of the experience of customers and stakeholders. By adding the sustainability concept to the performance excellence strategy, the aim becomes to realize the organization's long-term goal by optimizing efficiency and effectiveness. Thus, the sustainability concept becomes a motivational force for ongoing performance improvement. By approaching value creation as an aspect of the firm's commitment to long-term performance improvement, the company easily integrates sustainability into the corporate strategy for improving business performance rather than demanding a change in corporate strategy.

Reengineering to increase a company's ability to create sustainable value improves performance by balancing customer and stakeholder satisfaction with co-creating sustainability-type innovations (Mehra et al. 2001, 868 & 870). Incorporating sustainability into the operating strategy, within itself, integrates strategies for performance improvement with business strategies involved with generating and sharing information across the entire value creation network – including finance and accounting, production, sales and service, customer relationships, human resource management, and performance measurement. To effectively operate as a sustainable value-creating system, the entire life cycle of a product, service, or project must be planned from the perspective of the huge benefits of eco-efficiency. This includes an analysis of the resources (material and human) used to provide the product or service, how it is used by customers and stakeholders, and how it is disposed of, which includes whether (or not) it is biodegradable. In addition, where resources are obtained from can have an impact on the company's image (e.g., the environmental and social performance of suppliers regarding such things as working conditions, child labor, fair trade, etc.).

In this respect, the proactive frontrunners are learning how to create more with less as a part of their effort to deliver value in ways that are eco-efficient. The concept eco-efficiency was proposed by the World Business Council for Sustainable Development (WBCSD) to encourage businesses to "Deliver competitively-priced goods and services that satisfy human needs and improve quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with the Earth's estimated carrying capacity" (WBCSD 1992, 9). Eco-efficiency, when applied to the value creation system, has generated innovations that significantly reduce resource consumption. "Strategies for increasing eco-efficiency include lean manufacturing, waste minimization or beneficial reuse, investing in technology improvements that raise material or energy yields, and shifting energy resource demands from petroleum-based to renewable (such as wind or solar power)" (Korhonen & Seager 2008, 411). By implementing eco-efficiency into the value creation process, a company increases its ability to improve performance by organizing the workforce so that they operate more effectively and efficiently, so that operations reduce waste, and reducing time to market, while, at the same time, increasing their ability to be sensitive to and responsive to customer demands.

Top performers are increasingly finding that they can reduce the amount of resources required for a product or service by focusing on satisfying the performance requirements of the customer, or, in other words, the needed function the firm can provide for customers. Businesses and social economic systems that focus on performance excellence "Optimize the use (or function) of goods and services and thus the management of existing wealth (goods, knowledge, and nature). The economic objective of the functional economy is to create the highest possible use value for the longest possible time while consuming as few material resources and energy as possible" (Stahel 1997, 91). Focusing on performance excellence establishes a complementary connection between the needs of the consumer, the environmental impact, the social economic benefits, and an increase in revenue for the business. Because the emphasis is on performance excellence, delivering the value desired by the customer, and satisfying a function the customer wants fulfilled, the providers are motivated to reduce the costs and the resource consumption needed to provide the desired performance function. Resource consumption is reduced because they can be recycled. Thus, they can be used in other ways to provide goods and services to customers over a longer period of time.

The endeavor to adopt the sustainability approach to value creation challenges a company to incorporate sustainability thinking across the entire product life cycle – from conception to disposal. Sustainability planning takes effect during product development, design, manufacturing, use, service, and designing for recyclability or biodegradability. This includes identifying the life cycle aspects of a product or service created by the firm's value creation network. Achieving sustainability in a firm requires a complete view that not only spans the product and the manufacturing processes involved in its fabrication, but also the entire supply chain, including the manufacturing systems across multiple product life cycles (Chofreh et al. 2014, 140). The company must consider improving its products, services, and operations so that they have a more desirable impact on the ecosystem. Consequently, companies are turning to the integrative approach to creating sustainable value to generate improvement in their internal and external performance processes. Also, as is true with the basic value creation concept, planning sustainability requires ensuring that there will be positive customer, market, and stakeholder responses. Ensuring a positive response requires analyzing the market to determine the opportunities for environmentally friendly products and services.

Service departments can play a significant role in sustainable value creation by "Extending product life cycles, reducing waste, increasing the efficiency of product use, and providing delivery services through efficient logistical systems. Moreover, as service offerings are highly customer-centered, companies must clarify which sustainability values are of most concern to customers and most relevant to customer needs" (Chou et al. 2015, 49). Sustainable services are offerings that decrease the amount of resources needed in the exchanges that take place in the value creation network (especially those that have a negative impact on the environment). "Less material and energy use means lower costs, and therefore, not surprisingly, these strategies are not strictly environmentally driven. By reducing the amount of resources and energy consumption per unit of performance, these services contribute to the traditional bottom line of a company, i.e., increased profit" (Zwan & Bhamra 2003, 345). Economic rewards result from performance improvement, increasing quality and satisfaction, and minimizing the amount of resources needed in the exchange of value between stakeholders. Consequently, service industry managers are increasingly realizing the economic advantages of adopting the sustainability approach to creating value, thus making sustainability a factor in the new dominant logic. Sustainability fits the new dominant logic because both concepts integrate the interests that business agents, social actors, and economists have in creating positive results and improving performance. Sustainability is a core aspect of the new dominant logic because it provides firms with a resource (i.e., physical, financial, and experiential) and/or capability (i.e., shared vision, relationship building, and technology) that increases their competitive advantage (Hart 1995, 986-1014). In this respect, adding sustainability to service dominant logic weds service innovation with creating customer value.

To assist companies in putting the creation of sustainable value into practice, business and institutional sustainability specialists have devised sustainability performance indicators. Sustainability performance measurement assesses the efficiency level of resource use, which helps to determine the correlated revenue generation. In other words, it measures the returns on resource input in terms of the revenue generated per unit of resource throughout the firm's value creation network. Sustainability performance indicators assist a company in assessing its ability to align its aim to create and deliver value, increase its competitive advantage, and meet the social, economic, and environmental needs of the ecosystem (see The European Union Eco-management and Audit Scheme 2009 for an example of an increasingly popular sustainability performance indicator). Achieving performance excellence requires measurements that identify opportunities for continuous improvement. Herein lies the connection between performance measurement, quality improvement (TQM), and the sustainable value creation process, which can be paraphrased as total quality sustainability management. In addition to measuring the impact on improving processes and procedures and customer and stakeholder satisfaction, sustainability performance indicators measure the impact on the firm's ecosystem.

Key points that have played a role in the success of frontrunners in creating sustainable value:

1. New innovative quality improvements that are based on breaking with the logic of planned obsolescence. A product with planned obsolescence is deliberately designed by the manufacturer to only last a designated amount of time. The concept creating sustainable value is based on designing for extended use.
2. The innovations should be planned so that the parts are integrative, easy to replace, and/or recyclable.
3. Set ambitious five to ten-year energy saving, product and service improvement, and waste reduction goals.
4. Performance measurement should include how on target the company is in meeting its sustainability goals. However, they should also be introduced as a part of the sustainability motivational strategy to align the commitment of the workers, to generate enthusiasm and ownership, and to drive success.
5. Pre-programmed energy-saving functions that operate automatically

6. Provide new products and services that offer the value and experience desired by customers by co-creating inventive new disruptive innovations that establish a president for long-term sustainability.
7. Innovations that can be integrated into an already purchased product in the form of updates that can be added during the product's lifetime.
8. Plan to enter new markets in emerging economies by helping them to leap-frog into sustainability oriented high-tech solutions to their social and economic needs.
9. Switching from a company-centric perspective on customer satisfaction (i.e., analyzing the revenue drivers and comparing them with what creates costs) to a problem-centric view of customer satisfaction (i.e., how can we improve our relationship with customers and make the relationship more long-term by focusing on their concerns).
10. Taking pre-emptive steps to avoid risks, determine the possibility and consequences of an undesirable event, and make investments in prevention to avoid mitigation, fines, and penalties.
11. During the good times, when optimism is high, concentrate on learning what innovative new start-ups are doing. Also learn from managers who have just finished years of training in sustainability and the new technologies that accompany it. During times when cash flow is low, concentrate on motivating improved efficiency and effectiveness.
12. Establish a joint design platform that allows stakeholders to experience a digital or virtual model and to participate in its co-creation. Such platforms have been shown to improve innovation capabilities and competence.
    1. Benchmarking
    2. Eco-labeling designates that the firm's products and services are all designed to be environmentally friendly, and this also applies across its value chain. This typically means participation in environmental certification programs.

5.2. Organization Learning, Innovation, and Creating Sustainable Value

The goal of knowledge management is to create an organizational culture that generates new, innovative ideas that can be applied for the purpose of improving performance and, by doing so, achieve a sustained competitive advantage. This perspective "Fits with organizational learning theory, which says that an organization adjusts defensively to a changing environment and uses knowledge offensively to improve the fit between itself and its environment" (Wheelen and Hunter 2012, 13). Organizational learning involves exploration, discovery, innovation, refinement, and exploitation. Such learning contributes to creating sustainable value because it generates knowledge necessary for creating value in terms that are economic, social, and environmental, plus how to put that knowledge into practice. In other words, learning increases a company's ability to gain knowledge of how to transform unsustainable practices into valued outcomes that are sustainable.

The strategies used by organizational leaders to generate new knowledge are remarkably congruent with insights derived from complexity science. Complexity science is the study of the essential interdependence between adaptive self-organizing systems and their environments. Organized systems attempt to become better integrated with the environment so that they can flourish. In addition, an essential aspect of a flourishing system is the interdependence and interconnectedness that the individual elements have in relationship to each other. Any undesirable disturbance in any part of the system threatens a disruption of the entire system. Understanding the relationships, interactions, and interdependence between complex systems is crucial to successfully producing innovations for sustainability. Integrated systems thinking sparks innovative changes in processes, operating procedures and practices, and business models. From the perspective of complexity theory, "Learning is defined as the expansion of the capacity for more sophisticated, more flexible, and more creative action" (Fenwick 2007, 641). The learning needed for producing sustainability innovations occurs through the collaborative interactions between organizational systems and societal partners.

Companies that aim to operate as fully integrated learning organizations endeavor to establish a culture that motivates continuous growth, creativity, innovation, and generates transformational knowledge. The transformational knowledge concept is rooted in the organizational learning literature that emphasizes that the environment is an integral part of the organization's value system, which is a key factor in its ability to deliver customer satisfaction and to generate improved performance (Senge 1990, 112, 115, & 154-157). When corporate culture sparks transformational knowledge, the business operates in a way that is stable, adaptive, and sustainable. Transformational knowledge is an emergent quality that occurs in complex, adaptive, and innovative organizational systems when they learn to become better-integrated within the various aspects of their social and environmental ecosystems (Teece et al. 1997, 515). Transformational knowledge provides businesses with an understanding of how to integrate strategies for improving operational performance with strategies for creating sustainable value. Transformational knowledge fosters entrepreneurial-type breakthroughs that impact the market, impress customers and stakeholders, and generate greater loyalty from stakeholders. At the same time, such knowledge improves the way that customers and stakeholders make use of and benefit from the resources of the ecosystem. Transformational innovations are different from regular products or services in that they aim to create value for a longer period of time. They are not like simple products that are purchased and disposed of on a regular basis. Their extended use is crucial to achieving the sustained value that they are meant to deliver (Ouden 2012, 62). Thus, sustainability innovations deliver value that is more encompassing and holistic – which makes the value offer more attractive compared to the unsustainable offers of competitors.

The role of innovation as a key growth driver is well-established and, therefore, is a high priority for the success of a sustainable value creation system (Porter & van der Linde 1995, 98). An innovation is the implementation of a new or significantly improved product, service, or process; a new marketing method; a new organizational method of business practices; and a new method of workplace, organization, or external relations (OECD 2005, 46). Innovations "Introduce something new into the way of life, organization, timing, and placement of what can generally be described as the individual and collective processes that relate to consumers" (Barcet 2010, 51). Business leaders who aim for long-term growth view innovation as the key to profit-producing, system-wide, transformative improvements in performance. The sustainable value creation concept provides a natural alignment with the culture of innovation and is quickly becoming the most viable strategy for managing firm-environmental relations.

Sustainability innovations can either be incremental, radical, or disruptive and ground-breaking. An incremental change is an adjustment to an existing system (or any part of the system) that upgrades the system, thus improving its overall performance. Incremental innovations are variations in the procedures, processes, and activities of an organization. Radical changes are alterations in the existing system that change parts (or the system) and replace them with new modes of service, production, and/or new technologies. Thus, radical innovations are fundamentally new practices that can require new configurations of knowledge, changes in the business model, new business units, procedures, and activities and/or reconfiguring the organizational structure. Disruptive innovations represent “A fundamental shift from doing less harm to creating shared value and delivering wider benefits for society – doing good by doing new things with others. The context is characterized by a shift toward networks of relationships in which sustainable value is collaboratively created with the potential to bring systems-changing innovation” (Adams et al. 2016, 189 – 190 & 192). Disruptive innovations involve new start-ups, developing new technologies, new products, services, processes, organizational practices, and value propositions, and even transforming ecosystems.

5.2.1. Incremental Innovations

The most modest form of innovation is incremental, which happens as the outgrowth of making improvements by applying established approaches like lean production, quality management, and cost reduction – e.g., tweaking the performance of existing products and services. Incremental innovations are patterns of improvement that build on core competencies to continuously provide greater customer satisfaction over a longer time period (Tushman & Smith 2002, 387-392). By using the incremental approach, organizations endeavor to improve their sustainability performance by planning step-by-step changes in a linear fashion. Incremental innovations are small improvements in production and service, improvements in processes and skills, and the creation of novelty with a minimum capital investment. This approach appears to be useful as an adaptive measure that does not commit the company’s resources to an overall change in business model and strategy. By adapting to sustainability by making incremental improvements, the corporation’s mission and objectives remain in place, but it chooses to employ a value creation-type “Interactive process in which the organization probes the future, experiments, and learns from a series of partial (incremental) commitments rather than through global formulations of total strategies” (Quinn 1980, 58). A value creation approach to incremental innovations is based on planning how to adapt to environmental demands by co-creating value with stakeholders.

In this regard, incremental innovations are generated by applying available knowledge and new technologies toward enhancing the competency of the firm’s operating systems. But incremental innovation accomplishes these in ways that minimize the inherent risks connected with sustainability innovations. Incremental innovations are effective when firms are endeavoring to adapt to environmental and/or market demands without major changes in their culture and familiar routines. Large established firms, for example, may prefer incremental innovation because it allows them to make significant improvements to their already established ways of doing things without altering their existing infrastructure, systems, and processes. In this respect, incremental innovations are improvements to existing processes and procedures and reductions in resource inputs, materials, and wastes. This approach to creating sustainable value is referred to as increasing eco-efficiency. Incremental innovations are low risk because they are based on an established learning organization approach to driving down costs by means of performance improvement (see Argote & Epple 1990, 920 for an explanation of the cost reduction benefits of the progress curve, experience curve, or learning curve). Companies will nonetheless endeavor to gain knowledge of how to keep pace with performance improvements to avoid their products and services becoming less attractive compared to competitors.

