Values-Based Innovation Framework – Innovating by What We Care About

2 authors:

Henning Breuer
University of Applied Sciences for Media, Communication and Management

Florian Lüdeke-Freund
ESCP Europe Berlin

This paper was presented at The XXVI ISPIM Conference – Shaping the Frontiers of Innovation Management, Budapest, Hungary on 14-17 June 2015. The publication is available to ISPIM members at www.ispim.org.

Values-Based Innovation Framework – Innovating by What We Care About

Henning Breuer*

University of Applied Sciences for Media, Communication and Management & UXBerlin – Innovation Consulting
Ackerstrasse 76, 13355 Berlin, Germany
E-mail: h.breuer@hmkw.de

Florian Lüdeke-Freund

University of Hamburg, Faculty of Economics and Social Sciences, Von-Melle-Park 9, 20146 Hamburg, Germany / Research Fellow at Centre for Sustainability Management (CSM), Leuphana University
E-mail: florian.luedeke-freund@wiso.uni-hamburg.de

* Corresponding author

Abstract: The values-based view on innovation focuses on the role of values and normative orientations in triggering and directing innovation within and beyond organisations. This paper presents a theoretical framework in which values, understood as subjective notions of the desirable and criteria for decisions and evaluations, provide heuristic and integrative functions for normative, strategic, and operational innovation management. A central feature of this framework is a new and values-based interpretation of open innovation relationships, for example with external stakeholders. Theoretical notions such as specific values types and their integrative functions within and beyond organisations are developed and discussed with the aid of the illustrative cases of Aravind Eye Care System and the retail company Otto Group. Defining values as a source, lever, and orientation mark for innovation activities brings notions of the desirable from the periphery to the core of organisational value creation and renewal.

Keywords: innovation management, values-based innovation, integrated management, open innovation, sustainability, conceptual framework

1 Introduction

Traditionally, innovation managers have been mainly concerned with the development and marketing of new human-centred products and services and the creation of competitive advantages based on strategic differentiation of their business models and offerings. However, neither suffices to cater to the personal or corporate values underpinning attitudes and behaviours, such as an orientation towards sustainability or privacy; values that are both motivating and restricting managerial decisions while also reaching beyond single organisations. In this paper, we build on an understanding of values (plural) as the *subjective notions of the desirable* (Schwartz & Bilsky, 1987;

Schwartz, 2012). As such, they are fundamental criteria for individual and organisational decisions and evaluations (Agle & Caldwell, 1999). Values are what is being considered important, worth engaging, working or even fighting for by individuals or complex social actors such as corporations. If values are codified and reinforced, e.g. through management measures, they turn into obligatory *normative orientations.* Corporate vision, mission and values statements are typical examples.

We argue that the role of values and normative orientations in triggering and directing innovations within organisations and across value networks has been neglected. We see at least three areas in which the integration of values and normative orientations into innovation management leads to theoretically and practically relevant advancements:

First, traditional approaches to process, product, service, and business model innovation are often missing direction. Values may provide not only a heuristic function but also a sense of direction. Focussing on values and normative orientations in the context of innovation management unlocks a source for ideation and turns ideas into innovation throughout the decision gates and potential pivots of process stages.

Second, the reflection on, specification of, and dedication to values in the context of innovation and a stronger alignment of innovation activities with organisational visions and missions may increase chances for innovation success in the long run. The normative orientations underlying business activities extend innovation managers' perspectives beyond day-to-day routines and enable an adequate consideration of long-term goals.

Finally, values-based innovation management can help to deal with or even overcome innovation barriers, such as non-cooperative behaviour or seemingly insoluble "wicked problems" (Rittel & Webber, 1973; Waddock, 2013). On a higher level of abstraction, the integrative function of shared values may provide for a common ground among different stakeholders and interests within and outside an organisation (Kotter & Heskett, 2011).

The goal of this paper is to prepare the theoretical prerequisites for a *values-based view on innovation management.* It focuses on the integration of organisational values with those held by affiliated individuals as well as the wider business environment, offering a new *source, lever and orientation mark* to drive innovation. This approach is not to be confused with "value-based" management, which refers to maximising a company's financial value as a consequence of the shareholder value paradigm (Koller et al., 2010). Instead, the values-based view on innovation management proposed here refers to values as notions of the desirable that are reflected in personal motivations and evaluations, creative activity, and normative organisational orientations. So far, a direct theoretical link between values theory and innovation management has been proposed (Breuer & Lüdeke-Freund, 2014), but it has not been fully developed yet. Therefore this paper extends our earlier elaboration of the values-based view in normative, strategic, and instrumental innovation management to move towards a more complete and integrative framework of values-based innovation.

The main *research questions* addressed are: How to substantiate values-based innovation management and how to theoretically distinguish between different notions of values? How can the innovation potentials of values and normative orientations be unfolded in practice?

2 Values in Management and Innovation

Values abound in organisations, but often they do not inform or direct innovation in their core businesses. Within several innovation and consulting projects we observed first hand that strategic initiatives looking for “the next big thing” in the industry, but even more humble innovation projects, are oftentimes missing direction in futures search and in the generation, selection, and specification of ideas. While practitioners have disregarded values and normative orientations as a source and lever to drive innovation, the innovation management literature has neglected the normative management dimension (Breuer & Lüdeke-Freund, 2014).

