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Stakeholder Governance for Responsible Innovation: A Theory of Value Creation, Appropriation, and Distribution

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ABSTRACT In the face of intractable societal grand challenges, organizations increasingly resort to responsible innovation – that is, they pledge to create value for multiple stakeholders through developing new products or services that avoid doing harm and improve conditions for people and the planet. While the link between responsible innovation and societal improvements has been established, organizations pursuing responsible innovation lack governance mechanisms to guide the allocation of the value created – both economic and social – among heterogeneous stakeholders, in line with their responsible intent. We combine the value-based strategy and stakeholder perspectives and infuse a deliberative process to design a three-stage model of value allocation that rests on three key organizational decisions: i) *what value* to create and *for whom*, ii) *how to appropriate* the value created vis-à-vis unintended value appropriators, and iii) *how to distribute* the value appropriated among intended stakeholders. We propose a framework of *stakeholder governance* comprised of four novel mechanisms by which organizations can allocate value among their multiple principal stakeholders as part of participative processes. Our study contributes to responsible innovation and corporate governance research by unpacking how new value is managed to solve societal grand challenges.

Keywords: stakeholder governance, value appropriation and value distribution, responsible innovation, social value, deliberation, grand challenges

INTRODUCTION

In the face of indisputable societal grand challenges that transcend national borders and negatively affect large numbers of people (Ferraro et al., 2015; George et al., 2016), such as poverty, armed conflict, biodiversity loss, and climate change, organizations across

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multiple sectors have sought to innovate by creating not only economic value but also social value.[1] Such responsible innovation entails the development, through deliberation with stakeholders, of new products or services that avoid doing harm and improve conditions for people and the planet (Scherer and Palazzo, 2011; Stahl and Sully de Luque, 2014; Voegtlin and Scherer, 2017).

Innovation research has centred on how organizations and their stakeholders take joint responsibility to generate value in sustainable and mutually desirable ways – a process known as responsible innovation (Owen et al., 2013; Tihon and Ingham, 2011; von Schomberg, 2012). We contend that organizations can achieve their responsible innovation goals when supported by effective stakeholder governance, that is, when the value created gets allocated in a sustainable and desirable way to their set of intended stakeholders. For instance, clean water and sanitation solutions in underprivileged communities around the world (i.e., value creation through product and process innovation) can only be considered responsible innovation if the value created (i.e., safe drinking-water and quality sanitation) is allocated in an affordable and inclusive manner to the groups of individuals (stakeholders) who have been consulted in the creation process and are the intended beneficiaries. Stakeholder governance thus guides organizations engaged in responsible innovation in their allocation of value among intended value recipients. We define *stakeholder governance* as organizational-level mechanisms that design the participatory rights and responsibilities assigned to the multiple stakeholders of an organization (e.g., shareholders, employees, suppliers, consumers, beneficiaries) and that guide their interactions with the organization (based on Aguilera and Jackson, 2003; Bridoux and Stoelhorst, 2020; Mair et al., 2015).

The stakeholder governance framework we propose stems from the acknowledgement that (1) current corporate governance models are limited in their reflexivity and ability to hold accountability towards, and participation from, multiple principal stakeholders, and (2) for an organization to achieve its responsible innovation intent, governance mechanisms managing value more comprehensively, beyond economic value, are needed. Recognizing the importance of thinking about value beyond shareholder economic value maximization to account for the legitimacy of the claims and participation of non-shareholder constituencies (Parker, 2002), we draw on the intersection of value-based strategy, or VBS (Brandenburger and Stuart, 1996; Gans and Ryall, 2017; Garcia-Castro and Aguilera, 2015) and stakeholder theory (Freeman, 1984; Hill and Jones, 1992; Jones, 1995) to conceptualize value allocation in responsible innovation as the creation, appropriation, and distribution of value.

Our choice for VBS and stakeholder theory is based on two significant developments in the business and academic spheres. First, societal pressure on businesses to create value for society (Aguilera et al., 2007; Walsh and Donaldson, 2015) has led businesses to consider some facets of stakeholder-centric views of organizational governance (e.g., Kaplan, 2020; McGahan, 2020; Stahl and Sully de Luque, 2014). In the summer of 2019, the Business Roundtable's Statement introduced a revised stakeholder-oriented definition of the 'Purpose of the Corporation' (Harrison et al., 2020), and in early 2020, BlackRock CEO's annual letter to shareholders noted that 'sustainability should be (the) new standard for investing;' even if cosmetic, both exemplify a shift towards 'business for society'. Second, business as a force for good has broadened the scope of value as traditionally understood in economics and management (Satz, 2010; Sen, 1998), leading to the emergence of concepts such as shared value (Porter and Kramer, 2011), blended value (Emerson, 2003), and sustainable value (Hart and Milstein, 2003). Because the notions of value and stakeholders are at the core of both VBS and stakeholder theory, these two theories offer an ideal basis to launch a contemporary framework of stakeholder governance for allocating value emanating from responsible innovation.

Our proposed stakeholder governance framework contributes to two literatures. First, given its focus on the tensions and positive engagement among organizational stakeholders towards responsible innovation, it nicely complements the nascent 'responsible governance' stream, involving 'institutions, structures, and procedures on multiple levels to help resolve the grand challenges (…) by facilitating innovations that do not harm and, ideally, benefit society' (Scherer and Voegtlin, 2020, p. 200). Heeding calls for research that embraces the view of 'organization studies as a vehicle to help people lead better lives' (Wicks and Freeman, 1998, p. 124), our stakeholder governance framework unpacks four deliberation-informed mechanisms of value allocation among the multiple principal stakeholders affecting and affected by responsible innovation aimed at addressing societal challenges (Scherer and Palazzo, 2011; Scherer et al., 2016). Doing so further extends bridges recently built between the literature on responsible innovation – through the democratic deliberation principles of stakeholder inclusiveness, reflection and adaptation (Owen et al., 2013; von Hippel, 2005) – and the burgeoning literature on stakeholder governance (Bridoux and Stoelhorst, 2020).

Second, we offer a timely response to recent calls for research that explores the positive associations between multiple stakeholders' interests and voices, and the management of value in organizations (Barney, 2020; Bundy et al., 2018; Henisz et al., 2014). We shed further light on this developing stream of research at the intersection of stakeholder theory, VBS, and organizational governance by explaining how stakeholders' sources of power guide value allocation among them (Fung, 2006; Gomez and Korine, 2008; Klein et al., 2019). As a step towards a theory of stakeholder governance through the lens of value allocation, our theoretical framework lays the foundation for new conceptualizations of governance in contemporary organizations that need and want to account for multiple principal stakeholders and their participatory power, and which current governance theories fall short of representing.

RESPONSIBLE INNOVATION AND STAKEHOLDER GOVERNANCE

Innovation, defined as a 'process of imagination, invention, and development that actively seeks novelty, with the creation of value as its goal' (Owen et al., 2013, p. 32), is closely tied to value creation. In turn, *responsible* innovation is a complex, collective, and dynamic phenomenon of value creation directed at socially desirable and acceptable ends. Indeed, beyond the creation of economic value, responsible innovation aims at 'maximizing the *economic and social* benefits (or impact) of science and innovation' (Owen et al., 2013, p. 29, emphasis in italics added by the authors). While responsible innovation generates private value, it also creates value for society by contributing to public goods. In the realm of societal grand challenges, these can range from innovative solutions that accelerate the improvement of coverage, reach, efficiency, and effectiveness of mass health campaigns delivering health products or services to low- and middle-income communities, to novel business models that revive industries and employ local talent. Responsible innovation thus aims at societal betterment by yielding positive externalities or reducing negative externalities of institutional and market failures for a variety of stakeholders. In this section, we first show that a growing number of organizations have been the venue of responsible innovation. Second, we identify a gap in the responsible governance literature based on deliberative democracy research, in terms of stakeholder governance. This lacuna raises the need for greater attention to the allocation of value generated by responsible innovation among multiple principal stakeholders, both internal and external to the organization.

Contemporary Organizations as Loci of Responsible Innovation

Few contemporary organizations can thrive by being purely shareholder value-driven (Harrison and Wicks, 2013; Porter and Kramer, 2006). For instance, corporations that are solely focused on achieving economic outcomes and maximizing profit are sensitive to 'doing no harm' and, if at all possible, 'doing good' (Aguilera et al., 2007; Bode et al., 2015; Scherer and Voegtlin, 2020). As a result, more than 85 per cent of S&P 500 firms engage in innovations targeted towards corporate social responsibility (Governance & Accountability Institute, 2019, https://www.ga-institute.com/press-releases/article/90-of-sp-500-index-companies-publish-sustainability-reports-in-2019-ga-announces-in-its-latest-a.html). Some organizations go one step further by presenting themselves as 'responsible businesses' or acquiring certifications such as the B Corp certification (Moroz et al., 2018). Furthermore, growing evidence of innovation for the public good is the literature on social innovation and social entrepreneurship. Social enterprises innovate to create economic and social value from an embryonic stage and seek to sustain both goals in the long term (Bacq and Janssen, 2011; Battilana and Lee, 2014; Markman et al., 2016). In addition to running financially sustainable activities, they strive to address societal grand challenges, such as eradicating poverty (Cooney and Shanks, 2010); ensuring reliable access to high quality and affordable basic necessities, including primary education, quality healthcare, clean water, and banking services (Battilana and Lee, 2014); and establishing sustainable consumption and production systems (Huybrechts, 2012).