5.2.2. Radical Innovations

"Radical innovation encompasses a wider sphere of activity and closer interaction with suppliers, regulators, civil society organizations, and other stakeholders" (Szekely & Strebel 2013, 469). Radical innovations involve collaborating with the entire value network to generate knowledge of how to utilize new types of resources in new ways to meet the demand for innovation. In this sense, radical innovations require developing a knowledge-based strategy for improving sustainability performance and transforming capabilities. Improving performance by transforming capabilities is "Based on, but different from, the resource-based view in that it focuses on how firms renew their resource-based competitive advantage. The underlying process of knowledge-based dynamic capabilities consists of knowledge related activities of both internal knowledge and external knowledge embedded in alliances and networks" (Zheng et al. 2011, 1035 & 1037). Developing knowledge-based dynamic capabilities is defined as collaborating with suppliers, customers, researchers, and other related stakeholder to combine knowledge resources for the purpose of detecting, exploiting, and dealing with the dynamics of the environment. Dynamic capabilities include knowledge, production, innovation, relational, and market capabilities.

The first step for radical innovations is determining sustainability opportunities and threats by establishing open dialogues within the value creation network and with relevant social stakeholders and cooperating to co-create marketable solutions. Radical innovations require extensive knowledge of the feasibility of transforming the sustainable value produced by the firm into advances in eco-friendly products, technologies, and services that provide new business opportunities and possible new market opportunities. Radical innovations are most successful when based on marketing research to evaluate the needs of customers and stakeholders. Thus, innovations that offer new to the market ways of satisfying customers. This involves closely monitoring sustainability trends, exploring emerging innovative business models, and fully capitalizing on new sustainability technologies. Radical innovations involve the willingness to explore the opportunities and risks of expanding a firm's value creation operations to include eco-innovations. Thus, it requires some degree of vision, commitment to sustainability values, the readiness to undertake a bold mission, and the willingness to take on risks. "Radical innovations bring significant changes, such as making old products obsolete, and permitting entire markets to emerge, transform, or disappear" (Dangelico & Pujari 2010, 481).

Radical innovations employ the functionality model to satisfy customer needs – i.e., applying new business models that are based on providing functions that satisfy customer needs, technologies that improve the function of the value creation system, and employing new innovative technologies that improve a firm's sustainability performance. Radical innovation takes into consideration the processes and materials involved in creating a product or offering a service, the customer's experience with the product or service, and the impact on the environment in producing, using, and disposal. Radical improvements also include innovations that extend the life cycle of products, selecting environmentally friendly materials, energy use, and reducing the amount of pollutive waste. Where incremental innovations are a matter of doing things better radical innovations are a matter of doing things differently. Radical innovations involve a distinctively new approach to creating sustainable value based on an integrated systems perspective of interactions between a firm and its ecosystem.

"Radical innovations are new products and services or entire systems that lead to environmental and (or) social benefits that surpass those of the prior products, services, or systems" (Bocken et al. 2019, 6). Thus, success in creating radical innovations requires learning about the relationships and interactions between the components of dynamic systems. Planning sustainable value creation from the integrated systems perspective takes into consideration the social economic, social psychological, and market dynamics that take place between an organization and its ecosystem. Generating radical innovations requires expanding the sustainability outlook from linear incremental improvements to planning profitable business activities that improve the relationship between a firm and its stakeholders, a firm's stakeholders and their ecosystem, and between a business and the ecosystem. The shift from attempting incremental innovations to transforming the interactions within the value creation system instigates upgrading the system from eco-efficiency to transformational operations, production, and services. Companies undertake systems changes to take advantage of the opportunity to generate radical innovations that lead to new business opportunities, meeting future market needs, and industry transformations. Transformational knowledge promotes economic growth by providing innovative solutions to current needs that lead to sustainable improvements in the standard of living.

5.2.3. Disruptive Innovations

"Disruption describes a process whereby a company is able to successfully challenge established incumbent businesses" (Christensen et al. 2018, 1071). Disruptive innovations are new types of resources or other inputs, new business models or strategies, the introduction of new methods of production, new products, and new market activity. Generating disruptive innovations requires creating new types of value offerings that not only make an established way of doing things obsolete but also initiate a transformation that leads to a whole new way of doing business and providing products and services (Christensen et al. 2015, 44-53). Disruptive innovations have "A significant impact on a market and on the economic activity of firms in that market" (OECD 2005, 58). An innovation becomes disruptive by changing the performance metrics or consumer expectations of a market by providing new functions, new technologies, or new products that render obsolete those existing prior to the disruption. Disruptive innovations emerge as novel means to satisfy the needs, wants, and demands of customers, stakeholders, and the market that are not being met by the established paradigm. Disruptive innovations do not incrementally improve performance but dramatically alter the "value standard" within an industry and/or market. Disruptive innovations are characterized by both high market potential and high risks, and they represent a major challenge to a firm's strategy for providing sustainable customer value and satisfaction.

When transformational knowledge creates a disruption, it has a profound impact on businesses, markets, and economies. Disruptive innovations involve new functions that intrude into a social economic system to stimulate economic growth along new lines (Schumpeter 1939, 88). They are regarded as disruptive because they supersede existing practices by making them non-sustainable and because they introduce a new wave of business, market, and economic challenges and opportunities (Schumpeter 2003, 84-85). Companies that fail to adapt to the new wave are swept off the competitive landscape. However, companies that manage to develop disruptive innovations while simultaneously improving their existing value creation system set themselves up for sustainable growth. Disruptions are not just about changes in products, services, or how business is done. Disruptions are discontinuous changes in the business, market, and economic mind-set that impact the customer's needs and concerns, thus prompting a significant change in market, economic, and social activity. Because they have an impact on organizational activity, the economy, and the overall social system, they are analyzed from the perspective of the sociology of economic knowledge. The sociology of economic knowledge is an analysis of the full scope of forces that create new business, market, and economic opportunities and challenges, plus the forces that enable progressive multi-dimensional social economic growth.

"By this we mean that economic development is not a phenomenon to be explained [solely] economically, but that the economy itself is dragged along by changes in the surrounding world, thus the causes and hence the explanation of development must be sought outside the group of facts which are described by economic theory" (Schumpeter 1949, 63). The sociology of economic knowledge includes a study of the disruption of social economic systems during transitional periods. The disruptions occur when new novel "Theories emerge after a pronounced failure" in established practices (Kuhn 1996, 74). Thus, a disruptive innovation "Seems like a direct response to the crisis" (Kuhn 1996, 75). A social economic study of disruptive innovations emphasizes that it is important to analyze what is occurring in the social and environmental spheres to understand what prompts the creation and success of novel products and services. Novel products and services are considered disruptive when they create a transformation in the possibilities for the social activity of individuals, organizations, institutions, and markets.

"Economic change is not merely due to the fact that economic life goes on in a social and natural environment that changes. Economic change is the result of a process of creative destruction that incessantly revolutionizes the economic structure, incessantly destroying the old one, and incessantly creating a new one" (Schumpeter 82 & 83). The transition from one social economic system to another is initiated by disruptive innovations that usher in a new perspective on how resources, production, and technology are used to produce wealth. These revolutionary developments create new customer demands, new markets, new technologies, and new forms of organization. "Sustainability has this kind of disruptive potential across multiple categories. Each of them is founded on an innovation that has disrupted the category it entered. Innovation changes the dominant technology and, in some cases, alters the business model of the category" (Williams 2015, 55). And, as the proverbial business aphorism goes, where there is a demanding need, there is a "buck" to be made. The sustainability paradigm creates numerous market challenges and opportunities, which in turn creates the incentive for entrepreneur-minded business leaders to enter the market to address the challenges and benefit from the opportunities. In other words – as was emphasized by another popular aphorism, "necessity gives birth to invention" – the emergence of the sustainability paradigm is prompting revolutionary changes that frontrunner companies adjust to by generating new knowledge that takes the form of disruptive innovations. Thus, the sustainability challenge is driving businesses and entrepreneurs to use their creativity to create new innovative solutions that will shape the social and economic practices of "the industry four era".

5.3. Strategies for Creating Sustainability Innovations

Sustainable value creation is often characterized as "constructive disruption" in the sense that it improves the current methods of providing products and services. Yet the disruptive impact creates a significant reduction in waste, energy, materials, and costs. In this respect, constructive disruption also means a business and social economic approach to improving the relationship between a business, its stakeholders, and the environment. To achieve this, the frontrunners in sustainability plan innovations that address the specific concerns customers and stakeholders have regarding their social, economic, and environmental ecosystems and offer viable solutions. An effective, long-term value creation system is designed in such a way that the supplier of a product or service interacts with customers and stakeholders to generate knowledge or learning processes, evaluates the process and its outcome, and then upgrades the entire system or process. Collaboration with multiple stakeholders is needed to determine the knowledge, business practices, technology, and resources needed to co-create products and services that deliver the desired value to the multi-level stakeholders.

Creating constructive disruption "Requires knowledge at the level of the user of the prospective products and services, the level of the organization that will bring those products and/or services to the market, the level of the ecosystem that links the various products and services to their users and other stakeholders, and the level of society that will reap the benefits of the solution" (Ouden 2012, 4). Innovations that are constructively disruptive occur at the interface between endeavors to increase eco-efficiency, to initiate a transformation, and to undertake social entrepreneurship. In terms of business opportunities, creating constructive disruption is characterized by a high degree of variation, with new entrants seeking new opportunities, new products, new forms of delivery, new technologies, and new business models.

The key to generating sustainability innovations that will have a significant impact is deciding if the firm will diverge or continue along the lines of its competencies, knowledge, and resources. For example, an approach to innovation that has helped several large, established, and successful companies adjust to the new economic opportunities and challenges is combining exploitation and exploration (i.e., leveraging competencies while appropriating new resources from the environment so that the company can offer new products and types of services – sometimes in unconventional ways). One of the most important factors in successfully combining exploitation and exploration is resource integration – e.g., the integration of human, relational, knowledge, and technological resources. No company can be successful in sustainability innovation without consideration of how to carefully integrate its value creation processes with its sustainability efforts by making use of the linkages between the internal and external assets of the firm.

Companies are finding that they are more effective in coupling sustainability with profitability by analyzing performance from the perspective of value-drivers. In fact, companies are increasingly finding that by engaging in creating sustainable value, they are appraised as having higher financial value and better market performance. The reason for higher financial value and better market performance is that companies derive a competitive advantage by making sustainability a feature of their value creation system, processes, and network. In other words, for the sustainability aspect of value creation to be successful, it must drive value in ways that entice customers, reduce costs, and increase profit. Successful companies find that their investments generate a better pay-off if sustainability-type innovation activities and performance tools are regarded as value drivers (e.g., sustainability technologies, technological skills, materials, and natural resources; IT software and/or software development; and the company's market image, reputation, and branding). Therefore, determining the value-drivers for sustainable value creation is a key component of performance excellence. Understanding how sustainability can be a value-driver requires knowledge of the emerging trends and change drivers in the business's ecosystem.

It should be noted that sustainability requires generating knowledge of a wide scope. Creating sustainable value involves more than just strategizing to create profitable products and services. This knowledge must provide insight into how to establish, manage, and sustain relationships within a network that creates high-profile innovations. The engagement should result in generating knowledge of how to "Jointly fulfill specific client demands while re-orienting current unsustainable trends in production and consumption practice" (Manzini and Vezzoli 2003, 851). The businesses that lead in creating sustainable value keep track of what breakthroughs are coming that could enhance their firm's production and service systems, thus increasing the firm's capability to create sustainable value. The leaders seek out new sustainability innovations that improve their operations, offer more satisfying products and services to customers, increase efficiency, and improve profitability. But where should a company focus to gain knowledge of what sustainability innovations might be most beneficial? For example, while most companies focus their innovation resources internally, most of the knowledge needed to keep pace with possible groundbreaking innovations is external: e.g., what competitors are up to, advances in technology, new alternative energy sources, new alternative forms of resources, advanced materials, nanotechnology, and biotechnology. Meeting the challenge of creating groundbreaking innovations requires maintaining a balance between devoting resources to internal and external sources for new innovations. This includes searching for new ideas that arise from outside of the firm's domain.

Operating a company's value creation system in accordance with the creating sustainable value concept inclines a firm to be entrepreneurial in its approach to addressing the concerns that stakeholders have regarding their ecosystem. For example, alternative energy sources like wind, solar, electricity, and agricultural energy sources are regarded as providing disruptive sustainability impacts that will alter the incumbent energy industry and force companies to adapt new value-creation capabilities. Sustainability innovations and new energy technologies rely on the use of natural resources that are continuously replenished and therefore will not run out. Nanotechnology is regarded as a viable means of creating sustainable value because of its significance in such vital areas as contributing to the world's future supply of water, clean energy technologies, contributing to lean and green manufacturing, and greenhouse gas management. Thus, there is a complementary connection between the aim of providing customers with higher quality and the aim of co-creating new economic opportunities; between operating excellence and creating sustainable value; and between the goal of increasing economic benefit and the aim of co-creating sustainable value.

The literature on sustainable value creation points out that the success of high-growth companies is achieved by proactively establishing the right balance between incremental and radical innovation projects. An innovation with significant impact is followed by incremental innovations to improve the product, process, or service, while the next radical innovation is under development (Maxwell 2009, 15). The top performing companies have learned that the balance between incremental and radical innovations is best achieved by, if possible, collaborating with research and development universities – a strategy referred to as *open innovation*. Open innovation is defined as "The use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively" (Chesbrough 2006, 1). The open innovation strategy allows companies to utilize external knowledge to increase the creativity pool the company can draw from. The open innovation approach to creating sustainable value is in contrast with the traditional industrial model where companies endeavor to protect their intellectual property.

Firms cooperate in creating sustainable value by providing components for a more complex system to use, and in return, they capture a portion of the value that the system creates. The value network is established to create solutions to the concerns of stakeholders and to provide them more meaningfully eco-aesthetic experiences. "The recipe of 'open innovation' can only be understood when different ingredients such as transactions, capabilities, value creation and appropriation, and interorganizational networks are linked to each other and integrated into a coherent strategy" (Vanhaverbeke 2006, 215). The open innovation approach balances improving social economic performance with improving eco-efficiency performance. Potential partners for open innovation include customers, stakeholders, suppliers, internal and external researchers, environmental experts, and research institutions. In this sense, relationship management is an important aspect of creating sustainability innovations. Implementing open innovation as a sustainability-related value creation strategy "Means combining resources, knowledge, and capabilities between different market actors to improve products and services and even the value chain by means of the sustainability criteria" (Arnold 2017, 181). This includes collaborating with supply chain partners in open innovation partnerships to determine how to reduce resource consumption, lower costs, and improve quality.

Flourishing in an ecosystem requires being holistically well-integrated within a network in which the interactions result in process couplings. Process coupling enables a firm to achieve the highest level of success in creating sustainability innovations. Success is based on collaborating with other actors in the innovation ecosystem, mapping ecosystem service supply-demand relationships, and mapping the ecosystem to determine the best way to couple human needs with ecosystem dynamics. Ecosystem mapping is a powerful communication and knowledge-sharing tool that enhances the ability of agents to create innovative ways to flourish within their environment (European Commission 2011, 12). In fact, ecosystem mapping is increasingly relied on as a tool to process the coupling of ecosystem resources with the services supplying those resources to the market and the human demand for natural resources with creating sustainable innovations to meet that demand. Ecosystem mapping is a powerful tool for determining possibilities for profitable future innovations and the direction from which new disruptors and competitors may surface. This is because ecosystem mapping provides a comprehensive, multi-level and multi-dimensional analysis.