The proposed values-based view on innovation management addresses these gaps. It offers a new perspective and heuristic to deal with phenomena ranging from product development to value network formation. The elaboration of values in management in this section describes the theoretical basis of our values-based view. The following propositions were derived from values and management theories.

- *Every individual and complex social formation holds values.* They occur on every “level” of social life: individual, organisational, institutional, societal, and global levels (Agle & Caldwell, 1999). Stakeholder interests may be articulated based on more or less shared individual and organisational values.
- *Values are motivating and attractive.* As notions of the desirable and something that is worth engaging, working, or even fighting for, values are different from (short-lived) attitudes and (restrictive) norms (Joas, 2000).
- *Multiple notions of values need to be distinguished.* This includes implicit and explicit values, non-financial and financial values, product-related customer values, brand values, values expressed in vision and mission statements (Waddock & Rasche, 2012), and stakeholder values being created, ignored, and destroyed (Bocken et al., 2013). A selection of these is contained in the cloud in Figure 1.
- *Within organisations values demonstrate different functions.* These can be described as generative (heuristic), directive (orientation), and integrative (affiliation) qualities (Breuer & Lüdeke-Freund, coming up 2015).
- *Values can be implicit, shaping individual or group behaviour* (especially at the lower management levels). Within the normative management dimension they tend to be codified and expressed through dedicated statements (such as vision, mission, purpose or values statements, corporate reports, and press releases). Kotter and Heskett (2011) distinguish between rather invisible shared values and rather visible group behaviour.

Values impact management on normative, strategic, and operational dimensions. Values can provide a medium for vertical, horizontal, and meta-integration (building on the Integrated Management Concept; Bleicher, 1994; Bleicher, 2011):

- *Values-based vertical integration aligns normative, strategic, and operational management.* For example, an orientation towards sustainability can be part of a corporate vision and mission; it can then be pursued as a competitive strategy and instantiated through services and customer communication.

This paper was presented at The XXVI ISPIM Conference – Shaping the Frontiers of Innovation Management, Budapest, Hungary on 14-17 June 2015. The publication is available to ISPIM members at www.ispim.org.

- *Values-based horizontal integration takes place among collaborators.* Shared values facilitate collaboration and provide a potential basis for teaming up and pursuing a common, values-based goal. For example, collaborators in an innovation project share an understanding of minimum requirements for sustainability, or agree on and work towards a defined value proposition.
- *Values-based meta-integration within and beyond organisations.* Organisations need to align with changing institutional, societal, and global values. For example, a shift in governmental energy policy or increasing public awareness of privacy issues can challenge established organisational values and may be included in the normative, strategic, and operational management dimensions.

In the following, these propositions are transferred to innovation and its management. In doing so, the values-based view relates *values* and *integrated management* to *open innovation.* While each of these three concepts represents a complex field on its own, it is the unique synthesis of values, management, and innovation that makes up the values-based view on innovation management. It is an emerging field of research and discussion, helping us to better understand how values and normative orientations do, may, and should impact and direct innovation and its management, and how they do and may facilitate the creation of new products, services, business models, and networks.

Recent literature discusses various forms of values-oriented innovation, such as responsible (Owen et al., 2013) or sustainability innovation (Hansen et al., 2009). Sustainability innovation is about reducing or avoiding negative effects on the natural environment and society and about the creation of positive effects, such as ecological restoration or the provision of education and health care services. Methods to support these are e.g. collaborative business modelling (Rohrbeck et al., 2013), the design of “flourishing enterprises” (Jones & Upward, 2014), or explorations of stakeholder values (Bocken et al., 2013).

However, while responsible and sustainability innovation are traditionally based on prescribed and restrictive norms, such as avoiding risks to society (do not create risks) or preserving our natural and social heritage and capital (do not harm nature and society), values-based innovation as proposed here is about exploring and elaborating upon *values as motivating and attractive starting points for innovation projects* (create environmental and social value; extend the range of your network; involve new stakeholder groups).

3 Values-Based Innovation

Values are not only a given or retarding factor of organisational change, they are also a dynamic element “entering” and “leaving” organisations. New values may enter on each management level or dimension (Figure 1).

Top down, a new board member or CEO may trigger a revision of corporate visions and missions based on her or his individual values. Bottom up, product-related customer values can be taken up by employees to adapt the product portfolio, which might also lead to changes in strategy. A corporate culture project can systematically gather and aggregate values of the workforce to renew or extend an organisation’s normative statements. In a more strategic perspective initiatives of competitors can set new values-based “benchmarks” such as supply chains aligned to the principles of fair trade. Values leave and transcend an organisation through dedicated communication channels and dialogues with stakeholders, but also through the “ask” of products and services, i.e. what a company’s products and services ask its customers to become (Schrage, 2012).

