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ESSAYS ON "SUSTAINABILITY, MARKETING CAPABILITY, AND FIRM PERFORMANCE"

By

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Doctor in Philosophy

Business

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ESSAYS ON “SUSTAINABILITY, MARKETING CAPABILITY, AND FIRM PERFORMANCE”

BY

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Master in Business Administration 2001
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An abstract of
a dissertation submitted to the Faculty of the
James T. Laney School of Graduate Studies of Emory University
in partial fulfillment of the requirements for the degree of
Doctor of Philosophy in Business 2012

ABSTRACT

Social and environmental sustainability has become a topic of significant discussion among marketing practitioners. Marketing scholars have responded through the formation of the stakeholder marketing literature, proposing that the adoption of sustainability needs in marketing requires an evolution from a customer focus towards the understanding of a broader set of stakeholder requirements. This dissertation seeks to build on the emerging stakeholder marketing literature by providing a study into the marketing capabilities, management conflicts, and performance implications of designing a product or service offering to create "shared value" across the firm stakeholders. The study draws on depth interviews of managers and a theory-in-use approach to introduce *Constituents-Based Marketing* (CBM) as the capability to develop product offerings that can address the needs of multiple constituencies at the same time, and identify specific challenges as well as benefits associated with the development of CBM. An empirical test across 44 countries uses instrumental variable regression and finds CBM capability to be positively associated with sales growth, firm trust, and employee engagement. The analysis finds the CBM effects to be stronger in highly networked as well as competitive conditions. I also provide a novel understanding of marketing dispersion as a driver of CBM capability. The results are robust to estimation methods and endogeneity concerns. I present theoretical implications and managerial guidelines for the generation of market intelligence and the design of marketing organizations

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I. ACKNOWLEDGEMENTS

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DEDICATION

To Gigi

The love of my life, who with Shanti and Lucca, gave me the inspiration, courage and energy to complete this work.

II. INTRODUCTION:

"Growth can make us poorer, not richer"

– Herman Daly

"The remarkable progress in human development over recent decades cannot continue without bold global steps to reduce both environmental risks and inequality. Providing opportunities and choices for all is the central goal of human development. We have a moral imperative to ensure that the present is not the enemy of the future."

- Helen Clark
Administrator
United Nations Development Program

This dissertation is built on three simple ideas. First, that business in general, and marketing in specific, is primarily about the pursuit of human wellbeing at a profit. Second, that such an endeavor has resulted in unprecedented levels of human development over the last fifty years. But, third, that the marketing models used in the pursuit of human wellbeing at a profit are too inefficient in their use of environmental resources and too ineffective in creating or spreading value in the communities in which the business operates. As a result, the progress made to date is unlikely to be sustained without a revision of the marketing model itself. The work that follows is a study of organizations in pursuit of a new marketing model and the findings point to some fundamental shifts in the development of marketing capabilities.

The last fifty years have seen remarkable progress and a spread of human development with increases in the standard of living in most countries around the world. The majority of the world population today has better options for education, greater access to food and shelter, and an ability to afford basic services and needs. The world's average Human Development Index (HDI) increased 18 percent between 1990 and 2010 and 41 percent since 1970, reflecting large improvements in life expectancy, school enrolment, literacy and income. Nearly all the countries have benefited from this development trend. Of the 135 countries in the of United Nations (UN)

Human Development Report, which represents 92percent of the world's population, only three had a lower HDI in 2010 than in 1970. However, when the costs of this growth are examined, the trends look less encouraging. Specifically, the environmental cost and the inequity in the spread of wellbeing are threatening the ability of society to sustain gains in development. For instance, the ecological footprint as calculated by the United Nations shows that the world is increasingly exceeding its global capacity to provide resources and absorb wastes. It is a fairly publicized fact that if everyone in the world had the same consumption and technologies as residents in very high HDI countries, the world would need more than three Earths to withstand the pressure on the environment. The clear implication is that patterns of consumption and production are believed to be unsustainable without new methods and technologies that can significantly increase their efficiency in the use of resources.

The state of health, education, and living standards are also important dimensions of development. Progress in health and education can be a major driver of success in human development. In fact, seven countries entered the list of top 10 HDI countries thanks to their high achievements in health and education, in some cases even with unexceptional economic growth.[1] The report finds important progress in health but the trend of improvement is slowing down, driven in part by a decline across 19 countries, some of which have seen life expectancy fall below 1970 levels. The expansion of education has experienced a more substantial gain, both in terms of quality of schooling and access. However, despite some encouraging signs in health and education, we are still experiencing significant inequality of development, as evidenced by an increasing gap in the standard of living. Between 1990 to 2005, the ratio of within-country income inequality, measured by the Atkinson inequality index, increased 23.3 percent in very high HDI countries. The gap between rich and poor also widened over the last

[1] United Nations Human Development Report 2010; *The Real Wealth of Nations: Pathways to Human Development*

two decades in more than three-quarters of the Organization for Economic Co-operation and Development (OECD) countries and in many emerging market economies.[2] Finally, environmental and community development factors are highly interdependent, given that as environmental degradation increases, it increases the risk of reversing progress on health and living standards, particularly in countries of greatest development need. Therefore, the gains in human development appear to be fragile and at risk in light of the environmental costs and social inequity consequences from the current development model.