Taken together, extant research suggests that many organizations nowadays engage in some form of responsible innovation, creating economic and social value by fulfilling the demands of a variety of stakeholders – i.e., the groups and individuals who most directly affect, or are most affected by, the strategic outcomes of an organization (Barney, 2018; Freeman, 1984; Jones and Wicks, 1999). One of the key challenges for organizations that engage in responsible innovation lies in their ability to solicit feedback from and fulfil the demands of a multiplicity of principal stakeholders[2] (Ebrahim et al., 2014). Because most organizations are resource-constrained and need to choose how to prioritize value allocation among key stakeholders (Mitchell et al., 1997), responsible innovation thus raises a stakeholder governance problem.

Stakeholder Governance Through the Lens of Value Allocation

An important dimension of responsible innovation concerns the way in which such innovation is governed or, so called, responsible governance (Scherer and Voegtlin, 2020;

von Schomberg, 2013). Due to imperfect foresight of what innovation will bring (since, by essence, innovation produces outputs that have not been encountered before), governance that aims to manage and control innovation products after the fact is hardly effective (Owen et al., 2013). In contrast, as Stilgoe (2011) puts it, responsible governance rests on the principles of 'democratic governance of intent', which calls for a reflection on the purposes (not only the products) of responsible innovation: Why do it? Have the intended beneficiaries participated in the value creation? What are the intentions and motivations for doing it? Who are the intended stakeholders benefitting from the *economic and social* benefits (or impact) produced by the innovation – and who are the unintended ones?

Extant governance theories in the field of management, focused on corporate forms of organizations, overlook these questions. Traditional corporate governance theories have two limitations that prevent their applicability to responsible innovation. First, they remain mostly anchored in the sole economic conception of value produced by traditional for-profits, which primarily abide to a profit maximization objective. Second, they overlook the flow of value as the conduit for governance mechanisms among multiple principal stakeholders. Indeed, when it comes to resolving conflicts between multiple stakeholders, the extant corporate governance literature is narrow in scope, restricted to conflicts between shareholders (considered the primary and, to some extent, the only important stakeholder group) and managers hired to serve their interests. As corporations seek to create economic value for shareholders in line with well-defined profit maximization goals, extant research typically views governance as a control device (Eisenhardt, 1989; Jensen and Meckling, 1976) that ensures that managers' objectives are aligned with those of principals (i.e., corporate owners). Such oversight is usually performed by means of financial incentives and disciplinary mechanisms aligned with shareholder interests.

Control-based governance mechanisms fail to address stakeholder governance issues when (1) value is more than economic, (2) value is fluid in terms of who appropriates it, and (3) corporate governance adopts democratic procedures such as participation, communication and deliberation among its heterogenous stakeholders. Indeed, a control and compliance approach dissuades innovation efforts intended towards economic and social value creation (Mair et al., 2015; Wolf and Mair, 2019), and undermines the deliberative process to find the right balance between stakeholders' interests and concerns (Scherer and Voegtlin, 2020; Voegtlin and Scherer, 2017). Therefore, the organizational pursuit of value creation for a variety of stakeholders calls for revised governance mechanisms.

However, while responsible governance research exists, it is focused on societal-level governance (e.g., transnational levels of decision-making such as the European Commission, see Owen et al., 2012) and on the public governance role of business (Scherer and Voegtlin, 2020), leaving unanswered the stakeholder governance questions and issues faced by many contemporary organizations that innovate for the public good (e.g., Santos, 2012). To address this gap, we articulate novel organizational-level governance mechanisms that guide value allocation among an organization's intended stakeholders (i.e., '*for whom*' the value is created) in 'sustainable and mutually desirable ways'.

While management research has advanced insightful frameworks into value allocation (see next section), it falls short on the 'responsible ways' of doing so. Therefore, we turn to public and political governance research that includes such a focus on organizational interactions with multiple stakeholders through deliberative processes. These models point to three key elements. First, governance is about the participation of stakeholders in establishing the value creation goals of the organization (Scherer and Palazzo, 2011; Scherer and Voegtlin, 2020). Parker (2002) points out that legitimate decisions are decisions that are open to contestation in forums and through procedures that are acceptable to all stakeholders concerned. Similarly, in the field of public administration, Fung (2006) submits that participation of citizens – or in this case, of stakeholders – is based on the premise that decision-makers lack the required knowledge, competence, public purpose, and resources. It follows that responsible governance involves stakeholders in the decision-making processes. There are different degrees of participation, from passive recipient of information to collective decision-making (Baldwin, 2019). Yet, Simmons (1995) notes that the simple fact of interacting about specific interests or concerns indicates that the matter is important for the organization and, hence, signals the importance of such stakeholders. Second, and relatedly, stakeholder participation is about the redistribution of power (Fung, 2006). Gomez and Korine (2008) even define governance as the concentration of power that is debated and negotiated between organizations and their stakeholders, and provides direction to organizational activity. Third, stakeholder participation – and hence stakeholder governance – is defined by consensual procedural rights granted to stakeholders (Gomez and Korine, 2008; Parker, 2002).

To address the shortcomings of the traditional corporate governance paradigm and the gap left by extant responsible governance research that mostly operates at the societal level, we build on stakeholder participation models burgeoning across disciplines and propose a theoretical framework of stakeholder governance through the lens of value allocation. As the raison d'être of any organization is to create value for a given set of stakeholders (Bridoux and Stoelhorst, 2020), stakeholder governance for responsible innovation is a matter of ensuring that the value created by a focal organization's innovation activities is delivered to stakeholders in line with its intent. The model we propose is developed from the point of view of the focal organization, as the locus of responsible innovation, yet not the only decision-maker, given the democratization of corporate governance structures. Our model encompasses (1) how value travels from its creation to the distribution stage, and (2) the rights and responsibilities assigned to its multiple stakeholders that organize their participatory relationships with the focal organization in line with democratic procedures and the responsible innovation intent. We now turn to discuss the three stages of value allocation and then articulate our stakeholder governance framework for responsible innovation.

BUILDING BLOCKS FOR STAKEHOLDER GOVERNANCE THROUGH THE LENS OF VALUE ALLOCATION

In this section, we summarize two well-established and complementary theoretical perspectives on value allocation among a variety of stakeholders, namely value-based strategy (VBS) and stakeholder theory, in order to break down value allocation into three stages. Then we discuss the core assumptions underlying our stakeholder governance framework in terms of the ontology of value and its implications in terms of deliberation processes, and the sources of stakeholder power.

A Three-Stage Framework of Value Allocation: Creation, Appropriation, and Distribution

VBS and stakeholder theory perspectives are a suitable point of departure because they focus on different dimensions of the allocation of value (i.e., value appropriation in the former, value distribution in the latter) among multiple principal stakeholders. Hence, it is a useful exercise to map them side by side and contrast their approaches to value allocation (see Table I for a summary). VBS is interested in the relationship between value creation and value appropriation among stakeholders who can affect the success (or failure) of an organization because of their power (coercive or utilitarian). In contrast, stakeholder theory is concerned with 'the degree to which firms should allocate firm value to satisfy the needs and demands of a broad group of stakeholders beyond what is necessary to simply maintain their wilful participation in the workings of the firm' (Harrison et al., 2010, p. 59). As such, there is some emphasis on the normative power of stakeholders.

Value-based strategy. A well-established approach to studying value within organizations is the VBS perspective (Brandenburger and Stuart, 1996; Gans and Ryall, 2017), which later gave rise to the value creation and appropriation (VCA) model (e.g., Garcia-Castro and Aguilera, 2015; Lieberman et al., 2017). Brandenburger and Stuart 'frame the problem of firm performance in terms of value *creation*, occurring by the transformation of costly input into valuable output by agents working together in a supply chain, and value *capture*, which is the outcome of competition among agents to *appropriate* the value created. How much value a firm can appropriate under given conditions is the central question addressed by value-based theory' (Chatain and Mindruta, 2017, p. 5, emphasis in italics added by the authors). This perspective views stakeholders as potential value appropriators, and the degree of value appropriation[3] is defined by the stakeholders' power − that is, their capacity to compete with other stakeholders for value (e.g., competitors, free riders, radical activist groups). According to VBS, stakeholders derive their power from their ability to enforce their rules on the focal organization and curb its course of action (coercive power) or from the possession of resources that are critical to organizational value creation activities (utilitarian power) to the extent of influencing the success (or failure) of such activities.

