

Market-oriented sustainability: a conceptual framework and propositions

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Abstract Utilizing Resource-Advantage Theory as the underlying theoretical foundation and drawing on literature from a variety of disciplines, we develop a market-oriented sustainability framework. By incorporating sustainability into market orientation, the goal of strategic alignment of sustainability with marketing strategies is achieved to create a competitive advantage. Three constructs identified in the model are DNA, stakeholder involvement, and performance management. These three constructs are the drivers of sustainability. DNA is used as an extended

metaphor to clarify and illustrate the workings of an organization and how sustainability may be implemented. This construct includes core ideology, dynamic capabilities, and societal engagement. The firm's DNA is communicated to both internal and external stakeholders, and stakeholders' concerns should be an influence on strategic marketing planning. Performance management is the third major construct in the model and includes corporate social performance and corporate financial performance metrics. Within the model explication, we offer propositions to support market-oriented sustainability research and provide directions for sustainability theory, research, and practice.

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It has been over 20 years since the World Commission on Economic Development (WCED) brought “sustainability” into the mainstream of business practice and scholarly research. While a variety of terms and management approaches (e.g., corporate social responsibility, environmental responsibility, social responsibility, sustainable development, sustainability, corporate citizenship, green marketing, and triple bottom line) have been employed to demonstrate business accountability to society, Matten and Moon (2008) note that the intent, regardless of the term, is to reflect business responsibility for the wider societal good. Kuosmanen and Kuosmanen (2009) suggest that sustainability is generally accepted as a key success factor for both public and private organizations. According to Kiewiet and Vos (2007), sustainability reduces business risks,

increases market opportunities, and is an organizational responsibility.

Organizations pursuing sustainability make decisions based on the three criteria of environmental integrity, social equity, and economic prosperity (Bansal 2005). Environmental integrity implies a balanced and complete organization that addresses both economic and social interfaces within the natural environment. Numerous studies have investigated how firms respond to and/or embrace ecological issues, while others have attempted to identify the motives for corporate greening (Bansal and Roth 2000). The criterion of social equity implies that corporations should not knowingly do anything to harm any of their stakeholders (Campbell 2007). The contemporary stakeholder perspective, originating with Carroll (1979) and Freeman (1984), suggested that firms embrace expectations beyond those of financial shareholders, and this perspective has emerged as the dominant paradigm in social responsibility research (McWilliams and Siegel 2001). Economic prosperity maintains that sustainability should lead to economic success as well as enhancement to the firm's reputation and the ability to generate stakeholder loyalty (Bansal 2005).

Major streams of sustainability research have focused on the sustainability triumvirate of environmental integrity, social equity, and economic prosperity. However, Campbell (2007) bemoans the fact that little theoretical attention has been given to understanding *why* corporations act (or not) in environmentally, socially, and economically responsible ways (Bansal 2005; Russo 2003). Consistently, Basu and Palazzo (2008) argue that researchers have failed to understand the underlying mechanisms or triggers that shape activities related to sustainability. There is a tendency to offer an inventory of sustainability activities rather than to understand the precipitating reasons behind the activities (cf. Fry and Hock 1976; Orlitzky et al. 2003; Snider et al. 2003). Flannery and May (2000) suggest that researchers need to know the factors that influence decision making so that researchers and practitioners can design societal and organizational systems, policies, and procedures to support sustainable practice. This call for understanding is consistent with the logic offered by Homburg and Pflesser (2000), who indicated that behaviors of organizational members must be understood so as to better understand the influences upon observable actions.

Our goal here is to utilize Resource-Advantage Theory (Hunt and Morgan 1995) as the underlying theoretical foundation in developing a market-oriented sustainability framework so as to capture the *why* behind socially responsible practices. The market-oriented sustainability framework compiles the underlying triggers or mechanisms that precipitate sustainable actions that result in a competitive advantage for the firm. Such a framework will enable researchers to explore the underlying market-oriented and

generally intangible constructs that precipitate sustainability efforts.

We first provide an overview of the Resource-Advantage Theory as the theoretical foundation for linking market orientation and sustainability. Next, we develop the market-oriented sustainability model where each of the three major constructs of DNA, stakeholder involvement, and performance management are derived and discussed. Within the model explication, we offer propositions to support market-oriented sustainability research. The relationships among the constructs are then discussed via two company examples. Finally, we offer suggestions for sustainability research and practice.

Theoretical underpinnings for a market-oriented view of sustainability

Sustainability is a major concern for marketers in the 21st century since marketing strategies and activities are inextricably linked to the future of the natural environment that sustains all life. The scope of sustainability is broad, and companies worldwide are being held responsible for issues such as reducing consumption of scarce resources, not harming the natural environment, ensuring sustainable supply chain management, reducing climate change/impact, sensing consumer concerns about sustainability, increasing global economic stability through sustainability, and proactively managing business processes to protect the natural environment. "Sustainability" is an ambiguous and politically charged term (Funk 2003), yet it is defined in general as consumption that can continue indefinitely without the degradation of natural, physical, human, and intellectual capital (Costanza et al. 1991).

Consumption has long resided within the domain of marketing (Belk et al. 1996), and thus marketers have to be concerned about consumption as related to sustainability. However, there is little in mainstream marketing management theory, research, and practice that equips companies to deal with the 21st century operating environment in which sustainability is the consumption norm and not the exception. Without a clear recognition of the fundamental constructs of sustainability, the concept will remain a fringe or voluntary activity, not a critical component of an organization's core marketing strategy.

Market orientation

Hunt and Morgan (1995), using Resource-Advantage Theory, determined that a market-oriented firm can achieve a position of a competitive advantage and superior long-run performance. With respect to sustainability, Kuosmanen and Kuosmanen (2009, p. 235) state that, "Sustainability is nowadays generally accepted as one of the key success

factors in the long term business strategy of the firm.” Porter and Kramer (2006) suggest that corporate social responsibility creates a competitive advantage for businesses, with Nguyen and Slater (2010) reporting that two out of three companies on *Fortune*’s “Global 100 Most Sustainable Corporations” list outperformed their less sustainable competitors. As such, we adopt the Resource-Advantage Theory of Competitive Advantage as the theoretical foundation for the development of the market-oriented sustainability framework (Hunt and Morgan 1995). Consistent with Resource-Advantage Theory, a firm that incorporates sustainability into its marketing strategy could have a differential advantage over the competition (Ferrell 2010). This differential advantage can be based on intangibles such as core ideology and dynamic capabilities related to sustainability.