The consolidation of these perspectives suggests the world is not necessarily confronting a development problem but rather, as proposed by environmentalist Paul Hawken, the world is confronting a design problem. The problem is not in the ability of institutions to improve human wellbeing, but rather in the design of the current model which is leading to an accelerated depreciation of the necessary resources required to sustain progress into the future.

Now, marketing as a business discipline is at the core of this conundrum. A significant aspect of the model to improve human wellbeing today depends on the creation of products and services that can meet the needs of people. Most of those products and services are developed, distributed, and sold for a profit by businesses. For instance, the United States (U.S.) economy, with 70percent of the Gross Domestic Product (GDP) consisting of private consumption, is heavily dependent on consumer spending to drive its GDP. Decisions concerning what products to make or what services to offer, or how product consumption can be encouraged in order to sustain the business goals, are at the core of marketing. In addition, the marketing decisions include what resources to use and how to use them in the development and placement of products and services (Fuller 1999). Finally, through their promotion decisions, marketing actions have a significant influence on consumption behavior. Therefore, because of its

[2] United Nations Human Development Report 2011; *"Sustainability and Equity: A Better Future for All"*

important influence on the selection of offerings and methods used to influence consumption behavior, the marketing field has a critical role to play in understanding the shortfalls of the current model and studying the reforms that can improve its contribution to sustaining the trends in human development at a profit. This is at the core of the interface between Sustainability and Marketing. Over the last three decades an increasing number of scholars have argued for a greater role of marketing in addressing the limitations to growth. Some advocate for greater responsibility in redirecting the needs and wants of consumers towards consumption patterns that are least harmful (Sheth and Parvatiyar 1995). Others focus on the reduction of resources used or the adoption of social environmental goals. Firms have also been responding to these challenges and many have pursued aggressive action in reducing their environmental footprint while strengthening claims of social contributions. Evidence of progress can be found in the fact that 80percent of the Fortune 250 companies regularly report their commitments, goals, and achievements in their environmental and social activities. In addition, the total number of firms adopting the Global Reporting Initiative (GRI) standards now stands at 1,818, from 44 in the year 2000.

Against this backdrop, this dissertation focuses on the study of implications of sustainability on marketing capability and market performance. In particular, I seek to answer three questions. First, what are the implications on the marketing capabilities of a firm that changes its performance orientation to also incorporate Sustainability goals without trading off traditional shareholder commitments? Second, what are the motivations and consequences for a firm that changes their marketing capabilities in response to such a change in performance orientation? Finally, how do embedding sustainability benefits into a firm's product offerings affect its performance in the market? The next section covers a general definition of sustainability and its implications in marketing literature.

Definition of Sustainability

"Sustainability is not exclusively or even primarily an environmental issue. It is fundamentally about how we choose to live our lives, with an awareness that everything we do has consequences for the seven billions of us here today, as well as for the billions more who will follow, for centuries to come."

- United Nations Report of Human Development (November 2011)

The term "sustainability" has a long history in management literature and, while its application has varied, most of its association has revolved around the constraints and consequences of economic growth. As early as 1798, the English scholar Thomas Robert Malthus introduced the preoccupation with population growth and the risks associated with it in the context of finite environmental resources. His contention at the time was against an emerging view of lasting and sustainable progress and prosperity, arguing that "the time power of population is indefinitely greater than the power in the earth to produce subsistence for man." A similar concern emerged in the United States following the postwar economic growth as expressed in the President's materials policy commission in 1952. The 1960's and '70's saw an increased attention to the environmental costs of economic development. Books such as "The Silent Spring" and "Limits to Growth" stimulated public opinion and served to strengthen an environmental movement which was responsible for the development of important policy changes in the United States.   For the most part, corporations were seen as the source of much of the problem during this phase, unwilling to embrace a broader social responsibility over and above their duty to shareholders. Therefore, changes to the development model were externally enforced through government regulations.