As a modelling technique and measurement framework inspired by VBS, the VCA model relies on the use of standard corporate accounting data to quantify the total incremental *economic* value created by an organization's activities over time, and the appropriation of that value by the organization's primary stakeholders, including employees, customers, suppliers and shareholders (to the extent that accounting information is available, e.g., in the airline industry, information is available on labour, capital providers, fuel providers, and customers via sales and prices). Using publicly available data, Lieberman and colleagues (2017) show that most of the value created by airlines, across industry actors, was absorbed by customers in the form of plane ticket price cuts. In contrast, the

Table I. Comparing value-based strategy and stakeholder theory through the lens of value allocation

	Value-based strategy	*Stakeholder theory*
Theoretical foundations	Value-based strategy (VBS) develops theoretical propositions determining the boundaries (quantity) in value appropriation (synonymously referred to as value capture)	Strategic management: A stakeholder approach
	The value creation and appropriation (VCA) model is a measurement technique using accounting information to measure the economic value created by the firm and how this value is split (appropriated) among various stakeholders	'Managing for stakeholders' approach
Assumptions about value	Economic value	While economic value dominates, stakeholder theorists agree that one should look beyond economic value, to include 'total value' (Harrison et al., 2010), happiness (Harrison and Wicks, 2013; Jones and Felps, 2013)
Assumptions about value allocation	Value is allocated among multiple principal stakeholders through appropriation mechanisms	Value is allocated among multiple principal stakeholders through distribution mechanisms
Source of value allocation decision	Stems from stakeholders	Stems from the focal organization
Value measurement/ operationalization	Quantitative, to the extent that there is accounting information about them (e.g., in the airline industry there is information about labour, capital providers, inputs providers, and customers via sales and prices)	Qualitative, field-based research
Assumptions about stakeholder boundaries	Stakeholders mostly comprise: shareholders, employees, suppliers and customers	Stakeholders are the ones most closely associated with the organization's objectives, including contributing and non-contributing ones
Assumptions about organizational agency	Organizational agency is beyond the scope of VBS	Organizational agency is acknowledged in the form of managerial discretion

Table I. (Continued)

	Value-based strategy	*Stakeholder theory*
Conceptualization of the 'organization'	The VBS conceives the 'organization' in terms of its ownership, i.e., shareholders, as one category of stakeholders among other ones	'The stakeholder perspective envisions a firm being at the center of a network of stakeholders (Barringer and Harrison 2000; Rowley 1997)' (Harrison et al., 2010) By the 'firm', stakeholder theorists usually refer to managers (Freeman, 1984; Hill and Jones, 1992; Jones, 1995; Mitchell et al., 1997)
Predictive focus of the theory	• Explains value capture strategies employed by key stakeholders • Quantifies appropriation of the value by the different stakeholders of the organization	• Explains how a focal organization intentionally decides to which stakeholders to distribute value
Focus in the value chain (see Figure 1)	Creation & Appropriation – focus on who, among stakeholders, captures the value that is created by the organization	Creation & Distribution – focus on '*for whom*' the value is created
Mechanisms	Mechanisms of value appropriation: market competition and free-form negotiation (Garcia-Castro and Aguilera, 2015); bargaining (Lieberman et al., 2017)	Mechanisms of value distribution: Fairness or organizational justice (Bridoux and Stoelhorst, 2014; Harrison and Wicks, 2013)
Main source of stakeholder power	Utilitarian power derived from stakeholder contributions to the value creation activities; that is, material power	Utilitarian power in 'arms-length' approach to stakeholder management (see Bridoux and Stoelhorst, 2014)
	Coercive power derived from the stakeholder ability to help or harm the course of organizational action	Normative legitimacy, in line with organizational goals (Phillips, 2003)

amount of value allocated to employees in the form of wages and salaries, compared to the amount of value allocated to shareholders and capital providers, varied to a greater extent across airlines, due to these stakeholders' bargaining power (Coff, 1999). In line with their underlying assumptions, it is expected that neither VBS nor VCA include any discussion of intent on the part of a focal organization with regard to '*what value*' to create and '*for whom*', how the value should be divided among stakeholders, or any discursive engagement with different stakeholders. In fact, value-based strategy has ignored any feedback from the organization. In this model, assumptions are that the value is economic, and that stakeholders use their power – coercive and utilitarian – to appropriate some of the value created.

Stakeholder theory. Stakeholder theory, in its traditional form, argues that the welfare of an organization is enhanced by meeting the needs of the organization's key stakeholders in a win-win fashion (Harrison and St. John, 1996; Walsh, 2005). Early stakeholder theorists noted the central role of the 'focal organization', as expressed by Freeman and Reed (1983, pp. 101–2):

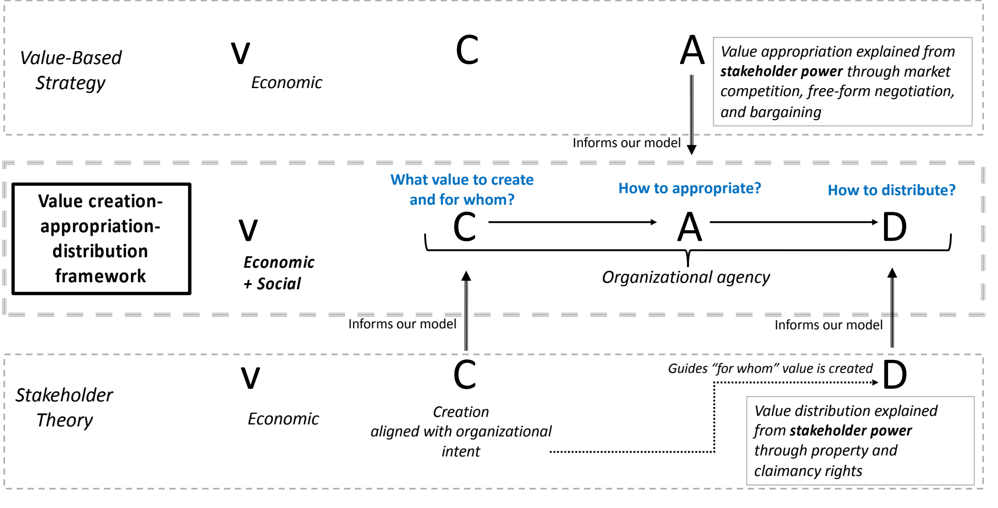
> The starting point of any stakeholder analysis is identification of the focal organization. It is in relation to this focal point that stakes are established. There is no single 'right answer' to the choice of focal organization. In the usual case of the corporation (…), management or the board views itself as a focal organization and analyses the problem from the viewpoint of the corporation's goals.

Within stakeholder theory, the 'managing-for-stakeholders' perspective (Freeman et al., 2007; Harrison et al., 2010; Tantalo and Priem, 2016) specifically incorporates the needs and demands of a broader stakeholder set beyond those who contribute resources to value creation. In contrast to 'satisficers who may attempt to offer jobs that are barely sufficient to retain employees or offer products that are just good enough' (Harrison et al., 2010, p. 61), the question becomes '*for whom*' value is created, and to which stakeholder groups – beyond the contributing ones – an organization should *distribute* value. Stakeholder theorists explain such acts of organizational benevolence by the principle of 'stakeholder fairness' as a normative foundation of stakeholder legitimacy (Hart, 1955; Phillips, 2003; Rawls, 1964). Yet (again), stakeholder theory does not focus on the participative or reflexive engagement of stakeholders (Scherer and Voegtlin, 2020).

Taken together, both VBS and stakeholder theory have focused on governing from the standpoint of the focal organization, yet have largely ignored the importance of incorporating feedback from stakeholders, engaging in debate and dialogue with them, and seeking their consent. Considering the complementarities between VBS and stakeholder theory, three elements stand out when thinking about stakeholder governance. First, the stages of value appropriation and distribution involve different stakeholders with different sources of power, calling for unique stakeholder governance mechanisms. Second, as advanced by VBS, contributing stakeholders may have power over value appropriation; in contrast, stakeholder theorists claim that non-contributing stakeholders may also be recipients of the distributed value. Third, in this value chain, there are different opportunities for stakeholders to participate in each stage depending on the source of power that rules their relationship with the organization.

Theorizing value appropriation and distribution governance mechanisms contributes to developing a theoretical framework of how organizations engaged in responsible innovation democratically allocate value among their multiple stakeholders in ways that benefit them and do not cause harm (Stahl and Sully de Luque, 2014). Our framework sets forth a marked distinction between value appropriation and value distribution, and conceptualizes three stages in the value chain: value creation, value appropriation, and value distribution (see Figure 1). From here, we theorize on how different types of stakeholders, along with their sources of power, relate to value allocation.

