

ÁREA TEMÁTICA: ESTRATÉGIA

**POWER AND FIRM INNOVATIVENESS: THE MEDIATING ROLE OF
RELATIONSHIP**

ABSTRACT

In this article, we studied the association between power and firm innovativeness mediated by the relationship. The methodology is quantitative. The hypotheses were tested statistically using the structural equation modelling (SEM). The data collect used was survey totaling a sample of 172 companies located in emerging countries (Brazil and India), all from the manufacturing sector. The results obtained presented evidence to empirically support that the development of firm innovation can be explained through power as long as the company is engaged in valuable relationship through its dimensions of sharing information, collaborative approaches and joint decision-making. The originality of this investigation was to show that relationship is an antecedent of firm innovativeness and mediates the relation between power and firm innovativeness.

Keywords: Stakeholder Theory; Power; Relationship; Firm Innovativeness; Innovation Strategies.

RESUMO

Neste artigo, estudamos a relação entre poder e inovação da firma mediada pelo relacionamento. A metodologia é quantitativa. As hipóteses foram testadas estatisticamente por meio da modelagem de equações estruturais (SEM). A coleta de dados utilizada foi survey totalizando uma amostra de 172 empresas localizadas em países emergentes (Brasil e Índia), todas do setor manufatureiro. Os resultados obtidos apresentam evidências que sustentam empiricamente que o desenvolvimento da inovação empresarial pode ser explicado pelo poder, desde que a empresa esteja engajada em relacionamentos valiosos por meio de suas dimensões de compartilhamento de informações, abordagens colaborativas e tomada de decisão conjunta. A originalidade desta investigação foi mostrar que o relacionamento é um antecedente da inovatividade da firma, sendo que este media a relação entre o poder e a inovatividade.

Palavras-chave: Teoria dos Stakeholders; Poder; Relacionamento; Inovatividade da Firma; Estratégias de Inovação.

1. INTRODUCTION

Power can help firm innovativeness. Firms can use the resources from powerful stakeholders to achieve innovation. These resources can be accessed through the relationship between the firms, once through collaboration companies can pool resources, capitalize on complementary capabilities, achieve economies of scale, and enhance innovativeness (SAVAGE et al., 1991). Building on a new stream of research, we argue that power can help relationship to push innovativeness. Considering that innovation and development of new products are related to the use of existing resources (DE BRENTANI; KLEINSCHMIDT, 2015; WAN; ONG; LEE, 2005) and the ability to use local knowledge to create, adapt or reproduce products (PHENE; ALMEIDA, 2008) power can be a trigger for innovation as long as the company is engaged in valuable collaborative relationship with stakeholders. In this sense, we understand that power is useful for innovation in a process with stakeholders, and generally, it is not associated with the idea of relationship since is not mentioned in the theory, being, therefore, counterintuitive and new.

One of the pillars of stakeholder theory is the power. Power is a crucial variable in the theory of stakeholder-manager relations (MITCHELL; AGLE; WOOD, 1997). Power is the potential ability of stakeholders to impose their will on a given relationship through coercive, utilitarian or normative means. These means are based on the type of resource that is used to exercise power (ETZIONI, 1964). It is through the collaborative approach that the stakeholder resources and capabilities increases value creation through the integrative development of innovative products and services (BRIDOUX; STOELHORST, 2016).

The actively managed relationships with stakeholders can become an important source of ideas for innovations (AYUSO et al., 2011). Considering this fruitful relation, taking advantage of stakeholders' collaboration in creating innovation can be a strategic decision for the company. Firms with broader and deeper relationship networks enjoy greater access to ideas and knowledge residing within their stakeholders (JANSEN; VAN DEN BOSCH; VOLBERDA, 2006). However, despite the potential of stakeholder engagement as a source for innovation, there has been very little research on this topic (AYUSO et al., 2011). Also, the weighting and bundling of stakeholder relationship is not fully theorized (HILLMAN; KEIM, 2001) as stakeholder theory does not provide a clear and objective guide to treating stakeholders (Freeman, Harrison, Wicks, Parmar, & de Colle, 2010).

