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AGENCY AND STAKEHOLDER THEORIES FROM THE CONCEPT OF VALUE CREATION

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Resumen:

This article reflects on the main assumptions of agency theory and stakeholder theory. The starting point is the simple and practical definition of the main concepts formulated by the seminal authors, their current application in organizations, the points in common between the two theories and the relationship with the concept of value creation. The objective is to explore the fundamental ideas and reflect on the importance for the parties involved to know their foundation. Finally, the main postulates left by each theory and the way in which, based on their knowledge, they can be used to the benefit of all parties are highlighted.

Key words: stakeholder, stakeholder, economic evaluation, stakeholder theory, value creation.

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LAS TEORÍAS DE LA AGENCIA Y LOS *STAKEHOLDERS* DESDE EL CONCEPTO DE CREACIÓN DE VALOR

Resumen

Este artículo reflexiona sobre los principales supuestos de la teoría de la agencia y la teoría de las partes interesadas. El punto de partida es la definición sencilla y práctica de los principales conceptos formulados por los autores seminales, su aplicación actual en las organizaciones, los puntos en común entre ambas teorías y la relación con el concepto de creación de valor. El objetivo es explorar las ideas fundamentales y reflexionar sobre la importancia de que las partes implicadas conozcan su fundamento. Por último, se destacan los principales postulados que deja cada teoría y la forma en que, a partir de su conocimiento, pueden ser utilizados en beneficio de todas las partes.

Palabras clave: stakeholder, partes interesadas, evaluación económica, teoría de las partes interesadas, creación de valor.

TEORIAS DA AGÊNCIA E DAS PARTES INTERESSADAS A PARTIR DO CONCEITO DE CRIAÇÃO DE VALOR

Resumo

Este artigo reflecte sobre os principais pressupostos da teoria da agência e da teoria dos stakeholders. Tem como ponto de partida a definição simples e prática dos principais conceitos formulados pelos autores seminais, a sua aplicação actual nas organizações, os pontos em comum entre as duas teorias e a relação com o conceito de criação de valor. O objectivo é explorar as ideias fundamentais e reflectir sobre a importância de as partes envolvidas conhecerem os seus fundamentos. Por fim, são destacados os principais postulados deixados por cada teoria e a forma como o seu conhecimento pode ser utilizado em benefício de todas as partes.

Palavras-chave: stakeholder, grupo de stakeholders, avaliação económica, teoria dos stakeholders, criação de valor.

1. INTRODUCTION:

We speak of the existence of management since the early stages of antiquity, when man, given his conditions of gender, age, physical strength, skills and knowledge, had to organize himself to divide his tasks, establish hierarchies and set up subsistence mechanisms that would allow him to preserve the species. The natural division of labor preceded the social division of labor and with it a whole history of survival organized under the initial and precarious precepts of management, concepts that evolved and that in a certain way are explained by political economy. The bible includes some concepts of management when, in the Old Testament, judges are appointed to administer justice. Much older still is the application of administrative knowledge already systematized for the creation of states, armies and churches. Socrates, Plato, Aristotle and Erasmus took concepts that centuries later would be studied in depth by the authors of administrative theory.

2. THEORETICAL BACKGROUND:

Fernández Aguado in his book "Management: The teaching of the classics", (2003), states that Socrates spoke about the benefits of coaching, and also mentions how Erasmus in the 15th century assured that there was no more excellent wisdom than that which teaches how to form a prince, that is, someone who by nature was going to be a manager. However, the theory of management as a scientific discipline began to take shape in the 18th century with the emergence of the industrial revolution, and since then, in the words of Javier Fernández, the evolution of management has been unstoppable (2006).

With the creation of the first large North American companies at the end of the 19th century, a series of management theories were born that reached their maximum recognition at the beginning of the 20th century. With them, a boom of administrative concepts began, which years later became true recognized theories and whose foundations have been taught and discussed in the main business schools of the world. It is worth clarifying that in order to be called a theory, it must comply with a series of parameters that differentiate the concept from the so-called management fads and tools. In one of his classic works on research methodology, Hernandez et al., (2014, p.69) defines the concept of theory as "set of interrelated propositions capable of explaining why and how a phenomenon occurs". Meanwhile, Kerlinger & Lee (2002, p.10) "theory is a set of interrelated constructs (concepts), definitions and propositions that present a systematic view of phenomena by specifying the relationships between variables, with the purpose of explaining and predicting phenomena". That said, among these administrative theories are: the theory of scientific administration, by Frederick Taylor (1911); the classical theory of organization, by Henri Fayol (1916); the Bureaucratic theory, whose main exponent was Max Weber (1920); the theory of human relations, by Elton Mayo (1930); the systemic approach by Bertalanffy (1976) and the neoclassical theory presented mainly by Peter Drucker (1954), among others. All these theories accompanied by different approaches, perspectives and models have enriched the management discipline.