We argue that the exploration and exploitation of values and normative orientations become an integral part of future innovation management. Different kinds of values, on different management levels, lead to different forms of values-based innovation. Figure 1 shows the relations between values, management levels, and corresponding innovation levels and levers.

3.1 Values in Normative, Strategic, and Operational Management

On all three management dimensions (according to Bleicher’s Integrated Management Concept, see above), and with respect to different stakeholders and entities, different types of values come into play and constitute different levers for innovation.

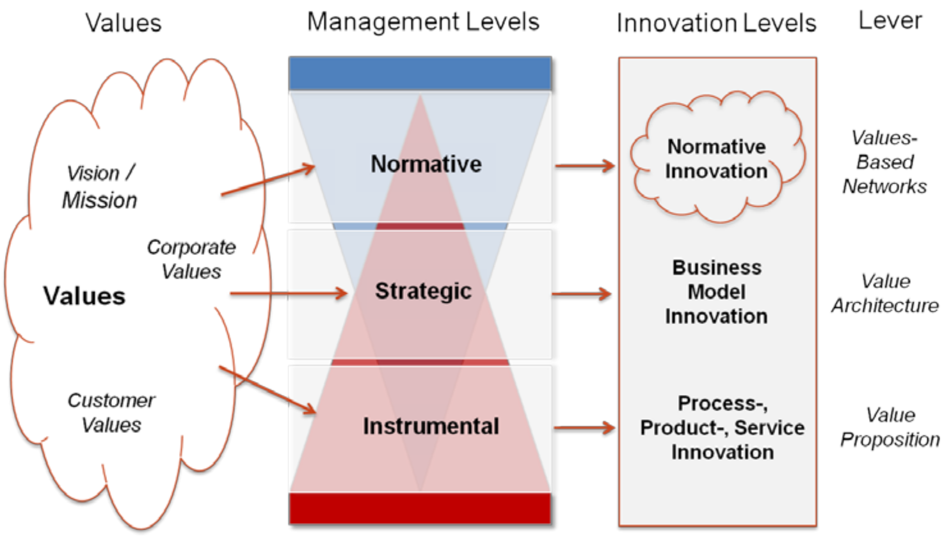

Figure 1 Values (examples on the left, in the cloud) impact normative, strategic, and instrumental management and inform innovation activities (right)

On the *operational or instrumental management* level product and service-related customer values are addressed by value propositions (and their underlying offerings) and related marketing instruments. Changing customer values and new value propositions addressing them can be a basis for innovation in process, product, or service offerings as well as further marketing instruments and business model components.

The *strategic management* level deals with the development the potential (resources and capabilities) a company needs to engage with its environment and differentiate itself from its competitors. The business model, describing how companies create and capture value, allows for competitive differentiation and mid-term corporate renewal. Whereas environmental and social engagement, for example, may be constitutive parts of a business model, systematically using it as a basis for innovation (Breuer, 2013) requires consistent values-based decisions, thorough elaboration, and normative dedication – each to be facilitated by suitable collaboration methods and activities. Relevant values on the strategic level include rather implicitly grown orientations like the ones identified by Jones (2002). He describes how product innovation can be (de-)prioritised depending on earlier product innovation success (which might devalue innovation and its associated risks in comparison to market skimming and differentiation strategies), leading to an emphasis on process rather than product innovation. Reflections to increase awareness of such strategic orientations and leadership commitment to innovation are prerequisites also for values-based innovation.

While strategy is primarily concerned about competitive advantages, *normative management* exceeds purely economic concerns and explicitly articulates values that are often implicit in the operational and strategic dimensions. On the normative management level corporate visions, missions and other overarching goals are to be considered, also ethical guidelines for interaction with stakeholders within and outside the company. Corporate mission and vision statements reach beyond the economic goals and values that dominate the strategic management level. Where such explicit statements (or implicit assumptions) and their directives become obligatory and capable to constrain behaviour they become normative orientations and a matter of normative management.

Dedicated pursuit of a vision or mission defining overarching goals, such as sustainability, may require engagement beyond the boundaries of an organisation to establish inter-organisational networks. Inter-organisational networks such as cross-industry or regional initiatives may be constituted by a successful introduction of new values into a business ecosystem. For instance, the vision to become a renewable energy region may attract diverse stakeholders, including companies in the region (Breuer & Lüdeke-Freund, 2014); or a carbon footprint initiative (e.g. the "Carbon Performance Improvement Initiative" initiated by Otto Group; Brock & Streubig, 2014) may motivate actors to participate throughout supply chains and across industries, even including competitors. Accordingly, normative innovation may result from the introduction of new values into an organisation or the network of actors within a business ecosystem (e.g. a region or an industry).

3.2 Values-Based Innovation

Levers and intended results of innovation are derived for the three management dimensions, i.e. operational or instrumental innovation (including innovation in product and service offerings and marketing instruments), strategic business model innovation, and normative innovation to develop new identities and create new values-based inter-organisational networks.