The purpose of the article is to highlight how the stakeholder theory helps the company to design innovation strategies. To this end, a quantitative survey was conducted involving 172 responses from companies' representatives from emerging countries (100 Brazilian companies and 72 Indian companies), since the participation of emerging countries in global networks of product innovation has evolved in the last decade (MARIN; COSTA, 2013). Considering that all stakeholders are not treated equally (Freeman et al., 2010) and that the suppliers are given minimal attention although they contribute quite a bit to firm performance (ORTEGA et al., 2016) the focus of this study is the supplier.

A structural equation modeling (SEM) was used to verify whether supplier power, mediated by relationship with suppliers, can lead to firm innovativeness. The results indicate that companies that respond to power with valuable relationship are more likely to innovate. The study makes it clear that from the stakeholder perspective the collaboration for creating innovation can be a strategic decision for the company.

This research provides three academic contributions. First, contributes to the stakeholder's theory by associating power (ACKERMANN; EDEN, 2011; ETZIONI, 1964; MITCHELL; AGLE; WOOD, 1997) and relationship (CLARKE, 1998; MYLLYKANGAS; KUJALA; LEHTIMÄKI, 2010; SAVAGE et al., 1991; TANTALO; PRIEM, 2016) as antecedents of firm innovativeness (CALANTONE; CAVUSGIL; ZHAO, 2002). Second, despite the increasing research about the importance of cooperation for innovation, existing business literature lacks an understanding of how stakeholder-regarding behavior influences innovation (AYUSO et al., 2011). The present study addresses this gap by exploring if relationship with primary stakeholder (suppliers) affect firm innovativeness. Third, foster studies of innovation strategies in emerging markets (BERNARDES; BORINI; FIGUEIREDO, 2019).

As a practical contribution the study indicates to managers and decision makers that a strategic management based on stakeholder collaboration practice can lead firms to potential advantages, such as innovation and, consequently, to an increase in value and competitiveness. As public policy highlights the need for a broader innovation support policy for organizations in emerging economies based on long-term relationships, trust and cooperation between stakeholders.

2. THEORETICAL BACKGROUD

2.1 Firm innovativeness

Innovativeness refers to the capability of a firm to be open to new ideas and work on new solutions (CRAWFORD; DI BENEDETTO, 2003). Moreover, innovativeness refers to an enduring characteristic and not to success at one point in time (IM; WORKMAN, 2004), which can characterize a long-term relationship with stakeholders. Firm innovativeness is conceptualized from two perspectives. The first views it as a behavioral variable, that is, the rate of adoption of innovations by the firm. The second views it as an organization's willingness to change (CALANTONE; CAVUSGIL; ZHAO, 2002).

Innovation contributes to business performance, it is a source of a firm's competitive advantage (TRAILL; MEULENBERG, 2002) and it is fundamental for the survival and growth of enterprises (FRANCIS; BESSANT, 2005). Emerging economies when compared to advanced economies adopt systemic innovations in shared value proposition strategies for stakeholders (BERNARDES; BORINI; FIGUEIREDO, 2019). Firms that manage for stakeholders may enjoy benefits associated with increased demand and efficiency, higher levels of innovation, and an increased capacity to deal with unexpected events (HARRISON; BOSSE; PHILLIPS, 2010).

In emerging countries innovation is fundamental to improve their competitive position in face of globalization (GORODNICHENKO; SVEJNAR; TERRELL, 2010). Emerging market innovation is like that innovation developed in an emerging market for use by consumers in local markets or transferred to other markets, whether emerging or developed (SHANKAR; NARANG, 2019). The transfer of new and already known functionalities (GOVINDARAJAN; RAMAMURTI, 2011) to many companies, such as GE, for example, was the means found to grow in the face of economic stagnation in the markets of Europe and the United States of America (BOTTLES, 2012) involving the development of new products in emerging markets to sell them later in developed markets (AGARWAL; BREM, 2012). This transfer is known as reverse innovation (VON ZEDTWITZ et al., 2015) and reflects the superior results in innovation obtained by multinationals in emerging markets (Govindarajan, 2012).