Our position is as follows: a focal organization, as the locus of responsible innovation, expresses an intent that is then shared with relevant stakeholders. Who receives some of the value created does not solely depend on stakeholders' coercive and utilitarian sources of power, as VBS would predict. Rather, which stakeholders groups are considered 'intended' by aligning with the intent of responsible innovation is a question that is open to debate and contestation (Parker, 2002). Stakeholders are inherently interested in organizational outcomes and seek their interests represented in corporate deliberations; as such, organizations need to account for different stakeholders' expectations and concerns to gain and maintain the consent (Gomez and Korine, 2005). We call these stakeholders 'intended stakeholders' as they are an integral part of a focal organization's value creation activities (Le Ber and Branzei, 2010). While intended stakeholders can – but may not all have the ability to – contribute resources and capabilities to the value creation activities, their normative power implies their participation in the discussion surrounding the type and nature of the value created by the responsible innovation. Next we discuss our assumptions regarding the ontology of value before turning to the different sources of stakeholder power.



"**v**" stands for value. "**C**" stands for creation. "**A**" stands for appropriation. "**D**" stands for distribution.

Figure 1. A value creation-appropriation-distribution framework: Integrating value-based strategy and stakeholder theory

Ontological Assumptions of Value

While the creation of both economic and social value has begun to be well-documented in innovation research, including social innovation (Bornstein, 2004; Nicholls, 2010), social enterprises (Lazzarini, 2020; Santos, 2012), hybrid organizations (Battilana and Lee, 2014; Smith and Besharov, 2019) and extra-organizational arrangements (Dahan et al., 2010; Quélin et al., 2017), it is worth defining the ontology of value in our theorizing. First, we contend that, in the realm of societal grand challenges, many responsible innovations primarily aim to produce positive externalities (e.g., a civic service program fosters integration of youth in troubled suburbs), and reduce negative externalities (e.g., renewable energy production reduces pollution; see Santos, 2012, pp. 342–43). Our framework thus adds to theoretical governance traditions (mostly) anchored in economic value and the production of private goods by accounting for the generation of both economic and social value. Further, while economic value is usually conceptualized in monetary terms which bears the quality of universal translatability, social value is 'messier', as it is both malleable and difficult to measure, if not to define in the first place (see Hertel et al., 2020, for a recent review). It follows that judgements about what classifies as social value are inherently subjective and normative (Mulgan, 2010).

Second and relatedly, we understand value as 'use value', which is a function of what a stakeholder prefers. In other words, value depends on a user's perception, is subjective and individual specific, as opposed to 'exchange value' being strictly the monetary amount realized at some point in time, when a seller exchanges a product or service with a buyer. The questions of '*what value*' to create and '*for whom*' are thus intertwined and addressed at the value creation stage. That is, as it embarks in the process of responsible innovation, a focal organization first identifies which principal stakeholders are the intended users of value (and, conversely, which ones are not). Given that one of the core tenets of responsible innovation is 'do no harm', it is important to note that who target value users are should not be a unidirectional decision made by the organization alone, and nor should stakeholders' preferences in terms of economic and social value. Rather, '*what value*' to create and '*for whom*' is deliberated through an exchange of arguments between the organization and its stakeholders. In line with responsible innovation principles of inclusiveness, reflection and adaptation (von Hippel, 2005; Owen et al., 2012, 2013), our framework encompasses the essence of deliberation in two processes.

On the one hand, *discursive processes* open the lines of engagement and communication between the focal organization and its set of intended stakeholders by ensuring that they participate in the decisions pertaining to value creation, appropriation, and distribution, making the process legitimate (Fung, 2006). Discussions about what value to create, for whom, and how to appropriate and distribute it, occur on a continuous basis throughout the responsible innovation process. As part of this process, it is thus possible that an organization's stakeholders, not identified at first as belonging to the group of intended stakeholders, may voice concerns and express willingness and reasons for which to participate in the responsible innovation debates and decisions. On the other hand, *correction processes* emanate from reflexivity and enable the focal organization to adapt and take remedial measures upon stakeholder feedback of the organization's erring and miscalculations (whether intended or unintended). The purpose of these correction feedback loops is to re-establish the balance in power, which defines stakeholder governance relationships between the focal organization and its stakeholders. As such, correction processes constitute an integral part of the governance of intent. They confer to the organization the opportunity to revise its course of action.

Third, the three value allocation stages are intertwined: for an organization engaged in responsible innovation to purposely distribute to its sets of intended stakeholders (in stage three), the value created through innovation (in stage one), it must first strive to appropriate the created value (in stage two). This calls for stakeholder governance mechanisms that respond to the unique demands and characteristics of different principal stakeholder types. *Value appropriation* entails governance mechanisms through which an organization either defends itself against unintended stakeholders' attempts to appropriate value, or lets go of some value to other intended stakeholders. Conversely, *value distribution* entails governance mechanisms through which an organization shares the value with its set of intended stakeholders.

Stakeholder Power

Our framework rests on the integration of value appropriation insights from VBS, value distribution insights from stakeholder theory, and democratic value allocation processes proper to the generation of social value and positive externalities that benefit the public good. What all three have in common is the notion that an organization allocates value based on stakeholders' power attributes (Mitchell et al., 1997; Scherer and Voegtlin, 2020). Through participation in processes of deliberation, stakeholders have various degrees of authority and power they can exercise on the governance of responsible innovation (Fung, 2006). Indeed, some stakeholders forcefully use their power to challenge a focal organization and threaten to appropriate value (for instance, competitors), while other stakeholders claim some value based on their material contributions to the value creation activities (e.g., employees, investors). A third category of stakeholders are deemed legitimate as their interests become recognized as relevant through exchanges between the focal organization and its stakeholders. In other words, stakeholder governance mechanisms revolve around questions of value allocation as a function of stakeholders' power.

To shed light on these mechanisms, we draw on three types of power: coercive, utilitarian, and normative (Etzioni, 1964; Mitchell et al., 1997). *Coercive power* emanates from stakeholders' ability to impose rules (such as contracts) on a focal organization and curb its course of action to the extent of influencing its success (or failure) in achieving its goals (Etzioni, 1964; French and Raven, 1960). Stakeholders with coercive power (e.g., media, activist stakeholders, competitors) can influence an organization in either beneficial or harmful ways. For instance, positive media coverage may benefit organizational outcomes and enhance the participation and welfare of its stakeholders. Conversely, negative press may dampen financial and stakeholder support (Zavyalova et al., 2012). *Utilitarian power* is frequently discussed by stakeholder theorists (e.g., Bridoux and Vishwanathan, 2020) as it is usually associated with the appropriation of economic value through stakeholders' bargaining power (Coff, 1999). Such power stems from the possession of resources that are critical to an organization's performance and survival (Etzioni, 1964). For instance, capital providers or suppliers draw their high bargaining power over a focal organization because without their firm-specific contributions, the organization would cease to exist (Bowie, 1988; Freeman, 1984; Freeman and Reed, 1983). This power also grants them participation in organizational decision-making procedures.

Normative power – also called normative-social or social power (Etzioni, 1964) – refers to the influence held by a set of stakeholders who directly align with the responsible innovation intent. Stakeholders acquire normative power as a result of deliberation processes that take place between a focal organization and its stakeholders to define '*what value*' to create and '*for whom*'. On the one hand, stakeholders earn normative power by having the focal organization intending to help by way of the responsible innovation; on the other hand, stakeholders (e.g., citizens or other organizations who are working towards similar responsible goals yet were not part of the initially intended group of stakeholders) may voice their willingness to be considered legitimate, and provide reasons why. The establishment of normative power emerges from interactions between the focal organization and its stakeholders.

In the realm of societal grand challenges and responsible innovation, we propose that these three types of power combine in four distinct types of stakeholders, which we schematize in Table II: unintended stakeholders on the one hand with high coercive power, and intended ones on the other hand, comprised of *empowered* (high coercive and normative power), *enfranchised* (high utilitarian and normative power), and *entitled* stakeholders (high normative power). Figure 2 illustrates the interconnectedness between the three stages of value allocation.