The notion of sustainability began to change during the mid-1980s, exemplified by the publication of *Our Common Future*, as part of the World Commission on Environment and Development (1987). Sustainability became associated with the notion of development and prosperity, instead of exclusively focused on constraints to growth. The idea was reframed from an outcome (e.g. human development) to a means of achieving the outcome, in terms of the ability to sustain human development in light of the environmental constraints created by the economic expansion models of the industrial era. In that document, sustainable development was defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". This has become the most accepted definition of sustainability in marketing literature.

There are three important aspects to highlight in regards to this definition of sustainability. First, although it is often associated with environment, sustainability is not just about an ecological problem. It is a human development problem, with all of the ethical, cultural, social, religious, political, civil, and legal implications that entails (Stead, Stead and Starik 2004). For instance, slowing population growth to sustainable levels will require addressing an array of issues including gender equity, economic equity, health care, education, birth control, social mores, and religious principles. Therefore, achieving sustainability is not just about changing how humans do things; it is about changing how humans view and consume things (Stead, Stead and Starik 2004; Sheth, Sethia, and Srinivas 2011). Second, from this perspective, sustainability refers to the conditions of development, not just development in itself. This distinction is presented by James Lovelock in his book, Gaia, where he offers a view of the earth as a living system and concludes that the biosphere must actively modulate its chemical make-up, temperature, pH, and other attributes in order to maintain conditions under which life can flourish. Following a similar perspective, sustainability is about caring for and maintaining the environmental, economic, and social conditions necessary for human wellbeing to develop, not about the growth itself. Finally, sustainability is about the management of tradeoffs and the pursuit of concurrent development. At the core of the UN definition is the tension that arises in the pursuit of human wellbeing in the present while preserving the ecological and social conditions required for future achievements. It requires the management of economic development, societal needs and finite resources. Therefore, based on these three reflections, sustainability can be understood as *the ability of an organization to manage the balance of social, economic, and environmental conditions required for human wellbeing to develop over time.*

Now, in the study of marketing, particularly as it relates to transactions and consumption, sustainability can represent not a goal, but an attribute or benefit to help differentiate a product offering. However, it is a unique type of benefit that merits special attention and understanding because it does not deal with the product itself, but rather with the practices or consequences of the product, transaction or consumption. More specifically, sustainability benefits can arise from the practices a firm uses to develop the offering. For instance, the adoption of fair trade practices for the procurement of raw materials (e.g. Starbucks Coffee), the use of renewable energy in the manufacturing of the products (e.g. Sun Chips), or the reduction of carbon emissions in distribution (e.g. Coca-Cola) could all represent sustainability benefits for an offering. Sustainability benefits can also be sourced from the consequences of consumption. For instance, using biodegradable packaging material would reduce post-consumption waste, or incorporating organic ingredients could reduce toxins in food products, or portion controlled packages would help consumers reduce calorie intake and manage over consumption. In the following studies, I use the perspective of sustainability as a product attribute or benefit to explore three research questions: (1) what marketing capabilities are needed when a firm attempts to bring sustainability benefits into their offerings? (2) What effect do those capabilities have on firm performance? (3) What challenges and conflicts does the pursuit of shared value introduce to the management of a product offering?

Sustainability in the Marketing Literature

"In much of the recent discussion on these topics, marketing has been identified as a way to integrate social responsibility into business organizations, to promote more sustainable lifestyles as well as developed and diffuse sustainability innovations. Unfortunately, the concept of sustainability and the responsibilities that it entails are not at all clear. Both in theory and practice, sustainability and social responsibility mean very different things to different people, and 'corporate social responsibility' continues to be a contested concept. As a result, both researchers and business practitioners still seem to be struggling to understand how the principles of sustainability can be integrated successfully into business practice."

Ethical Dimensions of Sustainable Marketing: A Consumer Policy Perspective
José-Carlos García-Rosell, University of Lapland, Finland
Johanna Moisander, Helsinki School of Economics, Finland

Given the vast nature of the sustainability literature across multiple fields, I will focus on exploring the application of sustainability in marketing literature. This focus does not necessarily make the task of defining sustainability any simpler. Sustainability has become a buzzword concept in practitioner literature, often framed as a moral imperative and an "all-good" ideal, but often divorced from necessary research scrutiny and theoretical underpinnings (Pezzey and Thomas 2002). The confusion with its meaning stems from the diversity of uses for the term, as it is referred to as an end goal (i.e. the ability to sustain growth over time) or as a means of operating. In marketing literature, the word has been closely related to numerous other terms that are often used interchangeably, such as corporate social responsibility (CSR), corporate social performance (CSP), or corporate citizenship. Finally, sustainability has also been used to describe different phenomena, sometimes closely associated with ecological or environmental issues and other times with the broader notion of human development or the relationship between marketing activity and social welfare.