2.2 Stakeholder theory, power and relationship

In a broad sense, stakeholders are defined as “any identifiable group or individual who can affect the achievement of an organization’s objectives, or who is affected by the achievement of an organization’s objectives” (Freeman & Reed, 1983). A fundamental key to the stakeholder view is that companies have responsibilities towards a wide range of participants who collectively contribute to the wealth generation of the company (CLARKE; BOERSMA, 2015).

Unlike traditional management – which focuses almost exclusively on internal affairs – stakeholder management seeks explicit management of stakeholders who may be internal, external, knowledgeable of, and interdependent with an organization (SAVAGE et al., 1991). Stakeholder theorists distinguish these participants between primary stakeholders - without the participation and support of which the organization cannot survive (e.g., customers, suppliers and regulators), and secondary stakeholders – which affect and are affected by the organization but are not engaged in transactions with it and are not essential for its survival (e.g., the media, non-governmental organizations) (CLARKSON, 1995). When these groups become more heterogeneous (Harrison & Freeman, 1999) your claims and interests become conflicting or difficult to reconcile (HALL; VREDENBURG, 2003). These pressures are accompanied by varying levels of legitimacy, urgency and power (MITCHELL; AGLE; WOOD, 1997). In the case of this article our focus is the supplier, as primary stakeholder, and the power.

2.2.1 The association between power and relationship

Power is conceptualized as power over, i.e. the relationship among social actors in which one social actor can get another to do something that he/she would not otherwise have done (MYLLYKANGAS; KUJALA; LEHTIMÄKI, 2010). According to Savage et al. (1991) power is often a function of the organization's dependence on the stakeholder. Generally, the more dependent the organization, the more powerful the stakeholder, since those who possess power will bring about the outcomes they desire (MITCHELL; AGLE; WOOD, 1997).

Etzioni (1964) suggested a logic for the more precise categorization of power in the organizational setting, based on the type of resource used to exercise power resulting from three contextual dimensions: normative power, coercive power, and utilitarian power. Normative power is based on symbolic resources and results from laws and requirements over which the organization has no control. Coercive power is based on the physical resources of force, violence or restraint (issues from physical means). Utilitarian power is based on material or financial resources and results from dependence. Therefore, a party to a relationship has power, to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship (MITCHELL; AGLE; WOOD, 1997).

Besides (ETZIONI, 1964), other dimensions of power are pointed out in the literature. Mintzberg (1983) suggested five bases of power: control of resources; control of a technical skill; control of a body of knowledge; power from legal prerogatives; and access to those who can rely on the previous sources of power. Hardy (1996) suggests that power stems from three dimensions: (i) resources: power is derived from the ownership of resources. People who own some type of resources, for example information and expertise, are more likely to coerce others into behaving according to their will; (ii) processes: power also stems from the decision-making process; and (iii) meaning: the power to prevent conflict from emerging in the first place (GOMES, 2006).

A stakeholder's bargaining power is an attribute of the stakeholder–firm relationship (EESLEY; LENOX, 2006). Specifically, bargaining power is highest when stakeholders 1) are capable of acting in a unified manner to increase their joint bargaining power, 2) have access to key information, 3) have a very high replacement cost to the firm, and 4) face low costs if they move to another firm (COFF, 1999). For example, a professional who possesses unique knowledge that makes an important contribution to the firm's products and who is headhunted by other companies has more bargaining power than a factory worker with limited skills who lives in an area where jobs are scarce (BRIDOUX; STOELHORST, 2014), or the opposite, if there are numerous sources for input, the purchasing organization is less dependent on a single supplier, thereby reducing its power (SAVAGE et al., 1991).