Two of the most recent theories developed at the end of the 20th century have shown the evolution

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of administration and management in general. Both have focused on the importance of the different actors in organizations, the conflict that can be generated between them and the relationship between companies and their environment. These new orientations, technically known as "agency theory" and "stakeholder theory", seek mainly to show the multiple challenges facing organizations today and the enormous responsibility of their leaders in the face of these changes. First, agency theory is defined as a contractual relationship whereby a person called "principal" appoints another person called "agent" to perform some service for his benefit (Jensen & Mecklin, 1976), in other words, it consists of an individual delegating authority and decision-making capacity so that another person performs functions on his behalf. Meanwhile, the stakeholder theory, also known as the theory of "stakeholders" or "interested parties", identifies those who are truly involved in an organization and frames its postulates in the understanding of the relationships generated between the organization and society. In the same sense, it reiterates that the company must take into account various affected groups since they ultimately influence the company's performance (Quinche, 2017).

The main topics of each of the theories are briefly explained below:

3. RESULTS:

Agency theory

As already mentioned, an agency relationship is a contract whereby a party called "agent" undertakes to perform an activity on behalf of another party called "principal" in exchange for a consideration. However, for this to take place, it is necessary for the "Principal" to delegate authority and decision-making capacity (Jensen & Mecklin, 1976). Agency theory is based on two fundamental assumptions: firstly, the limited rationality of individuals, which consists in the fact that people make decisions in a partially rational manner (Simon, 1955) and, secondly, the opportunistic behaviors that may arise among those involved (Barnard, 1938). All of the above, bearing in mind that this contractual relationship takes place in an environment where there is uncertainty or, in other words, lack of certainty.

To illustrate the agency relationship in a more didactic way, suppose that the board of directors of a company hires an executive to manage its company. The board of directors, who, in this case, under the agency theory perspective, is the "principal", delegates authority so that the "agent" manager has the ability to make decisions on its behalf in exchange for remuneration as direct consideration for his service (Attaguile, 2019). Now, suppose another situation in which this manager (who this time becomes a principal) delegates authority to subordinates (agents) to perform one or more functions on his or her behalf in exchange for a salary. However, problems in these situations arise when the "principal" and the "agent" have different objectives (Teodoro & Vargas-Hernández, 2016). It is worth clarifying that in addition to the above, there is a difference in the information that each one manages, i.e., a case of information asymmetry occurs, where one of the parties has the advantage of having more information than the other. When such conflicts occur, a phenomenon known as "opportunistic behavior" may arise, in which one of the parties acts by taking advantage of its advantage over the other. In this regard, studies such as the one by

Gianiodis, Markman & Panagopoulos (2016), highlight that despite the fact that sometimes there is symmetry in the information, opportunistic behaviors still occur.

It is necessary to emphasize that opportunistic behavior may precede the signing of the contract. This situation is called "adverse selection" and occurs before the initiation of the contractual relationship. The event can also be post-contractual, being called, in this case, "moral chance" (Attaguille, 2019). However, in order to mitigate the negative effects of opportunistic behavior, safeguard mechanisms can be implemented to try to control it. An example of the above, is the case in which the agent offers guarantees to improve the principal's confidence, or the typical case in which an entrepreneur gives incentives to his workers to make them more productive or efficient.

In contrast to this logic, other studies have emerged, such as the one conducted by Maestrini, Luzzini, Caniato, & Ronchi, (2018), where they show that there are exceptions to the rule, and puts the case where it concludes that providing incentives to suppliers ends up increasing the chances of opportunistic behaviors (Maestrini et al., 2018). This, in practice, leads to the fact that incentives can be taken as a "double-edged sword" and therefore it is management's job to monitor each case.

Consequently, and because of these safeguard mechanisms, an economic impact is generated, technically called "agency costs" (Vargas, Guerra, et al., 2014). These occur when a principal or an agent tries to mitigate the economic behavior of the counterparty to improve the relationship of the parties. It should be emphasized that, according to agency theory, a company is a set of contracts where there are multiple contractual relationships and those who participate have, therefore, interests in the organization. Among these participants are shareholders, workers and suppliers. They all participate contractually either as principals or agents; however, in the following theory, they will be referred to as stakeholders.