The use of “market oriented” to identify the model builds on Deshpande and Webster’s (1989) belief that a customer [market] orientation is a type of organizational/business culture, an intangible resource for competitive advantage (Hunt and Morgan 1995). The intent is to capture the underlying cultural theme as the overarching guide in the development of the framework. Narver and Slater (1990) suggest that a market orientation is relevant in every market environment and, as such, must be the foundation for a business’s competitive advantage strategy. Jaworski and Kohli (1993), Deshpande et al. (1993), and Homburg and Pflesser (2000), supporting this contention, found that market orientation is an important determinant of firm performance. Given the measurable impact of possessing a market orientation in conjunction with the competitive advantage offered by a marketing strategy that incorporates sustainability, it stands to reason that a market-oriented approach to sustainability would serve as a resource advantage for the firm.

While the marketing concept has long been the cornerstone of the marketing discipline, marketing strategy researchers and practitioners began to witness the development and growing acceptance of the market orientation construct in the 1990s with the proliferation of three overlapping streams of market orientation research. Kohli and Jaworski (1990) identified three core themes of a market orientation: (1) customer focus, (2) coordinated marketing, and (3) profitability. Narver and Slater (1990) denoted three behavioral components of a market orientation—customer orientation, competitor orientation, and interfunctional coordination—and two decision criteria for implementation—long-term focus and profitability. Building on earlier organizational culture and marketing strategy work by Deshpande and Webster (1989), Deshpande et al. (1993) examined the linkages among customer [market] orientation, corporate culture, organizational innovativeness, and business performance.

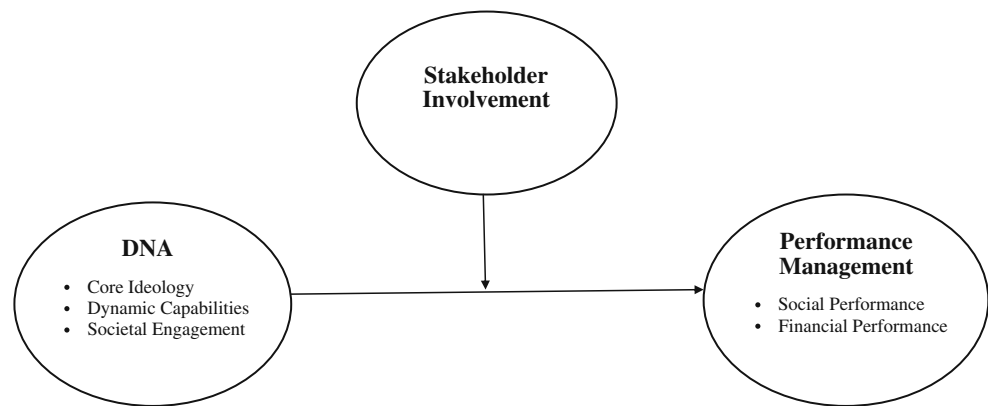
Homburg and Pflesser (2000) summarized the three overlapping streams of research as behavioral and cultural. While there are similarities across the three streams with respect to the focus on the customer, there are underlying differences in the perspectives. The behavioral perspective, depicted by Kohli and Jaworski (1990), relates to specific actions or behaviors necessary to achieve a market orientation (e.g., generation and dissemination of market intelligence). The cultural stream, depicted by Narver and Slater (1990) and Deshpande et al. (1993), is reflective of underlying characteristics of the organization. Deshpande and Webster (1989) go so far as to say that a customer [market] orientation itself is actually a type of organizational culture.

While a market orientation has evolved over time to be almost synonymous with a customer (as end consumer) and competitor focus, researchers have called for the broadening of “market” so as to include a larger constituency base. For example, Slater and Narver (1995) refer to key stakeholders and call for the inclusion of suppliers, businesses in different industries, consultants, universities, and government agencies in the market orientation construct. Matsuno and Mentzer (2000, p. 5) propose an extended domain pertaining to “relevant industry market participants (i.e., competitors, suppliers, and buyers) and influencing factors (i.e., social, cultural, regulatory, and macroeconomic factors).” From an internal perspective, Schonberger (1990) suggests that functional areas in a firm form a continuous chain of customers that extends from a product/service concept to the end user (consumer) of the product. This broader stakeholder perspective (both internally and externally) is consistent with the contemporary stakeholder perspective that has historically been the dominant paradigm in sustainability research. The stakeholder perspective (Freeman 1984) takes into account not just one stakeholder group, such as consumers, but all groups to whom the business is responsible. Marketers adopting this larger stakeholder perspective as related to sustainability will shift the firm’s market orientation (both behavioral and cultural) from an end-consumer focus to a broader set of stakeholders (Maignan and Ferrell 2004). Importantly, Ferrell et al. (2010) suggest that a market orientation that encompasses the broad base of stakeholders provides an avenue to stronger competitive advantage.

Market-oriented sustainability framework

As shown in Fig. 1, the proposed market-oriented sustainability framework is comprised of three multidimensional constructs: DNA, stakeholder involvement, and performance management. DNA is the independent construct in the model, capturing the essence of both the behavioral and cultural aspects of a market orientation and the fabric of the

Fig. 1 A market-oriented model of sustainability



organization that tends toward sustainability (or not). Stakeholder involvement serves as a moderating construct in the model. This construct depicts the broad set of sustainability stakeholders while maintaining the underlying cultural and behavioral concerns of a market orientation (Ferrell et al. 2010). Thus, the proposed model merges market orientation (a dominant construct in marketing management and strategy research) and stakeholder orientation (a dominant construct in sustainability research) by denoting the cultural and behavioral aspects of a market orientation for the long-term welfare of all stakeholders. The third multidimensional, and the dependent, construct in the model is that of performance management. While researchers vary as to the role of profitability within the market orientation domain (a core theme per Kohli and Jaworski 1990, or a decision criterion per Narver and Slater 1990), the relationship between a market orientation and performance has been shown in the literature (Hult and Ketchen 2001; Hult et al. 2005). Researchers such as Griffin and Mahon (1997) suggest the need for multiple sources of performance and note that performance should be observed from both financial (i.e., corporate financial performance) and non-financial (i.e., corporate social performance) metrics.