Power also affect the decision of the stakeholder to continue its relationship with the firm or even to invest more effort to strengthen this relationship (BOSSE; COUGHLAN, 2016). The development and maintenance of favorable and productive stakeholder relationships are regarded as essential in creating value for a company (MYLLYKANGAS; KUJALA; LEHTIMÄKI, 2010). Getting external stakeholders involved in different parts of the organization can yield positive results (SAVAGE et al., 1991) as shown by Baraldi (2008) case study on the furniture industry IKEA. The majority of IKEA's purchases happen through deep and established relationships. IKEA intensively cooperate with their suppliers in order to ensure the quality and the environmental friendliness of inputs. Instead of solely exploiting the power of being a large buyer, IKEA takes a long-term approach and strives to build lasting relationships based on mutuality. This extends to complex and enduring development projects whereby IKEA's products and technologies are co-developed with suppliers. For IKEA, mutual trust and collaboration are more important interaction mechanisms than power. According to these premises and based on the principle of power, we formulate the following hypothesis below.

H1a. Supplier power is positively related to relationship with supplier

2.2.2 The relationship as an antecedent of firm innovativeness

The most useful unit of analysis for business is the stakeholder relationship and its interconnections with others (Freeman, Phillips, & Sisodia, 2020). Stakeholder relationships include co-operation, collaboration and network effects (MYLLYKANGAS; KUJALA; LEHTIMÄKI, 2010). Collaboration among firms enables them to pool resources, capitalize on complementary capabilities, achieve economies of scale, and enhance innovativeness (SAVAGE et al., 2010). In this sense, the collaboration with suppliers is needed for the introduction of more complex innovations (DE MARCHI; DI MARIA; PONTE, 2013). Firms with broader and deeper relationship networks enjoy greater access to ideas and knowledge residing within their stakeholder networks (TSAI; GHOSHAL, 1998).

According to Myllykangas et al. (2010) the analysis of stakeholder relationships shows six important characteristics: (1) history of the relationship, (2) objectives of the stakeholders, (3) interaction in the relationship, (4) information sharing in the relationship, (5) trust between stakeholders, and (6) the potential of a stakeholder to learn. Strong stakeholder-firm relationships will dispose stakeholders to voluntarily share information and resources with the firm, thus enabling the firm to plug in and utilize the pool of external knowledge residing among its stakeholder networks (JANSEN; VAN DEN BOSCH; VOLBERDA, 2006).

Stakeholders often possess fresh knowledge/expertise that complements a firm's internal knowledge and thus is important for firm innovation efforts (LUO; DU,

2015). However, the access of creative and practical knowledge may only take place when the firm has developed good relationships with stakeholders. Strengthened stakeholder relationships can become thus a significant source of competitive advantage in form of trust, reputation and innovation (AYUSO et al., 2011). For example, customers can offer insights into evolving market preferences and latent needs (UZZI; LANCASTER, 2003).

Innovation is generally understood as the generation, acceptance and implementation of new ideas, processes, products or services (CALANTONE; CAVUSGIL; ZHAO, 2002). Research on innovation has recognized the importance of primary stakeholders, such as customers and suppliers (AYUSO et al., 2011). Each of the primary stakeholders have a relationship with the company in which they provide some resource vital for the company's survival and in return receive some value. This can be noted on Ngugi, Johnsen, & Erdélyi (2010) research in the UK organic food sector. In the organic food industry, markets are increasingly dynamic as consumers become more health conscious and concerned about the environment and the welfare of animals. These create opportunities for new relationship requirements that network actors – especially customers and suppliers – in relationships ought to respond to together, largely through innovation with resultant value co-creation.

Only by creating stronger relationships with employees, customers, suppliers, investors and the community companies will learn fast enough and change fast enough, and only through deepened relationships with, and between, employers, customers, suppliers, investors and the community companies will anticipate, innovate and adapt fast enough, while maintaining public confidence (CLARKE, 1998). Innovative firms are able to generate comprehensive insights into the future development of the environment, which in turn induce ideas for new products, services and processes and allow their commercial and technological viability to be assessed (RUFF, 2006).

One important supplier expectation is a stable and enduring relationship (CLARKE, 1998). Tantalo and Priem (2016) argue that long-term relationships are value drivers for suppliers. Kay (1993) claim that inclusion and shared values promote trust, cooperative behavior and the ready exchange of information, things that encourages working together, which is why the Japanese have achieved unparalleled levels of component reliability, implementing just-in-time production processes in-time and shorter model cycles, and also explain why the Germans and Swiss have ensured exceptional production engineering standards.