Stakeholder Theory

Evolution of the concept and classification

Edward Freeman in his book Strategic, Management: A Stakeholder Approach (1984), states that stakeholders are simply "Any individual or group of individuals who can affect the achievement or be affected by the achievement of an organization's objectives" (p.46). This definition has been evolving due to the criticisms and nuances made by different authors that are analyzed below and that have gained more and more followers in academia and business in general. In fact, it has been Freeman himself who has accompanied its conceptual transformation, since in principle the same author defined stakeholders as "Any identifiable group or individual on which the organization is dependent for its survival" (Freeman, 1983, p.89). This perspective is quite restricted nowadays, especially if it is taken into account that, strictly speaking, at that time it only involved employees, shareholders, some customers, groups of suppliers, governmental institutions and some financial entities that were key to the organization. Under this definition, Freeman (1983) excluded unions, competitors, trade associations, environmentalists, communities and those customers and suppliers that did not necessarily play a survival role for the organization.

A definition of stakeholders subsequent to Freeman's (1984) was provided by Clarkson (1995), who stated that they are "Persons or groups of persons who have, or claim, property, rights or interests in an organization" (p.106). For Clarkson (1995), there are two types of stakeholders: primary and secondary. Primary stakeholders are those agents that are essential for the survival of an organization, including shareholders, suppliers, government, the community and customers. It should be clarified that there is a high degree of interdependence between this group and the organization, to the point that the dissatisfaction of any of these actors and their actions can jeopardize the survival of the organization. Secondary stakeholders, on the other hand, are characterized by the fact that they do not have the same level of impact as the primary stakeholders, to the point that it is possible for the organization to function without them, while the conflict situations associated with them are being resolved. The latter group may oppose the policies or programs carried out in a company, but they do not jeopardize the survival of the organization (Clarkson, 1995).

That said, the classification between primary and secondary groups allows managers to formulate strategies whose hierarchical level is determined by the group of influence in the organization. It is worth remembering that the main objective of management is to maximize the welfare of all the agents involved, a condition that must prevail in the long term, so it is essential for managers to know and take into account the values, interests and expectations of stakeholders. The classification of stakeholders into levels has become a starting point for other authors, such as Rowley (1997) and Waddoc & Graves (1997), who have identified other stakeholder groups, as well as studying their degree of influence on organizations. More recent authors who have delved deeper into the same subject are Ogden & Watson (1999), who have focused their studies on how to improve the return to shareholders and other stakeholders from decisions such as improving customer service.

Savage (1991) and Freeman (1984) have focused on analyzing the interrelationship between the firm, stakeholders and how these should be integrated to achieve a more effective organizational strategy. In any case, regardless of the variability and evolution of the concept, what cannot be ignored is that stakeholder theory is today recognized because it takes into account the different groups involved, their particular interests and is also credited with the fact that thanks to it "managers can create morally sound approaches to business and make them work" (Jones & Wicks, 1995).

Characteristic features of the Stakeholder Theory

According to Fernandez & Bajo (2012), six are the characteristic ranges of stakeholder theory, these are:

1. The definition is conceived as a coined English term, which comes from the terms "stake" which means stake or stake, and "holder" which is holder. In conclusion, a stakeholder is any group or individual that can affect or be affected by the achievement of business objectives (Fernández & Bajo, 2012).

2. The management of the organization must pay special attention to all stakeholders and not only to shareholders, this includes: customers, suppliers, employees, government and the community in general. These groups will determine the survival and future of the company in the long term.

3. The organization's management must know what the expectations, values and interests of all stakeholder groups are. However, it is incumbent upon it to enable them to achieve their objectives in accordance with the financial results expected by the organization's shareholders or owners.

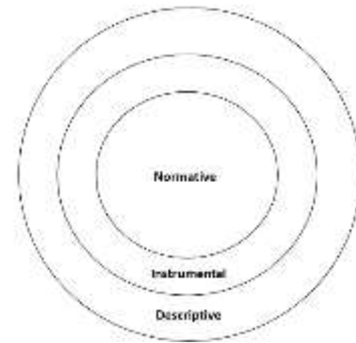
4. The dynamic between the organization, management and values ensures survival for all stakeholders.

5. Organizations should be understood as a set of stakeholders that interact permanently with each other. Each group has specific interests, which in turn may generate conflict with the other stakeholders.

6. Stakeholder theory studies business management, from which elements can be extracted to design an organizational model.