Ecosystem mapping includes analyzing the dynamics involved in creating value within an ecosystem, the actors involved in creating that value, and the nature of their relationships. In addition, it includes analyzing the nature of the network in the value creation process and the risks and benefits of participating in an interdependent value creation system. Ecosystem mapping plays a role in creating innovations that result from analyzing the sequence of activities involved with the acquisition, transfer, and utilization of relationships, resources, and knowledge. In extreme cases, the knowledge generated in the network results in the creative destruction of the existing competence of competitors, a reduction in their ability to provide satisfying value offers, and, in extreme cases, renders their value creation system obsolete (Schumpeter 2003, 83).

The frontrunners are setting the pace for successful sustainable value creation by implementing a strategy for maintaining economic output while reducing the rate of resource use per unit of economic activity. For example, the economic interest of a pesticide supplier is to sell the maximum possible volume. "If a company no longer sells a pesticide, but a rate of maximum acceptable crop loss, the pesticide used to reach this service rate becomes a cost that is profitable to minimize" (Sempels & Hoffmann 2013, 194). Thus, a first step toward disruptive sustainability innovation is the resource-decoupled mode of value delivery. A popular strategy for decoupling is to add a sustainability dimension to the customer value chain activities. The sustainability strategy "Must be based on a comprehensive assessment of a company's resource flows up and down the value chain, the direct and indirect use of key materials, and the related costs, risks, and opportunities" (UN 2019, 27). Disruptors introduce new breakthroughs by breaking the links in the "Discrete steps a typical customer follows to evaluate, select, buy, and consume a product or service. In effect, [disrupters] were culling just a portion of the customer value chain and that had traditionally been provided by an incumbent, and they were building entire businesses around it by just offering a narrow slice of the value pie" (Teixeira 2019, 18 & 19).

For companies to be successful at creating sustainable value, the impetus driving innovation must be integrated into all aspects of the value creation strategy and system. Transformational innovations are the outcome of relationships that create value over a long period of time. An integrative approach is necessary because the nature of the challenge is transdisciplinary, so the response cannot be merely economic. The value offered in response to the challenge must be of a transformational nature. This aspect of sustainability offers a unique opportunity for organizations to integrate the concept into their strategy for managing their human capital, as a motivational strategy, and, as well, as a strategy for increasing their external relational capital (including their corporate image). It is also an important consideration when designing products and services meant to provide experiential satisfaction to customers. This means that the design scope is enlarged to include a more holistic approach to providing satisfying experiences. The sustainability design process itself requires integrating the firm's system of product and service planning with its system for interacting and planning how to deliver experiential satisfaction to customers and stakeholders (i.e., providing value, satisfaction, and experience in ways that improve both their well-being and sense of being well-integrated within their ecosystem).

5.4. Co-creating the Features of the Future Ecosystem

How long can we go on and safely pretend that the environment is not the economy, is not health, is not the prerequisite to development, is not recreation (The World Commission on Environment and Development 1987, 49)?

Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist (Boulding, 1966, 3).

As the sources of disruption multiply, so does the demand for transformation. The frontrunners respond by engaging in preemptive transformation. The frontrunners make incremental improvements in performance while drawing from their competitive strengths to create radical breakthroughs that will secure their long-term market position. The frontrunners create even more value than they had previously by reorienting their business model and operating strategy to create sustainable value. In this way, the frontrunners are responding to the disruption challenge by opening their eyes to totally new possibilities and opportunities. Companies that fail to make the transformation by limiting their notion of value to a one-directional flow between the business and its customers will find themselves swept off the competitive landscape as they are not able to make the necessary investments in a sustainable future. Companies endeavor to transform by improving the performance of the company in ways that cut costs so that they can improve their financial performance, by upgrading their systems, improving the performance of their workers, by establishing a culture of performance excellence, and by collaborating with stakeholders to co-create significant value outcomes that enhance their well-being and the conditions of the ecosystem. In this sense, successful transformation is defined as new practices that generate appreciable financial returns, improve innovative capabilities, and have a beneficial impact on society, the economy, and the environment (Grenni et al. 2020, 412).

Transformation refers to a change from an existing state to one that is more desirable. Out of all the possible inputs for transforming in ways that improve social economic conditions, knowledge is the most important for addressing and resolving humanity's social, economic, and environmental issues. Knowledge of how to create sustainable value empowers social economic agents with the ability to organize human resources, materials, and energy in the most efficient way for creating social economic flourishing (Boulding 1978, 225). Successfully creating sustainable value requires knowledge of the best way to use human, structural, and energy resources to promote the transformational economic paradigm. Transformational knowledge is a value asset that is generated by the interactions taking place within the value creation network, which is transformed into enhanced competence and an enhanced ability to create sustainability innovations. Transformational knowledge contributes to creating types of sustainable value that are aesthetically appealing in appearance and experience. Creating ecosystems that are more eco-aesthetically appealing requires integrating resources, productivity, technology, and transformational knowledge into a harmonious blend of nature, people, technology, and human artifacts. Transformational knowledge enables corporate leaders to discern how to create sustainability-type innovations that will provide long-term desirable value benefits.

Transformational learning includes continuous growth processes that occur between the learning organization and the learning society. The interactions between the learning organization and the learning society enable stakeholders to determine the necessary transformational value outputs that can shape the future ecosystem in desirable ways. Such transformational insight is defined as "Concepts or beliefs that (1.) pertain to desirable end states or behaviors, (2.) transcend specific situations, (3.) guide selection or evaluation of behavior and events, and (4.) are ordered by relative importance" (Schwartz 1992, 4). Being able to make a transformational impact requires an organization to have a strategy for generating knowledge of how to turn unsustainable business, social, and economic conditions into practices that upgrade both the eco-aesthetic features and social economic conditions of the ecosystem. A transformational approach to creating sustainable value is based on the premise that there is long-term social and economic benefit in establishing a complementary relationship between the firm and its stakeholders and between the firm and its environment.

Transformational knowledge provides entrepreneurial-type business leaders with insight into how to produce innovations that spark a new direction for the path of the market, economy, and society (Leadbeater 2, 12 & 25). For example, coal technology gave way to oil technology which is now giving way to the concept of alternative energy. Firms that are not able to keep up with the demands of the current times disappear in favor of firms that introduce new constructively disruptive combinations of sustainable value.

Conceptualizations of transformational knowledge (e.g., emphasized in The Theory of Knowledge) assert that an integrative approach to creating sustainable value is essential for enriching the quality of life of customers and stakeholders plus for ensuring the flourishing of the ecosystem that customers, stakeholders, and the business all rely on for an improved quality of life. The Theory of Knowledge proclaims that experience is defined as inextricably socially constructed and involves meaningful and beneficial interactions that take place between individuals and between individuals and their environment (Dewey 1929, 4). That is to say that, according to The Theory of Knowledge, because transformational knowledge triggers progressive social activity, social economic growth, and sustainable development the changes it brings about are also referred to as value transformations (Eames & Field 2003, 12 & 75).

The concept value transformation, as it applies to creating sustainable value, involves creating a transformation that enables customers and stakeholders to experience a harmonious interface between human artifacts, the environment, and themselves. Value transformation is a higher-order concept that involves inter-relational processes for generating knowledge of how to create value outcomes that are more holistically satisfying. Value transformation processes generate sustainability-type innovations that stakeholders experience as more eco-aesthetically appealing, that increase their sense of ontological security, and that enrich the life experiences of stakeholders (Dewey 1929, 28). The conceptualizations of value transformation explain a viable approach to transforming markets by means of sustainability-type social entrepreneurial activity. Conceptualizations of value transformation explain a futuristic strategy for market innovation and the sustainable development of a social economy. Thus, practitioners of value transformation play a role in generating social economic and environmental progress through their social entrepreneurial-type constructive disruptions (Schumpeter 1949, 63-66).

Strategies for improving performance by creating value transformations take into consideration the fact that businesses are socio-technical systems that are always embedded within wider social and environmental contexts that influence the success or failure of the business (and vice versa). Indeed, a business does not operate in isolation from other aspects of the social, economic, and environmental supra-system (Senge 1990, 6-7). Because of the essential interdependence that a business and its stakeholders have with society, the economy, and the environment, the success of a company is dependent on knowledge of how to create sustained beneficial interactions between itself and its ecosystem. The long-term success of a company depends on the quality of its ecosystem, which makes creating sustainable value an essential long-term goal. From the perspective of the literature on integrated systems, a transformation is only successful if it produces benefits that sustain the flourishing of the system. Thus, value transformation requires a system-level perspective on enhancing the value-generating capability of the firm and knowledge of the essential components of its ecosystem.

The ability to create transformational value "Implies that entrepreneurs, for example, through their innovations, create portfolios consisting of different kinds of value (e.g., dividends, customer solutions, reliable contracts, employment, or reduced environmental harm), which are created with and for multiple stakeholders" (Lüdeke-Freund 2019, 668-669). Managing a business portfolio for sustainable value creation starts with analyzing the value desired by stakeholders and the market value of providing such value. Secondly, the portfolio should include an analysis of how the core competencies of the business can be leveraged to take advantage of the opportunity. And third, leadership must decide how the opportunities relate to the future sustainable value creation commitment of the firm. If implemented properly, the application of transformational knowledge for creating sustainable value does not require a major disruption of the established approach to value creation. The sustainable value creation concept explains a viable approach to "Satisfying societal aspirations and stakeholder expectations (including the social, ethical, and environmental responsibilities of businesses) without undermining the viability of the business" (Visser & Kymal 2015, 29).

However, the creation of sustainable value does require "Reconfiguring and recontextualizing resources around points of interaction. Also, embedded intelligence in assemblages is often needed to facilitate the choosing of options and co-shape environments with ease" (Ramaswamy & Ozcan 2014, 157 & 159). Embedded intelligence in assemblages is defined as the incorporation of sustainable value features into the core business without reducing quality or increasing price. Thus, implementing the sustainability approach to value creation prompts an organization to reengineer its strategy so that its value creation system is designed to use available inputs to create, deliver, and then reintegrate resources in ways that transform the system to coincide with the circular economy. On the enterprise side, it is the ability to re-engineer processes based on the value and experience desired by customers and stakeholders. By adopting the sustainable approach to value creation, a company becomes a model of how transformational knowledge enables a company to offer value that does good at a lower cost in resources and price.

In the integrated systems approach to transformation, stakeholders co-create the eco-aesthetic features of the same ecosystem that their social economic flourishing is dependent on. Co-creating sustainable value transformation is defined as collaboratively planning the ways in which what is created and exchanged in the value creation network will sustain the wellbeing and prosperity of the social economic system (The World Commission on Environment and Development 1987, 51). The integrated system concept emphasizes the transformation of resources into value that sustains the thriving of the overall system. From the integrative perspective, the long-term survival of any business is dependent on how people view both business agents and the business activity of those agents, plus how people view the impact the business has on their natural environment. Thus, the long-term success of a firm within a particular ecosystem requires realizing that the value the company hopes to appropriate is dependent on the value that customers and social stakeholders perceive the company to be providing. The integrative approach to sustainability transformations empowers stakeholders with "The capacity to shape [their] future and specifically to sustain the significant processes of change required to do so" (Senge 1999, 16).

The integrative concept also applies to how advances in technology provide products and services that offer combined, networked, and integrated features for addressing and satisfying customer and stakeholder needs as well as those of the ecosystem. The integrative approach is a viable model for transformational innovations because it stresses the congruence between sustainability logic, traditional business strategies, technological innovations, and improving the features of the ecosystem. Sustainability transformations are, in effect, constructively disruptive innovations that provide social economic benefit by converting market imperfections into business opportunities. Thus, a firm's entrepreneurial and innovation capabilities, its ability to create disruptions that have the potential to have positive social, economic, and environmental benefits, and its sustainable value creation activities must be integrated in a way that enables a company to distinguish itself. The distinction occurs by transforming the ecosystem with valuable outcomes that provide multi-dimensional benefits.

The literature describing the most outstanding success stories in creating sustainability-oriented innovations stresses that the most successful firms include system building in their strategy for creating sustainable value and for optimizing their performance. To put it another way, successful companies conceive of creating sustainable value as the systematic integration of interdependent systems or, in other words, as a value-creating strategy for strengthening overall systems (Normann & Ramirez 1993, 65-66). System building reaches beyond the firm to spark a transformation of the entire ecosystem (creating new market opportunities through novel products, services, and business models; new, more aesthetically appealing structural designs; doing good by doing new things and by promoting transformation). System building involves exploring possibilities that are impossible to achieve alone, thus doing good things in cooperation with stakeholders. System transformation aims at appealing to and satisfying shared values: economic values, environmental values, higher order human values, both intrinsic and instrumental values, and relational values. However, for the purposes of creating relevant social economic benefits, the focus is on values that are the outcome of constructivist-type deliberation processes to determine what transformational outcomes are considered most socially and economically beneficial and desired by stakeholders. “This is particularly valid for adaptive, complex social economic systems in which agents respond to, adapt to, and learn from emerging interactions” (Linnér & Wibeck 2019, 181).

System transformation represents a progressive step forward for the overall social economic system. A celebrated example is the transformation from cars fueled by fossil fuels to cars fueled by alternative energy sources (e.g., cars fueled by energy sources that reduce harmful emissions to a minimum). This example of system transformation aims at altering the dysfunctional patterns of human-to-human and human-to-nature interactions and replacing them with value transformations that enable nature-human-environment complementarity. Complementarity implies that the benefits that nature provides to humanity will be reciprocated by transformational social economic activities that are beneficial to the ecosystem. Thus, “The level of ambition of innovations needs to be high and focused on maximizing societal and environmental benefits rather than economic gain only” (Bocken et al. 2014, 44). In this sense, system transformation and value transformation are related in that social economic agents – by engaging in constructivist-type collaborative processes – determine the value preferences, value commitments, value creations, market activity, and social economic activity that will shape the future of their ecosystem. Thus, an “Understanding of the interface between system transformation and value transformation is important for transitioning towards a more sustainable” ecosystem (Evans et al. 2017, 203). System and value transformations convey something more substantial than incremental or radical innovations. System and value transformations involve disrupting markets by co-creating value that increases the complementary interface between society, technology, and the environment.