The lack of clarity resulting from the evolution and treatment of the term has not stopped the idea of sustainability to enter and develop within marketing literature. In fact, marketing scholars incorporated sustainability topics as early as the 1950's. A recent review found 1,320 papers across 36 journals since that time (Chabowski, Mena, Gozalez-Padron 2011). Over the years, the discussion of topics related to sustainability covered three general dimensions. First, the environmental dimension as represented by topics of climate change, organic, green, pollution, carbon emissions or ecological resource conservation. The social dimension was often represented by research covering issues of social equity and safety such as bottom or base of the pyramid, over-consumption, ethics, human rights, and fair trade. A third dimension related to the integration of social, environmental and economic considerations as covered in ideas such as the triple bottom line, corporate social responsibility, and corporate social performance.

The study also found a marked evolution in the intellectual structure of marketing research on sustainability. The early literature in the 1960s and 1970s, tended to focus on ethics and the societal role of marketing (Dawson 1971; Feldman 1971; Kelley 1971; Kotler and Levy 1969, 1971; Kotler and Zaltman 1971; Lavidge 1970; Lazer 1969). In fact, eight of the ten research clusters found between 1958 and 1985 related to topics of ethics. In a line of work that responded to the pressures of consumerism, Kotler introduced two important concepts, one on *demarketing* and another on *societal marketing.* His ideas on demarketing aimed to bring attention to the activities of marketing required for reducing or moderating consumption. societal marketing proposed that a key to long-term profitability was the development of customer satisfaction based on long-run consumer welfare. Other work on the role of marketing in addressing over-consumption included the *theory of responsible consumption* and the *ecological imperative*, both stressing the role of marketing in establishing limits to individual consumption. Scholars concerned with the environmentalist movement believed that the ecological challenges would require profound changes in the marketing discipline, including the education of both consumers and the practices of marketers (Feldman 1971; Fisk 1973, 1974). Henion and Kinnear (1976) introduced *ecological marketing*, which is a method of marketing concerned with activities that can help provide a remedy for environmental problems. While these developments in marketing literature covered different aspects of sustainability, they all shared a strong ethical component and a common view that marketing had a superordinate goal of serving human welfare by promoting responsible means of achieving economic development. In essence, it offered a collective and comprehensive view at the consequences and responsibilities of the marketing discipline, beyond the pursuit of profitability and the understanding of the moment of transaction.

While the work that started in the 1970's provided a comprehensive framework for understanding the contribution of marketing to the social or environmental issues of development, the literature in the late 1980's and 1990's focused more on the role that marketing practices could play in providing solutions to the problem. For example, Mintu and Lozada (1993), proposed a definition of *"green marketing"* as the application of marketing methods in a way that could meet firm financial goals while simultaneously respond to needs for production of the environment. Different from the notion of *"ecological marketing"* twenty years earlier, this approach advocated for a more active role of marketing in reducing its environmental footprint. A few years earlier, Varadarajan and Menon (1988) offered a similar proactive view on the role of marketing in turning social concerns into business opportunities via the introduction of the framework for cause-related marketing. This opportunity-based view of sustainability expanded further during the 1990s, with concepts such as environmental marketing (Codding 1993) and enviropreneurial marketing (Menon and Menon 1997), which proposed the need for marketing strategies that achieved revenue goals by also incorporating social performance objectives. Such a line of work was formalized in 1995 under the term of sustainable marketing (Sheth and Parvatiyar 1995), where the authors position marketing efforts as needing to be both competitively and ecologically sustainable. In this paper, the authors argued that sustainability can only be achieved by combining active government intervention with proactive marketing actions that pursued more responsible consumption and production patterns.

The 1990's also experienced a continuation of the ethical view on the relationship between marketing and sustainability, but with a greater emphasis in understanding implications on firm performance.   The most recent work during the 2000's has incorporated two aspects to the literature stream. First and most notably, marketing scholars have continued to build on the study of CSR and its relationship to firm or brand performance (Luo and Bhattacharya 2006). Second, an emerging stream of work has developed advocating for a greater change in orientation, from a customer to a stakeholder focus (Bhattacharya 2010; Hult, Mena, Ferrell, Ferrell 2011).

One aspect that has remained consistent across the years in the study of sustainability in marketing is the fact that most studies deal with the consequences of firm practices or human consumption on the broader social or environmental conditions of society. While initially marketing was predominantly associated with the causes of the social or environmental problem, the research has turned more constructive in its outlook and positioned marketing as an important source of the solution to the sustainability concerns as evidenced by the recent research streams on sustainable consumption and positive marketing.

State of the Marketing Knowledge

The first observation to make about the state of knowledge of sustainability and marketing is that its body of work has been primarily theoretical and normative, with a smaller proportion of work dedicated to the empirical testing of propositions. Most of the knowledge created in the literature relates to the measurement of the sustainability effect on performance, the moderators of such effect, and, finally, the study of antecedents to the development of sustainability strategy or programs in marketing.