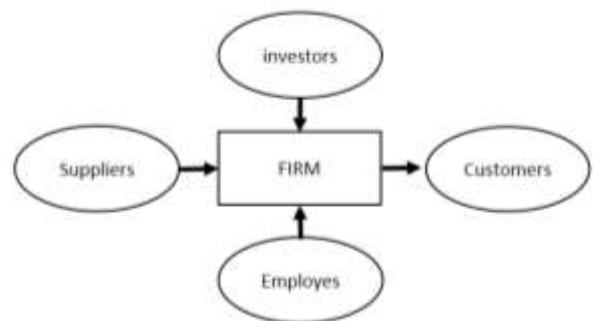
Models applied to stakeholders

One aspect to be taken into account in stakeholder theory are the models that propose how organizations should manage their relationships with their stakeholders. Donaldson & Preston (1995), make a proposal to identify and interact with their stakeholders. The model is based on 3 aspects: descriptive, instrumental and normative. The descriptive aspect explains the relationship between the organization and its different stakeholders. The instrumental, establishes the functioning of the parties involved and the normative essentially defines the stakeholders and their representation. See figure 1.



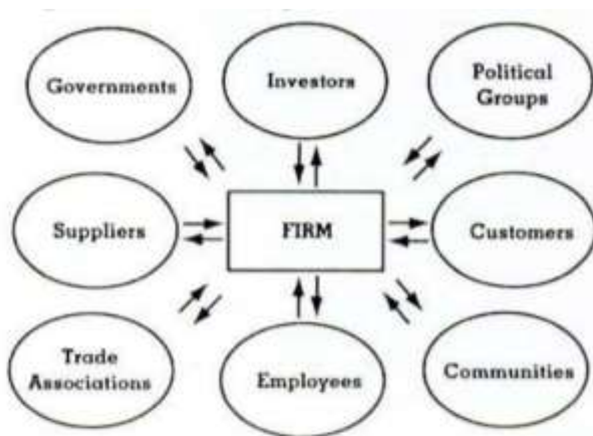
Source: Donaldson, T. and Preston, L. (1995).

On the other hand, in figure 2, Donaldson & Preston (1995), represent the input-output model, which shows how investors, employees and suppliers all contribute to the organization for the benefit of customers. This is based on the assumption that each of the parties expects a compensation consistent with the effort of their resources used, and ultimately they are much more than the sum of capital and time.



Source: Donaldson, T. y Preston, L. (1995).

Complementing the above, in figure 3, Donaldson & Preston (1995) contrast the stakeholder model with the input-output model. There it is evident that each group has its own interests and therefore pursues a series of benefits that are only of interest to its group. When analyzing Figure 3, it is observed that: a. the arrows appear in both directions; b. that all parties have the same size; and c. that all stakeholders are equidistant from the box representing the firm.



Source: Donaldson, T. y Preston, L. (1995).

Donaldson and Preston (1995), highlight the importance of applying stakeholder theory and propose its validity in other environments, such as, for example, the case of governmental organizations, emphasizing that this theory should not only be analyzed theoretically, but also in a practical manner. On the other hand, they see it as a controversial and challenging topic whose approach may vary depending on the point of view from which it is approached.

Another model of mandatory analysis in stakeholder theory is the one proposed by Mitchell, Agle & Wood (1997). This model proposes a more dynamic relationship between the organization and its stakeholders. This author adds two ingredients to the theory: power and urgency (also known as pressing need), which, together with the concept of legitimacy, strengthen the stakeholder theory.

Mitchell et al. (1997) define "power" as the ability of an actor to impose its will on others through the use of all its resources. Legitimacy", on the other hand, is for the author a perception that the actions taken by a group are desirable and appropriate for others. Consequently, "urgency" consists of the clamor for immediate attention. In short, with these three components, managers are free to assign each stakeholder the priority they deem appropriate, i.e., this is determined by the power of the stakeholder's individual influence, the legitimacy of the relationship and the urgency of each stakeholder's demand. Based on these three attributes and their possible combinations, (Freeman, 1983) proposes a classification of stakeholders into three major classes, each with very specific types of stakeholders, these classes are:

Class Type 1: Latent.

Class Type 2. Expectant.