According to Crittenden (2005), how the marketing job is done ultimately leads to what marketing job is done. Taken together, these three multidimensional constructs capture the underlying triggers or mechanisms for why corporations act in a sustainable manner and create an interactive feedback loop that enables a competitive advantage in sustainability. With the company's DNA as the initial driver of sustainability efforts, these efforts are moderated by stakeholder involvement and, ultimately, lead to positive or negative performance outcomes. These outcomes then become part and parcel of a company's DNA and the market-oriented sustainability cycle begins again. That is, the outcomes of sustainability efforts ultimately affect what sustainability efforts are undertaken. At this point, market-oriented sustainability becomes a resource advantage and driver of competitive advantage.

Model constructs and proposition development

Yadav (2010) suggests that integrating bodies of knowledge from one or more substantive areas can initiate theory development in marketing. Our goal here is to follow Yadav's (2010) suggestion of use interrelations to advocate a market-oriented framework that identifies the underlying constructs of sustainability. To achieve this goal, we draw from a variety of business and non-business disciplines to understand the phenomenon. Thus, the market-oriented model of sustainability is derived from integrating theory across a variety of disciplines with examples from practice to better understand the mechanisms that shape the concept. A market-oriented approach to sustainability is predicated on the understanding that market orientation is a type of organizational culture (Deshpande and Webster 1989) and more than just a focus on the customer and the competitor. Rather, a culture of a market orientation encourages behaviors that affect organizational learning, which can instill sustainability into the fabric of a firm, yielding a resource advantage (Slater and Narver 1995).

In the spirit of theory development, the term "construct" is used here as a broad mental configuration of a given phenomenon (Bacharach 1989). The operationalization of the three multidimensional constructs into variables is facilitated by the propositions that have been derived inductively from research and practice. Each of the propositions relate specifically to the previously noted definition of sustainability—that is, consumption that can continue indefinitely without the degradation of natural, physical, human, and intellectual capital (Costanza et al. 1991).

DNA: culture and climate

Marketing practitioners use DNA metaphorically with terms such as "Organizational DNA" (Govindarajan and Trimble 2005) and "Brand DNA" (Ellwood 2002). According to Avise (2001, p. 87), this usage of the language of DNA is desired, and he suggests that "[t]he hope for any metaphor in science is that it may bring otherwise unfamiliar subjects to

life, make connections not otherwise apparent, and stimulate fruitful inquiry.” Metaphorically, a company’s tendency toward sustainability is a result of its DNA. That is, the DNA holds the deeply rooted set of values and beliefs that provide behavioral norms that trigger or shape sustainability activities. Drawing on the behavioral aspects of a market orientation, sustainability DNA captures both the culture and the climate characteristics of a market-oriented firm. In essence, a firm’s DNA may or may not equate to a market orientation tendency as defined by culture and climate.

As described by Deshpande and Webster (1989, p. 5), culture is “a set of shared assumptions and understandings about organizational functioning” and refers to “why” things happen the way they do in a company. Slater and Narver (1995) describe climate as the operationalization of a company’s culture or the “what” that happens in the company (Deshpande and Webster 1989). Climate then refers to specific behaviors (e.g., the coordinated marketing efforts suggested by Kohli and Jaworski 1990, and/or interfunctional coordination efforts suggested by Narver and Slater 1990) that facilitate the implementation of the market-oriented culture within a firm.

Interactions with managers and the scholarly literature have identified three properties within a company’s sustainability DNA construct: core ideology, dynamic capabilities, and societal engagement. Core ideology is indicative of the underlying culture of a market orientation, while dynamic capabilities and societal engagement refer to the climate of a market orientation. Each of these DNA properties captures Campbell’s (2007) call for theoretical attention to understanding why corporations engage in sustainable development, and each has a discrete set of strategic sustainability issues that regulate both the short and long-term impact on business risk and opportunity.

Culture: core ideology Over a decade ago, Collins and Porras (1996) proclaimed that a company’s core ideology was the glue that held the company together—the enduring character of the organization. Trice and Beyer (1993, p. 33) defined organizational ideology as the “shared, relatively coherent interrelated sets of emotionally charged beliefs, values and norms that bind some people together and help them make sense of their worlds.” Homburg and Pflesser (2000) bring these components together and describe a market-oriented organizational culture as consisting of shared basic values, behavioral norms, and different types of artifacts that result in behaviors.

A company’s core ideology thus consists of the mission and shared values as well as norms that help navigate the company in any endeavor. Since the core ideology does not change continually, the company’s sustainability efforts must fit clearly within the domain of the company’s purpose and values. According to Collins

and Porras (1996), the core purpose and core values remain fixed while the business strategies and practices adapt to a changing world. Werbach (2009), however, differentiates between companies founded on a culture of sustainability and those that, while not founded on a sustainability culture, enact principles that allow the company to move quickly to a sustainability strategy. Organizations not built with sustainability values have to transform their core ideology and change their organizational culture over time so as to incorporate sustainability into the company ethos.

For example, several food and beverage companies were founded on the production of organic products. Stonyfield Farms, Whole Foods, and Horizon Organic Holding Corporation are companies in the dairy industry that have centered their strategic marketing efforts on sustainable products. New Belgium Brewing, the third largest craft brewer in the U.S., based its founding core ideology on sustainability and has received many awards for sustainability innovation. A company such as Coca-Cola identified its core purpose as that of “refreshing the world, inspiring moments of optimism and happiness, and creating value to make a difference,” with core values of leadership, collaboration, integrity, accountability, passion, diversity, and quality—all principles that allowed it to move quickly to a sustainability strategy. Thus, Coca-Cola’s organizational culture enabled the company to focus on sustainability issues such as water conservation and recycling. The sustainability initiatives created market opportunities that fit well strategically and did not conflict (through risk assessment) with the company’s organizational culture. However, a hotel chain that begins to focus on water/heat conservation and recycling is unlikely to have built its organizational culture on sustainability and, thus, has to invest energy, time, and dollars into creating a new ethos for the company.