Corporations play a major role in shaping the quality of experience customers and social stakeholders have in their relationship with artifacts, technology, and the environment. Thus, the material artifacts, technological devices, and architectural structures produced by corporations are shaping how stakeholders experience existence. Corporations produce outcomes of sustainable value when their value offer provides experience of a transformational nature. This is an advance over the prior economic paradigm where corporations considered value to be what increased the profit of the company (Pine and Gilmore 2011, 277). Thus, in the prior paradigm, products and services were isolated from the experience through which value is "Reached and in which they function" (Dewey 1929, 11). Consumption of the commodity was therefore treated as if it were the height of value to be experienced. The integrative approach to sustainability eliminates the company's self-proclamation of what has value. Rather than merely reducing the firm-customer relationship to consumption, customers are increasingly calling for corporations to provide meaningful, indelible experiences that are intended to sustain beneficial relationships (e.g., between the firm and its customers, between stakeholders, and between stakeholders and the environment). The sustainability aspects of the value creation paradigm are the main features that give it the potential to be an integrative social economic value theory that ties together social science strategies for creating greater benefits for larger sections of society with economic theories for generating wealth. Indeed, a commitment to sustainable value creation prompts the natural evolution of the economy away from merely the value in exchange perspective of what has value toward strategies that focus on relational value, value in experience, and transformational value (Pine and Gilmore 211, 271).

Thus, the transformational approach to creating sustainable value aims at producing outcomes that are in line with humanity's value preference for nature-human-technology complementarity. One of the strongest human motivational forces is the desire to feel secure within one's social and natural environments. A breach in the sense of security reduces the feeling of well-being and is even experienced as a threat to survival. This basic human ontological urge carries over into organizational behavior, where professionals and stakeholders attempt to increase their survivability by being well-integrated within their ecosystem. However, today, businesses and their stakeholders are increasingly experiencing uncertainty regarding their relationship with the larger environment for several reasons (e.g., the pace of change, the increased threat of disruptions, and the impact of environmental crises on businesses and their stakeholders). This is prompting businesses and their stakeholders to cooperate in efforts to reduce the sense of threat to both their well-being, flourishing, and survival. In organizational terms, establishing complementarity between nature, humanity, and technology can be referred to as co-creating the features of the future ecosystem. Transformational knowledge is the key to such a transition in that it provides insight into how a company's transformational activity can reshape its competitive positioning and opens the minds of key stakeholders to the possibility of co-creating a new, more beneficial, and profitable nature-human-technology interface.

Creating sustainable value requires engaging in a concerted effort to generate knowledge of how to co-create a future where individuals experience a ubiquitous and seamless integration of nature, humanity, and technology. The leaders of creating sustainable value engage in collaborative interactions to determine what they can do together in their relationship today to improve their relationship with each other, with stakeholders, and with the environment tomorrow. The partnership is sustained when the value co-created has a lasting benefit for the participants in the value system and their ecosystem. The interactions involve agreement between stakeholders on how to co-produce eco-innovation products, services, and technologies. The transformational model of creating value represents a vision for improving social economic systems with innovations aimed at increasing the satisfaction and enjoyment stakeholders experience in their interactions with material artifacts while simultaneously improving their experience and interactions with the natural environment (von Hippel 2005, 3 & 111).

The co-creation concept (especially as presented in the service dominant logic literature) proposes that creating sustainable value cannot be done by firms alone but must be done in partnership. "By harnessing collaborative innovation potential across the private, public, and social sectors in mutually interdependent ecosystems, enterprises can jointly build co-creative capacities in terms of governance, infrastructure, development, and sustainability" (Ramaswamy & Ozcan 2014, 258). In today's interconnected and interdependent system, many innovations are not just stand-alone offers that a solitary company can provide, but innovations are the outgrowth of an integrated value creation network, which itself is part of a larger ecosystem. Thus, creating sustainable value is seen as the natural growth process of a holistically well-integrated system, characterized by a high degree of integration between the agents interacting in the process of co-creating well-being and social flourishing.

The transformational approach to creating sustainable value places an emphasis on innovations that establish integrative and unifying dynamics between people, between people and organizations and institutions, and between people and the natural environment (Bateson 1979, 127-128). Throughout history, technology has always been a matter of applying knowledge toward improving the human experience, toward improving the conditions of work, improving relationships (i.e., improving the process of social formation), improving communication media, and improving how humanity relates to the environment. In today's social economy, such knowledge would be of a value transformational nature. In other words, it would be knowledge of how to establish the social economic support systems needed to create eco-aesthetically appealing and seamlessly well-integrated ecosystems. Because humanity's value preferences are both natural and knowledge-based, the human value preference is to generate knowledge of how to transform unsustainable and unnatural social economic practices into ones that are preferred. Thus, transformation aimed at achieving nature-human-technology complementarity is essential for realizing humanity's natural value preference.

In a healthy relationship between a firm and its ecosystem the problem the entropy of the system it relies on is reduced because the co-creation of value process generates social actions that result in sustainable social economic flourishing. "Social action may be determined as (1.) instrumentally rational – the 'means' to attain one's own rationally pursued and calculated ends, or (2.) value-rational – a conscious belief in the unconditional intrinsic value of some specific form of behavior purely as such and independently of its effects" (Weber 1978, 24-25). The transformation to creating sustainable value involves both instrumental rational social action (the performance value of the sustainability concept) and value-rational social action (the qualitative and transformational changes in socio-technical processes that enhance human existence). Thus, the concept promotes a way forward which gives a new substance, based on integrative value-rationality, and gives greater meaning to the necessity of progressing in a way that integrates social value theory with economic value theory.

CHAPTER 6

THE THEORY OF VALUE CREATION

When we ask scholars to distinguish what is scientifically relevant, they "Necessarily have a 'point of view' for this distinction. The values to which the scientific genius relates the object of inquiry may determine, i.e., decide the 'conception' of a whole epoch, not only concerning what is regarded as 'valuable' but also concerning what is significant or insignificant, 'important' or unimportant" (Weber 1949, 82).

"All deliberate, planned human conduct, personal and collective, seems to be influenced, if not controlled, by estimates of the value or worth of ends to be attained. The problem of valuation is thus closely associated with the problem of the structure of the sciences of human activities and human relations" (Dewey 1943, 2 & 3).

When the assembly line era culminated during the 20th century, several prominent voices in organizational theory and management plus marketing heralded the emergence of a new era sparked by revolutionary changes in communication technology, changes in organizational activity, and in the notion of economic development (e.g., the impact of the sustainability discourse on the established notion of development). During the third quarter of the twentieth century, organizational and social theorists introduced new buzz words that had a significant impact on organizational theory and practice (e.g., the network economy, the technological age, the knowledge-based economy, corporate social responsibility, and the value creation concept). By the end of the 20th century, it was clear that the impact of the value creation concept (e.g. the significance of value intangibles, the co-creation of value concept, the co-production of value, stakeholder satisfaction, and creating shared value) required reconceptualizing economic value theory in light of the resurgence of the pre-classical social economic theory and, consequently, the resurgence of the value in use economic value theory (Drucker 1992, 122–123; & 1998, 90–92; Miller 2015a, 6–7; Baskerville & Dulipovici 2006, 83–10; also see Rappaport 1986, 171).

The resurgence of the value in use economic value theory – which also meant a pendulum swing away from value in exchange and the focus on tangible value – resulted in the twenty-first century ushering in an increased concern for both the end user's and the stakeholder's perspectives on value and the inclusion of value intangibles. Intangible value includes such things as interactivity, relational capital, connectivity, tacit knowledge, and intellectual capital (Porter & Kramer 2011, 62-77; Prahalad & Ramaswamy 200a, 5-14; Vargo & Lusch 2004, 15). Thus, the twenty-first century began by emphasizing a new perspective on value, organizational behavior, marketing, the nature of the market, and economic exchange. The new perspective prompted analysts to refer to the value creation concept as a new dominant logic, a fundamental shift in world view, and an integrative approach to social economics. The new perspectives on organizational theory and practice, new views on the role of information communication technology in organizational behavior and economic activity, new views on marketing, and the increased necessity to make sustainability part of organizational and institutional policy all demanded integrating frameworks based on the Philosophy of Social Science with those based on social economics. This also required integrating views on social psychology and new perspectives on the Philosophy of Science into organizational theory and practice (Miller 2015d, 61; Ng & Smith 2012, 207–243; Vargo & Lusch 2004, 1–2; Zwass 2010, 12–13).

Consequently, the value creation concept has increasingly sparked a great deal of literature addressing the connection between social economics and overall human well-being, literature addressing the connection between social value and economic value, and literature on the role that human values play in the sustainability discourse. However, although there is a vast amount of contemporary literature stressing the significance of the value creation concept (as the means of creating multidimensional benefits for both individuals and society at large), there is a scarcity in terms of a comprehensive explanation of how it applies as a theory for researching performance improvement as well as how its conceptualizations and philosophical propositions inform methodology. This means that there is also a lack of a comprehensive explanation of the value creation concept that is useful for researchers who are interested in testing the viability of its claims and measuring the impact that the application of its principles has on performance. Thus, there is a lack of a comprehensive explanation of the value creation concept in terms that clearly specify the factors involved in applying value creation as a business strategy. This chapter fills the void in the literature by explicating the concepts and principles that play a role in developing a value creation theory, and this chapter introduces a viable methodological framework for researching the impact of the concept on performance. This includes an explanation of a methodological framework for value theory research and testing its overall benefits for professionals, organizations, the economy, and society.

This chapter explains the conceptual framework underlying the value creation concept in order to establish a theoretical model for integrating the value concerns of economic agents with those of social stakeholders. In doing so, the chapter develops an integrative model for increasing the satisfaction of the material needs of individuals and society as well as increasing the level of Gross National Happiness. In other words, this chapter explains Value Creation Theory as an approach to improving humanity's social and psychological condition, improving performance on both the Quality-of-Life Index and the Human Development Index, increasing beneficial human-nature relations, and enabling humanity to be well-integrated within the fabric of existence. In this respect, the theory is inclusive of an explanation of how integrating the value in exchange and value in use economic value theories benefits shareholders, organizations, social stakeholders, and the economy. Finally, the chapter explains how the value creation theory is inclusive of concerns about sustainability and corporate social responsibility.

This chapter points out that because the valuation concept has a history that dates to the earliest stages of Western Civilization and has an interface with so many disciplines, an explanation of a theoretical framework for value creation requires an integrative, interdisciplinary, and historical approach to analyzing the social, psychological, and social economic aspects of exchange. This chapter proposes developing a theory for value creation by integrating the principles for creating social value with those for creating economic value, plus integrating conceptualizations of value in use with those for value in exchange. The conceptual data is primarily drawn from the works of Weber 1964 & 1978, Schumpeter 1997, and Parsons and Smelser 1969. However, also essential for developing a viable theory for applying the value creation concept toward improving social economic performance is integrating the social and economic value principles of Aristotle 1959 and Adam Smith 2007. Both Aristotle and Smith provided conceptualizations for value theory that would reconcile the dichotomy between individual self-interest and the principle of mutual benefits. Reconciling the difference between the two – to make the best of the potential that value theory has for wealth generation and improving the conditions of society – requires a theoretical framework for linking methodological individualism with a methodological approach to social economics.

Such a theoretical model would also be a proposition for reconciling the dichotomy between classical organizational theory (which tended to focus on a single level analysis) and contemporary organizational theory (which demands a multi-level, multi-dimensional, and interdisciplinary approach). A theory that requires integrating the Philosophy of Economics with the Philosophy of Social Science must challenge classical economics by criticizing its theoretical and methodological limitations. A more inclusive theory claims that strategies for human development, wealth generation, and the progression of society work best when economic strategies are developed from the perspective of the sociology of enterprise because the social enterprise "Extends to the structure and the very foundations of any given society. Therefore, the sociology of enterprise reaches much further than is implied in questions concerning the conditions of production" (Schumpeter 1947, 158).

Reconciling the two views of science and social science research would eliminate what has persisted as a split in the way value is conceived that consequentially results in a dichotomy between endeavors to increase social benefits in material terms and an approach to social economic empowerment that enables individuals and social groups to live in accordance with what they have reason to value (Sen 1999). Max Weber proclaimed that without reconciling this dichotomy there remains unresolved "Questions about the goal of social science knowledge in general [and the problem of] making two sciences out of economics" (1949, 63). Scholars point out that the problem of making two sciences out of one – an epistemological, ethical, and is a methodological controversy which is also related to intellectual splits in Western Civilization – could be resolved by developing a theoretical approach that combines the ethical and natural law principles of cosmopolitan idealism (which are the fundamental principles of economic Liberalism) with the logical positivism, pure theory, model-building-analytical slant that came to dominate classical and especially neoclassical economics (Shionoya 2005, 15).

The controversy over pure economic theory (i.e., abstract mathematical calculations) and the broader concerns of the social sciences could be resolved, according to Joseph Schumpeter, by blending the dynamic entrepreneurial model for wealth generation – which he assumed is motivated by values – with a theoretical approach to rationality based on the value and normative perspective of the context in which a social economic agent acts. He realized that the controversy over the phenomenological inclination of the Continental School clashed with the logical positivism of the Austrian School – plus there was a clash with the growing impact of dialectic materialism, which was a third vein of economic philosophy and social theory that intensified the controversy. Schumpeter proposed that mending these splits requires a more inclusive theoretical approach.

Schumpeter undertook the challenge of developing a theoretical and methodological approach that would bridge the division in economics – a schism that he believed was hindering social economic development. His mission was to develop an epistemologically sound method for gaining reliable knowledge. He believed it was possible by means of a methodological framework that establishes a complementary connection between empirical evidence that can be verified by observation, testing, and scientific rationality and the innovative force generated by openness to creative ingenuity as a source for deriving insight. According to Schumpeter, "The strongest achievements in science proceed from vision and artistic creation" (2006, 110). Schumpeter was sensitive to the need to balance the economic and materialistic aspects of existence with the social, pragmatic, phenomenological, ethical, higher order values, and social considerations of philosophical rationality (Shionoya and Nishizawa 2008, 25-28).

Thus, Schumpeter's approach to social economics can be regarded as the precursor of the current trend emphasizing innovation; the role of individual value choices in innovation; and the significance of creativity, core values, and vision in entrepreneurial activity. In addition, his approach emphasized the importance of an integrative methodology for researching the role that the value concept plays in professional success and improving organizational and economic performance. However, complementing Schumpeter's initial impetus was the visionary work of Peter Drucker (who had been directly influenced by Schumpeter). Drucker argued that creating value is the key to improving performance and increasing profitability. He proposed that creating value is achieved by effectively managing relational capital. The value management theory evolved from Drucker into an emphasis on the role of shared vision in creating value and in increasing satisfactory outcomes for stakeholders. Subsequently, the concept was characterized as "Practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates" (Porter and Kramer 2011, 1). Ultimately, the concept was referred to as the "Co-creation of experiences: the next practice in value creation" (Prahalad and Ramaswamy 2004). Finally, the introduction of the service-dominant logic (Vargo and Lusch 2004) would firmly establish value creation as one of the most popular concepts in organizational and marketing literature.

Subsequently, researchers and practitioners are increasingly interested in specifying the factors that make the value creation concept effective for enhancing the performance of professionals, organizations, and economies. In addition, researchers are increasingly interested in value creation as a model for sustainable economic development and a theoretical model for improving social existence. Developing such a theoretical model begins with integrating the principles underlying conceptualizations of valuation that established the foundation of economic value theorizing (e.g., Aristotle or the pre-classical economic value theory) and the value theory that came into play with the establishment of classical economics (Adam Smith). Aristotle initiated explanations of how to generate and manage wealth for a *polis*. Aristotle's value theory is inclusive of ethics, political economy, social psychology, and the principle of mutuality. Adam Smith initiated classical economics by explaining how to generate wealth for a nation and by proposing principles for reconciling self-interest with the concept of creating mutually beneficial outcomes (Schmoller 1894, 2 & 16-17). By analyzing the historical and contemporary literature, the principles and concepts that can be developed into a value creation theory and specified as factors can be determined.