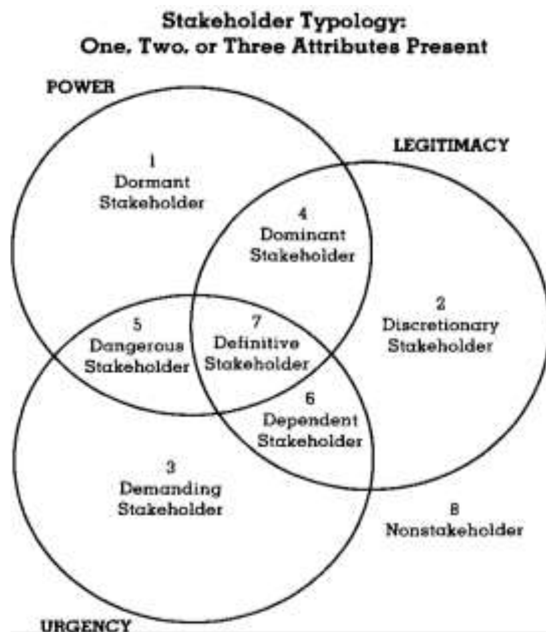
Class Type 3. Definitive.

In the first place, within the type 1 or latent stakeholders, there are the so-called "dormant" stakeholders, which have power, but lack legitimacy and urgency. Then there are the "discretionary stakeholders" who have legitimacy, but have neither power nor urgency. Finally, there

are the "demanders", who have urgency, but have neither power nor legitimacy.

On the other hand, type 2 or expectant stakeholders are subdivided into "dominant" stakeholders, who have power and legitimacy, but lack urgency; "dangerous" stakeholders, who have urgency and power, but lack legitimacy; and finally, "dependent" stakeholders, who lack power, but have urgency and legitimacy.

Finally, there are type 3 stakeholders, also known as "definitive" stakeholders, who have the three attributes: power, legitimacy and urgency. Figure 4 summarizes this model, which, in essence, makes it possible to establish the relationship between the objective and the demands of the stakeholders.



Source: Mitchell, R., Agle, B. y Wood, D. (1997).

By way of reflection, although the different models and currents of stakeholder theory pursue a common objective, their postulates are sometimes taken as opposites, which has generated all kinds of discussions that have resulted in a greater scientific production on the subject. With respect to its practicality, stakeholder management and knowledge of its theory can generate benefits for management as it translates into better management and therefore greater competitive advantage. A great conclusion of the theory is offered by Harrison and Freeman (1999), who state that the information coming from stakeholders, obviously well managed, can be converted into the formulation of new strategies and the development of new products, logically this will depend on the ability of managers to recognize the existing differences between the different groups of stakeholders.

Stakeholder and agency theories with respect to the concept of value creation

According to Freeman, Phillips & Sisodia (2018), one of the great tensions generated by stakeholder theory focuses on the questioning of whether it is aimed at creating value for all stakeholders or only for the organization. With respect to this questioning, the same author points out that stakeholder theory tries to determine how each stakeholder is involved and how value is created for all. Likewise, how the selection of stakeholders with different motives can influence process innovation (Ozdemir et al., 2023). From the point of view of agency theory, the question is whether value creation is being sought only for the principal and not for the agents. Similarly, both theories try to explain in essence the fundamental problems

related to value creation, which generates tension and different questions depending on the party that analyzes it. In this sense, it is relevant to define the fundamental aspects related to the concept of value creation and its interaction with the agency and stakeholders. This is due to the new governance trends that focus their attention on the value chain and value generation processes (Balza-Franco et al., 2022).

Origin of the concept of "value" in the organization

The expression "value" in the company is not a new word, although it is a fashionable term in management jargon, it does not mean that its development is recent. In fact, there is evidence that the neoclassical economists, who dominated economic thought during a good part of the 19th century, dealt with the subject of value by referring to the economic value added and argued that capital should by itself generate a return greater than its cost, thus making this theory the closest reference to what is known today as value creation (Rapallo, 2002).

Subsequently, the renowned economist Alfred Marshall, for example, an exponent of the neoclassical school, in his book Principles of Economics (2006), argued that a company has real profit when revenues are sufficient to cover operating expenses and the cost of capital; this was one of the most relevant postulates within the theory of marginal revenue, which in fact is still taught in schools of economics and business.

He also complements that General Motors executives took up the concept of "value and value creation" in 1920 as part of their usual corporate practice of performance measurement. Years later, the same General Electric in 1950, took the indicator called "Residual Income" to measure performance. Similarly, Stern Stewart & Company, in the 1980s, reintroduced the concept of performance measurement as a replacement for the traditional measure of value (Garcia 2003). Porter (1980) expanded the concept by explaining the value chain and with it the value creation system.