Normative values-based innovation: New values introduced to the normative dimension – e.g. initiated by a new CEO, a change of mind of the board of directors, or changing societal expectations and regulations touching the *identity* of a company – are expressed as values-based innovations such as new corporate visions and missions, new codes of conduct and policies. Beyond the focal firm new values-based networks may emerge, e.g. among heterogeneous and even competing organisations dedicated to the vision of a renewable energy region (case study in Breuer & Lüdeke-Freund, 2014). Innovation on a normative management level can also be motivated by changing values on the strategic and operational dimensions.

Strategic values-based innovation: Strategic innovations refer to changes in the preconditions of a company's *competitive advantage* and its associated strategic goals due to the introduction of new values on the strategic dimension. In recent years, business model innovation has been discussed as a silver bullet to innovation in a strategic management dimension. Strategic values-based innovation and goals (e.g. from “we want to outperform competitors based on price” to “competitive differentiation and outperformance in terms of sustainability contributions”) may be triggered by new sets of values established on a normative level. However, strategic innovations can also be motivated by changing values on the operational dimension.

Operational or instrumental values-based innovation: Operational innovations refer to changes in operational processes and the associated way of doing business; operational innovations can be motivated by changing values on the normative and strategic dimensions. Each marketing instrument on the operational level can introduce new values adapted from customers, e.g. the LOHAS driving demand for sustainable forms of production and healthy offerings. If increasing numbers of customers value lifestyles of health and sustainability (about 10 percent in 2009 in Germany; Bröring & Bornkessel, 2015) and these values impact their consumer behaviour, companies will adapt their marketing instruments or even spearhead the quest for instantiations of such values. Potential results on the operational level include innovation in individual business model components (e.g. customer segments, partnering, or cost structure) and marketing instruments (e.g. product, service, price, distribution, or communication).

3.3 Values Based Integration and Open Innovation

The integrative function predisposes values to not only facilitate horizontal, vertical, and meta-integration internally, but also externally, pushing an open innovation paradigm (Chesbrough, 2003) that builds on a rich exchange of internal resources of the firm with external actors and diverse sources of knowledge. Open innovation is “a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market” (ibid., p. xxiv). Instead of focussing on an exchange of individual ideas, perspectives, or pieces of knowledge, the values-based view on innovation takes values as a basis and medium for joint projects, involving internal and external actors in search for solutions to urgent problems or new ways to realise their ideals.

With respect to their *integrative function* values form ordered systems of priorities and relative importance (Schwartz, 2012). This hierarchical feature allows the inclusion of diverse subordinate values in the joint pursuit of overarching values. Appealing to overarching values that different counterparts share is also a method of resolving values-based dispute (Susskind & Rose, 2010). Values are not “glue” that connects otherwise unrelated things. Instead, they run right through the hearts of the actors sharing them, pervading human beings and even things. If we needed a metaphor we would compare them with “strings” capable of weaving new meshes rather than gluing together strangers. Values achieve integration more than distinction – values of individuals or groups are either shared or can be related through overarching values; in the worst case of *un*shared values, they lead us to reflecting them and acknowledging those of others.

Figure 2 illustrates lines of potential integration and also potential dispute between organisational instances in different (normative, strategic, and operational) management dimensions and surrounding actors and values systems. Establishing a unique perspective on open innovation management, the values-based view grounds new approaches to dealing with some of its challenges. Taking the integrative function of values and the three innovation management dimensions into account, the values-based view allows for theoretical explanations and empirical investigations of diverse phenomena at the intersections of values, innovation, and management; for example:

- How shifting values at the board level motivate new business processes – through vertical integration from the normative to the strategic and onto the operational level.
- How customer values experienced at the very front (e.g. sales and services) can lead to new strategies and maybe even corporate policies – through vertical integration.
- How a board of directors shares the same belief of what the company shall achieve, or how an innovation team deals with sustainability – through horizontal integration.
- How the competitive spirit of a particular industry can motivate CEOs as well as process engineers – through meta-integration.

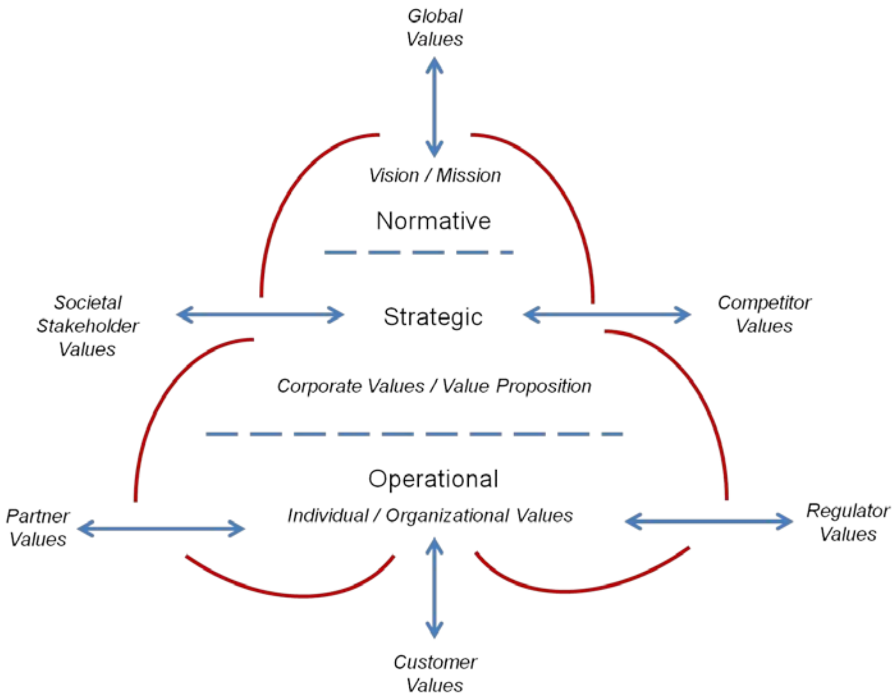

Figure 2 Values-based integration and open innovation – organisational values and interaction with external actors and their values.