The most important limitation in the advancement of this work is the availability of data. For the most part, marketing scholars have used company level measures of sustainability such as the KLD sustainability index or reputation measures to study their effects on firm performance, following the path of management scholars, but data at the product or brand level that incorporates sustainability variables is difficult to access. The main effect of relationships between sustainability activities and performance has been inconsistent and often insignificant when evaluated at a firm level (Margolis, Elfenbein,,and Walsh, 2007). Scholars have found sustainability activities to reduce idyosincratic risk (Luo and Bhattacharya 2009), as well as be associated with growth in firm valuation (Sisodia, Sheth, and Wolfe 2007). However, the more comprehensive contribution by marketing literature can be found in the study of the moderating or mediating effects at play in the relationship between sustainability and performance. The results suggest that part of the reason for the inconclusive findings is that sustainability influences performance through the development of intangible resources and assets (Surroca, Tribo, and Waddock 2010). Using a resource-based view of the firm, scholars have found sustainability activities in marketing as having a positive effect on firm reputation, consumer trust (Vlachos, Tsmamakos, Vrechopopuls, and Avramidis 2009), corporate identification (Lichtenstein, Drumwright and Braig, 2004), customer satisfaction (Luo, Bhattacharya 2006), perception of corporate abilities or product attributes (Luo, Bhattacharya 2006, Brown and Dacin 1997, Handelman and Arnold 1999, Sen Bhattacharya 2001), and employee motivation (Drumwright 1996).

Scholars have also studied the reasons for the positive effects of sustainability on intangible resources, and the findings relate to three types of fit conditions. The fit between the sustainability activity and the product attributes is an important criterion explaining the effect of sustainability on product ability (Sen Bhattacharya 2006). Fit with consumer interests and fit with the consumer expectation of the company are the other two dimensions of importance (Drumwright 1996; Sen and Bhattacharia 2001; Simmons, Becker, Olsen 2006). Interestingly, a similar understanding can be achieved from consumer behavior literature on the basis of the Persuasion-Knowledge model (PKM) (Friestad and Wright 1994). The PKM approach proposes that consumers will evaluate a message using three types of knowledge: (1) topic knowledge or general beliefs about the topic; (2) agent knowledge or beliefs about the competencies, characteristics or objectives of the company; and (3) persuasion knowledge or beliefs about the appropriateness of the message used. These three types of knowledge have been used to explain how consumers respond to sustainability messages by brands or companies (Hoffler, Bloon, and Keller 2010), and are very consistent with the empirical findings of fit stated earlier.

The risk of poor fit can be influenced particularly via the communication of the program (Simmons, Becker, Olsen 2006) or the type of third party association used by the marketer. However, a lack of fit between the sustainability program and the company or product can result in an adverse effect. In fact, the study of the limitations or adverse effects of sustainability on firm performance is another area of contribution by marketing literature. It has identified three conditions where sustainability can have a negative effect on performance; if the sustainability activity is perceived as a tradeoff from the corporate or product abilities (Sen Bhattacharya 2001), if the sustainability initiative has a low fit with the company (Simmons, Becker, Olsen 2006), and if the firm has low product quality or innovation ability prior to adopting a sustainability program (Lue Bhattacharya 2006). In a separate line of inquiry, scholars have found that sustainability activities in marketing may also have an adverse effect on performance because they increase the tension between the sales and marketing teams. This is due to the fact that sales teams often do not associate sustainability activities as demand driving investments (Drumwright 1996).

Another area of contribution coming from consumer behavior literature relates to the perception of sustainability benefits. Consumers associate ethical claims of products with attributes of “gentleness” or “softness” such as beauty or comfort, while low ethicality is associated with attributes of product strength such as engine power or durability. Therefore, in a category where strength attributes are valued, sustainability attributes can decrease preference. At the same time, such an effect can be reduced by emphasizing product strength (Luchs, Walker, Irwin, and Raghunathan 2010). Altogether, these findings point to the limitations and diversity of dynamics at play in the relationship between sustainability, marketing, and firm performance.

A final and still emerging line of work relates to the antecedents of sustainability activity in marketing. Factors that motivate sustainability behavior include the level of interest by managers and leaders, the belief by leaders that sustainability can enhance financial results, and the level of stakeholder pressure experienced by the firm (Maignan, Ferrell, and Ferrell 2005). Also, using adoption of GRI as a measure, Nikoleava and Bicho (2010) found that another motivating factor for the adoption of sustainability activities in marketing related to the degree of adoption by competitors within the industry and the cross-industry level of diffusion and media coverage. These findings support the arguments proposed by Hendelman and Arnold in 1999 in which they used institutional theory to explain the spread of sustainability activities in marketing.