Value creation for stakeholders

Value creation is defined as "the capacity of companies to generate profits through economic activity" (Porter & Kramer, 2006). Under this context, no matter the size of the company or its capital origin, the fact is that all organizational units are supposed to have a common objective and this must go beyond the objectives of each specific area. The objective must then be oriented towards the creation of value, and this, according to García (2003), is promoted in three ways in a company: 1. through strategic direction. Financial management and 3. Human talent management".

In the case of non-profit organizations (NPOs), also known as not-for-profit organizations (NPOs) or not-for-profit organizations (NPOs), their objective is focused on the development and benefit of a vulnerable sector of the population. Although they do not seek to obtain profits for their shareholders, since by definition they do not have them, they must still strive to generate value for their stakeholders, especially for their target population.

These organizations may have been formed to benefit from groups of abandoned children, foundations, parents' associations, cooperatives of street waste collectors, to educational institutions at the basic, high school or university level. Although they are not profit-driven, this does not mean that they should not create value for their stakeholders.

However, when it comes to for-profit organizations, the answer is even more blunt and obvious. "Value creation is the objective of all good management, managers are evaluated by the creation of value in their organizations. If before the objective was profit maximization, now this profit objective has been supplanted by value creation" (Rapallo, 2002, p. 1). This is clarified, because for many years, companies considered that their only objective was to generate profits, and once they achieved this, their next challenge was to focus on maximizing those profits (Vergara, 2019). As a result, company leaders and managers were evaluated mainly by financial results, instead of being considered achievements in other aspects that generated value for the organizations.

Having said this, a group of questions naturally arises, such as: what is creating value, how to know if the organization is creating value or not, for whom is value being created, what is understood by creating value, which indicators evaluate the creation of value, how to value an organization, is it possible to reduce the concept of value to a figure in monetary units, how does value increase or decrease? How does the "principal" of an organization measure its managers (from the agency's perspective)? These questions form the basis for the systematization of the basic determinants of analysis in the definition of the issue of value creation for the agency and for the stakeholders.

At this point, the literature is focused on the financial area, without ignoring other areas that refer to the concept of value. This is because finance has adopted the concept of economic value added, which measures the generation of value from a purely monetary perspective and makes it a key indicator for evaluating the efficiency of organizations, especially in financial terms (Torres, 2020). However, it is important to clarify that the pioneers of the term "value creation" were not exclusively financial experts. In fact, it was production specialists and later marketing professionals who introduced this concept into management theory. Over time, the value creation approach has taken hold over the last three decades, spanning the last decade of the 20th century and the first two decades of the 21st century (Garcia, 2003).

From a purely financial perspective, value is considered to be generated for an organization when an investment is capable of obtaining a return that exceeds the amount invested and, at the same time, covers all the costs associated with that investment (Vera, 2006). These costs usually include the interest generated in the process of financing through credit, as well as the opportunity costs assumed by the owners of the capital. Although not all investments are financed through debt, this does not imply that there are no implicit associated costs. Thus, for example, when an investment of any kind is made, whether for a company, through shares, bonds or other types of fixed or financial assets, and for this an outlay of money was made with own resources, it meant at least the sacrifice of the value of the best alternative not taken advantage of, i.e. the value of the best alternative use or the so-called opportunity cost, to which is added the quantification of the risks, which in total will determine the cost of capital.

Value creation is a management approach that has been enriched by the management trends of the 80's and 90's until the creation of new notions such as Value Management, EVA®, and Value

Added currently used by management. Fundamentally, it refers to the increase in the wealth of the company's owners, for the fulfillment of the basic financial objective (García 2003). It is relevant to note that the performance of financial and general managers is evaluated in terms of the company's ability to increase the value of shareholders' equity and to distribute profits in a sustainable manner (Parra, 2013).

But beyond the aforementioned managerial approach and the concept of value, what the stakeholder theory pursues is the creation of value for all parties involved. In this sense, employees perceive value creation when they are well remunerated and the money or benefits they receive as direct consideration for the service allows them to grow economically. For customers, on the other hand, the perception of value creation is evidenced when the product or service they receive fully satisfies their needs or even exceeds their expectations, obviously if they find the benefit/price ratio reasonable. As for suppliers, the benefit is purely monetary and their concept of value creation is determined by the increase in their profits and payment conditions, since a delay in disbursements may generate conditions of illiquidity and an imbalance in the operational cycle of the business. On the other hand, the government and the community in general perceive value creation when an increase in profits generates higher taxation (Vera, 2006). The latter, obviously, under conditions of transparency, non-corruption and efficiency of public spending, should be reflected in greater benefits for the population in general.