4 Applying the Values-Based Innovation Framework to Real Cases

In the following, the values-based view on innovation is applied to two real cases: Aravind Eye Care System, an Indian group of ophthalmic (eye care) clinics, and Otto Group, one of the world's largest e-commerce retailers, headquartered in Hamburg, Germany. We use the framework to analyse the roles different kinds of values and normative orientations play in these companies' approaches to innovation. With their respective emphases on environmental and social issues both can be said to show general characteristics of corporate social responsibility and sustainable entrepreneurship (cf. Schaltegger & Wagner, 2011).

This method builds on a re-examination of publicly available secondary data obtained from corporate and scientific publications. The illustrative case studies are a first attempt to apply our theoretical framework to real cases and explore its usefulness in understanding organisations' values-based innovation activities. In particular, the aim is to learn whether and how values and their integrative function can be shown on different management levels – normative, strategic, and instrumental.

4.1 The Case of Aravind

Few companies not only formulate and communicate a dedicated normative vision or mission, but apply its investigation, differentiation, and constitutive values continuously to innovation. As an example, the Indian company Aravind Eye Care System, one of the world's largest eye care facilities, is not only dedicated to "compassionate service for sight" (AECS, 2014) and offering high-quality and reliable eye care to its customers, but to a greater degree to the "mission of eliminating needless blindness" (AECS, 2015a).

Eye diseases are a severe problem in India. In general, blindness rates are much higher in developing (about 1.5%) than in developed countries (0.15-0.25%). The major cause are cataracts, a form of blindness that can be cured by replacing the natural lens with an artificial one. About 3.8 million new cases of cataracts are estimated to occur in India every year. Beyond cataracts, an estimated 20% of India's population are in need of some form of eye care; however, half of the Indian population cannot afford treatments at private eye clinics.

In the early 1970ies, when Aravind's founder Dr. Govindappa Venkataswamy started to experiment with alternative health care processes and financial models (extra charges for regular customers, subsidising free cure to the poor), his entrepreneurial activities were driven by his personal values to serve humanity which over time turned into a normative orientation for the whole company. The following quote sheds some light on the founder's values related to his endeavour: "We can serve humanity in our normal professional lives by being more generous and less selfish in what we do." (AECS, 2015b) Generosity, humanity, and the belief that professional work can serve both are values that describe an ideal type social entrepreneur (e.g. Yunus et al., 2010), looking for any opportunity to follow his vision and mission by innovative means: "My goal is to spread the Aravind model to every nook and corner … Tell me, what is this concept of franchising? Can't we do what McDonald's and Burger King have done?" (from an interview given in 1993; Metha & Shenoy, 2011, p. 9).

His personal conviction is mirrored by Aravind's overall strategic approach. The company has developed the capability to offer high-quality eye care at costs unmet by any competitor worldwide. But this competitive position is not exploited in order to skim the vast Indian ophthalmic market, but passed on to the company's patients. Neither strategic concerns for profit margins and competitive differentiation, nor a deliberately "lean" trial and error search for viable business models led Dr. Venkataswamy's efforts and learning journey, but his passion for reducing the burden of needless eye diseases millions of Indians suffer from. Competition is thus not a concern, but rather a strategic lever to extend the reach of Aravind's business model innovations by means of growth and deliberate multiplication (cf. Metha & Shenoy, 2011). Aurolab's David Green, Aravind's lens manufacturing partner, claims that they are free from fear of competition:

"I am waiting for companies to compete with me or to put me out of business for the benefit of the poor." (Seelos, 2014, p. 18) This quote also speaks to the importance of compatible partner values on the operational management level (Figure 2).

Through integration, Dr. Venkataswamy's values became Aravind's normative orientation which led to particular business model innovations (e.g. cross-subsidisation), a particular way of doing business and how partners are selected and co-developed. Looking at the complex organisational structure of the Aravind Group, including eye care services, education and training, research, consultancy, capacity building, and ophthalmic supplies, there might be a point in saying that the founder's personal conviction and the organisation's normative orientation provide for impressive meta-integrative forces.

4.2 The Case of Otto

Strong value commitments do not necessarily translate into values-based innovation (as with Aravind). The case of Otto Group reveals several challenges associated with values-based innovation: first, the necessity to reach beyond a single company into values-based networks when trying to expedite sustainability values; second, the challenge to move from a top-down to a bottom-up approach to vertical integration within a family-owned business group, or at least to a more interactive form; and third, the potentially weak connections between normative values (and associated sustainability management) and actual innovation management.