All scientists approach the study of their subject matter via assumptions: first, about the nature of the phenomenon they are investigating; and secondly, about the best way in which it can be investigated. The first are assumptions of an ontological nature (i.e., knowledge which provides the basis for developing a theory of a phenomenon or, in other words, conceptual explanations of a phenomenon, descriptions of the phenomenon's features, and the principles connected with the phenomenon). The second is of an epistemological nature (i.e., assumptions about the way in which reliable knowledge is acquired). In addition, "Associated with the ontological and epistemological issues is a third set of assumptions concerning human nature and, in particular, the relationship between humans and their environment. All social science must be predicated upon this type of assumption, since human life is the subject and object of inquiry" (Burrell and Morgan 2019, 2). The assumptions described above play a role in developing a theoretical and methodological approach to a subject of inquiry.

This chapter points out the philosophical foundation of the value creation concept and describes the challenges connected with establishing a theoretical and methodological framework for social economic value research. Such research must encompass economics, political economy, social psychology, the full scope of the social sciences, the Philosophy of Science, the Philosophy of Social Science, the Philosophy of Economics, and marketing principles, at the very least. The following section (6.1) explains the concepts and principles connected with developing a theoretical framework for the value creation concept. This includes an explanation of the concepts and principles that contribute to developing a theoretical model for applying the integrative approach to value creation. The integrative framework was chosen because of its viability as an approach to economic theorizing and as a methodology for generating relevant social science knowledge. In this respect, section 6.1 explains what is involved in developing a theory of value creation that can be applied as a model for creating multi-dimensional benefits.

Section 6.2 explains the methodological assumptions connected with applying the factors that make the value creation concept effective towards research that analyzes organizational performance and social economic performance. In other words, in addition to further elaborating the concepts and principles underlying the value creation concept, this section explains assumptions about how to gain reliable knowledge regarding performance, how to research the concepts and principles related to generating wealth, and how to research the role that the concepts and principles play in improving social well-being. This section also provides a description of the methodological assumptions that influence the methods of testing the effectiveness of the value creation concept. This section clarifies why the integrative approach to economic strategizing has re-emerged to become the basis of a methodological approach to value creation research.

Developing a methodology for gaining reliable knowledge regarding value creation begins with an explanation of how the fundamental principles for wealth generation and management, social economics, and an integrative strategy for performance improvement contribute to a framework for a value creation theory. Thus, section 6.2 points out the relationship between the conceptual foundation of the value creation concept and the historical connection the concept has with the social sciences, the Philosophy of

Science, the Philosophy of Economics, social psychology, and management. This section also explains the rationale behind the claim that methodological assumptions stem from a body of methods, rules, and postulates for satisfying the interests of stakeholders (Schmoller 1894, 2-5; also see Schumpeter 1997, 3). Finally, section 6.2 summarizes the argument that the value creation concept reconciles the long-standing discrepancy between social and economic value theories and, as well, summarizes how the contemporary value creation concept can be developed into an integrative theory for "democratizing value creation".

Section 6.3 describes the principles and conceptual categories (derived from historical and contemporary literature) that apply to developing a value creation theory. This includes explaining how the principles and concepts associated with the value creation concept can be formulated into factors that can be applied to improve performance. Thus, this chapter concludes by introducing a value creation theory based on the principles and concepts stressed in the literature on value creation.

6.1. Developing a Value Creation Theory for Increasing Social Benefits in Multi-dimensions

"Theory is a structure of general statements that explains some phenomena and permits predictions about them" (Risjord 2014, 38-40). Theory provides an explanation of the basic principles or fundamental concepts of a field of inquiry, its primary features, and the general knowledge regarding a phenomenon, which are the key components of a theoretical framework. Principles are valid statements about a phenomenon that are important to theory because they are regarded as reliable to the extent of being law-like. Concepts describe substantive features of phenomena in terms that place the features in general categories. The conceptual framework makes it evident (thus specifies and/or explains) how the principles can be developed into factors that can be tested to determine the effectiveness of the theory. Developing a theory for value creation first requires determining the conceptual framework necessary for guiding research and determining the conceptual aspects of value creation that can be applied as an integrative business strategy, as a model for designing the structure of an organization, and as an approach to improving both market exchange and social exchange.

A theoretical framework can be described as a set of fundamental postulations that establish the foundation upon which research on a phenomenon builds and/or more fully develops. "Theories are the central content of science. A mature science ideally produces one clearly identifiable theory that explains all the phenomena in its domain. In practice, a field of science may produce different theories for different subdomains, but the overarching scientific goal is to unify those theories by subsuming them under one encompassing account" (Ross and Kincaid 2009, 5). A theoretical framework serves as the conceptual or ideational basis from which a phenomenon is researched. A theoretical framework "Provides a structure for conceptualizing and designing research studies. In particular, a research framework helps to determine the principles of discovery and justification allowed for creating 'new knowledge' about the topic under study; this refers to acceptable research methods" (Lester, 2005, 458). In this respect, an explanation of the fundamental principles upon which a field of inquiry is grounded is described as the philosophy of that science (e.g., the fundamental principles of law are described as the Philosophy of Law and those of medicine are described as the Philosophy of Medicine). Economic knowledge is also justified or considered epistemologically sound when it is founded on the philosophy of its science – which determines what is considered reliable knowledge in the field. Economic philosophy "Concerns itself with conceptual, methodological, and ethical issues that arise within the scientific discipline of economics. The primary focus is on issues of methodology and epistemology – i.e., the methods, concepts, and theories through which economists attempt to arrive at knowledge about economic processes" (Little 2006, 224).

Theory development involves determining and explicating a process by which a phenomenon will be analyzed to better understand and explain the general aspects of the phenomenon. Scholars addressing the significance of developing a value creation theory increasingly stress that "Although the notion of a research framework is central to every field of inquiry, the development and use of frameworks may be the least understood aspect of the research process" (Lester 2005, 458). Thus, there is a growing body of literature devoted to determining why such a theoretical and methodological shortcoming exists and, as well, devoted to resolving the shortcoming. Researchers attempting to determine how to resolve this problem assert that economics suffers from "A crisis in methodology [which makes it evident that] economics as a science has serious shortcomings" (Redman 1993, 91 and 94). The problem lies in the failure of strategists to integrate insight into value-rationality from the perspective of the social sciences into pure theory or, in other words, into abstract mathematic-based models. That is to say, the problem stems from a failure to include Social Action Theory, social psychology, and the ontological basis of economic phenomena. In addition, the problems arising from the failure to integrate social value theory into its strategies result in mounting criticism that the field of economics has failed to embrace a more inclusive perspective on value and to integrate the social economic significance of the co-creation of shared value concept into its planning.

Developing a value creation theory that applies to researching organizational behavior and social economics involves explaining the role that socially organized systems, social structures, and the processes of social and economic exchange play in social action. Developing a theory for the valuation concept is based on analyzing the interests, preferences, meanings, and values that motivate individual behavior and social action (Weber 1978, 4 & 81). Such an analysis includes examining what is important from the perspective of individuals, what is important in terms of the interactions individuals have with each other, and what is important in terms of the human necessity to acquire natural resources from the environment. An integrative approach to developing a theory for value creation builds on the assumption that the motivation to create value is prompted not only by material interests but also by the endeavor to improve social relations and the social condition. Theories about the mechanisms people use to improve their living conditions range from the materialistic to the social-psychological to the transcendental. This includes attempts at improving the means of obtaining basic physical, emotional, and affectual needs (Maslow 1995, 97-100) as well as attempts at improving one's quality of life by achieving self-knowledge or self-transcendence (Joas 2000, 1). The assertion that values motivate and explain decision-making – thus being a key predictive and explanatory factor in investigating individual behavior and social action – makes values particularly relevant to organizational and economic theorists.

Developing a theory of the role of value in social action must account for the fact that human activity is motivated by both material and higher-order values. "This stands out most clearly in economics. That the objects of economic activity can only be defined with reference to a human purpose goes without saying" (Hayek 1942, 281). This proposition is perhaps most clearly described in Schumpeter's explanation of what motivates entrepreneurial activity and the role of the entrepreneur in society. An entrepreneur is motivated by personal values to create something that has both economic and social value. Consequently, the activity of an entrepreneur not only creates economic value in terms of wealth but also social value in terms of a new, dynamic creative breakthrough that establishes a game-changing standard that others pattern their economic and social activity after. Thus, an economic theory explaining what prompts a creative breakthrough is based on conceptualizations of the role of personal core values in human motivation, explanations of the need for personal achievement, and explanations of the need for some degree of independence as motivational factors for entrepreneurial activity. This includes self-efficacy and mastery, as well as the role of the creative impulse in motivating entrepreneurial activity. The fact that an individual's values prompt the creation of a dynamic breakthrough that subsequently influences social values means that a theory for value creation must explain the connection between the values of society and the impact that trend setters, who are themselves motivated by values, have on the values of society.

The value creation concept is based on the premise that the social world in which the economy is embedded is constituted by meaning, which motivates the behavior of individuals. The actions of individuals, social groups, and social systems are value-oriented and aimed at realizing what has meaning for them. "The carriers of this constant creation of values are individuals, communities, and the social systems in which individuals cooperate. This cooperation is determined by the fact that, in order to realize values, individuals set themselves purposes. These modes of cooperation manifest a life-concern connected to the human essence that links individuals with each other" (Dilthey 2002, 176). The economic functions of the social system (e.g., the organizational, market, and institutional systems that support a social system) are the means by which what has value is produced and distributed. Conceptualizations of the social sciences must therefore consider the frames of meaning involved in the production of social life and reconstitute these within the new frames of meaning (Giddens 2007, 85-86). In terms of developing a value creation theory, it must be kept in mind that, because people, organizations, institutions, and economies are creating both value and values, social action is motivated by values and those social actions influence the values of individuals and of society. Thus, a value creation theory explains the relations between individuals, organizations, and social systems to explicate the role of values, meaning, and purpose in mediating these interactions.

The principles of social economics claim that human society is composed of psychological and sociological aspects. The social is relational, and the psychological includes cognitive/conceptual, physiological (biological and material), and phenomenological aspects. Thus, a basic principle for a theory of value creation is that economic activity entails certain processes that encompass three value domains: (1.) The first and most important value domain is well-being and flourishing – in both a personal and social sense; 2.) the second involves economic value creation activity, which can be defined as activity that increases prosperity for individuals and society, improves their quality of life, and standard of living; and (3.) the third domain of economic activity is understood to involve the endeavor to satisfy human wants and needs in ways that maintain or improve their relationship with the natural environment. Therefore, principles prescribing how to have an appropriate relationship with the natural order are an important aspect of conceptions of and the principles underlying social and economic flourishing (Aristotle 1959, 9-13).

The two concepts that are fundamental aspects of such a theory are value creation and integration. Value creation is a key principle in organizational and social economic performance because its processes and activities drive innovation, increase efficiency, and are the basis of entrepreneurial activity (Schumpeter 2003, 83). Integration is a key principle because of the role it plays in creating value by integrating social and economic resources so that they result in value-adding combinations (i.e., in new, better, or more productive ways of combining resources) (Schumpeter 1949, 64-66). The integration of resources so that they produce more social and economic value is another way of describing the nature of both social and economic exchange. That is to say, a theory of value creation explains the principles for shaping interactions between individuals, firms, and within the market into processes that produce outcomes that have greater benefit for individuals involved in exchange and for social stakeholders (Coase 1988, 42-47). However, the concept integration also means social activity that promotes all parts of the system "Working well in relationship to each other and, together, they form a well-functioning and well-integrated whole system" (Miller 2017b, 109). In this way, the concept of value creation expands the narrowness of economic value theory by prescribing a more inclusive perspective on market activity that is a better fit with the contemporary service economy.

The foundational conceptualizations of value creation were established by theorists who promoted the liberal principle of mutuality in their endeavor to reconcile the dichotomy between the utility-maximizing efforts of the powerful elite and the endeavors of social stakeholders to improve their quality of life. The forerunner theorists asserted that the principles grounding the value creation concept not only promote the generation of wealth but, as well, prescribe a process by which social agents co-create what they find to be mutually beneficial, satisfactory, and enriching. There are three dimensions of a social system that must be reconciled if the outcome of value creation processes is to be beneficial socially and economically: the power structure of a society, the legitimizing or normative aspect of social interaction, and the meaning dimension of society (Giddens 1984, 23- 34). Thus, the principles of value creation must resolve the dichotomy between the value theory preferred by social stakeholders and the utilitarian relative advantage value theory that individual business and economic agents use as a guiding norm.

In fact, the foundational explanations of resource management, wealth generation, and social economics, as well as those of classic economics, claim that the principle of creating mutually satisfactory outcomes is a core exchange concept. The principle states that what is natural is good, and the inherent inclination of humanity is to maximize good outcomes (Smith 2007, 293 & 349). Thus, there is, within the foundational conceptualizations of value creation and the principles of classical economic exchange theory, the notion of a complementary connection between the interests of the buyer and seller. This principle is substantiated by the fact that humanity is neurologically hard-wired with a value preference for shaping interactions with others and with nature into beneficial outcomes (Edelman 1992, 102; Dewey 1938, 10; & Searle 1995, 6 & 15). The economy operates as a system of integrated value-creating activities aimed at increasing the range of interactions that are beneficial for individuals, for the relationships between individuals, and for society, including beneficial relations with environmental forces.

Advocates of the free market argue that personal, social, and economic value are created when individuals act freely and honestly in accordance with *key value domains*: e.g., as stated above the key value domains are well-being and flourishing, increased prosperity for individuals and society, and the ecological. The concepts and principles that are foundational to the value creation concept play a role in generating prosperity for free market societies because they empower individuals with the right and means to pursue what they value. When individuals are given the freedom to openly and honestly act in accordance with their convictions, choices, and values it maximizes the ability to achieve their ultimate value ends, contributes to organizing and instituting the means of creating public value, and ensures a means of enjoying the good life (Hayek 1980, 7 & 13). The foundational approach to valuation demands “Focusing on human freedom rather just on income or wealth” (Sen 1999, 24). Freedom is the outcome of keeping a focus on the ultimate value ends desired by engaging in one's personal, professional, and economic pursuits – thus individuals and social groups regard freedom as a higher value (Hayek 2007, 125). In this respect, there is a clear connection between one's personal value convictions, one's happiness, the welfare of society, and the ultimate goal of social economic activity for liberal societies – which all require allotting values their due place (Hayek 2007, 101).