In addition to empirical findings, marketing scholars have created several conceptual frameworks for the implications of sustainability on marketing. This body of work can be organized into two schools of thought. The first school adopts a Customer-Centric View (CCV) of both Sustainability concerns and solutions. Scholars belonging to the CCV School believe that the sustainability issues facing the world today are to a great extent driven by unequal or inappropriate consumption. In some countries, over-consumerism and over-consumption is associated with health and environmental problems. In others, the under consumption of basic foods or services is what leads to limitations in the development of human wellbeing. As a result, solutions to the sustainability concerns should be associated with patterns of consumption behavior (Sheth, Sethia, and Srinivas 2011). The CCV work also assigns responsibility to consumers and their consumption patterns for the changes required as part of the emergence of a new model of development. Marketing's role in sustainability relates to the pursuit of sustainable consumption, defined as a pattern of consumption that meets people's needs while reducing the negative consequences on the environment or society at large. Works by Sheth and Parvatiyar on "sustainable marketing" (1995) or Sheth, Sethia and Srinivas (2011) on "mindful consumption" are foundational pieces to the CCV School.

The Stakeholder View (SV) is a second school that has emerged in the study of marketing implications in regards to sustainability. In contrast to CCV, the SV focuses on firm behavior and assigns managers and firm actions the responsibility for addressing the sustainability risks, concerns, and opportunities. From this perspective, marketing's contribution to the sustainability problem relates to myopic and short term behavior by managers who, by focusing solely on consumer needs and financial returns, ignore the consideration of other constituents in the development of their product offerings.

While the locus of both schools of thought differs, they both advocate for a reform in the practices of marketing. In this thesis I continue on the theme of reform and take a SV to advocate that, more than any other function in the organization, Marketing has the ability to shape the firm offerings and influence their customer's wellbeing in a direction consistent with sustainability needs. Therefore, Marketing can fulfill its responsibility to society and the firm by contributing to the creation of sustainability benefits either through the reduction of the environmental footprint of the firm or by the expansion of its social value. In addition, Marketing is uniquely positioned to integrate the sustainability benefits the firm develops into its market offerings. Finally, through its communication and promotion efforts, Marketing can engage the consumers, retail customers, and stakeholders with the sustainability benefits of the firm offerings.

Overview of Dissertation Topics

Issues of social and environmental sustainability have forced their way onto the boardroom agendas of many corporations (Waddock and Graves 1997; Haanaes et. al 2011) and have become a mainstream concern for consumers (Trudel and Cotte 2009). This phenomenon is likely to become more urgent and expand in relevance for the marketing function of a firm with the introduction of standards for reporting the social and environmental effects of products.

While the concern is not new, firms in the past opted to address sustainability demands about their offerings through Corporate Social Responsibility (CSR) activities that resided outside their marketing or selling processes. Moreover, research on the antecedents and contribution of CSR on business performance has yielded mixed results (Margolis, Elfenbein 2007).

Despite the high level of public attention and concern for issues affecting the wellness of our planet and communities, and how such concerns are changing consumer and society's expectations of products, there is little understanding for how firms can evolve their marketing practices accordingly and what impact such evolution would have on their performance. My dissertation consists of three essays that seek to advance the knowledge on sustainability's impact in marketing, both in terms of the capabilities needed by firms and sustainability's capacity to simultaneously create business performance, customer and societal value.

<u>Overview: Essay I – Organizational Capabilities</u>

In the first essay, I focus on the question of the marketing capabilities needed to embed sustainability into product offerings and use it as a source of differentiation in the market. Increasingly, the challenge for managers lies on how to arrive at a workable balance between instrumental and moral needs (Margalis and Walsh 2003). To do so, I follow a theory-in-use approach conducting interviews with 70 managers of one multi-national firm across five countries, representing eight different functions to explore, in depth, the practices of a firm that has publicly stated its ambition to bring sustainability into its business activities. The main finding from this research is the need for an evolved capability in firms, transitioning from a customer-centric orientation towards one that focuses on understanding and managing the tradeoffs across a portfolio of constituents. I label this new orientation as Constituents-Based Marketing (CBM), defined as *the ability to (1) connect needs across constituents, (2) co-create* *constituents' strategies, and (3) coordinate execution of constituents' activities.* The presence of CBM provides marketing organizations with the capability to develop and deploy products or services that can address the needs of multiple constituencies at the same time. My research addresses, in its theoretical conceptualization, the notion that CBM capability is particularly important for firms competing in networked markets.