Otto Group is one of the world's biggest retail e-commerce companies (after Amazon, it is the second biggest online retailer) and the largest mall operator and developer in Europe. It is still a family business, now operating in more than 20 countries, with headquarters in Hamburg, Germany. It was founded in 1950 by Werner Otto and became the world's largest mail order company and major shareholder of international e-commerce services. Former German chancellor Helmut Schmidt describes the founder as a "textbook example of a successful businessman, who at the same time felt his share of responsibility for the common good and was fair about this responsibility" (DW, 2009). In 1969, he started the Otto foundation to compensate for missing governmental care, e.g. funding research on medical treatment for children with cancer. According to his son Alexander, he wanted to give back to society some of the luck he had (DW, 2009). Werner Otto's son, Michael Otto, joined the company in 1971. He is now chairman of the supervisory board of the Otto Group, the family still holding the majority of the company. As chairman of the executive board and CEO between 1981 and 2007, Michael Otto succeeded to establish sustainability as a key normative orientation throughout the Group. In addition to philanthropic engagement, environmental protection was introduced as a corporate goal in 1986. Ever since, environmental and social aspects extend the company's market-oriented leadership, bringing societal concerns to "the initial stages of the value chain" (Otto Group, 2015a). The 2011 corporate responsibility report is entitled "Our Responsibility: Sustainability in Business". It declares the vision: "We are a globally active corporate group of retailers and retail-related service providers with successful business concepts that acts responsibly for people and nature" (Otto Group, 2011, p. 24).

Otto Group acknowledges that corporate responsibility does not end with offering sustainable goods and services or the sustainability-oriented design of its own business model (Brock & Streubig 2014, 352). Instead, without naming it innovation (or horizontal integration with its environment), Otto successfully introduced new values of sustainability into existing business ecosystems. Its “Carbon Performance Improvement Initiative” is part of its supplier development and a good example. Providing assessment, information, recommendations, and tools for implementation support it is aimed to reduce carbon emissions in factories and across complex, multi-party supply chains. Several retailers and textile and footwear manufacturers are participating and managed to reduce energy use. In a similar vein, the company supports the “Sustainable Apparel Coalition” in order to measure environmental impacts and to evaluate sustainability-oriented measures being used.

The vertical integration of values, such as an orientation towards sustainability, is a challenging task that requires mid to long term dedication. Michael Otto was aware of the challenge to extend the issue of sustainability from an owner-centric organisation with sustainability driven by its former head to an integrated group structure. The question of how to motivate more than fifty thousand employees in 20 countries to not only recognise the need to consider sustainability, but to engage for it with enthusiasm, is a persisting challenge for Otto (cf. Brock & Streubig, 2014, p. 345).

However, the 2013 report (Otto Group, 2013) lists under its mission “The Power of Responsibility” the four core elements for the corporate set of values: profitability, innovation, diversity, and sustainability. The same values served as directives when the group’s 50,000 employees were motivated to realise 4,000 personal commitments through concrete projects (following Michael Otto’s belief that “each of us can make some contribution towards helping things in our society take a turn for the better”; Otto Group, 2015b).

While innovation is addressed in general statements in the 2013 report, clear links to sustainability are missing. Sustainability and innovation seem to exist in different worlds. Is this because companies like Otto are cautious in their external communication about innovation? But why should this hinder them to describe their sustainability innovation approaches in general, e.g. as a strategic consideration? Or is sustainability rather seen as an issue of compliance, and not as a potential foundation for innovation activities?

5 Findings and Practical Implications

Values run through organisations and their environment, providing a priori connections between these systems. As shown in the cases of Aravind and Otto values can serve as a lever to drive innovation. Based on a review of cases documented in the literature and interviews with corporate innovation professionals, we see companies working with values in at least three distinct ways.

First, some companies start from particular values and visions as the original purpose of their entrepreneurial endeavour. Aravind developed its business and revenue model driven by the company’s founder’s vision to eliminate unnecessary blindness. Corporate performance and innovation are not only oriented towards articulated market demand, but also towards its underlying values. Working towards a double, triple or multiple (values) bottom line becomes an inherent momentum of organisational development. Changing the original values system or losing a champion nurturing it can pose critical challenges.

Second, some companies have shifted early on towards including non-financial goals and idealist visions. For instance, carpet floor maker Interface (2014) motivated innovation in its products, processes, supply chains, and its financial model, pursuing a “mission zero” to eliminate any impact on the natural environment. In this case and the case of Otto, engagement of a powerful leader managed to establish these values (top-down) and according goals within the organisation. Again, loss of the “values champion” and the necessity to move from personification to making values a core of corporate identity is critical. In some companies internal leadership promoted and reinforced fundamental values and established new normative orientations for the company, now spearheading the development of new networks based on these values.