Taking advantage of stakeholders' collaboration in creating innovation can be a strategic decision for the company (Harrison et al., 2010). An example of collaboration for innovation is the development of green strategies. Green strategies can improve innovation, create value, build competitive advantage, create new products, ensure the future supply of natural resources, inspire employees, enhance credibility and improve brand trust (PONTE, 2019). In this way, trust and long-term relationship are important factors in facilitating the greening of suppliers (DE MARCHI; DI MARIA; PONTE, 2013)

Meyer and Hohmann (2000), argue that partnerships are key in development "green products". Seuring (2004) also indicates that cooperation is needed to overcome transaction costs, because they generally higher in the organization of green products. As more systemic approaches to environmental management are developed, relational networks become even more important (DE MARCHI; GRANDINETTI, 2013). No matter what their strategic orientation is, when greening becomes a key competitive advantage lead firms tend to govern the value chain in ways that seek to engage their suppliers (DE MARCHI; DI MARIA; PONTE, 2013).

According to these premises and based on the principle of relationship, we formulate the following hypothesis:

H1b. Relationship with supplier is positively related to firm innovativeness

3. METHODOLOGY

The approach applied in this study is the quantitative research method. The structural equation modeling (SEM) was used to analyze the data. The structural equation modeling is a family of statistical models that seek to explain the relationship among multiple variables (Hair, 2010). The PLS software was used to analyze the relationships among constructs.

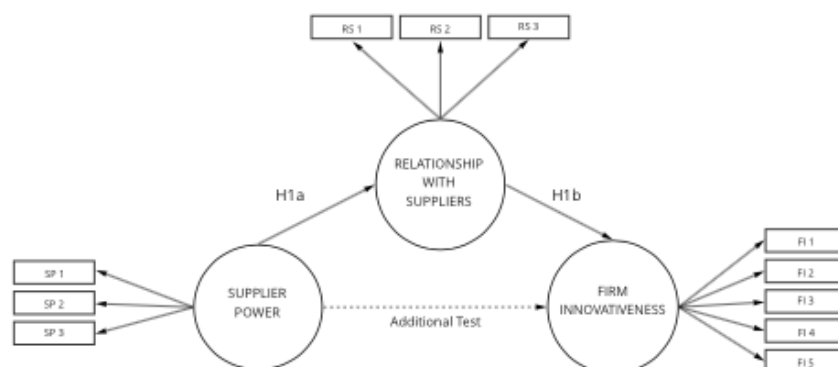
3.1 Sample and data collection

The primary data used in the study were collected in the second half of 2019 through a survey applied online with respondents from Brazil and India, since the participation of emerging countries in global networks of product innovation has evolved in the last decade (MARIN; COSTA, 2013). Face validation was carried out with five professionals who hold leadership positions in Brazilian companies and five academic specialists in international business, which allowed the scales to be adapted in addition to making the questionnaire reliable, valid and operational (LAKATOS; MARCONI, 2001). The minimum sample size was calculated using the G * Power 3.1.9.4 software indicated for studies that adopt structural equation modeling based on partial minimum squares (RINGLE; DA SILVA; BIDO, 2014) and a minimum sample of 68 observations was obtained. The respondent was the main executive of the company, being the owner, president, vice president, CEO, director or manager of industry and services sectors. The answer was about their perception of accomplishment in the company in relation to the assertions. For the research sample, 172 complete questionnaires were obtained (100 from Brazilian companies and 72 from Indian companies) which is above the minimum recommended for this study.

3.2 Construct measurement

All variables were measured on a seven-point Likert scale with value 1 indicating strongly disagreeing at one end and value 7 indicating strongly agreeing at the other. The model presented in this study (Figure 1) is characterized as reflective because the direction of causality goes in the direction of the construct for its indicators (JARVIS; MACKENZIE; PODSAKOFF, 2003). As the focus is on measuring the supplier power and relationship with suppliers, the independent variables were treated to capture this stakeholder in particular.