Table II. Stakeholder types: Function of coercive, utilitarian, and normative power

	Stakeholder power attributes			
Stakeholder type	*Coercive power*	*Utilitarian power*	*Normative power*	*Stakeholder examples from text*
Unintended	High	Low	Low	Competitors, other 'similar' social enterprises, free riders, the media, activist stakeholders, consumers (indirectly)
Intended				
Empowered	High	Low	High	'Coopetitors', organizations sharing the same responsible innovation goals and / or social mission as a focal social enterprise
Enfranchised	Low	High	High	Capital providers, suppliers, customers, volunteers
Entitled	Low	Low	High	Non-paying beneficiaries of a social enterprise, community in which a responsible business is established

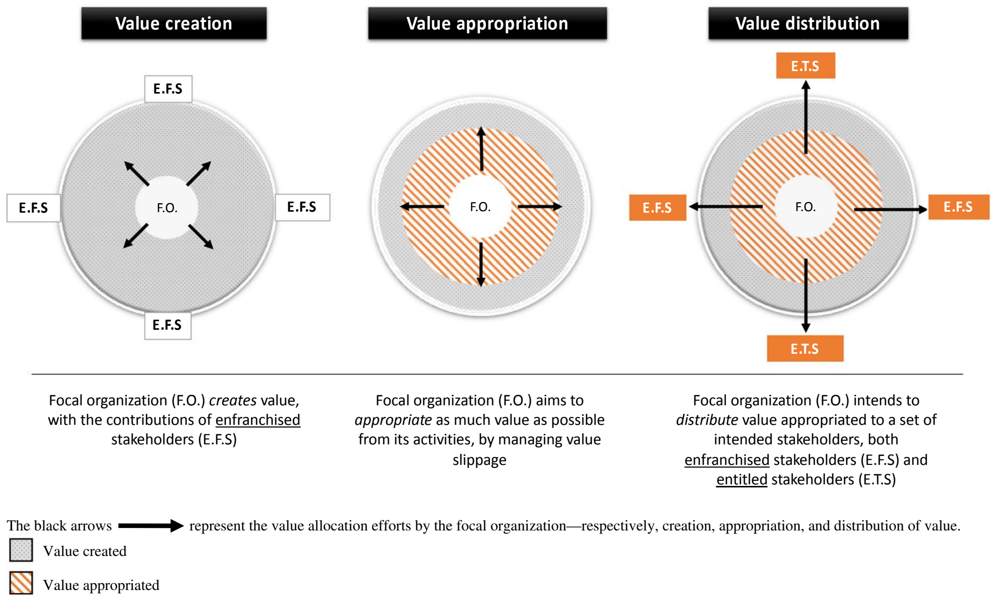


Figure 2. A theoretical framework of stakeholder governance through the lens of value allocation

A THEORETICAL FRAMEWORK OF STAKEHOLDER GOVERNANCE FOR RESPONSIBLE INNOVATION

In line with the stages of value in VBS and stakeholder theory in which our proposed stakeholder governance model is anchored, we depart from the point of view of the focal organization that creates value through responsible innovation and seeks to ensure this value reaches its multiple intended and heterogeneous stakeholders. Moreover, building on Simmons (1995), we complement this value allocation chain with iterative processes that foster debate and dialogue between stakeholders and organizational decision-makers to address respective queries and adjust to any raised challenges. Such iterative processes help identify priorities, affect assumptions and strategic plans. The framework of stakeholder governance we propose allows for such interactions through the principle of deliberation, defined as 'debate and discussion aimed at producing reasonable, well-informed opinions in which participants are willing to revise preferences in light of discussion, new information, and claims made by fellow participants' (Chambers, 2003, p. 309).

Deliberation entails a process of accounting for the views, perspectives, and framings of all stakeholders by involving them at an early stage of the innovation process (Owen et al., 2012; Voegtlin and Scherer, 2017). It is about prioritizing and negotiating what the 'right impacts' are (von Schomberg, 2014). Deliberation, Scherer and Voegtlin (2020) argue, leads to more (1) effective, (2) efficient, and (3) legitimate solutions. In the realm of value creation, appropriation, and distribution for a multiplicity of stakeholders, deliberation in stakeholder governance translates into three main procedures: (1) establishing '*what value*' to generate and 'for whom', such that a set of intended stakeholders can be defined and their expectations accounted for; (2) involving stakeholders in the ways in which the responsible innovation intent is achieved; and (3) securing stakeholders' acceptance of the responsible innovation, in line with the principle of fairness (what is legitimate and fair from a stakeholder standpoint), and by ensuring that decisions are open to contestation in forums and through procedures that are acceptable to all concerned (Parker, 2002). These discursive and corrective processes are embedded through our proposed stakeholder governance mechanisms by which an organization allocates economic and social value among its stakeholders, first at the value appropriation stage, and second at the value distribution stage. Table III summarizes our framework and propositions.

Stakeholder Governance Mechanisms of Value Appropriation

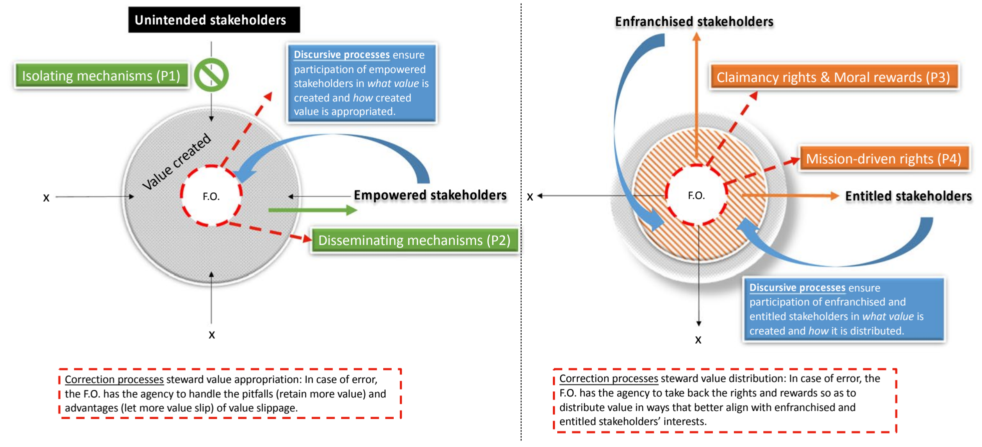
Before an organization can distribute value to its intended stakeholders, it must appropriate the value it has created. Value appropriation from responsible innovation refers to the retention of the rents created by selling new goods and services that avoid harm and improve conditions for people and the planet. However, we know from past research that some portion of the value that has been generated, might slip at the appropriation stage. Value slippage is the process by which some of the value created by one source (i.e., a focal organization) is captured by another unintended source, e.g., a focal organization's competitors (Lepak et al., 2007). For stakeholders to appropriate value that was not intended for them, they must possess high levels of coercive power to exercise that value capture. Value slippage to *unintended stakeholders* who have coercive power but no normative power triggers the organizational deployment of value protection governance mechanisms.

Conversely, our focus on organizations engaged in responsible innovation introduces an interesting dynamic of value appropriation, one that requires these organizations to manage not only the pitfalls but also potential advantages of value slippage. This consists in value slippage to stakeholders who gain normative power because their interests and concerns, expressed through discursive processes, match the intent of responsible innovation (see 'empowered stakeholders' in Table II). For instance, stakeholders pursuing similar responsible innovation goals as the focal organization have high levels of coercive power (as stakeholders' actions can influence the success of the focal organization in achieving their goals – negatively if they compete, positively if they collaborate), but they also have high levels of normative power (high legitimacy because stakeholders and the focal organization have deliberated on their shared intentions). As a result, a focal organization may decide to launch a discursive process and intentionally release some of the value created through responsible innovation to those we call *empowered stakeholders*. Next, we discuss value appropriation mechanisms as a function of a given stakeholder's sources of power. Figure 3 summarizes the mechanisms of value appropriation and distribution.

Value appropriation by unintended stakeholders. Following VBS, organizations seek to maximize the retained value created by deterring value slippage from unintended stakeholders. Unintended stakeholders (i.e., high levels of coercive power and low levels of normative power) without contributing resources (i.e., low levels of utilitarian power) threaten to

Table III. Stakeholder governance mechanisms for responsible innovation by stakeholder type

Stage in the chain of value allocation	*Stakeholder type*	*Purpose of stakeholder governance mechanism*	*Predicted stakeholder governance mechanism*	*Deliberation-informed processes between a focal organization and stakeholder type*	*Select examples from text*
Appropriation	Unintended [POWER: High Coercive; Low Utilitarian; Low Normative]	Deter value appropriation from unintended stakeholders	*P1: Resource-based + endorsement-based isolating mechanisms*	Being unintended, the focal organization does not, and avoids to, engage in debate and dialogue with *unintended* stakeholders	Resource-based: knowledge, physical, or legal barriers which protect a focal organization from imitative competition Endorsement-based: past expertise and tenure in addressing a specific grand challenge; references to past donor satisfaction; reactive prosocial claims or impression management; proactive impact reporting practices and newly created legal forms
	Empowered [POWER: High Coercive; Low Utilitarian; High Normative]	Allow value appropriation by empowered stakeholders	*P2: Disseminating mechanisms*	Deliberation-informed processes help *empowered* stakeholders (1) voice the legitimacy of their claims, assessed in line with the intent of the responsible innovation, and (2) gain normative power	Cooperative behaviours, open source, make all information accessible for free in 'DIY' online kits
Distribution	Enfranchised [POWER: Low Coercive; High Utilitarian; High Normative]	Guide value distribution as a pay back to enfranchised stakeholders	*P3: Claimancy rights + Moral rewards*	Deliberation-informed processes help *enfranchised* stakeholders voice (1) their expectations in return for their contributions (utilitarian power) and (2) the legitimacy of the latter (normative power)	Claimancy rights: dividends, salaries, right to interest payments Moral rewards: intangible benefits paid to enfranchised stakeholders in recognition of their contribution to the value creation effort, such as increased self-worth, bragging points, etc.
	Entitled [POWER: Low Coercive; Low Utilitarian; High Normative]	Channel value distribution to entitled stakeholders	*P4: Mission-driven rights*	Deliberation-informed processes help *entitled* stakeholders voice what they value and make it heard, despite low levels of utilitarian power	Rights to receive social services and allowances that accrue to the non-paying beneficiaries of a social enterprise, mission-driven rights of community benefits generated by a corporation's social responsibility programme