Overview: Essay 2 – Antecedents and Consequences

Through a study of business unit level behaviors, I conduct an empirical study of the factors impacting the development of CBM capability and its effect on three types of organization performance. I build on the established notion of network markets in marketing literature (Achrol, Kotler 1999) by operationalizing a measure that captures both the ability and motivation for market participants to exchange information across different constituent groups. To test the model, I combine secondary sources of business unit performance, market conditions and controls with primary sources collected through surveying managers from 44 countries to measure the CBM capability, its antecedents, and its association to business unit performance. Utilizing an instrumental variable regression approach to address endogeneity, I find that while CBM is positively associated with sales growth, employee engagement and firm trust, these effects are moderated by the extent to which these businesses are competing in socially and technologically networked markets as well as competitive ones. I find these results robust to those of alternative measures and estimation approaches.

Overview: Essay 3 - Shared Value

The third essay represents an in-depth study of the sources and dynamics of shared value created through CBM. As introduced in Essay 1, one of the main goals of CBM is the design of a product or service that can achieve simultaneous objectives across the web of firm constituents and the economic, social, and environmental goals of the firm. Through a detailed evaluation of the development, execution, and results of a marketing program created with CBM principles, I seek to understand the constituent conflicts and challenges associated with the design of CBM initiatives. I refer to the simultaneous value creation across constituencies as “shared value”. Using secondary data and managerial interviews I introduce the construct of “stakeholder congruency” and three specific challenges that marketing managers can face when attempting to design and deploy a product offering in pursuit of “shared value”.

III. ESSAY 1: A STUDY OF THE ORGANIZATION CAPABILITIES NEEDED TO INTEGRATE SUSTAINABILITY INTO THE MARKETING OFFERINGS OF FIRMS.

"Success in satisfying multiple stakeholders interests would constitute the ultimate test of corporate performance."

a. S. Prakash Sethi, Paul Steidlmeier, Cecilia M. Falbe
Scaling the Corporate Wall

"Marketing, more than any other business discipline, is uniquely poised to help both companies and the whole spectrum of stakeholder benefit from this movement toward a more symbiotic relationship between business and society"

b. C.B. Bhattachary (2010)

"Businessmen who take seriously its responsibilities for providing employment, eliminating discrimination, and avoiding pollution are preaching pure and unadulterated socialism."

c. Milton Friedman (1970)

Introduction

There is a growing interest among scholars and practitioners on the role that different stakeholders play in the activities and consequences of marketing practice. Recent publications have begun to call for the adoption of a stakeholder orientation into marketing research, propose its definition, and identify potential consequences of its adoption on firm performance (Hult, Mena, Ferrell, and Ferrell 2011; Bhattacharya 2010). While the existing work has introduced the conceptual framework of stakeholder marketing, scholars agree that much work is still needed. In particular is the need to examine, from a holistic perspective, the marketing implications of designing, implementing, and evaluating a market offering that responds to the demands of multiple stakeholder groups (Bhattacharya 2010, Bhattacharya and Korschun 2008, Crittenden, Crittenden, Ferrell, Ferrell, and Pinney 2010, Hult et al. 2011).

This study represents an in-depth inquiry into the marketing capabilities implications, in the form of practices or processes, needed by firms to adopt a stakeholder marketing orientation. The findings presented here are based on the application of the "grounded theory" method to propose Constituency-Based Marketing (CBM) as an emerging capability needed to realize the benefits of a stakeholder marketing orientation.

The desire to expand the scope of marketing to include stakeholders stems from an emerging recognition that labor, social and environmental issues associated with business activities, such as the consequences of overconsumption (Sheth, Sethia and Srinivas 2011), are becoming an important consideration for the development and promotion of a market offering. As a result, there is a growing belief that adopting a customer focus at the expense of attention to other stakeholders may no longer provide a competitive advantage. Evidence for this conjecture can be found in a recent study that reports a decreasing differential impact of market orientation on sales and profit over time due to its widespread adoption by firms (Kumar, Jones, Venkatesan, and Leone 2011). In addition, two changes in the external market conditions are also motivating the interest in a broader stakeholder view of marketing.

Consumers' rising expectations about the societal role of corporations have forced corporate social responsibility issues onto boardroom agendas (Waddock and Graves 1997; Haanaes et. al 2011) and made issues of labor, social and environmental responsibility a mainstream concern for some market groups (Trudel and Cotte 2009). This phenomenon is likely to expand as information about the social responsibility practices of firms and products becomes more widely reported and available to consumers at the moment of purchase.[3]

Companies have responded to these changes by embedding social responsibility and environmental conservation into their business strategies, reporting practices, and marketing activities, as can be seen in the annual reports of multinational firms such as Procter & Gamble, Nestle, Unilever, and Danone. For instance, Unilever has developed a diagnostic tool called Brand Imprint that enables a 360-degree view of a product's impact, including social and

[3] http://www.sustainabilityconsortium.org

environmental factors such as energy and water consumption (Smith 2009). Such actions reflect a departure from the traditional concept of CSR where firms managed the needs of stakeholders through separate streams of activities such as corporate philanthropy. In contrast with past practices, some firms are now responding to the needs of stakeholders through their market-based activities.

