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## HOW DO STAKEHOLDERS MATTER IN PRODUCT INNOVATION?

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### ABSTRACT

This study investigates how stakeholder orientation affects product innovation and takes the incorporation of green (ecological) issues as a specific context to study this question. The authors borrow insights from three streams of literature: (1) insights from stakeholder theory, combined with (2) parallel developments in the market orientation literature, and (3) findings from environmental management research. Based on these three streams of literature, the authors develop a theoretical model of how stakeholder orientation impacts the inclusion of green issues in product development, en route to innovation performance. Stakeholder orientation reflects the (1) systematic gathering of information on stakeholders, (2) the systematic analysis of the information for the purpose of developing stakeholder knowledge, and (3) the systematic use of such knowledge to guide strategy development and implementation (Greenley and Foxall 1998; Maignan and Ferrell 2004). Following insights from stakeholder theory and market orientation, the authors propose that stakeholder orientation should be thought of as having both width (number of different stakeholder groups) and depth (better understanding of future interests).

They use a comparative multiple case study approach to perform a preliminary test of the model, by looking for underlying logics for each relationship in the model (Eisenhardt 1989; Yin 1994). Cases are selected that are substantially different in top management commitment to green issues and environmental impact of the industry. Results from a content analysis of over 40 hours of transcribed in-depth interviews, documents, and artifacts show why it is important to distinguish market from nonmarket stakeholder orientation.

In particular, the authors find that width of stakeholder orientation influences coordination and prioritization of green issues, and how nonmarket stakeholder orientation has a positive effect on greening, whereas market stakeholder orientation has a negative effect. The results also indicate that the depth dimension of stakeholder orientation improves our understanding of the relationship between stakeholder orientation and product innovation, because depth of stakeholder orientation can impact the priority that is given to green issue. Furthermore, the results show how, when, and why greening the product has a positive effect at first, but no effect, or even a negative effect as the greening increases. Greener is not always better, but an optimum exists. The optimum level seems to be determined by specific components in the industry environment, which act as a moderator.

These findings have important implications for understanding how corporate social responsibility translates into new product development. The study is one of the first to explain how the inclusion of nonmarket stakeholders impacts performance and it confirms that knowing 'what makes stakeholders tick' has an impact on the creation of customer value through product innovation.

### REFERENCES

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