The influence attributable to a company’s core ideology is a powerful phenomenon as reflected in the following propositions. The first proposition focuses specifically within the dimension of core ideology and its impact on the implementation of sustainable practices or programs. The second proposition expands the impact to that of measureable performance metrics.

- P1a: Organizations founded upon a core ideology that embraces the triumvirate of environmental integrity, social equity, and economic prosperity can implement sustainability initiatives in a shorter time than organizations not possessing such a core ideology.
- P1b: Organizations founded upon a core ideology that embraces the triumvirate of environmental integrity, social equity, and economic prosperity will show positive performance impact in a shorter time than

organizations not founded with sustainability as a core value.

Climate: dynamic capabilities Strategists have long referred to an organization's capabilities in relation to critical success factors, competitive advantage, and superior performance (Hult and Ketchen 2001). Day (1994) refers to organizational capabilities as complex bundles that are deeply embedded in organizational routines. According to Schreyögg and Kliesch-Eberl (2007), dynamic capabilities (also referred to as core competencies, collective skills, complex routines, organizational capabilities, and best practices) do not represent a single resource but rather are complex processes across an organization that can be built in different fields and at different levels of organizational activity. Additionally, as related specifically to DNA, dynamic capabilities refer to habitualized action patterns rather than single case successes, and they are linked to performance measures (Gherardi and Nicolini 2002). Examples of organizational activities that necessitate dynamic capabilities include the product development process and supply chain management—both of which are organizational activities that cross functions, making them collective and social in nature (Schreyögg and Kliesch-Eberl 2007).

Before focusing on specific contextual marketing-related activities such as product development and supply chain, it is important to denote dynamic capabilities within the context of the climate of market orientation. With respect to cross-functional issues, which are paramount in dynamic capabilities, a critical component of the market orientation model by Narver and Slater (1990) is interfunctional coordination. Shapiro (1988) also identified three characteristics that make a company market-driven: (1) information on all buying influences permeates every corporate function, (2) strategic and tactical decisions are made inter-functionally and inter-divisionally, and (3) divisions and functions make well-coordinated decisions and execute them with a sense of commitment. Internal coordination is critical to the effective implementation of market-oriented strategies, and interfunctional conflict can jeopardize a firm's competitive strategies (Crittenden et al. 1993). Hart (1995) goes so far as to suggest that demonstrable cross-functional integration will allow firms to accumulate the necessary resources to be more sustainable, and Bannerjee (2001) pinpointed the importance of cross-functional integration in perpetrating sustainability efforts. Likewise, Darnall (2008) found weak internal coordination to be one of the major obstacles that discourages companies from undertaking sustainable initiatives.

The dynamic capabilities of a firm, as reflected in cross-functional interactions, suggests the following proposition:

P2: Successful market launch of sustainable products, as assessed by both financial and non-financial metrics, will occur more often at companies purporting to be integrated cross-functionally.

Given the importance of product and brand strategies within the broader domain of marketing strategy and competitive advantage, understanding the product climate within the context of DNA (i.e., like-begets-like) is critical to the long-term impact of a market-oriented sustainability strategy. The development of new products is currently one of the least understood components of responsible management, but it is expected to be the DNA component with the most rapid growth (Pinney 2009). Within the product development process, Ellwood (2002) says that brand DNA is the summary of the internal and external benefits of the brand to all stakeholders—the “essence” of the brand. Noori and Chen (2003) stress the importance of collaboration among R&D personnel, designers, and environmental technicians prior to the design stage in the development of sustainable new products. Thus, the dynamic capabilities of a company's DNA focus on what the company does in understanding and integrating social and environmental considerations into its assessment of market risks and opportunities when developing new products.

Brands have long been considered one of the most important intangible assets owned by companies. Driven by competitor innovations, changes in customer wants and needs, and brand atrophy, corporations plan strategically for brand growth. Werbach (2009) describes two types of sustainability brand growth strategies: leadership brands and integration-innovation. Leadership brands are when companies inject sustainability into their portfolio of brands. That is, sustainability is replicated within the brand portfolio (i.e., sustainable brands-beget-sustainable brands). For example, Toyota's introduction of the hybrid car and GE's “Ecomagination” both fit comfortably within each company's genetic composition, while also meeting the needs of the worldwide marketplace.

Werbach's (2009) concept of integration-innovations is that a company slowly makes its products more sustainable without suggesting that this is anything out of the ordinary for the company (i.e., without fanfare in the marketplace). That is, the company's products were not identified originally as sustainable offerings. This suggests that the DNA of a company's products can be modified genetically overtime. For example, Poland Spring's move to sustainable packaging was done with minimal external communications while having a long-term environmental impact, even though many question the sustainability impact of bottled water in general. With respect to genetic modification, Werbach (2009, ch. 3) quotes the CEO of Saatchi &

Saatchi: “The brands of the future will each have a purpose and that priceless competitive advantage which comes from doing the right thing when no one is looking.”

As such, we offer a set of propositions related to brand and the impact of DNA. The first two propositions in the set below focus on a company’s replication of sustainable products and images within a product segment. The third proposition addresses brand recognition within product segments, and the fourth proposition relates this replication and recognition to the company performance.

- P3a: Companies in the leadership-brands segment can replicate sustainable product development more efficiently than companies in the integration-innovations product segment.
- P3b: Leadership-brands are more prone to creating a sustainability brand image than integration-innovation brands.
- P3c: Consumers who prefer sustainable products exhibit stronger brand recognition of brands in the leadership-brands product segment than to brands in the integration-innovation brands segment.
- P3d: Leadership brands achieve success in a shorter time period, as measured by corporate social performance metrics, than brands in the integration-innovation brands segment.