Pressure on the organization

In accordance with the above, and analyzing agency conflicts, as well as the global impact of the stakeholder theory in the organization, it can be stated in the words of Pedrini and Ferri (2020, p.44) that: "Stakeholder management is increasingly integrated into corporate activities", the latter translates into greater pressure for companies that are forced to develop new management tools for the benefit of "principals", "agents" and in general terms all stakeholders. Also reinforcing this theory is the work on stakeholder correlations (Baaha et al., 2021), who conclude in their work applied to manufacturing SMEs, how different organizational pressures translate into the adoption of new practices that affect all stakeholders.

In conclusion, pressure generates an impact on organizations that ends up regulating the relationship between all stakeholders in coherence with their strategic orientation (Schmitz, Baum, Huett & Kabst, 2019). Now, if principals and agents are aware that pressure generates in all cases an affectation, this knowledge can be leveraged to potentiate the relationships between the parties involved through a project (Eskerod & Vaagaasar, 2014) and strategies can also be formulated to overcome agency conflicts (Matos & Silvestre, 2013). In any case, in any of the cases there is a management responsibility and it is the latter, through its managers, in charge of generating a process of organizational learning that becomes collective knowledge (Rojas, 2020) consistent with a participative leadership (Forero et al., 2022).

Reflection on innovation as a value driver

Understanding, in principle, that organizations have the ability to convert resources into products and receive payments from buyers that exceed the opportunity costs of suppliers, it can be considered that these organizations generate value (Stoelhorst, 2021). However, it is important to note that there is a direct relationship between the production of goods and services that contain new and non-trivial elements, differentiated mechanisms and creation and/or communication activities, such as innovation, and value generation (Hollebeek et al., 2022).

So, to illustrate the dependence between innovation and value impact, one can consider that one has a simple traveling briefcase, which has a value. Now that same briefcase is equipped with wheels, it most likely has another value, but if additionally that briefcase with wheels has an electronic system that enables a function that makes it autonomously follow the owner, its value would change again. So, how does innovation impact on value, for whom does it take value, and when generalizing the concept, what is expected from organizations permanently working in innovation and development, understanding innovation as:

The introduction of a product (good or service) or process, new or significantly improved, or the introduction of a new marketing or organizational method applied to business practices, work organization or external relations. (OECD, 2018, p. 49)

Having said the above, innovation is presented as an essential way of generating value, either through scientific and technological development, or simply through the assimilation of new knowledge (Peñaloza, 2019). This value is manifested in different aspects: the creation of value for the company through its products and services, the added value for customers, who find in such products a distinctive factor that identifies them and makes them unique; as well as the value for workers and suppliers. In short, innovation seeks to generate value for all stakeholders, whether they are key players or agents, and this value must be translated into sound financial management that reflects Economic Value Added (EVA®).

Considering that innovation can manifest itself in various forms, such as product or service innovation, processes, commercial and organizational changes, it is evident that significant improvements are achieved in the characteristics or uses of goods and services. It also involves the implementation of new transformation or distribution methods and techniques, as well as the design or presentation of the product through novel marketing approaches. In addition, it involves the introduction of practices and the organization of work, as well as the establishment of external relationships (OECD, 2018).

Effective incorporation of innovation requires the implementation of collaborative systems both internally and externally, in order to generate value and improve the quality of results. Complementary elements include an appropriate promotion strategy that generates added value through marketing. This, in turn, should translate into higher profits for companies and, consequently, greater benefits for the various stakeholders (Vargas, 2017).

Points in common of agency theory and stakeholder theory.

Agency and Stakeholder conflicts of interest.

Among the stakeholders with the greatest power for an organization are, apart from the initial founders, the investors. These are people who, although they exercise ownership and in many cases control, are not the managers of the organizations. These investors-turned-shareholders face a series of concerns that may at some point generate tension with management and end up impacting other stakeholders such as customers and suppliers. These concerns may hide what was mentioned by authors such as Pinzón Galvis (2017): that the success of a company not only depends on the education of its members, but also on maintaining good relationships with customers and suppliers to understand the weaknesses of entrepreneurs, find solutions and turn challenges into opportunities for growth and development of new skills.