Figure 1 - Structural Model



Source: Elaborated by author

Three variables are proposed: a dependent variable composed by firm innovativeness (FI) and two independent variables composed by supplier power (SP) and relationship with suppliers (RS). All variables and their respective indicators are listed in Table 1.

Table1 - Variables and their respective indicators

| Variables / Type of variable | Indicator | Description of indicators | Source |
|---|--------------------------|--|---|
| Firm Innovativeness (FI) / Dependent variable | FI_1 | Our company frequently tries out new ideas | Calantone et al. (2002) |
| | FI_2 | Our company seeks out new ways to do things. | |
| | FI_3 | Our company is creative in its methods of operation. | |
| | FI_4 | Our company is often the first to market with new products and services. | |
| | FI_5 | Innovation in our company is very stimulated | |
| Supplier Power (SP) / Independent variable | SP_1 (Coercive power) | Bargaining power | Adapted from Golini, De Marchi, Boffelli, & Kalchschmidt, (2018); Huang, Hu, Liu, Yu, & Yu (2016) |
| | SP_2 (Normative power) | Legal issues/laws in order to develop innovation activities | |
| | SP_3 (Utilitarian power) | Technological production standard in order to develop innovation activities | |
| Relationship with suppliers (RS) / Independent variable | RS_1 | Sharing information with our key suppliers is high (about sales forecast, production plans, order tracking and tracing, delivery status, stock level) | Adapted from Golini et al. (2018) |
| | RS_2 | The development of collaborative approaches with our key suppliers is high (supplier development, risk/revenue sharing, long-term agreements) | |
| | RS_3 | Decision-making is carried out jointly with our key suppliers (about product design/modifications, process design/modifications, quality improvement and cost control) | |

Source: Elaborated by author

4. RESULT ANALYSIS

The sample consists of 58,7% from large companies (more than 501 employees), 23,3% from medium-sized companies (from 251 to 500 employees) and 18% from small companies (up to 250 employees). The respondents obtained 59% of managers, 34,3% of directors or C-level and 6,7% of owners, presidents or vice-presidents. All companies are from manufacturing sector. Table 2 presents the descriptive statistics of each of the three constructs analyzed in the study.

Table 2 - Descriptive statistics

| | n | mean | standard deviation | standard deviation error |
|---------------------------------|-----|--------|--------------------|--------------------------|
| Firm Innovativeness (FI) | 172 | 6,0221 | 0,86042 | 0,061 |
| Supplier power (SP) | 172 | 5,2209 | 1,40186 | 0,097 |
| Relationship with supplier (RS) | 172 | 5,7926 | 1,00371 | 0,074 |

Note: n = sample quantity; Significance level: $p < 1\%$

Source: Elaborated by the author

The next step was to analyze the reliability of the internal consistency, the composite reliability, the convergent validity and the discriminant validity. To measure the reliability of the internal consistency of the variables, the Cronbach's Alpha (α) was used. The results of Cronbach's Alpha were higher than the suggested index of 0,7, which indicates that there is internal consistency in the model (Hair, Black, Babin, Anderson, & Tatham, 2009). For composite reliability (CR), which aims to capture the degree of confidence of each variable in the construction of the dimension to which it belongs, values above 0,7 were obtained, which confirm an acceptable degree of confidence (FORNELL; LARCKER, 1981). To evaluate the convergent validity, the extracted average variance (AVE) was used, where it is expected that, the greater the extracted variance, the more representative the indicators of the construct, higher indexes were obtained than the suggested 0,50 (Hair, 2010)

After ensuring composite reliability and convergent validity, the discriminant validity of the model was verified. The discriminant validity consists in measuring the difference between the constructs. For this step the Fornell - Larcker (1981) criterion was applied, which allows the comparison between the square roots of the AVE values of each construct with the (Pearson) correlations between the constructs (or latent variables). Since the square roots of the strokes must be greater than the correlations of the constructs (Hair, Hult, Ringle, & Sarstedt, 2014; Ringle et al., 2014)

The results presented in Table 3 show that the latent variables showed $\alpha > 0,7$, $AVE > 0,5$ and $CR > 0,7$ confirming the validity and reliability of the model. Also, shows that the values of the diagonal (R^2 from AVE) are higher than the others (R^2), thus confirming the discriminant validity (CHIN, 1998)