In addition to the product development process, Schreyögg and Kliesch-Eberl (2007) identify the supply chain as another organizational activity in which dynamic capabilities are at the forefront. From a sustainability perspective, the world’s resources are being depleted faster than ever before and at an increasing cost to businesses and, thus, to consumers (Penfield 2008). Eighty-five percent of respondents of one study reported that they were involved in new programs to drive sustainable efforts via operational efficiency, corporate social responsibility, and cost savings up and down the supply chain (Environmental Leader 2009). For example, Walmart is placing new demands on the supply chain to support its sustainability strategy: (1) manufacturers must certify compliance with social and environmental standards set by the government, (2) suppliers must work with Walmart for a 20% reduction in energy efficiency, and (3) Walmart plans to source 95% of its production from factories receiving the highest rating on environmental and social practices.

Among 50 interviewed chief executive officers, the need to control the supply chain was paramount as a marketing priority, with one CEO noting that marketing must be connected to supply chain decisions from a sustainability perspective (Burkitt 2010). However, there appear to be differences in the DNA among companies in the supply chain, as noted by the fact that 42% of the companies in one study failed to include supply chain partners in their

carbon and energy footprint (Environmental Leader 2009). Schneiderman (2009) would likely attribute this lack of DNA duplication to the fact that many companies still treat sustainability decisions discretely (i.e., within one company or segment) rather than with an end-to-end sustainability decision process.

The Body Shop is a company that has examined supply chain sustainability from an end-to-end perspective. Concerned that the company’s “natural” image might have been tainted in the takeover by international giant L’Oreal and spurred by growing concerns about the impact of palm oil plantations on biodiversity, The Body Shop decided that it needed to source its palm oil from a sustainable producer. Producing almost 15 million bars of soap per annum that contain palm oil, The Body Shop partnered with Daabon, a certified organic producer in Colombia, to bring sustainable oil to the marketplace. Continuing with its efforts in responsible business processes, The Body Shop became the first cosmetics retailer to introduce sustainable palm oil into the global beauty product industry.

Beamon (2005) suggests that environmental and sustainability ethics will require a fundamental paradigm shift in supply chain management. This paradigmatic shift will require collaboration comparable to that seen internally within functional groups (Ritter and Hagedorn 2008). Thus, the DNA of each company will need to replicate or pair outside the company’s boundaries. The variety of interactions within the processes that facilitate the exchange and flow of information and resources within and between companies in the effort to provide sustainable offerings suggest the following:

- P4a: A sustainability strategy will be associated with a collaboration culture among supply chain members.

While there is research and anecdotal evidence about the role of the supply chain in the dynamic capabilities of firms, the performance impact of supply chain collaboration as related to sustainability is unclear. Based on early indications, we propose that:

- P4b: A sustainability strategy that permeates the supply chain will have a positive impact on non-financial performance metrics.
- P4c: A sustainability strategy throughout the supply chain will not have a positive impact on financial performance metrics in the short-term.

Climate: societal engagement Societal engagement involves the proactive development of strategies that benefit stakeholders and the organization. This means that societal engagement is not just “giving back” to society but is also a source of competitive advantage. Therefore, the firm’s DNA has an embedded awareness of both societal

issues and opportunities to create societal benefits as organizational resources are deployed for competitive advantage. As noted by Mackey et al. (2007), the debate about the degree of societal involvement has not abated, and globalization has served to increase society's expectations on firms' engagements with societal issues (Hillman and Keim 2001). Isdell (2010) suggests that companies will need to rewire themselves DNA-wise to formulate a new model of societal engagement in which they engage with society across stakeholders, including the four platforms of institutions, values, social challenges, and communities.

Companies have taken a variety of approaches to societal engagement in the 21st century. Issues such as global warming related to greenhouse gases require societal engagement to aid in reducing carbon dioxide emissions. Without engagement to prevent global warming, for example, many life forms could be endangered. Therefore, renewable energy, recycling, and encouraging consumers to modify lifestyles all relate to the climate of societal engagement. A company that has made societal engagement a fundamental aspect of its sustainability DNA is CUTCO Corporation. The company instilled a "going green" initiative that, like the product's FOREVER guarantee (to replace or repair any of its products for life), is intended to develop long and enduring employee and consumer relationships with the company. Within 1 year, the company implemented computer power management with an estimated savings of US\$41,000 annually, turned off lighting on one floor of an administration building with an estimated savings of US \$7,500 annually, began a recycling program that resulted in a 26% decrease in trash from all company facilities, and set company printers to automatically duplex, resulting in a decrease of 27% in paper use. The company's "Going Green. Going Forward." effort is part and parcel of the company's DNA, as the company has a long history and strong reputation in both the local and national communities for societal engagement. However, not all companies are committed to going green. Some companies have engaged in greenwashing, which involves misleading a customer into thinking that a product is more environmentally friendly than it really is.

To modify a company's DNA so as to follow a new model of societal engagement, Isdell (2010) suggests that companies perform the following: (1) connect the business with civil society and governments, (2) connect the business with the core values of employees, (3) connect CSR to the core business, and (4) connect the business to the communities served. According to one executive, "well-thought-out partnerships between NGOs and businesses tend to do very well for the profitability of the companies." (Economist Intelligence Unit Limited 2008, p. 20) Thus, the DNA chains are inextricably linked so that the

instructions for future development, survival, and reproduction produce sustainable business decisions and actions. Therefore,

P5: Societal engagement that benefits both financial (CFP) and non-financial (CSP) performance outcomes yield greater long-term competitive advantage as compared to societal engagement outcomes reflected in either CFP or CSP metrics.

Stakeholder involvement

Marketers' decisions impact a variety of constituents, albeit usually via the decisions' impact on consumers (Smith 2009). The social contract that exists from governments to ensure the public good is no longer the central concern. Companies today operate in a much more complex environment where the license to operate does not come simply from the government but rather from a wide variety of stakeholders—from consumer groups to environmental activists—all of whom have the potential to jointly impact a company's reputation and success. Stakeholder relationships can be interrelated, and through shared values, a synergy can evolve that advances sustainability. Stakeholder orientation encompasses a performance management perspective that recognizes the importance of all stakeholders' interests and the need to secure their support (Donaldson and Preston 1995). The extent to which a firm understands and addresses stakeholder interests results in the level of stakeholder orientation. Thus, stakeholder involvement in sustainability practice is often indirect and a moderator of the relationship between sustainability DNA and performance management. That is,

P6: The relationship between DNA and performance management is moderated by stakeholder involvement in sustainability concerns. Specifically, firms will be more likely to engage in sustainable business processes if stakeholders are interested in, and adept at, sustainability practices.