Integrating economic modeling with conceptualizations of social science pragmatism (e.g., a constructivist-type participatory approach to social action based on the concept of co-creating the value that shapes social reality) is especially relevant because the integrated theoretical framework encompasses insight from the natural sciences, the social sciences, logic/rationalism, and is based on the pragmatist insistence on open inquiry (Lakatos et al. 1976, 144-152). An epistemological approach based on open inquiry and a constructivist-type approach to generating reliable knowledge maximizes the ability of individuals to achieve their most desired outcome while, at the same time, increasing the prospects of having beneficial exchanges with others and beneficial interactions with the environment. In this respect, an integrative approach to effectively managing resources and generating wealth yields a breadth of knowledge that is more reliable and justifiable (i.e., epistemologically sound as well as ontologically grounded) than that of a field of inquiry that isolates itself from other perspectives of scientific inquiry and knowledge generation (Wimsatt 2007, 28). An integrative methodology is a framework for analyzing a phenomenon by using the knowledge of the sciences (including technological knowledge) along with a type of knowledge referred to as pragmatic, insightful wisdom.

Researching the impact of the value creation concept on performance requires analyzing the interface between market exchange, economic activity, consumer behavior, subjective value preferences, and rational choice. Thus, a comprehensive analysis of the impact of value theory on performance requires integrating various types of data that are collected by mixed methods and from various disciplines. The collection of data ranges from what has been quantified to qualitative data, historical data, and information that can be described as conceptual propositions. The assumption is that because values can be intangible, qualitative data is essential for researching the value creation phenomenon. Without a comprehensive analysis of the value concept – which includes qualitative data – the research would have a narrow scope and would produce incomplete information because its focus would be limited to the instrumental, material, tangible, and structural aspects of the phenomenon (Stiglitz et al. 2008, 11-16). This is especially true given the fact that researching the value concept necessitates evaluating the value perspectives of multiple levels and dimensions of both an organization and society. An integrative approach is the solution to this limitation because it is a method for analyzing and resolving the conceptual gap between subjective value choice, rational choice, and the social theory claim that norms and values are socially constructed – all of which demands a method for analyzing the participative approach to value creation (i.e., *the democratization of value creation*).

Several types of data are needed to research the various aspects and dimensions of the role of the valuation concept in social action and to determine what concepts and principles are fundamental to explanations of the value creation concept. That is to say, information is needed to form the conceptual basis for a framework for value creation. The information needed is drawn from historical texts as well as contemporary literature that heralds its significance. In this respect, developing a theory to test the effectiveness of the value creation concept is based on exploring the relationship between the historical terms connected with valuation and the contemporary conceptualizations of the value creation concept. Thus, a hermeneutic study of the background of the value concept is chosen as the means for determining the fundamental principles that contribute to developing a framework for value creation research. A study of the literature is also important for determining the fundamental concepts and principles that apply to determining how the value creation concept could be developed into an integrative business strategy or model for structuring an organization. This conceptual approach assumes that the desired outcome of theory development is achieved by conjoining or summarizing the data by means of an integrative methodology. The integrated data is then expressed in terms of generalized conceptual categories. The generalized conceptual categories are indicative of factors that can influence performance. This approach to theory development addresses four aspects of a phenomenon. First, it explains its general features and defines terms. Second, it explains how the theory can be applied to researching a phenomenon. Third, it clarifies the factors and variables involved in applying and/or testing the theory. Fourth, it explains how the theory allows for predictions or the ability to make factual claims about a phenomenon.

6.2. Methodology

"Methodology refers to the 'knowledge of how' or the total set of 'means' that scientists employ in reaching their goal of valid knowledge" (Mouton 1996, 35). The methodology also explains a framework for determining how the concepts and principles of the value creation concept can be applied toward improving performance and provides a means for conducting research in a way that complies with the criteria for producing reliable knowledge demanded by the Philosophy of Social Science and the Philosophy of Economics. "If one accepts the widely held view that the aim of economics is to explain human behavior, then methodology is, more specifically, a view of what constitutes a good explanation. Such views, when explicitly defended, fall under the domain of philosophy of science" (Diamond 1986, 61-62). In this respect, a methodology for value creation explains the logic for applying the concepts as factors to organizations, institutions, and market interactions. In addition, methodology explains the rationale for taking a certain approach to researching the impact that the factors related to the value creation concept have on improving performance. As is true for developing a value creation theory, a methodological framework is more effective when it is inclusive of an integrative, interdisciplinary, and historical approach to analyzing the scope of the valuation concept. Furthermore, research focused specifically on the connection between value creation and social economic performance is most effective when based on a methodological framework that is inclusive of the social, psychological, and economic dimensions of the concept (Miller, 2017a, 176-178).

This means that methodology is distinct from theory in that theory establishes a conceptual framework that explains the general features and/or characteristics of a phenomenon, which is a means of producing reliable and predictable knowledge regarding the phenomenon. Methodology guides research in terms of providing a framework for testing the validity of the theory by applying a particular method based on the paradigmatic methodological assumptions of the research paradigm in which the researcher works. Thus, methodology provides a framework for determining the reliability of the factors prescribed by the theory and for determining the role that variables play in the theory's ability to produce a desired outcome. Developing a methodological approach for value creation follows the assumption that the integrative methodology is a viable framework for analyzing organizations through the lens of performance factors and measurements, through the lens of the impact that individuals have on organizations (and vice versa), plus the impact that internal and external factors have on organizations (and vice versa) (Pfeffer 1997, 4).

Applying the value creation concept to knowledge-based operations necessitates the development of a collaborative, multidimensional research approach that examines the use of constructivist interaction processes to integrate social, organizational, and economic resources in order to maximize the benefits for individuals, organizations, and society as a whole (Vargo & Akaka, 2012, 207-217). In this respect, viable systems theory proves to be an effective integrative model for conjoining the factors connected to the complex demands of contemporary social action and for reducing the discrepancy between value theories. A viable systems framework includes factors such as open, cooperative, and collaborative communication activity; knowledge generation; networking; interdependence; learning organizations; integrating society's resources to increase public value; learning societies; generating innovative activity; and sustainability (Prahalad & Ramaswamy 2004b, 4-9).

The proposed methodology must be inclusive enough to address the process involved in developing a theoretical framework for the value creation concept and, as well, indicate ways in which the validity of the proposed claims can be verified. This is true because "A methodology is only as useful as the theory that it tests" (Moliterno and Ployhart 2016, 58). The methodology chosen must provide a means for devising theoretical knowledge from "Data systematically obtained from social research. Generating a theory from data means that most hypotheses and concepts not only come from the data but are systematically worked out in relation to the data" (Glasser and Strauss 2006, 2). Thus, consideration must be given to whether the methodology is a good fit with the theory that is under development. In this respect, a value creation methodology must also provide an explanation of the relationship between theory development and integrating data regarding valuation, social action, and social economics. It is in this way that the methodology is effective for determining how the theory applies in practice. An integrative methodology is necessary because the conceptual, qualitative, and quantitative data collected must be conjoined to provide the categorizations needed for theory development. An integrative methodological framework is essential for investigating the various conceptualizations of valuation and integrating the data collected by various quantitative and qualitative methods into a framework for applying the value creation concept as a business strategy, for designing an organization's structure, and for testing the claim that an integrative value creation model improves performance. Because the particular focus is valuation (which includes value intangibles, meaning, interpretation, and an analysis from an interdisciplinary perspective) an integrative methodology is necessary because it is conducive to research employing a mixed method (Valach et al. 2002, 79-81).

An integrative methodological framework is proposed for researching social economic activity to expand the scope of analysis, to generate more accurate results regarding the effectiveness of the value creation concept, and as a theory for effectively integrating the resources of society (Glaser 2004, 9). An integrative methodological framework is used because it is necessary to analyze and integrate information regarding the interface between social action, social norms, values, and the social construction of reality. Analyzing the interface between these various dimensions of social action demands a methodological strategy for integrating data regarding the constructivist, collaborative, and participative aspects of co-creating value. Thus, an integrative methodology allows for a more inclusive approach to analyzing human choice and the connection between choice, rationality, interactions, and deliberation. Developing an integrative methodological framework requires an exploratory study of the fundamental conceptualizations of how to analyze value creation, how classical economic and organizational theory influenced assumptions about methodology, and the prospect of developing a methodology based on contemporary assumptions regarding how the value creation concept impacts performance.

6.2.1. The Fundamental Conceptualizations of how to Analyze Value Creation

A major concern of this chapter (and indeed of much of this book) is addressing the need to specify the factors that make the value creation concept effective when applied to performance. Such a need results from the lack of a comprehensive theory for value creation. A comprehensive analysis of the literature on value creation reveals a persistent inadequacy in articulating the concept as a value creation theory. An analysis of the literature on valuation reveals the fact that there are several conceptualizations of the role of value in social and economic exchange and wealth generation: e.g., value in exchange (Smith 2007), value added (Rappaport 2006), value creation and the co-creation of value (Drucker 1974; Prahalad & Ramaswamy 2004a; also see Porter & Kramer 2011), and value in use, which is reintroduced in contrast to the value in exchange perspective (Vargo & Lusch 2004). Thus, although the recent literature has popularized the value creation concept by asserting that it is a particularly beneficial new perspective on organizational and market activity, the literature has been inadequate in explaining how the concept and its principles apply as an integrative theory.

This inadequacy results in a lack of clarity on how the various value concepts can be integrated into a theoretical framework for applying them as a knowledge-age strategy that can be tested by researchers. This lack of clarity on how to integrate the value interests of the stakeholders results in ineffectiveness and inefficiency, which decrease the value-creating capabilities of organizations, institutions, and economies (Freeman 1984, 129 & 105–107). The need for developing a value creation theory is especially evident in social economics. Thus, this section of the chapter proposes a strategy for improving overall performance (organizational, institutional, and economic) based on integrating the variations of the value creation concept. The solution is an integrative theoretical framework that provides the means for applying the value concept in a way that is most beneficial for practitioners. The aim is to explain the complementary connection between the value concepts, thus integrating them into a framework for researching the effectiveness of the value creation concept as a business strategy, as the basis for designing an organizational structure, or as a strategy for creating desired value for customers and stakeholders. The development of a theoretical framework for integrating the value creation concept is the basis for demonstrating that the discrepancy between the various views on value creation can be resolved. That is to say that the value creation concept has the ability to reconcile the varying perspectives on what is best value-wise for shareholders, what is best for managers and workers, and what is in the best interest of the customers and stakeholders if it is developed into an integrated value creation theory.

The principles of Western Civilization's fundamental views on political economy were established at the foundation of the Western heritage, with Aristotle being considered as one of the first to offer a comprehensive exposition on the topic. Aristotle's works are regarded as political economy because their emphasis was on managing a social unit, or, in other words, his emphasis was on the political economic aspects of managing a *polis*. The basis of his methodology is clearly logical positivism – which, in short, could be referred to as a combination of scientific observation coupled with rational explanations. Aristotle also established the viability of the integrative approach to economic methodology and managing wealth in that his approach to political economy included social psychology, theories on social formation, management, and the acquisition of resources, plus rationalism (e.g., rationalism including ontology, epistemology, teleology, ethics, logic, and axiology).

Aristotle's approach reflects a methodological framework for reconciling the dichotomy between rationality aimed at calculating means (or instrumental rationality) and rational activity that contemplates intrinsic values. He proclaimed that "Every inquiry, every action, and every rational choice is thought to aim at some good; and so, the good has been aptly described as that at which the action aims. But it is clear that there is some difference between the ends: some are activities, while others are products that are additional to the activities" (Aristotle 2004, 3). Some activities are valued as ends within themselves, and some are valued because they produce a desired end. He conceived of integrative inquiry as a social process that facilitates freedom of choice. He regarded the processes of dialectic inquiry as a means by which agents participate in co-creating valuable outcomes that increase individual benefits while, at the same time, producing gains for society (Aristotle 2004, 4). In this respect, he establishes fundamental principles for reconciling the pursuit of personal wealth (i.e., the interests of the owners and shareholders) with the pursuit of satisfying the interests of the stakeholders. He held the conviction that social economic methodology is a framework for analyzing the motivation underlying human choices and actions – sensual, rational, and ontological.

Aristotle's overarching methodological approach (based on inquiry and demonstration) is comprehensive and unified, which makes it capable of generating scientific knowledge in the most comprehensive way possible. "Aristotle achieves this by advancing heuristic demonstrative inquiry. With this framework, Aristotle established the connection between heuristics, insight, and demonstration/empiricism" (Chiba 2012, 174-177). Aristotle's methodology for researching valuation is referred to as logical deductive. In fact, his approach established the definition of methodology (defined as a means of analyzing a wide array of social phenomena by integrating them into an organizing principle). Aristotle's conception of methodology is described as "A system of principles and general ways of organizing and structuring theoretical and practical activity, and also the theory of this system" (Spirkin 1990, 32). Aristotle's methodology for value research is based on a logical and systematic prescription for increasing the probability of gaining a desired outcome and reducing the possibility of experiencing an undesired outcome (Aristotle 2004, 110-117).

The historical literature on value creation emphasizes that the conceptualizations and principles of the integrated systems model and the theory of open and collaborative communication activity are the basis for developing a theoretical framework for researching valuation. In addition, the historical analysis reveals that due to the connection between the integrative model and general systems theory, sustainability is an important factor in the performance of organizations, which means it is important as a factor in performance. The integrated system model emphasizes the impact of the environment on a system, or what is referred to as external factors that influence performance. In addition, an integrative or systems framework emphasizes the concepts interdependence and relationality, which are important for analyzing the social psychological dynamics of organizational activity. Finally, the historical literature stresses the fact that an organization exists as a subsystem within a larger environment in which it is embedded – which implies the necessity of having a concern for both social responsibility and sustainability (Katz & Kahn 1978, 17-68; Boulding 1956, 197-208).

6.2.2. Classical Economic and Organization Methodology

Aristotle's views continued to develop and evolve – with various nuanced meanings for over 2,000 years – to become the established position on social economic value theory and methodology (Ng and Smith 2012, 1). Smith inherited the intellectual tradition that, except for a few notable exceptions, was passed down by history. Thus, Smith's views on natural philosophy, the relevance of historical analysis, and ethics were all influenced by Western civilization's intellectual heritage. It is quite understandable that an eighteenth-century thinker who was directly familiar with the works of Aristotle, who was indirectly influenced by Scholastic writers, and who was heavily influenced by Newtonian empiricism, took the methodological position that Smith did. In fact, what varies with Adam Smith is not so much theory as it is methodology. Both Aristotle and Smith shared the viewpoint that there was a connection between value and utility (Aristotle 1959, 39-51; also see Smith, 2007, 18 where he defines value in terms of utility). They both also theorized about value in exchange and value in use, plus they both practiced a deductive approach to economic methodology.

Smith's understanding of the ontological nature of human social interactions shaped his views on the relationship between ontology and social psychology. His belief that laws governing the natural order and shaping the natural sciences also apply to the human sciences gave rise to his explanatory approach to methodology. An explanatory approach to methodology assumes that it is possible to integrate different ideas to better understand the reasons and causes of a phenomenon and the effects of the causes on a phenomenon. A comparison of Smith's views on *The Wealth of Nations* with those he expressed in *The Theory of Moral Sentiments* reveals an affinity between his methodological views on social psychology (including his views on the ontological forces shaping social interactions) and social economic activity. The same applies to a methodology for analyzing the connection between "The individual's desire for material improvement [and what] contributes to the happiness and perfection of the species" (The Oxford Handbook of Adam Smith 2013, 563). Smith's views about the Philosophy of Science, epistemology, methodology, and the relevance of ontology concurred with the pre-classical view that reliable knowledge is built on the established tradition but renders its theoretical propositions more structurally simplistic and more functionally simplistic (Diamond 1986, 61-62). In this respect, Smith's economic theory was not meant to question the validity of pre-modern economic theory but to strengthen its alignment with the scientific method.