Table 3 - Reliability and Validity & Discriminant validity

| | I | II | III |
|--------------------------------------|--------------|--------------|--------------|
| I – Firm Innovativeness (FI) | 0,794 | | |
| II – Relationship with supplier (RS) | 0,676 | 0,806 | |
| III – Supplier power (SP) | 0,388 | 0,467 | 0,810 |
| α | 0,853 | 0,730 | 0,730 |
| CR | 0,895 | 0,848 | 0,850 |
| AVE | 0,631 | 0,650 | 0,657 |

Note 1: Diagonal values are the R² from AVE / **Note 2:** All correlations are significant at p < 1%
Note 3: $\alpha > 0.7$; CR > 0.7; AVE > 0.5
Source: Elaborated by author

All VIF values presented were below the limit of 5 (Hair, Sarstedt, Ringle, & Gudergan, 2017) and, therefore, the collinearity between the forecast constructs is not a critical issue in the structural model (Table 4). The model's adjustment indexes were satisfactory, given the nature of the study. Finally, the R² value of the construct of interest (Firm innovativeness) corresponds to 46.3%, that is, 46.3% of the variations that occurred in the dependent variable can be explained by the variations of the explanatory constructs (Supplier's power and Relationship with suppliers), so this value reflects a good effect.

Table 4 - Variance Inflation Factor (VIF)

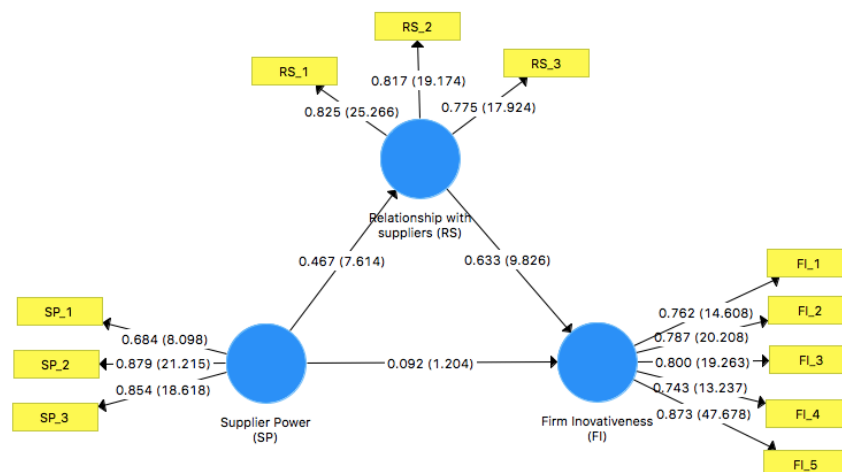
| Relations | VIF |
|---|-------|
| Supplier Power -> Relationship with Supplier | 1,000 |
| Supplier Power -> Firm Innovativeness | 1,279 |
| Relationship with Supplier -> Firm Innovativeness | 1,279 |

Note: VIF < 5

Source: Elaborated by author

After checking the model fit the hypothesis significance test (t test) was performed using the Bootstrapping technique with 500 iterations as shown in Table 5. The t test validates the relationships between latent variables. The path coefficients and the statistical significance of the direct relationships are shown in Figure 2. It was observed that supplier power construct presented a positive β (0.467) and statistically significant level at 5% with relationship with supplier construct (H1a). Finally, the relationship with suppliers presented a positive β (0.633) and statistically significant level at 5% with firm innovativeness construct (H1b). Therefore, the findings supported hypotheses H1a and H1b. Furthermore, the associations under which no hypothesis was argued (SP -> FI) were tested and were not significant.

Figure 2 - Path coefficients and statistical significance of the model.