Today's global marketplace presents numerous opportunities for market expansion. However, every company must consider the wide range of risks that accompany market development. The major starting point is to look at sustainability opportunities and risks from the viewpoint of key stakeholders. The stakeholder perspective (Freeman 1984) includes interest groups to whom organizations are responsible. An individual or group is considered a stakeholder when any one of three characteristics applies: (1) the actor has the potential to be positively or negatively affected by organizational activities and/or is concerned about the organization's impact on their or others' well-being, (2) the actor can withdraw

or grant resources needed for organizational activities, or (3) the actor is valued by the organization (Frooman 1999; Maignan and Ferrell 2004; Rowley 1997). Stakeholder theory is grounded on the normative assumption that “all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another” (Mitchell et al. 1997, p. 68).

Even though the stakeholder perspective has pervaded the marketing literature on ethics and social responsibility (e.g., Blodgett et al. 2001; Maignan and Ferrell 2004; Sen et al. 2006) and some authors have advocated the relevance of the stakeholder concept to marketing and proposed marketing-based approaches to addressing stakeholder demands (e.g., Bhattacharya and Korschun 2008; Polonsky 1996), no marketing frameworks have been developed that link stakeholder theory to sustainability. Much of the current stakeholder theory assumes stakeholder participants are distinct and mutually exclusive. Stakeholder value results from being inclusive of all stakeholders, not just a single stakeholder perspective (Bhattacharya et al. 2009). In the case of sustainability, multiple stakeholders support common goals to protect the environment, and stakeholders maintain multiple, simultaneous relationships with companies such as that of prospective employees as well as prospective investors (Bhattacharya and Korschun 2008). The growing consensus is that a firm’s stakeholders are embedded directly or indirectly in interconnected networks of relationships. Diverse stakeholders may even align together with regard to issues of concern. For example, governments, special interest groups, and businesses might join together in search of solutions to issues such as global warming, biodiversity issues, pollution, recycling, or alternative energy.

Henriques and Sadorsky (1999) propose four sustainability stakeholder groups: regulatory stakeholders, organizational stakeholders, community stakeholders, and the media. Similarly, Buisse and Verbeke (2003) identify sustainability stakeholders as regulatory stakeholders, external primary stakeholders, internal primary stakeholders, and secondary stakeholders. While there may be similarities in stakeholder groups, Murillo-Luna et al. (2008) found that companies do not respond differently to pressure from various stakeholder groups. The finding is that companies face a single demand function for sustainability and respond by committing resources to satisfy that demand. That is,

P7: Different sustainability demand functions among stakeholder groups will not result in different sustainability response functions, with the likely response function being the one that satisfies the most formidable stakeholder group.

Performance management

Without performance management, companies are likely to end up with a strategy-to-performance gap. Reports suggest that companies realize only 63% of the financial performance promised by their strategies (Mankins and Steele 2005). In today’s turbulent economic times, a strategy-to-performance gap could mean death to a company’s sustainability efforts.

Considerable research effort has been devoted to understanding and debating the relationship between CSR and financial performance (for overviews of this research stream see Barnett 2007; Barnett and Salomon 2006; Hull and Rothenberg 2008; McWilliams and Siegel 2000; McWilliams and Siegel 2001). However, as noted by Barnett (2007), researchers still cannot conclude clearly whether a dollar investment in sustainability initiatives returns more or less than one dollar in benefit to the shareholder. Researchers have long called for multiple and non-financial sources of sustainability performance measures (Griffin and Mahon 1997).

Regardless of the outcome, executives recognize that metrics and accountability are critical in the implementation of a sustainability strategy, and the performance outcome is thematic in a market orientation (Kohli and Jaworski 1990; Narver and Slater 1990). According to two executives, “What gets measured, gets done” and “metrics and accountability are major reasons why [the company] continues to flourish after 130 years in business” (Economist Intelligence Unit Limited 2008, p. 18). To be a meaningful aspect of business practice, activities related to sustainability must have measureable goals backed by both corporate social performance and corporate financial performance metrics.

Corporate Social Performance (CSP) metrics In a special report on corporate social responsibility, Franklin (2008) reiterates that CSP, or non-financial, measures of sustainability progress are important in the overall assessment of a company’s sustainability performance since not all sustainability programs lend themselves so easily to precise economic objectives. For example, GE had a non-financial performance metric of “reducing its greenhouse gas emissions 1% by 2012 and the intensity of its greenhouse gas emissions 30% by 2008.” Based on the company’s projected growth, GE said that its emissions would have otherwise risen 40% by 2012 without further action (Pinney et al. 2009).

Home Depot, the world’s largest seller of certified wood products, supports sustainable forestry by guaranteeing that harvested trees will be replenished. Home Depot’s benefits from this sustainability commitment maybe hard to measure, yet the company strives to educate consumers on the

implications of their purchase behavior by letting customers know that an average home consumes 64 trees (not including framing) and that the average American consumes enough wood and paper products annually to produce a 100 ft tall tree which is 16 in in diameter (Home Depot 2009). As consumers transition to more sustainable behaviors, Home Depot is positioned to be a candidate for consumer loyalty and acceptance. Thus,

P8: Companies that are leaders in sustainability initiatives will emerge as market leaders although such market leadership may not be reflected immediately in financial performance.

As a result of consumer skepticism regarding sustainability initiatives, some companies are seeking non-financial metric validation through relationships with third party organizations that authenticate sustainable business practice (Nieto 2010). One such partnership has developed between Coca-Cola and the World Wildlife Federation. Many industries are demonstrating a commitment to responsible business practices with collaborations that produce voluntary standards that go well beyond legal requirements. For example, one of the most sophisticated industry standard-setting efforts is the Responsible Care Initiative of the American Chemical Council. Adoption of this “voluntary” code of conduct is a requirement for membership in the council, and participants must allow independent third-party audits to ensure code compliance. This suggests the following:

P9: Companies that utilize artifacts (stories, partnerships, compliance) to offer symbolic meanings to an organizational culture of sustainability will demonstrate stronger brand loyalty as a performance metric.