However, that being said, classical economic value theory accounts for the material aspect of value (i.e., the value that things have because they can be traded to produce a profit). Because it minimizes the significance of the choice aspect of value (value in use), it falls short of accounting for the intangible aspect of value. This is similar to the inadequacy of industrial age financial reports to account for value intangibles and value assets that became necessary in the knowledge age economy. Value in the classical and neoclassical economic views is usually limited to a firm's tangible value and assets, which are analyzed strictly in financial accounting terms. The narrow scope of defining value does not allow for inclusiveness of the potential of the interpretive methodology for determining how one field of social inquiry (economics) can contribute to enriching the human experience in all its dimensions. Without consideration of the broader dimension of value, economics will display a disregard for a methodological scope that encompasses higher-order needs. In other words, economic strategists will maintain a narrow focus that emphasizes the material aspect of economic activity while disregarding the intangible dimensions (e.g., knowledge assets, relational assets, intangible value assets, intellectual capital, tacit knowledge, etc.) that have increasingly become recognized as significant factors that influence the capacity for wealth generation.

Max Weber attempted to bridge this gap by distinguishing between two types of analysis that are relevant to social economic research – analysis of general laws and an analysis of the value-rooted meaning underlying phenomena. Weber asserted that social science laws, as observed in social behavior, characterize empirical facts as well as normative meanings. He was influenced by – thus attempted to reconcile the difference between – the idealism of Kant and Hegel, the positivism of Auguste Comte and J. S. Mills, the comparative approach of Emile Durkheim, and the dialectic materialism of Karl Marx. For example, he believed that a methodology for the social sciences takes into consideration the causal impact of human meaning, values, intentions, and beliefs. Weber recognized that because not all social phenomena can be explained in materialistic (i.e., economic) terms methodology must be able to analyze the quantitative as well as qualitative dynamics of social economic life. "Training in the observation of the effects of qualitatively similar categories of causes is free from the charge of arbitrariness to the extent that it is successful in producing insights into interconnections which have been shown to be valuable for the casual explanation of concrete historical events" (Weber 1949, 71). For example, researchers could analyze the material facts of society and account for them in quantitative terms. But to understand the meaning, value, and cultural significance of material facts methodology must determine the casual factors that render the material artifacts a historical fact.

Thus, Weber's social economic, organizational, and institutional theory proposed that methodology is a framework for analyzing possible consequences of action in relation to the value the action was aimed to achieve (Ringer 1997, 155). This is because one of the most important obligations of the social sciences is to establish a means of researching the ideals (including their expressions in the form of ideological claims) that individuals strive to achieve. In this sense, valuation for Weber represents an aspect of social philosophy that informs the ethics of responsibility for social agents. Therefore, Weber asserted that "We are furthermore completely free of the prejudice which asserts that reflections on culture which go beyond the analysis of empirical data in order to interpret the world metaphysically can, because of their metaphysical character, fulfill no useful cognitive tasks. Just what these cognitive tasks are is primarily an epistemological question" (Weber 1949, 59).

Weber held that "Reflections about the elements of human conduct are oriented in terms of the categories 'end' and 'means'. Inasmuch as we can determine which means for the achievement of a proposed end are appropriate or inappropriate, we can in this way estimate the chances of attaining a certain end by certain available means" (Weber 1949, 52-53). One of Max Weber's greatest methodological achievements was the unification of divergent perspectives that have divided theorists and practitioners of the historical, social, and cultural sciences since the nineteenth century (Ringer 1997, 1). Because of his emphasis on personal values and beliefs, he stressed methodological individualism as the basis of an approach to analyzing social phenomena such as organizations, institutions, and social economies. Methodological individualism focuses on and accounts for the subjective aspect of human behavior.

Weber was influenced by earlier theorists who recognized that there is a dimension of market and human behavior that is not based on price but clearly based on deeper value convictions. For as Emile Durkheim (1982, 232-233), famously said, there are those who will not buy nor eat pork no matter how high the supply and how low the price (also see Sen, 1987, 52 for an explanation of the role of personal value convictions in economic choice). In this respect, methodology is based on the principle that there are societal as well as economic factors weighing on a person's choice and his or her values. For, as was pointed out by the famous economist Frank Knight (1947, 280), "Values are established or validated and recognized through discussion, an activity which is at once social, intellectual, and creative" (quoted by Sen 1999, 273).

Because human values are not only defined in material terms, attempts to analyze human activity in the agora (i.e., the agora is a central location where the public engages in an endeavor to satisfy a vast range of differing values) research must be based on a methodology that takes into account the various ways in which individuals attempt to transcend the limitation of choices that only reflect those things that can be commodified. Proponents of the value creation concept argue in accordance with Aristotle that happiness, which includes prosperity, is life's most worthwhile pursuit and is based on a type of integrity that accompanies self-cultivation and is achieved by being true to one's core values – thus has an ethical component. Value theorists argue that what the consumer desires most out of his or her social and economic relationships is to be empowered with the ability to turn life into a satisfying experience (Pine and Gilmore, 1999, 35-38; see also Foucault 2008, 348-370, 4 and 242). Thus, a careful analysis of the evolution of social and economic value theory makes evident the advantages of the integrative approach that reconciles the Aristotelian pursuit of intrinsic ends with the Smithian pursuit of empirical calculations that combine maximizing utility for individuals with maximizing utility for economies (MacIntyre 2007, 186-194).

An economic value theory based on a methodology that is merely focused on material satisfaction generates misinformation because it maintains such a narrow value focus. John Stuart Mill (1836) proclaimed that “The mere political economist, he who has studied no science but political economy, if he attempts to apply his science to practice, will fail” (Mill (1836, 21). Without the integrative approach to economic research, economists tend to rely on a methodology with a narrow scope that produces incomplete information because it has an epistemologically faulty basis for producing reliable knowledge. This is due to its models being based on pure mathematical abstractions of reality whose results are aimed at increasing instrumental material benefits that only satisfy one aspect of the total scope of human values (Stiglitz et al. 2008, 11-16). The integrative methodology remedies this limitation by resolving the theoretical gap between subjective value choice and the social theory claim that norms and values are socially constructed (a democratic or participative approach).

According to Peter Ulrich, the groundwork for a co-creation of value theory lies in its logic of economic rationality, which is generated by “Ethically oriented deliberative processes between free citizens – communication on the normative conditions of a life-serving economy” (2008, 108). The agora (the public sphere) is not an arena where value is determined solely based on the exchange value theory. The public sphere is a center of discourse and interaction where collaborative processes create valuable outcomes that are believed to enrich society by increasing public value. Methodology, in this respect, is based on the fundamental principles of Western civilization and is confirmed by Adam Smith’s perspective on classical economics – that the participatory approach to value creation safeguards the natural rights of all concerned stakeholders. Thus, co-creating value is the best way to guarantee satisfying the interests of individuals while also ensuring the most efficient and sustainable use of resources.

6.2.3. A Methodological Framework Based on Contemporary Value Creation Concepts

“A key driver of the evolution of any discipline is the development of research methods that enable the exploration of certain kinds of research. Research methodology is significant for legitimate knowledge production in a discipline, and the legitimacy of the knowledge produced hinges upon the use of a discipline's conventional practices" (Greckhamer 2016, 229 & 248). Current endeavors to develop a methodology for the value creation concept are based on the realization that it has evolved into a bonified subdivision of knowledge that is taught in universities and business schools. In fact, there are increasingly more departments of value creation studies and research programs opening at universities around the world. Therefore, there is a need for a methodology for researching value creation and its impact on performance. A value creation methodology is a framework or conceptual perspective through which to plan research, plus it provides a rationale for how research on the topic is to be undertaken. Without such progress in advancing the value creation concept, there will be a loose connection (or even a disconnection) between the abundance of literature on value creation and the ability of researchers to test the validity of its claims because it is not accompanied by adequate insight into how its concepts and principles apply as factors that can be tested by researchers.

The contemporary literature on business, marketing, and social economics can be used as a means for formulating the concepts and principles needed for developing a theory and a methodology for analyzing the performance, strategy, and activities of organizations, institutions, and value-creating networks. A methodological approach to researching contemporary perspectives on valuation is used to determine how to apply the concept toward integrating the creative activities of organizations, institutions, and social economic agents (Porter et al. 2019, 351-353). The current literature does provide adequate concepts and principles that can be used as a basis for developing a framework for researching the effectiveness of the concept when applied as a theory. For example, the terms interconnectivity, the co-creation of value, entrepreneurship, networks, innovation, and Structuration have been tied together in a way that has made them a significant part of the social, organizational, and economic paradigm of the latter part of the 20th and early two decades of the 21st century (Foyelle 2011, 44-51). Recent literature supports the claim that, when applied to research regarding organizational activity, economic exchange, and social action, the concepts related to valuation play a key role in creating outcomes that are found to be beneficial and satisfactory for the agents involved in various forms of social exchange.

A methodology for researching value creation explains the paradigmatic assumptions about the factors derived from the various sources of insight on the topic. Contemporary claims about the significance of value creation are, in fact, abundant with concepts and principles that contribute to reliable knowledge about how it can be applied in practice to gain a desired outcome. In this sense, a contemporary perspective on a viable methodology for researching the impact of value creation on business practices and market exchange is based on engaging in an epistemological debate on how to gain reliable knowledge. The debate informs epistemology and methodology because it involves consideration of whether (or not) reliable knowledge is gained by descriptive, interpretive, hermeneutical, historical, quantitative, or qualitative methods. Because the phenomenon under examination involves the prospect of improving both humanity's material well-being and quality of life, a methodological framework must address the ontological aspects of the phenomenon under examination. That is to say, methodology is informed by *a value creation ontology* because it provides insight into how to codify and structure knowledge about the practice of value creation. Because the value creation concept expands conceptualizations of organizational activity, economic exchange, and social exchange, its methodology requires a framework for analyzing the very nature of this inclusive aspect of scientific inquiry.

Developing a methodological framework for value creation also addresses the assumption that the concept expands the view of a business system and the relationship systems have with their environment (Giddens 1984; also see *The Social Construction of Reality* by Berger and Luckman 1991). Thus, a value creation methodology is a framework for analyzing the interface between the value interests of organizations and institutions and those of their stakeholders (Senge 1990, 81-88). Because value creation research is not only concerned with business systems but, as well, with conceptualizations of how social systems flourish, the value creation concept is within itself the basis of a conceptual methodology. This is because its conceptual framework is based on explanations of social theory and how social theory is applied as a means for researching the nature of organizational and market activity (as particular aspects of what shapes social reality). In this way, research aims to analyze the way the concept is functioning or not functioning to enhance social relations. With such a methodological framework in mind, the researcher devises a method for determining if the concepts and principles connected with a value creation approach to social flourishing are effective when applied as factors for creating outcomes valued by individuals, business owners, and social stakeholders.

In this sense, methodology is not to be confused with the term method. The method for testing the validity of a theory is informed by methodology in that it suggests the tools and steps that are paradigmatic for the field of inquiry in which the research is undertaken. However, methodology involves assumptions about how to gain reliable knowledge in a certain field of inquiry (e.g., whether – or not – empirical studies or qualitative research count as scientific knowledge). Method involves the way in which the researcher gains information – i.e., the techniques and processes of carrying out an inquiry. The method chosen determines the design of the research project. Designing a research project involves a plan of action for applying the philosophical assumptions of the field of inquiry as specific methods for carrying out the research. The method chosen is based on deciding the best means of testing the hypothesis and determining what activities are best for analyzing how the theory functions in practice. For example, if the hypothesis is that value creation is accomplished by integrating stakeholder resources, then the research must be designed to analyze the practices related to this dimension as well as clarify and verify the factors that make the integration of resources effective.

An overview of the contemporary literature addressing valuation reveals that a methodological framework for researching its impact on individual motivation and social action requires clarifying the meaning that value and values have in the lives of people and in their interactions (Ng et al., 2012). If one shares the assumption that social interactions and exchanges shape the nature of the social world then methodology is a framework for exploring the nature of meaning-making in society. This includes a method for analyzing the interaction between individuals and the various aspects of social action (i.e., given the growing impact of both ICT and the sustainability discourse it is important for research to include an analysis of other animate and inanimate things that shape human interactions and social conditions). Research of such a scope requires a framework for analyzing the factors involved in increasing the beneficial interactions humans have with each other at every level of social interaction and exchange plus the interaction humans have with the environment (Powell 2011, 1484-1499).

Contemporary research on organizational behavior requires analysis of many activities occurring at multiple levels and dimensions in the interactions and exchanges of relevant stakeholders (e.g., internal value creation processes, external network activities, human resource management, strategic management, operations, including the impact of technology, and strategizing for both sustainability and corporate social responsibility). In this sense, contemporary organization theorists propose "A methodology based on a variety of indicators that offer a holistic representation of the multiple forces that cohere in a recognized area of institutional and economic life" (Ferriani et al. 2016, 286). Contemporary scholars assert that a multilevel, cross-disciplinary methodological framework is best for generating reliable knowledge regarding the impact of the value creation concept on organizational processes, the economic and psychological aspects of decision-making, and regarding the entrepreneurial opportunities chosen by pathbreakers. A multi-disciplinary methodology is based on the assumption that the nature of necessary data varies, so there must be various methods of collecting data (e.g., a specific method for each particular type of data and, as well, a unique method for analyzing the variety of data types). The interdisciplinary approach to methodology generates a more accurate analysis of the effectiveness of applying the theory to performance, thus providing a "Much more complete account of social reality" (Bryman 1988, 126).

The value creation concept necessitates expanding the methodological scope to include factors that play a role in integrating the value interests of a wide range of stakeholders engaged in designing, creating, producing, and satisfying their own value needs. An integrative methodology is employed because it allows for a more inclusive approach to analyzing human choice and the connection between choice, rationality, social interactions, and deliberation. "An integrative methodology is based on the conviction that there are societal value factors as well as economic factors weighing on a person's choice and his or her values" (Miller 2015c, 17-24). In this respect, an integrative methodology proposes that the interaction between agents creates an intangible value dimension that, although lacking in materiality, offers something that appeals to higher order needs and leaves a deeper, lasting inner impression (Pine and Gilmore 1999, 13).

6.3. The Principles and Conceptual Categories that apply to a Value Creation Theory

The results of the data analysis indicate that the generalized concept integrative approach to value creation is proposed as an effective strategy for improving organizational, institutional, and social economic performance. The exploratory study of historic and contemporary literature reveals that value creation is proposed to be effective for improving performance when organizational, institutional, and market operations are based on the integrative approach to value creation and on establishing integrated value creating networks. That is to say that the results point to integrative value creation processes and networks as a basic categorization that can apply as a factor that positively influences performance. The integrative framework as a strategy for effective management and improved social economic performance was especially evident in Aristotle's (2004) conceptualization of valuation and continues to be stressed in the contemporary literature on the value creation concept. The integrative framework is also evident in the works of the economist Kenneth Boulding (1956 & 1966), which include Boulding's work on the integrated systems model of social action. In addition, the integrative concept stands out in the literature of Vargo and Lusch (2004), which emphasizes integrating the resources of society, thus both the market and the economy become sources of resource integration. Most importantly, a review of the historical and current literature on valuation reveals that the proponents of the value creation concept stress that it is most effective for improving organizational and social economic performance when organizational leaders and economic planners establish systems of integrated and interactive value creating networks and processes.