Source: Elaborated by author

The hypothesis test indicates that the relation between power and firm innovativeness is mediated by the relationship. The path between the independent variable supplier power and relationship with suppliers is significant and positive ($a = 0,467$; $t = 7,614$, $p < 0,01$). Likewise, the path between the relationship with suppliers and the firm innovativeness is significant and positive ($a = 0,633$; $t = 9,826$, $p < 0,01$). These results indicate a complete mediation, since the path between the independent variable and the mediator, and the mediating variable and the dependent variable are significant, in addition, the direct effect of the independent variable on the dependent variable is not significant (ZHAO; LYNCH; CHEN, 2010).

Table 5 – Hypothesis test

| | β | t-value | p-value |
|----------|---------|---------|---------|
| SP -> FI | 0,092 | 1,204 | 0,229 |
| SP -> RS | 0,467 | 7,614 | 0,000 |
| RS -> FI | 0,633 | 9,826 | 0,000 |

Note: $t > 1,96$; $p < 0,01$

Source: Elaborated by author

In this way, H1a is supported, *the supplier power is positively related to the relationship with suppliers*. The results also support H1b, that is, *the relationship with suppliers is positively related to firm innovativeness*.

5. DISCUSSION

The results obtained showed evidence to empirically support that the development of firm innovativeness can be explained through power when this association is mediated by the relationship through its dimensions of sharing information, collaborative approaches and joint decision making. These results indicate that companies have found ways to use the supplier power to create innovations. In this sense, mainly normative and utilitarian power tend to make companies develop relationships of trust and cooperation, in an attempt to use the resources of suppliers, such as technological resources, in order to allow innovation.

The article corroborates with the study of Savage et al. (1991) that concludes that the greater the stakeholder's power, the company can try as a strategic response to collaborate or not with stakeholders, but companies that choose to engage with external stakeholders, through a collaborative relationship, can enjoy positive results. This is the case of the automobile manufacturer Toyota, which through long-term collaborative relationships with suppliers achieves better quality and lower prices, and British Airways, which has been involved in helping its main aircraft supplier, Boeing, to design a new generation of airplanes (HABERBERG; RIEPLE, 2008).

In collaborative business relationships, resources of customer and supplier firms are integrated and activated through interaction or cooperation with other and thereby co-create value (NGUGI; JOHNSEN; ERDÉLYI, 2010). So, although the stakeholder's ability and propensity to hurt the firm resulting from the power they possess (Harrison & Bosse, 2013), it is important go beyond merely defensive or offensive strategies and joining forces with other stakeholders resulting in better management of business environments (SAVAGE et al., 1991).

The mediating effect of the relationship contributes to fill the research gap on relationship and firm innovativeness (AYUSO et al., 2011). In addition, corroborates with Ayuso et al., (2011) findings that through the stakeholder engagement companies can anticipate, understand, and respond faster and more easily to changes in the

rapidly changing business environment. Dialogue with stakeholders also brings opportunities for generating new creative solutions, beneficial for both the company and the stakeholders. In this way, an organization's interconnectedness and position in the stakeholder network are thereby crucial to access stakeholder resources and capabilities to increase value creation through the integrative development of innovative products and services (SCHNEIDER; SACHS, 2017)

Also, considering that collaboration is considered essential in today's competitive world (NGUGI; JOHNSEN; ERDÉLYI, 2010) our research expands the innovation studies in emerging markets (BERNARDES; BORINI; FIGUEIREDO, 2019). The results indicate that the mediator role of relationship can be an innovation strategy that lead companies from emerging countries to achieve more favorable competitive positions resulting from the development of firm innovativeness, thus being able, to insert themselves in the global innovations (VON ZEDTWITZ et al., 2015).

6. CONCLUSION

The article showed the mediating role of the relationship with suppliers in the association between power, exercised by suppliers, and the development of firm innovativeness in the context of emerging countries. These explanations provide a rationale for including stakeholder theory in the discussion of firm innovativeness. Regarding the main limitations of this research, it is pointed that the results were obtained through primary data considering only the perception of executives from Brazilian and Indian companies. In this case, the combination with secondary data in future research can reduce the possibility of any perception bias. Among the recommendations for future agenda the research could expand to another kind of industries or sectors. Also, there is a need for research in different countries and locations, even including in the research developed countries. The comparison between emerging and developed countries can generate useful results to complement the discussion.

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