Ultimately, however, these non-financial metrics have to tie into long-term value for the firm. Homburg and Pflesser (2000) distinguished between market performance and financial performance yet in the end showed that market performance had an indirect effect on financial performance. Thus, even constructs such as market outcomes and corporate reputation are inextricably linked to financial outcomes.

Corporate Financial Performance (CFP) metrics Werbach (2009) notes that people become fixated on aspects of sustainability and forget the economics of the business case and, in so doing, fail to connect sustainability to their core business. As noted previously, much of the past research has focused on correlations between CSR and financial performance. In these instances, sustainability objectives and strategies (e.g., reducing gases, reducing waste) are assessed against financial performance metrics, and some sustainability market leaders have been successful at making the input to output connection.

For example, General Electric had clearly stated objectives/strategies and metrics in the launch of Ecomagination: “more than double its research investment in cleaner technologies, from \$700 million in 2004 to \$1.5 billion in 2010; introduce more clean-tech products annually, doubling its current \$10 billion in annual revenues from Ecomagination products and services to at least \$20 billion by 2010, with more aggressive targets thereafter” (Pinney et al. 2009). Although not tied to product and service revenues, CUTCO was able to estimate yearly cost savings related to energy consumption of almost \$50,000 via computer and lighting power management. Thus,

P10: Sustainability efforts with objective financial metrics are more likely to be viewed as authentic by both internal and external stakeholders.

Construct relationships at UPS and Baxter International, Inc.

Additional support for the proposed relationships between and among the model constructs is provided within the context of two specific companies, UPS (Ciesluk 2007) and Baxter International Inc. (Richards and Bharwani 2008). These two case studies are part of a series of cases developed to portray how companies practice sustainable development. The cases were developed following traditional qualitative data collection methods (i.e., interviews and secondary data). The use of the cases here is to portray the value of the model in terms of the proposed relationships.

UPS (Ciesluk 2007) has a long history of engaging in sustainability, as it began investing in alternative energy more than 70 years ago. This replication of sustainability throughout UPS has led to its categorization as a leadership-brands sustainability growth strategy. The company suggests that this strategy is an extension of its culture and commitment to the community. According to one company spokesperson, “Sustainability is everywhere, and every place; it’s not isolated in a single department.” These are dominant culture and climate characteristics of the company’s sustainability DNA that trigger or shape future activities and are embedded into new employees from the first day on the job. Stakeholder involvement is critical to UPS in the development of market-oriented sustainability. In particular, one of the “pillars” of the company is that of employee engagement. However, the company looks beyond its internal workforce and states that it is “operating in unison with employees, communities and governments to foster greater global economic prosperity...”. The triumvirate of sustainability and the third construct in the proposed framework is exhibited clearly in the company’s focus on goals and metrics, with the company motto of “In God we

trust, everything else we measure.” The company attributes its long-lasting success to a business-focused approach to sustainability that feeds into every aspect of its business.

Along the lines of an integration-innovations company, Baxter International Inc. (Richards and Bharwani 2008) realized the importance of aligning its mission with that of its core customers—a mission in which sustainability had moved from a “nice to have” to a “must have.” This realization came on top of the company’s original environmental program, which was a result of an initiative by the Chicago office of the U.S. Environmental Protection Agency to encourage pollution prevention and other voluntary initiatives among local companies. According to the director of corporate communications, “The mindset [at that time] was to change things within the corporate environmental community.... Companies began to see the financial implications and benefits of environmental programs, which became something to talk about, not hide.” In essence, the company’s sustainability DNA was being modified genetically over time via the sharing (i.e., storytelling, reporting) of company sustainability initiatives both internally and externally. Baxter engages a wide range of internal and external stakeholders (e.g., customers, investors, corporate representatives from different industries, environmental NGOs, healthcare NGOs, employees, academics/students/ consultants, suppliers) in its sustainability efforts and values feedback from these stakeholders. The company has been a pioneer in the performance management construct of market-oriented sustainability. It voluntarily participated in the pilot of the Global Reporting Initiative Guidelines and was one of the first companies to produce a holistic sustainability report. The report provides a baseline for continuous improvement and, most importantly, focuses on demonstrating the contribution that environmental initiatives make to the business. Its “environmental financial statement” allows the company to track costs, savings, and revenues generated via its sustainability programs. The company’s market-oriented approach to sustainability has resulted in the receipt of numerous awards as a leader in sustainability.

Discussion and implications

In order to focus attention on the importance of sustainability to marketers, the theoretical model developed here is framed within the context of the well-accepted notion of a market orientation. By incorporating sustainability within this market perspective, we allow for the strategic alignment of sustainability into marketing strategies to gain competitive advantage. More specifically, our model of market-oriented sustainability has foundational support from the Hunt and Morgan (1995) Resource-Advantage

Theory. Hunt and Morgan (1995) defended market orientation as an intangible resource advantage that yields competitive advantage equal to or surpassing tangible resources. A sustainability orientation addressed through a firm’s DNA, its stakeholder involvement, and performance management can be defended as an intangible resource for competitive advantage. Thus, the three multidimensional sustainability constructs identified in the model—DNA, stakeholder involvement, and performance management—portray the underlying drivers of sustainability. In particular, we build from the driver domain to determine the underlying constructs that influence sustainability, thus avoiding the trap of ad hoc inventories of sustainability activities.

While the triumvirate of environmental integrity, social equity, and economic prosperity surrounds the actions of market-oriented sustainability, they are not the inherent drivers of sustainability. Rather, these three criteria are the rationale for firms to act sustainably. Our approach in the model is to capture *why* and *how* firms develop sustainability offerings. In doing so, we argue that a company’s DNA is critical to sustainability. In explaining DNA, the National Human Genome Research Institute (2009) begins by stating, “...elephants only give birth to elephants, giraffes to giraffes, dogs to dogs and so on for every type of living creature.” This like-begets-like process resides in the creature’s DNA, which are the biological instructions that make each species unique. These DNA instructions are the messages passed along to an organism that enable it to develop, survive, and reproduce.