F.O. stands for "focal organization."
"x" represents stakeholders as other potential value appropriators (left figure) or potential value recipients (right figure).
In the left figure, the black arrows go *from* the potential value appropriators *to* the value created by the F.O.'s activities.
In the right figure, the black arrows go *from* the value appropriated by the F.O. *to* stakeholders.
represents the value *created* by the F.O.'s activities.
represents the value *appropriated* by the F.O.
represents the correction processes between the F.O. and the value created.

Figure 3. Value appropriation and distribution mechanisms

appropriate some of the value generated through responsible innovation. In the face of such a threat, we propose that focal organizations should rely on mechanisms of value appropriation aiming to prevent value slippage from unintended stakeholders. Known in the for-profit literature (Coff, 1999) as isolating mechanisms (Rumelt, 1984), they prevent replication[4] (Schumpeter, 1942) of value-creating responsible innovation (task, product, or service) by unintended value appropriators. Isolating mechanisms traditionally consist of any knowledge, physical, or legal barriers that protect a focal organization from imitative competition (Eisenhardt, 1989) and help retain the majority of the value created. In the strategy literature, isolating mechanisms most often revolve around *resource-based* strategies (e.g., relying on rare resources that are difficult to imitate) that can limit competition (Barney, 1991; Newbert, 2008; Sirmon et al., 2007).

However, in the realm of public goods where competitive dynamics might include democratic rules (Fung, 2006; Zhang and Swanson, 2013), resource-based isolating mechanisms that aim to protect an organization from imitative competition and prevent it from cooperation, knowledge sharing, and free initiative, may fall short when it comes to appropriating social value. To mitigate this, we propose that *endorsement-based* isolating mechanisms enable a focal organization to deter illicit appropriators of the created social value. For instance, in a situation in which several competitors (as unintended stakeholders) are engaged in the pursuit of societal grand challenges as captured by the United Nations' (2015) Sustainable Development Goals (SDGs) (Griggs et al., 2013), each of them could claim the social value created (e.g., fewer homeless people on the street, dignified village women, reduction in CO_2 emissions) to be the result of their own actions. Given the intangibility of social value, the ability of a focal organization to appropriate – i.e., be the residual claimant of – social value likely depends on external stakeholder perceptions of the focal organization as a valid appropriator of the value it created. Endorsement-based isolating mechanisms, such as a focal organization's expertise and tenure in addressing a given challenge, or past donor satisfaction (Brown and Moore, 2001; Lee, 2004), help mitigate these perceptions. Third-party certified impact reporting practices, newly created legal forms (Ebrahim et al., 2014), or use of prosocial claims or impression management devices (Nason et al., 2018) constitute other examples of endorsement-based isolating mechanisms employed by organizations to quell threats from unintended stakeholders.

Kenya-based social enterprise, Sanergy, can be used to illustrate this point. Sanergy offers a systems-based solution that addresses the societal grand challenge of 'water and sanitation'. Sanergy is at the root of a responsible innovation: a franchising system of low-cost, high-quality toilets – Fresh Life Toilets – deployed in the urban slums of Nairobi with involvement from Nairobi NGOs and marginalized citizens on how these toilets can be best used and who should get them. Hypothetically, a profit-driven competitor (i.e., unintended stakeholder) or an opportunistic local entrepreneur could be attracted by the profitability prospects of a sanitation solution that could be scaled to billions of users at the bottom of the pyramid. By replicating the model or minimally alternating it, the unintended stakeholder could claim both economic value (revenues from the franchises) and social value (healthier populations in the slums) arising from it. Such stakeholder could even destroy the positive public goods externalities produced by Sanergy as, incentivized by profit prospects, there is no guarantee that they would maintain the low-cost and high-quality benefits of the sanitation solution initially brought by Sanergy. Therefore, Sanergy will want to adopt value appropriation mechanisms that protect its innovation from an economic value standpoint (that is, resource-based isolating mechanisms) but also from a social value generation one, through external recognition by funders, impact reports, or external recognition as lawful social value creator (that is, endorsement-based isolating mechanisms) in addressing the grand challenge of clean water and sanitation.

We suggest that such endorsement-based isolating mechanisms are complementary to the competitive resource-based isolating mechanisms known to maximize economic value appropriation by a focal organization. Indeed, even in situations in which impact reports and other endorsing tools may help an organization to appropriate social value and deter unintended stakeholders (e.g., another organization unfairly seeking to take credit for the positive externalities created in a community) from appropriating value and threatening its raison d'être, a focal organization must still rely on resource-based mechanisms to isolate the economic value it created and prevent unintended stakeholders from absorbing it. Here intended stakeholders would also want to participate in supporting through discursive processes such needed value appropriation. Finally, in cases of error or changes in power balances between the organization and its intended stakeholders, correction processes can be activated to enable the focal organization to handle the pitfalls of value slippage and adjust the value appropriation (retain more value). Taken together, we submit:

Proposition 1 (P1): In the realm of responsible innovation, stakeholder governance entails deterring value appropriation from a focal organization's unintended stakeholders by relying on isolating mechanisms.

Value appropriation by empowered stakeholders. Turning now to the advantages of value slippage, a focal organization may wish to relinquish some of the value created through responsible innovation to stakeholders working with a similar intention to address societal grand challenges. For example, the above-mentioned Sanergy may invite other like-minded social enterprises innovating in the areas of water and sanitation, to replicate its successful innovations and, in turn, engage them in a gradual democratization of governance (Gomez and Korine, 2008). In contrast to unintended stakeholders, Sanergy may foresee that letting go of some value to fellow innovators engaged in addressing clean water and sanitation issues could help its own intended value users, in line with research findings that social enterprises engage in collaborative – as opposed to competitive – behaviours (Bacq and Eddleston, 2018) and in deliberative processes that end up being both economically efficient and socially legitimate.

Empowered stakeholders have high levels of coercive power (they can affect the course of action of a focal organization) and low levels of utilitarian power (they do not contribute resources to the focal organization's activities); however, in contrast to unintended stakeholders, they have, or have acquired through participation, communication and deliberation, high levels of normative power. As a result, even if not initially intended, a focal organization might view empowered stakeholders' appropriation favourably, which calls for different value protection mechanisms than traditional strategy would predict.

We propose that *disseminating* mechanisms guide deliberate value slippage towards empowered stakeholders. As in other open-source approaches (von Hippel and von Krogh, 2003), a focal organization relinquishes control over others' use of shared information, thereby including empowered appropriators (e.g., stakeholders working towards similar responsible innovation goals) in its governance, and entrusting them with the objective of creating more economic and social value to be further distributed to its set of intended value users. Furthermore, by conceding positive spillovers of the social value it created, a focal organization may ultimately bring about greater social value than it would otherwise have captured if it had isolated its activities from other actors in the field (Dees et al., 2004), creating a win-win situation.

As an illustrative example, in the face of the societal grand challenge of 'All Children Thriving', KaBOOM! aims to revive US deprived communities by innovating a system of fun and safe playground building in close collaboration with multiple stakeholders, i.e., community parents, educators, children representatives and corporate partners. After years of expertise in building playgrounds, this non-profit social enterprise decided to make all information on building playgrounds accessible for free in online 'DIY' kits. In doing so, the organization sought the participation of some of its 'competitors' – in this case, stakeholders working with the same intention to address the challenge of making cities and communities more sustainable (SDG 11) – allowing them to appropriate the value that was first created by the focal social enterprise, and to start replicating the idea and generating more value to be further distributed to the intended value users (i.e., community parents and children). Empowered stakeholders can positively influence an organization's success by engaging in discursive and correction processes in line with democratic governance. To fully realize the responsible innovation intent, organizations that replicate KaBOOM!'s value-creating activities to provide more children in America with safe and healthy play areas engage in discursive processes with the focal organization to signal shared intent. Correction processes also help channel feedback, e.g., on the durability of some materials, the safety of some play installations, in order to ultimately improve the impact of the responsible innovation.