Third, some start-ups and established firms have become used to doing what it takes to make profits. Facing changing societal values (e.g. a shift towards post-materialist values or lifestyles of health and sustainability) and public institutions (e.g. the German “Energiewende”), they integrate non-financial values into their goals. In these cases, external pressure motivates normative innovations which are driven, for instance, by stakeholder groups such as NGOs (Rainforest Alliance versus The Home Depot in the US; Dziedziech, 2013) or governments (German energy policy after Fukushima). Usually it takes time until new values diffuse from the periphery into the core of business and innovation, leading to corporate renewal. One critical task for innovation management is to support this diffusion from the peripheries into the core of an organisation.

In both internally or externally motivated cases of organisations that follow or spearhead changing values systems, establishing new normative orientations bears the potential to direct and foster innovation beyond competitive advantages and strategic market differentiation that individual business models are concerned with.

However, in many cases the interaction between the operational and strategic level works detached from the normative orientations cast in vision and mission statements. Several companies engage in, by itself honourable and important, philanthropic projects to bring forward their values but refrain from taking such engagement and orientation into their core business by means of values-based process, product, service, business model, or network innovations. For example, telecommunication companies that work on connecting societies and show dedication to sustainability in far-reaching communication campaigns might still refrain from bringing values of universal access and social empowerment into their networks.

For now, the values-based view and the theoretical framework sketched out in this paper raise more questions than they provide definitive answers. They offer a new theoretical perspective on innovation, its management, and inherent values and hints to some toeholds for practitioners becoming aware of the “importance of what we care for” (Frankfurt, 1988). However, a rich collection of empirical action research cases studies is needed to further differentiate the approach and to explore its full potential and limits. How do, may, and should values impact innovation in processes, in products and services, in business models and values-based networks? Which patterns can be identified, how can vertical, horizontal, and meta-integration, within the company and beyond be facilitated and promoted, and how is it sometimes precluded? What is the full scope of potential and impact, and what are the limits of the approach in corporate practise and long-term renewal? How to proceed from the values of a visionary and sometimes patronizing leader to value commitments relying on the distributed desires of the workforce?

With the help of the values-based view engaged and reflective practitioners should find appropriate theoretical means and a rich collection of cases and patterns to analyse their own practice in new contexts and to identify innovation potentials based on the proposed “normative turn” in innovation management. Based on a clarification of the underlying values, corporate vision and mission statements may be elaborated upon, may be translated into business models and implemented through marketing instruments.

References

AECS (2014) Activity Report 2013/14, http://online.pubhtml5.com/idml/sime/ (30.04.2015)

AECS (2015a) Get Involved, http://www.aravind.org/default/getinvolvedcontent/index (30.4.2014)

AECS (2015b) Aravind Eye Foundation, http://www.aravindeyefoundation.org/ (30.04.2015).

Agle, B.R. and Caldwell, C.B. (1999) 'Understanding Research on Values in Business: A Level of Analysis Framework', *Business & Society*, Vol. 38, No. 3, pp.326–387.

Bleicher, K. (1994) 'Integrative Management in a Time of Transformation', *Long Range Planning*, Vol. 27, No. 5, pp.136–144.

Bleicher, K. (2011) *Das Konzept Integriertes Management [The Integrated Management Concept]*. 8th Edition. Frankfurt am Main: Campus.

Bocken, N., Short, S., Padmakshi, R. and Evans, S. (2013) 'A value mapping tool for sustainable business modelling', *Corporate Governance: The International Journal of Business in Society*, Vol. 13, No. 5, pp.482–497.

Breuer, H. (2013) 'Lean Venturing. Learning to Create New Business through Exploration, Elaboration, Evaluation, Experimentation and Evolution', *International Journal of Innovation Management.* Vol. 17, No. 5, http://dx.doi.org/10.1142/S1363919613400136.

Breuer, H. and Lüdeke-Freund, F. (2014) 'Normative Innovation for Sustainable Business Models in Value Networks', *Proceedings of the XXV ISPIM Conference - Innovation for Sustainable Economy and Society*, 8-11 June 2014, Dublin, Ireland.

Breuer, H. and Lüdeke-Freund, F. (2015, in progress) *Innovation Management – The Values-Based View*, Palgrave Mcmillan, Houndsmills.

Brock, C. & Streubig, A. (2015) 'Nachhaltigkeitsmanagement am Beispiel der Otto Group [Sustainability Management Case of Otto Group]' (pp.339–358). In: Meffert, H., Kenning, P., Kirchgeorg, M. (Eds.). (2014). Sustainable Marketing Management. Grundlagen und Cases. Wiesbaden: Springer Gabler.

Bröring, S. and Bornkessel, S. (2015) 'Bedeutung der Konsumentenverhaltensforschung [Relevance of Consumer Behaviour Research]' (pp.31–63). In: Griese, K.-M., Nachhaltigkeitsmarketing. [Sustainability Marketing]. Springer Gabler.

Chesbrough, H. W. (2003) 'The Era of Open Innovation', *MIT Sloan Management Review*, Vol. 44, No. 3, pp.35–41.