The exploratory study indicates that the literature proposes that the concepts knowledge networks, interconnectivity, open and collaborative communication activity, learning organizations, generating innovative activity, and Structuration play an important role in successfully applying the value creation concept toward performance improvement. In addition, the results indicate that managing the internal value creating dynamics and assets of the company is stressed as a conceptual category for applying value creation. That is to say, the contemporary literature on value creation stressed making value creation the basis of the organization's mission, business model, and strategy. In particular, the results indicate that the concept intangible is highlighted in the value creation approach. Thus, managing intangibles (in addition to tangibles) is important to increasing the company's assets. The data reveals that knowledge and innovation generating dynamics are proposed as a means of applying the concept as a strategy for interactions, communications, relationship management, and networking. Such networks of cooperation to co-create value for individuals, organizations, and society are defined as collaborative or constructivist communicative processes.

Finally, the exploratory study contributed to theory development by clarifying how value-based performance metrics can be applied within a value-based management system as a strategy for enhancing the firm's ability to generate increased tangible outcomes. The literature stresses that there is a strong correlation between putting the concepts related to value creation into practice and improving scores on performance measures. Thus, the data collected reveals that a hermeneutic method is valid for determining the foundational concepts and principles and does provide fundamental concepts upon which to base an integrative strategy for creating value.

6.3.1. The Method of Developing a Value Creation Theory

An exploratory study of the historical and contemporary literature on value creation is used as the method for gathering the necessary data for developing a theory of value creation. This method involves two steps. First is identifying the primary principles and concepts underlying the concept and expressing them in the form of conceptual categories. This step establishes a conceptual framework upon which to build theory. The second step is to describe how the conceptual categories can be applied as factors that play a role in creating the desired outcome of performance improvement. In addition, because of the initial lack of a value creation theoretical framework, the exploratory approach is necessarily designed in such a way to identify the primary features of the value creation concept that are prescribed for employing value creation as an operational strategy. Thus, the exploratory study identified the connection between the features of value creation and the principles and concepts that can be stated as factors and tested.

The strategy for analyzing the results of the exploratory study is to first identify the conceptual categories that need to be refined, integrated, and expressed as factors that can be applied as a value-creation theoretical model. "Conceptual categories can be defined as properties of data that can be described as groups of instances (events, processes, occurrences) that share central features or characteristics with one another" (Glasser and Strauss 2006, 23). In discovering a theory, the conceptualizations identified by categorizing the data are the means for determining the primary features of the value creation concept and how they can be described as factors, as well as developing a hypothesis of how the designated factors influence performance. This strategy is based on the grounded theory approach to generating theory. Grounded theory subsumes establishing generalizations, for the generalizations not only help delimit the boundaries of applicability; more importantly, they help broaden the theory so that it is more generally applicable and has greater explanatory and predictive power (Glasser and Strauss 2006, 24).

This methodological approach is based on the assumption that the desired outcome of theory development is achieved by integrating or summarizing the data by means of triangulation. Triangulation is used as a method of integrating the data so that it can be developed into a theoretical framework for applying the value creation concept and as a methodological framework for “Increasing the credibility of the findings of [the] study” (Cho 2014, 14). Triangulation is especially relevant because the aim of developing a value creation theory is to provide a means for researchers to test the validity of the claim that applying the value creation concept to performance increases benefits for organizations, stakeholders, and the overall society. Triangulation was also chosen because it is compatible with grounded theory and, together, they provide an integrative approach for analyzing social action and increase the effectiveness of using mixed methods (Glasser and Strauss 2006, 40-43). The integrated data is then expressed in terms of generalized conceptual categories. The generalized conceptual categories are indicative of factors that can influence performance (see Table 3 below). This approach to theory development is designed as a process for collecting conceptual data, comparing the information collected to establish conceptual categories, and expressing the generalized categories in terms of a theoretical framework for a value creation approach to performance improvement.

The analysis of the data reveals that the historical and contemporary literature on value creation explains a number of its features that provide rudiments of concepts and principles that can be applied as general categorizations that play a role in developing an integrative value creation theory. An overview of the literature addressing valuation reveals that the hermeneutic method does contribute to clarifying “The meaning and nature of value” (Ng & Smith, 2012). Thus, a hermeneutic study of the various conceptualizations of value creation was chosen as the means for determining the fundamental principles that contribute to developing a theoretical framework for the value creation concept.

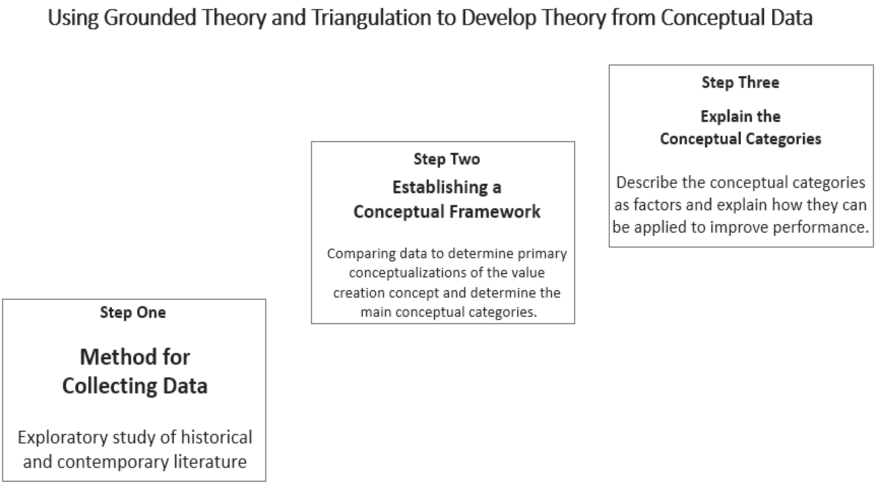

Figure 3: The process of gathering data, analyzing the data, and establishing conceptual categories. The figure indicates how to use grounded theory as a process for determining conceptual categories.

6.3.2. The Conceptual Categories that apply to Performance Improvement

The significance of the integrative framework as a strategy for generating wealth, the effective management of resources, and improving social economic performance is evident in both the historical and contemporary literature on value creation. Most importantly, a review of the historical and current literature on valuation reveals that the value concept is most effective for improving organizational and social economic performance when organizational and institutional leaders and economic planners establish systems of integrated and interactive value-creating processes and networks (Miller 2015d, 7-28). However, it should be noted that the literature on marketing eventually made the value creation concept not only important for management but as a strategy for stakeholder satisfaction. Consequently, the concept permeated every aspect of organizational activity, became the main intention of organizations, the new way of thinking about market activity, and a means of integrating the resources of society to create greater benefits for a larger number of stakeholders.

6.3.3. The Theory of Value Creation and the Factors that Make it Effective

An analysis of all the data collected provides the information needed to develop a theoretical framework for an integrative value creation theory. The integrative value creation theory reads:

> When applied to organizational activity and economic exchange, the fundamental concepts and principles related to valuation (e.g., networking, cooperative collaboration, motivating value congruence, the learning organization, innovation, integrated systems, and Structuration) play a role in creating outcomes that are found to be beneficial and satisfactory for agents involved in market transactions, exchange, and organized social activity. The concepts and principles related to valuation – when applied to social action – improve individual and professional performance, organizational and institutional performance, enhance social economic activity, increase public value, and increase social capital.

Identifying the factors that make the value creation concept effective when applied as a strategy for performance improvement is achieved by stating the conceptual categories (i.e., general categorizations) in the form of performance factors. It should be noted that there are conceptualizations of valuation that apply to improving organizational and institutional performance as well as those that pertain to improving social economic performance. Although in some instances, these factors are identical or related, this summary will separate them.

The literature on the value creation concept that stresses the features that make it effective for improving organizational and institutional performance emphasizes six conceptual categories.

1. Value creation is the fundamental modus operandi of business organizations.

   The concept expressed as a factor for performance improvement:

   a. Intend to create value (i.e., make value creation the mission, vision, and goal of the organization) and describe the intent in the form of the business model, which is to be put into effect by a value creation business strategy.

b. The intent to provide value is expressed in the form of a value proposition.

2. The concept internal value-creating capabilities

   The concept expressed as a factor for performance improvement:

   a. Focus the company's value-creating activity on the endeavor to satisfy customer and market demands.
   b. Match the company's value proposition with what is valued by customers and in the market.
   c. Define the functional activities necessary for transforming operand and operant resources into valuable outputs.
   d. Manage relational capital – establish a value congruence between managers, workers (e.g., HRM including a value-based approach to motivation), customers, and stakeholders.
   e. Quality management
   f. Account for both intangible and tangible value assets on financial and accounting reports.

3. The concepts integrative and integrated systems

   The concept expressed as a factor for performance improvement:

   a. Establish open, collaborative, and networked value creation processes and activities.
   b. Integrate the internal and external communication networks.
   c. Integrate the value creation networks – this includes integrating the internal and external value creating processes, activities, and networks; plus integrating the interests of internal and external stakeholders.
   d. Expand Porter's concept of value chain into integrated value networks and value constellations.

4. Establish knowledge and innovation-generating activities.

   The concept expressed as a factor for performance improvement:

   a. Establish relationships and networks for co-creating value.
   b. Integrate operations with the knowledge and innovation-generating network.

5. Performance measures

   The concept expressed as a factor for performance improvement:

   a. Employ metrics that determine the revenue drivers of customer-centric value creation activities (e.g., carefully map and analyze the processes-cost link and compare that to firm-customer value exchange and the revenue the exchange generates). The aim is to see what factors can be manipulated to increase customer satisfaction while reducing the cost it undertakes to provide that satisfying experience.
   b. Utilize value-based performance metrics to monitor the connection between performance and the relationship the firm has with customers and stakeholders and, as well, how the firm is doing in increasing its revenue.

6. The emphasis on the concept value in use (which shifts the emphasis away from value in exchange).

   The concept expressed as a factor for performance improvement:

   a. Focus on customer satisfaction (what the customer values, wants, needs, and demands) and market demand.
   b. The business must be structured so that customer-centric capabilities are prioritized by all its units and in all its processes, functions, and teams. In other words, the value creation system must be designed so that decision-making, business units, and communication networks are structured in a way that allows the customer's interests to

be voiced, prioritized, and acted on throughout the value creation network.

The literature on the value creation concept that stresses why it is effective for improving social economic performance emphasizes six conceptual categories:

1. Integrated systems model of social activity (derived from general systems theory) – Organizations and economies exist "As a complex set of dynamically intertwined and interconnected elements – including the environment in which they operate and with which they continuously interact" (Shafritz & Ott 2001, 242).

The concept expressed as a factor for performance improvement:

a. Integrate social and economic value creation systems in such a way that they generate knowledge of how a society can sustain a balance between the enjoyment of material abundance while, at the same time, experiencing human flourishing, and an improved quality of life (Porter & Kramer 2011, 66).
b. Design the sustainable value creation system so that it extends the range of beneficial interactions and exchanges with the environment.

2. The market ideally operates as an integrated, open, participatory network where individuals offer their value propositions to enrich the lives of those involved in exchange.

The concept expressed as a factor for performance improvement:

a. Structure market networks so that they operate as the provisioning system of society (i.e., aim social action at creating value in economic and social terms).
b. Structure the market in a way to create interactions between individuals that generate wealth while at the same time improving social relations, creating public value, and increasing social capital.
c. Plan social economic activity as a sub-system of a larger social system in which it is embedded.

3. The theories Constructivism and Structuration are important frameworks for social action (i.e., they represent conceptualizations of how to co-create an increase in the enjoyment of life for a larger number of social stakeholders).

The concept expressed as a factor for performance improvement:

a. Employ a dialogic collaborative process where leaders and knowledge workers together attempt to determine what will raise the level of production, creativity, innovation, meaningfulness, and purpose to higher levels.
b. Design structure-agent (i.e., the relationship between the structure/system and its stakeholders) relationships that maximize the transformational power of the value creation system. This hinges on structuring the structure-agent system so that it generates the transformational knowledge necessary for shaping the future of the ecosystem in a way that is more aesthetically appealing (i.e., in a way that establishes a harmonious interface between people, human artifacts, and the environment.

4. Creating Shared Value – "Enhancing the competitiveness of a company while simultaneously advancing economic and social conditions" (Porter and Kramer 2011, 63).

The concept expressed as a factor for performance improvement:

a. Collaborate with stakeholders in an endeavor to co-create and co-produce outcomes that are mutually beneficial and satisfactory (Porter & Kramer 2011, 1–4).
b. Establish social entrepreneurial-type value-creating networks aimed at increasing public value.

5. Resource integration – i.e., a resurgence of the fundamental conceptualization of the market which proposes that both the market and the economy act as resource integrators and the resources are applied for the benefit of a larger number of social stakeholders which is the foundation of all economic exchange (Vargo and Lusch 2017, 49).

The concept expressed as a factor for performance improvement:

a. Manage the value creation networks so that they act as integrated exchange networks, resource integrating networks, and relational networks.
b. Structure the market is so that it not only acts as a commercial and exchange center but to mediate the value interests of individuals and social groups in the society.

6. Integrate sustainable economic growth with co-creating social benefits.

The concept expressed as a factor for performance improvement:

a. Manage the relationships, interactions, and collaborations in the value creating network with the intention to generate transformational knowledge needed to co-create the sustained prosperity and flourishing of the society, economy, and the environment.
b. Strategize with stakeholders to determine what they can do together in their current relationship to co-create sustained improvement their relationship with each other, with stakeholders, and with the environment.

The exploratory study reveals that the integrative approach to researching valuation is useful for developing a theoretical framework for value creation in that it is an epistemologically sound basis for research regarding value ends, for creating knowledge regarding how agents can achieve their desired value outcomes, when value decisions have an impact on various stakeholders, and when agents are concerned with having an appropriate relationship with the natural order. Thus, the findings of the study reveal that when the value creation theory is applied to social economic activity, "The market begins to resemble a forum organized around individuals in interaction and their co-creation activity" (Prahalad & Ramaswamy, 2004a, 6).

When applied to organizational activity and economic exchange, the fundamental concepts related to valuation play a role in creating outcomes that are found to be beneficial and satisfactory for agents involved in market transactions and social interactions. The data reveals that knowledge and innovation-generating dynamics are created when the co-creation of value concept is applied as a strategy for interactions, communications, and networking. Such networks of cooperation to co-create value for individuals, organizations, and society can be defined as collaborative or constructivist communicative processes. The results point to integrative value creation processes and networks as basic categorizations that can be applied as factors that positively influence performance. With the value creation theory established (along with specifying the factors that make it effective), the theory can be applied to social action (e.g., organizational activity, social exchange, economic exchange, and the relationship between institutions and the public) to create mutually beneficial and satisfactory outcomes for stakeholders and an increase in public value. The theory can also be applied by researchers to test the validity of the claims.

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