In line with our arguments, the use of a dissemination strategy could help position the focal organization as a leader sharing its best practices and openly engaging with the participation of its stakeholders. Discursive processes further ensure that empowered stakeholders debate what value is created – or will be created in the future – and how such created value is later appropriated. Correction feedback loops further help steward value appropriation: in case of power imbalance, the focal organization has the agency to tackle the pitfalls (retain more value) and advantages (let more value slip) of value slippage. The use of disseminating mechanisms is not mutually exclusive with the use of isolating mechanisms; rather, it is likely that organizations rely on both. Their use, however, is contingent on the type of stakeholders who have the normative power to appropriate value. We submit:

> *Proposition 2 (P2)*: In the realm of responsible innovation, stakeholder governance entails allowing value appropriation by a focal organization's empowered stakeholders by relying on disseminating mechanisms.

Stakeholder Governance Mechanisms of Value Distribution

Following value appropriation, value distribution in the realm of responsible innovation is a wilful, intended and intentional act on the part of a focal organization. While stakeholders' coercive power allows value appropriation through slippage and disseminating mechanisms, value distribution is guided by interactions between an organization and its stakeholders with high levels of normative power. Combinations of high levels of normative power with high or low levels of utilitarian power determine two types of stakeholders for whom a focal organization intends to create and distribute value through responsible innovation: *enfranchised* vs. *entitled* stakeholders. It is well-established that stakeholders' utilitarian power grants them rights. Property rights theorists (Asher et al., 2005; Hart, 1995; Libecap, 1989) argue that organizations design explicit and implicit contracts that define as much as possible the stakeholders who have rights over the organization's assets due, in part, to their contribution to value creation. We extend extant property rights research (Hoskisson et al., 2017; Klein et al., 2012) by developing propositions of value distribution mechanisms for enfranchised stakeholders first, and entitled stakeholders second (see Figure 3).

Value distribution to enfranchised stakeholders. We build on Klein and colleagues' definition of enfranchised stakeholders as those who 'contribute resources and capabilities that are central to the organization's value creation' (2019, p. 9) to refer to stakeholders who display high levels of *both* utilitarian and normative power vis-à-vis the focal organization. Enfranchised stakeholders participating in the responsible innovation activities are entitled to *claimancy rights* (Klein et al., 2019) over the appropriated value because they contributed (i.e., high levels of utilitarian power) to such value creation.

Claimancy rights usually include economic outputs such as dividends or salaries but they could also encompass social outputs such as self-esteem; they are tangible rights to claim some of the value created by an organization's activities. Building on Klein et al. (2019), who conceive claimancy rights as the defining tool by which stakeholders are allowed to receive captured firm value, a focal organization usually distributes some of the value created and then appropriated to these enfranchised stakeholders. Because of their normative power and their possession of resources that are critical to the organization's performance, enfranchised stakeholders participate in debates around what value is created and how it is distributed. For instance, a focal organization distributes some of the value created to its shareholders in the form of dividends in return for their investment in the organization; to its employees in the form of wages in return for their working time; to its suppliers in the form of payments in return for the materials or services they provide.

Yet, in the case of organizations aiming to address societal grand challenges through responsible innovation, some enfranchised stakeholders contribute to value creation *but do not possess claimancy rights*: that is because the resources and capabilities they contribute, while central to the focal organization's value creation, are not necessarily captured in tangible contracts and other property rights devices. An example is volunteers who contribute significant amounts of time and labour without compensation. Without them, many organizations aiming to address societal grand challenges would not survive. Indeed, many innovators aiming to address grand challenges, such as 'Creating Hope In Conflict',[5] rely extensively on volunteers. Iristick, for instance, is a start-up that enables access to affordable healthcare in conflict-ridden areas through smart glasses that provide front line healthcare workers with direct and interactive support from doctors and surgeons who cannot be there in person. Iristick relies on volunteers to deliver the technical expertise and assistance to the local operators in the Democratic Republic of Congo and other developing countries. Without the contributions from its volunteers, Iristick would not be able to deliver healthcare in the way it intends to. Through discursive and correction processes, Iristick volunteers can also help shed light on what value is being created and appreciated by other intended stakeholders (beneficiaries), as well as voice their interests and any concerns.

We propose that a focal organization distributes value to enfranchised stakeholders who have high levels of normative power and high levels of utilitarian power through the mechanism of *moral rewards*, which we define as intangible benefits provided in recognition for enfranchised stakeholders' contribution to the value creation effort. Examples of moral rewards include increased self-worth, bragging points, social recognition, among others. The difference between claimancy rights and moral rewards is two-fold. First, moral rewards are given out to enfranchised stakeholders in the context of reciprocal exchange, in which the organization may not have a formal contractual relationship with these stakeholders; however, as part of the organization's set of intended stakeholders, they will expect to benefit from and use some of the value created and appropriated by the focal organization. Second, moral rewards tend to be intangible and non-economic in nature, although they are not limited to that nature. For example, moral rewards extended to volunteers can take the form of the volunteer knowing that they helped improve the living conditions in a community or associated feelings of social worth (intangible reward). A community that is geographically proximate to where a focal organization establishes its operations may benefit from discounted prices (economic reward) on the products or services sold by the organization, or from heightened civic pride (intangible reward) derived from the mere presence of the organization in the community. In sum, when it comes to value distribution to enfranchised stakeholders, organizations resort to rights and rewards that reciprocate these stakeholders with high levels of utilitarian and normative power; in the case that enfranchised stakeholders judge the reciprocation not fair, correction processes help adjust the attribution of claimancy rights and moral rewards. We submit:

> *Proposition 3 (P3)*: In the realm of responsible innovation, stakeholder governance entails value distribution to a focal organization's enfranchised stakeholders by relying on claimancy rights and moral rewards.

Yet, most organizations engaging in responsible innovation also have, by definition, a genuine concern for the welfare of their stakeholders, many of whom may not be enfranchised in terms of their relationship with the organization but are part of the democratic governance participation process. These stakeholders that we label *entitled stakeholders* are typically the non-paying but possibly participatory beneficiaries of public goods. Organizations (partly) create and appropriate value through responsible innovation '*for them*' (which grants them with high levels of normative power) even though these stakeholders have low levels of utilitarian power compared to enfranchised stakeholders, yet engage with the organization via participatory channels.

Value distribution to entitled stakeholders. In contrast to the traditional strategy perspective that explains value usage by enfranchised stakeholders with claimancy rights, we contend that a theoretical framework aimed at advancing stakeholder governance for responsible innovation calls for the inclusion of stakeholders who do not necessarily contribute to value creation (i.e., who have low levels of utilitarian power) but have acquired high levels of normative power through deliberation with the focal organization. In other words, an organization engaged in responsible innovation gives these stakeholders additional moral consideration and institutional confidence precisely because the organization is managed and innovates for their benefit and welfare. In line with the core principle of stakeholder inclusiveness in responsible innovation (von Hippel, 2005; Owen et al., 2013), stakeholder governance for responsible innovation should account for individuals whom the focal organization identifies as entitled users of the appropriated value and make them participate in a credible and efficient governance process of their relationship.

Entitled stakeholders achieve legitimate recipient status because their intrinsic characteristics, demographics, (non) occupation, experience or geographical location align with the intent of the responsible innovation. Therefore, building on the idea of distributional justice that advises a fair – but not equal – distribution of value (Harrison et al., 2010; Phillips, 2003), we propose that a focal organization distributes value to entitled stakeholders by relying on *mission-driven rights*. We define mission-driven rights as rights representing the legitimate claim to use value created by an organization's activities in line with its responsible innovation intent.

For instance, malnutrition and stunting remain a grand challenge, especially among children living in conflict-affected areas like South Sudan and Yemen. AutoAnthro's new 3D body scanning technology allows health workers to better assess malnourished children's nutritional status, making sure that scarce resources are allocated to those who need it most. In this example, children in vulnerable populations do not contribute funds nor time to AutoAnthro's value creation activities. Yet they draw legitimacy from normative power and hence hold mission-driven rights to benefit from AutoAnthro's innovation which eventually leads to more appropriate nutritional food and treatment. Discursive and correction processes oversee value distribution. While discursive processes ensure participation of entitled stakeholders, such as children and their families benefitting from AutoAnthro's innovation voicing feedback on what value is created and how it is distributed, correction processes come in effect in the case of power imbalances and need for adjustment of value distribution. In the latter case, the focal organization has the agency to take back the rights and rewards so as to distribute value in ways that better align with entitled stakeholders' interests.