DW (2009) German Retail Pioneer Werner Otto Turns 100, http://dw.de/p/J8A33/ (30.04.2015)

Dziedziech, A. (2013) Rainforest Action Network Gets Home Depot to Stop Buying Old Growth Wood, USA, 1998-1999, http://nvdatabase.swarthmore.edu/content/rainforest-action-network-gets-home-depot-stop-buying-old-growth-wood-usa-1998-1999 (30.4.2015)

Frankfurt, H. (1988) *The importance of what we care about. Philosophical essays,* Cambridge University Press, New York.

Hansen, E.G., Große-Dunker, F. and Reichwald, R. (2009) 'Sustainability Innovation Cube - A Framework to Evaluate Sustainability-Oriented Innovations', *International Journal of Innovation Management,* Vol. 13, No. 4, pp.683–713.

Interface (2014) Go Beyond, http://www.interfacegobeyond.com.au (25.11.2014)

Joas, H. (2000) *The genesis of values*, Polity, Cambridge, England.

Jones, P. and Upward, A. (2014) 'Caring for the Future: The Systemic Design of Flourishing Enterprises', *Proceedings of RSD3, Third Symposium of Relating Systems Thinking to Design,* Oslo School of Architecture and Design, October 15-17, 2014, Oslo, Norway.

Jones, P.H. (2002) 'Embedded Values in Process and Practice: Interactions Between Disciplinary Practices and Formal Innovation Processes', *Design Management Journal - Academic Review*, Vol. 2, No. 1, pp.20–36.

Koller, T., Goedhart, M.H., Wessels, D. and Copeland, T.E. (2010) *Valuation. Measuring and managing the value of companies,* 5th ed., John Wiley & Sons, Inc., Hoboken, N.J.

Kotter, J.P. and Heskett, J.L. (2011) *Corporate Culture and Performance*, The Free Press, New York.

Mehta, P.K. and Shenoy, S. (2011) *Infinite vision. How Aravind became the world's greatest business case for compassion*, Berrett-Koehler Publishers, San Francisco, CA.

Otto Group (2011) Our Responsibility: Sustainability in Business, http://www.ottogroup.com/media/docs/en/Nachhaltigkeitsbericht/2_Otto-Group-CR-Report-2011_EN.pdf (30.04.2015)

Otto Group (2013) Added Value(s), http://www.ottogroup.com/media/docs/en/Nachhaltigkeitsbericht/1_Current-edition--Otto-Group-CR-Report_ENG_2013.pdf (30.04.2015)

Otto Group (2015a) Environmental and resources protection, http://www.ottogroup.com/en/die-otto-group/strategie/corporate-responsibility/klima-und-umwelt/umwelt-und-ressourcenschutz.php (30.04.2015)

Otto Group (2015b) Dr. Michael Otto: portrait of an entrepreneur, http://www.michael-otto.info/en/unternehmer/index.php (30.04.2015)

Owen, R., Bessant, J. and Heintz, M. (2013) *Responsible innovation. Managing the responsible emergence of science and innovation in society,* Wiley, Chichester.

Rittel, H.W. and Webber, M.M. (1973) 'Dilemmas in a General Theory of Planning', *Policy Sciences*, Vol. 4, No. 2, pp.155–169.

Rohrbeck, R., Konnertz, L. and Knab, S. (2013) 'Collaborative business modelling for systemic and sustainability innovations', *International Journal of Technology Management*, Vol. 63, No. 1/2, pp.4–23.

Schaltegger, S. and Wagner, M. (2011) 'Sustainable entrepreneurship and sustainability innovation: categories and interactions', *Business Strategy and the Environment*, Vol. 20, No. 4, pp.222–237.

Schrage, M. (2012) *Who Do You Want Your Customers to Become?*, Harvard Business Review Press, Boston, MA.

Schwartz, S.H. (2012) 'An Overview of the Schwartz Theory of Basic Values', *Online Readings in Psychology and Culture*, Vol. 2, No. 1, http://dx.doi.org/10.9707/2307-0919.1116.

Schwartz, S.H. and Bilsky, W. (1987) 'Toward A Universal Psychological Structure of Human Values', *Journal of Personality and Social Psychology*, Vol. 53, No. 3, pp.550–562.

Seelos, C. (2014) 'Theorizing and Strategizing with Models: Generative Models of Social Enterprises', *International Journal of Entrepreneurial Venturing*, Vol. 6, No. 1, pp.6–21.

Susskind, L. and Rose, A.Z. (2010) 'How to Negotiate When Values are at Stake', *Negotiation*, http://www.cbuilding.org/publication/article/2010/how-negotiate-when-values-are-stake/ (23.04.2015)

Waddock, S. & Rasche, A. (2012) *Building the Responsible Enterprise. Where Vision and Values Add Value*, Business Books, Stanford.

Waddock, S. (2013) 'The Wicked Problems of Global Sustainability Need Wicked (Good) Leaders and Wicked (Good) Collaborative Solutions', *Journal of Management for Global Sustainability*, Vol. 1, No. 1, pp.91–111.

Yunus, M., Moingeon, B. and Lehmann-Ortega, L. (2010) 'Building Social Business Models: Lessons from the Grameen Experience', *Long Range Planning*, Vol. 43, 2/3, pp.308–325.