Drawing on the building blocks of DNA, we portray how a sustainability focus begets a sustainability focus for the future. At the same time, we draw on literature that allows for the understanding of DNA modification so as to change the strategic messages about sustainability. All the while, we acknowledge that any sustainability-related research would be remiss without denoting the centrality of stakeholders. However, our model shows that these stakeholders moderate the relationship between DNA and firm performance.

The model is grounded on existing theory and research and has the potential for predicting new observable phenomena. As an interrelated set of relationships and propositional statements that can be operationalized for empirical testing, the model advances our understanding of the 21st century marketing operating environment and thus has implications for both research and practice.

Research implications

Future empirical research is now needed to identify specific variables for testing within the numerous propositions identified here. The propositions provide a wealth of opportunity for examining numerous linkages and relationships between and

among constructs and variables. We recognize that a very broad research agenda has been identified in the propositions and that pursuit of each of the propositions can invoke a wide range of research methodologies—from qualitative methods to survey data to econometric modeling. Much is to be gained, regardless of the method used to capture the information. As with all marketing research, the researcher has to select the method that will enable the capturing of desired phenomena and that will, if not now but later, tolerate greater generalization. The one thing that we do know is that there is a wealth of knowledge that still needs to be acquired and accumulated with respect to market-oriented sustainability.

Another major theoretical contribution of this market-oriented model of sustainability is the inclusion of diverse stakeholders into market orientation. Past research on market orientation has focused on customers and competitors, with internal issues portrayed as important behaviors to facilitate a market orientation. As such, past market orientation research has evaluated hypotheses relative to superior performance with a focus on customer and competitors. Including diverse stakeholders offers a more expansive perspective to a market focus and identifies a gap in the market orientation literature. That is, because stakeholders interested in sustainability may not necessarily be aligned on other marketing issues, further inquiry is necessary to determine variables that could synchronize the sustainability marketing strategy dimension across stakeholders.

Finally, there are several areas of interesting inquiry that arose tangentially to the development of the market-oriented model of sustainability. These inquisitional points arose as questions during the model development: Does a powerful marketing department support (or prohibit) the development of market-oriented sustainability (cf. Homburg et al. 1999)? Is market-oriented sustainability more or less important in a turbulent market environment (cf. Homburg and Pflesser 2000)? Is the bond between the marketing organization and sustainability stakeholders likely to emerge as congruence in perceived norms and values (cf. Scott and Lane 2000)? What are the stakeholder benefits or resources that can be gained from a market-oriented sustainability strategy?

Managerial implications

This framework should encourage marketers to integrate sustainability into the development of marketing strategies. Expanding the market orientation focus from customers and competitors to a broader base of sustainability that includes all stakeholders should provide the opportunity to advance market performance and differentiate new and existing brands. Fabri-Kal, the sixth largest thermoformer in North America, which sells plastic cups, bowls, containers, and

lids to the foodservice industry, has included “operations that create products in a safe and environmentally responsible manner” in its mission statement (Fabri-Kal 2010). To demonstrate leadership in sustainability, the company’s Greenware products are made entirely from plant-based materials. According to the company, Fabri-Kal products can enhance brands in the business-to-business channel and ultimately at the business-to-consumer level. In so doing, sustainability becomes a critical component within the company’s chain of customers. This type of market-oriented strategic integration of sustainable products illustrates the practical implications of our framework. Sustainability moves beyond voluntary CSR activities to a core component of marketing strategy. Focusing on supply chain members and customers, sustainability can be positioned as a competitive advantage and a responsible activity for societal engagement. This moves sustainability beyond CSR and into the mainstream areas of marketing strategy.

From a practical standpoint, implementing a market-oriented sustainability strategy involves first identifying the sustainability issues that are most important for the organization, the industry, and the region of the world—in accordance with the sophistication of the primary and secondary stakeholders in understanding sustainability issues and potential benefits. If the organization has relatively well-informed customers, such as consumers of Patagonia or Timberland clothing, it is possible to leverage the organizational commitment and benefits as illustrated by a leadership-brands perspective. When newly entering the realm of engaging in sustainability activities (e.g., Walmart), the organization will need to educate key stakeholders and present the bottom line benefits for supporting organizational initiatives, which would be more of an integration-innovations approach.

After determining key sustainability issues and ranking those issues in terms of importance to stakeholders, it is critical to engage stakeholders actively in providing feedback, critiques, and support for current or proposed sustainability initiatives. In other words, how can alliances and partnerships be developed that lead to strong performance management and stakeholder satisfaction? For example, the AA1000 Stakeholder Engagement Standard from AccountAbility relates a process of creating societal engagement through inviting key stakeholders to participate in conversations, meetings, and ongoing dialogues on sustainability topics (AA1000 2010). Thus, to garner commitment from stakeholders, the organization should indicate an awareness of mutual sustainability concerns, acknowledge the performance management outcomes, and outline a plan for addressing these issues.

Organizations can provide an opportunity or gap analysis showing that benefits can be derived in business practices

and performance management through greater adherence to common goals. As stakeholders show support by providing feedback and challenging or reinforcing synergies in sustainability behaviors, the organization's DNA will be impacted, resulting in performance management outcomes that support greater investment, acknowledgement, and alliance in support of sustainability activities. One example is companies like Georgia-Pacific that are providing services to their stakeholders that assess opportunities to provide more efficient packaging operations to reduce overall supply chain costs, which should ultimately be reflected in modification of the organizational DNA for all concerned parties (Georgia-Pacific 2009).

Almost 20 years ago, McKenna (1991) said that the marketer must be an integrator, both internally and externally, and that marketing was not a function but a way of doing business. At that time, technology was entering the forefront of consumer choice—and that choice was expected to alter the marketplace. In today's marketplace, sustainability is at the forefront of consumer choice, and that choice will alter the marketplace as we know it.

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