The rights to receive social services and allowances that accrue to the non-paying beneficiaries of a social enterprise are an example of mission-driven rights. These rights can also be granted to stakeholders whose concerns align with the responsible innovation intent of avoiding harm and improving conditions for people and the planet. These mission-driven rights guide an organization's decision-making over the allocation of value it creates and appropriates among key individuals and groups '*for whom*' the focal organization creates value, beyond enfranchised stakeholders. We submit:

> *Proposition 4 (P4)*: In the realm of responsible innovation, stakeholder governance entails value distribution to a focal organization's entitled stakeholders by relying on mission-driven rights.

DISCUSSION

Our paper advances a novel theoretical framework of stakeholder governance for responsible innovation, which contributes to understanding how organizations engaged in responsible innovation allocate value among their set of intended stakeholders (and deter unintended stakeholders from appropriating value). Our framework seeks to advance two main literatures: responsible innovation for societal grand challenges, and organizational governance.

We offer prescriptions on how organizations can make value allocation decisions that account for the preferences and deliberations of intended stakeholder recipients of responsible innovation and can tackle societal grand challenges (Scherer et al., 2016; von Schomberg, 2013). We do this in two ways. First, we extend recent models of corporate governance for responsible innovation (Scherer and Voegtlin, 2020) by proposing that the governance of responsible innovation ensures that the 'intent' of responsible innovation is met when the value it generates reaches its intended stakeholders. We therefore argue to distinguish among three stages of value allocation – creation, appropriation, and distribution – and offer mechanisms to guide stakeholder governance at the different stages. Second, we contend that intended stakeholders' voices and participation in terms of what value to create, for whom, and how, is accounted for by the two proposed deliberation processes – discursive and correction. In doing so, we address calls for more specific ways to account for stakeholder participation in the governance of organizations striving for responsible innovation to address societal grand challenges (Scherer and Voegtlin, 2020). Specifically, our novel theoretical framework contributes to the responsible innovation literature that mainly centred scholarly attention on the stage of value creation (e.g., Owen et al., 2013). We offer illustrative examples showing how responsible innovation, when properly governed, can tackle societal grand challenges by providing public goods, such as clean water and sanitation (P1), sustainable cities and communities (P2), hope in conflict-ridden areas (P3), and global health (P4).

In terms of contributions to governance scholarship, our framework advances this literature by highlighting the relevance of stakeholders vis-à-vis the focal organization, in terms of their sources of power and deliberative democratic processes. Moreover, our integration of VBS with stakeholder theory helps integrate our understanding of how organizations allocate value generated through responsible innovation across different stages of the value chain. Our lens is much broader and consequential than conventional corporate governance seeking to monitor the agents to maximize narrow short-term goals. Our exploration of the symbiotic association between organizational governance, conceptualized as democratic governance of intent and broadly defined value allocation among stakeholders with diverse and potentially competing interests, introduces novel key elements to an already rich body of work on stakeholder management (Bundy et al., 2018; Cabral et al., 2019; Henisz et al., 2014; Hoskisson et al., 2017).

By disentangling the stages of value appropriation and distribution and articulating the participation of stakeholders based on their power, our framework also explains how an organization can adopt governance mechanisms for a variety of stakeholders in ways that 'do no harm' and 'do good'. This is because there is idiosyncratic governance attention to the questions of *what value* to create and *for whom*, *how to appropriate*, and *how to distribute* created value. Our incorporation of insights from deliberation, and inclusion of discursive and correction processes in our three-stage value allocation framework, yields a model that addresses the limitations of extant theories of corporate governance that overlook reflexivity, participation, reciprocity, and inclusiveness.

Boundary Conditions and Future Research Avenues

To keep the focus and depth of our theoretical arguments, we have made certain necessary assumptions that place boundaries on our framework. Relaxing these boundary conditions goes beyond the scope of the current manuscript but may serve as fertile ground for future research, in three main areas. First, we conceived our stakeholder governance framework in line with the normative principle of fairness (e.g., Phillips, 1997; Rawls, 1964): the raison d'être of the stakeholder governance mechanisms we have set forth is to ensure that the value generated by the responsible innovation is allocated to stakeholders in line with a shared responsible innovation intent to benefit and avoid harming people and the planet. Because democracy is concerned with the provision of 'just' outcomes for stakeholders (Scherer et al., 2013), we envision interesting avenues for future research at the intersection of governance, organizational democracy, and stakeholder theory (e.g., Battilana et al., 2018). Although our propositions focus on the mechanisms of value allocation at the appropriation and distribution stages where the gaps in the extant literature are the most pronounced, we foresee future research opportunities at the value proposition stage. Indeed, value propositions tend to be fundamentally different in the context of societal grand challenges, as they fuse both economic and social value. While democratic governance processes (e.g., Scherer and Palazzo, 2011) could be well-suited to generate social value propositions that address societal grand challenges, they are also costly (Baldwin, 2019). Therefore, more research is needed that empirically and longitudinally addresses democratic models of stakeholder governance, and account for the structures and procedures that facilitate, or impede, discursive and correction processes.

Second, further down the value chain, one may question the consequences for society of replication and imitation by unintended value appropriators (P1). What are the consequences of a stakeholder appropriating social value when it did not participate in the governance of intent (e.g., taking credit for a novel sanitation system that improves access to clean water, or for a healthier, less polluting type of cookstove that diminishes the risk of respiratory health issues)? According to our framework, it is a matter of intent: if these unintended value appropriators use the benefits of the replicated value to create more economic value for personal benefits – value destruction for society is likely to occur. However, if they distribute the additional value appropriated to their beneficiaries, who in turn benefit from cleaner water and air, the act of appropriation may not constitute value destruction as it aligns with the intent of responsible innovation. Our framework leaves the dark side of stakeholder governance to further scrutiny. For instance, future research could reveal the processes by which stakeholders signal their responsible innovation intentions to a focal organization so that the latter knows whether to rely on isolating vs. disseminating mechanisms when interacting with potential value appropriators.

Third, future research could analyse the interplay between economic and social value for each of the four principal stakeholder types, and assess how this contributes to 'doing no harm' and 'doing good'. Indeed, the power of empowered value appropriators (P2) may depend on the weight of their social claims relative to their economic claims. Alternatively, enfranchised stakeholders who provide resources for the creation of economic and social value earn claimancy rights or moral rewards over the value created (P3). However, the mix of economic and social value distributed to them may vary and may not necessarily mirror exactly their material vs. intangible contributions. Future research building on team production management (Blair and Stout, 1999) and on the joint production function between an organization and its stakeholders (Klein et al., 2019; Venkataraman, 2002) could untangle this puzzle and help develop our understanding of the interplay between economic and social value in the mechanisms of value appropriation and distribution.

Finally, beyond theoretical advancements, our framework is conducive to novel means of empirical testing. Some recent research at the intersection of organizational governance and stakeholder management has used community benefits agreements (CBAs) to capture the contractual arrangements between a focal organization and a local community that controls access to valuable site-specific resources (Dorobantu and Odziemkowska, 2017). Disseminating mechanisms may be captured by studying diffusion strategies. For instance, future research could compare how organizations adopt their responsible innovations, either online (Dees et al., 2004) or through physical channels (Alvord et al., 2004). In summary, our proposed stakeholder governance framework sets a fruitful future research agenda for understanding how stakeholder governance mechanisms can be deployed and used by a growing number of organizations innovating to address societal grand challenges.

CONCLUSION

Our theoretical framework of stakeholder governance sheds light on the multifaceted issues associated with the allocation of economic and social value among multiple principal stakeholders through deliberative democratic processes. We propose four novel stakeholder governance mechanisms that organizations can deploy to channel their responsible innovations towards addressing societal grand challenges. We qualify these mechanisms with discursive and correction processes that introduce a democratic and dynamic view of value allocation among key stakeholders. It is our hope that our framework contributes to a more fruitful dialogue between responsible innovation and stakeholder theory in organizations' efforts to address societal grand challenges.

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NOTES

[1] For ease of reading, we use the term 'social' as an umbrella term referring to human, environmental, moral, and other qualifiers of societal improvements.

[2] The term 'principal' evokes the main stakeholder of an organization as in a principal-agent setting. However, the joint pursuit of economic and social value entails situations where multiple principal stakeholders coexist, as Ebrahim and colleagues (2014) suggest. We thus prefer the term 'principal' to the term 'primary' because the latter is strongly associated with stakeholders who control key resources essential to the organization – that is, employees, customers, suppliers, and investors (Bridoux and Vishwanathan, 2020; Frooman, 1999; Hill and Jones, 1992; Jones et al., 2007; Mitchell et al., 1997). In line with the principle of inclusiveness, our view of who the main stakeholders are is broader.

[3] In line with the VBS perspective convention, 'value appropriation' is synonymously referred to as 'value capture' or 'value retention'.

[4] As competitors replicate, value slips away from intended stakeholders to unintended ones, including competitors, free riders and, indirectly, consumers who may benefit from lower prices as a result of increased competition (Lepak et al., 2007).

[5] https://humanitariangrandchallenge.org.

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