With respect to the above, three concerns haunt the mind of an investor before making a financial decision: profitability, liquidity and risk (Agudelo R. & Fernandez G., 2013). All together, they are the basis for decision making when selecting an investment alternative. In the first place, profitability is seen by the investor as his main motivation; he invests in a business as long as it is projected to be profitable. For Agudelo (2013), profitability is the percentage variation experienced by a capital in a period of time, and therefore from his concept this definition alone clarifies the difference between the concepts of profitability and profit, which are often used as synonyms, which is wrong since the former is expressed as a percentage, while the latter is given in monetary units. At this point, two conflicts may arise, one of agency and the other of stakeholders: the fact that an investor demands a minimum profitability generates tension for the manager, especially if the latter fails to meet the expected profitability goal, in which case an agency conflict arises. On the other hand, if the manager, in order to keep his position in the organization, wishes to increase profitability, he will most likely do so by affecting some stakeholders, such as suppliers, since he will try to seek lower prices. He will also affect the employees, because he will try to reduce costs, and most likely the customers by trying to get the maximum possible price.

The second concern on the part of the investor refers to liquidity, the concept of which is taken from two points of view: on the one hand, liquidity is defined as the speed with which an investor receives the profits from his investment. Secondly, and on the other hand, it can be understood as the ease with which an asset can be converted into cash (Llanes, 2012). The key point here is that regardless of how you look at it, the cash flows generated should be analyzed in both cases, which should be important for any investor. A first aspect has to do with the operational cycle, since two types of stakeholders are involved here: customers, who are expected to pay very quickly, and suppliers, who are expected to be paid as late as possible. If this relationship is achieved, the organization will have solved a major liquidity problem.

These first two concerns raise an eternal debate in finance as to which of the two is more important to consider when investing: profitability, which is undoubtedly the main motivating factor when investing, or liquidity, without which no investment could work in the long term. Considering that despite obtaining positive returns, evidenced by ROE (Return on Equity), it is important to keep in

mind that there could still be value destruction (Rivera, 2018).

Therefore, and strictly speaking, it is necessary to take into account the investor's perspective, because if he is only looking for returns regardless of time, he will probably give priority to profitability; on the contrary, if his desire is flexibility and freedom to change the destination of the investment at any time, he will give greater relevance to liquidity.

However, what happens if the investor is an entrepreneur who allocates his capital to his own business, in this case he should give priority to liquidity. It is worth clarifying this, because in practice companies are managed with cash and not with accounting profits, much less are they managed with future profitability forecasts. In short, and without the intention of closing the debate or formulating conclusive results, for many, liquidity is more important than profitability.

4. CONCLUSIONS:

Both the agency theory and the stakeholder theory are valid and applicable in current organizational contexts. To the extent that managers know the fundamentals of the two theories, they will have more tools to be able to manage their organizations and carry out planning processes based on the information generated by stakeholders. The two theories are linked to the concept of value creation and complement each other. Although the concepts mentioned by the agency and stakeholder theories have evolved over time, the essence of the seminal authors remains and becomes an opportunity to broaden managerial capacity. The concept of stakeholders has been evolving since Freeman (1984) inserted the term in the strategic field until today, this definition has been expanded so that from a more holistic view it recognizes that a group or individual can affect and in turn be affected by the achievement of the objectives of an organization. The term stakeholder in its broadest sense includes employees, suppliers, shareholders, government entities, banks, trade associations, environmentalists and any group or individual that interacts with organizations.

In both agency and stakeholder theory, conflicts are generated, which in turn produce costs and therefore it is necessary to be attentive to implement safeguard measures.Value creation is a common concern in both agency theory and stakeholder theory. Value creation will ultimately impact all stakeholders and it is also they themselves who can generate value. Although the concepts related to agency and stakeholder theories have been discussed for a long time, the literature remains sparse in its most general part. Most of the research available for the two theories refers to case studies, which creates a conceptual vacuum for management and also a challenge for academia. The study of the models proposed by different authors to explain the interrelationship between organizations and stakeholders generates contradictions and thus a wide academic debate.

The diversity of stakeholder characteristics makes stakeholder identification a complex and time-consuming task, and therefore their management requires care and managerial skills; however, the latter can become an organizational strength and thus a competitive advantage. An organization is

affected by the negative actions of its support forces and by the resistance of the stakeholders that make up its environment, which can threaten the survival of the organization. The degree of influence of stakeholders depends on three attributes: power, legitimacy and pressing need or urgency, which are phenomena constituted by the stakeholders themselves. Depending on the degree of priority of these attributes and the position of each stakeholder, agency conflicts can arise that ultimately end up impacting other stakeholders.

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