The presence of a stakeholder oriented behavior is also needed for firms to compete in increasingly networked markets. The environmental, labor and social consequences of marketing practices often receive wide media coverage and are becoming critical factors in people's purchases (Becker-Olsen, Cudmore, and Hill 2006; Brown and Dacin 1997; Du, Bhattacharya, and Sen 2007) and employment decisions (Turban and Greening 1997; Bhattacharya, Sen, and Korschun 2008; Kim et al. 2010), to a great extent driven by the heightened level of information flow among market participants. Technological advances that enabled the creation of social networks are allowing consumers and other constituents to create and disseminate information about products at greater speed and scale than ever before. For example, postings on a website dedicated to Dong Bang Shin Ki, a South Korean boy band, prompted protests by teenage girls against imported beef in South Korea in 2008, while others were drawn into the protests by the sharing of texts, photos, and videos online (Shirky 2011). Moreover, a mismanagement of one constituent group can easily spread to others across groups and geographies, quickly becoming a problem that can negatively impact a firm. For instance, the positioning of a Diet Pepsi package as a "skinny can" generated strong criticism from the National Eating Disorder Association, resulting in a public relations crisis for PepsiCo. At the same time, effective management of multiple stakeholder needs can spread across the market, generating positive reinforcement for the firm. For instance, Wal-Mart experienced the largest gains in reputation score in 2008-09 following their introduction of a storewide environmental program that expanded the sale of green products while reducing the use of natural resources in their operations. Their actions were publicly praised by industry leaders, the government, and NGOs and contributed to their rise in 2007 towards the top of the most admired Fortune 500 companies. Table 1 provides recent examples of stakeholder conflicts or management opportunities facing firms.

[Table 1 About Here]

The implication of these changes for marketers is that concerns about labor, social and environmental consequences of a product offering are no longer limited to a small segment of a firm's macro market environments or support functions like the legal or community affairs departments. In fact, the direct or indirect networks of relationships among stakeholders (Crittenden et. al 2011), can represent a new market force influencing consumer and firm behavior. From that perspective, the conceptualization of a product offering[4] would then evolve into becoming a bundle of benefits to address multiple stakeholder needs rather than a bundle of benefits to address a customer need.

I build on the emerging ideas of stakeholder marketing (Bhattacharya, Sen, and Korschun 2008; Hult et. al 2011) and utilize a theory-in-use method (Kohli and Jaworski 1990; Bendapudi and Leone 2002; Tuli, Kohli, and Bharadwaj 2007) to identify and introduce the concept of Constituents-Based Marketing (CBM), defined as *the ability to (1) understand constituent needs, (2) complement constituent offerings, and (3) to synchronize constituent activities.* I contend that the presence of CBM enables firms to enhance their competitiveness in the new market

[4] Product offering is defined in this paper as all the activities involved in the marketing of a particular product or service, including product design, pricing, selection of suppliers, and promotion strategies among others.

environment by providing the ability to develop and deploy products or service offerings that can address the needs of multiple constituencies at the same time.

The literature on stakeholder theory and marketing often defines a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman 1984). In the context of this definition I propose constituents as individuals or organizations who have a specific interest in the firm decisions, practices, or outcomes and have a material effect on the firm’s performance (Kimery Rinehart 1998). In essence, I conceptualize constituents as the sub-segment of stakeholders that matter at a given point in time for the purposes of supporting firm objectives. In addition, I organized constituent types into three broad categories based on their role in value creation for the product offering: the “market” constituents (i.e. retail customers, consumers, competitors), as the source of revenue for the offering; the “internal” constituents (i.e. employees, suppliers, and partners), as contributors to the development of the offering and the “community” constituents (i.e. regulators, NGO’s, special interest groups, and opinion leaders) as influencers in the creation of demand for the offering.

My contribution to the literature on Stakeholder Marketing (SM) orientation is on proposing a business unit level description of the capabilities required for adoption of SM. While the recent literature has offered definitions for SM and propositions for its consequences, it has yet to provide a description of the practices and processes needed for its development. To address these questions, the rest of the essay is organized as follows: I first review the related literature and then draw on the theory-in-use approach to present a description of the CBM construct and hypotheses relating it to firm outcomes.

Literature Review

"Instead of holding out one stakeholder group or another as the most important stakeholder group, companies need to attend to the well-being of the total economic ecosystem in which they operate".

d. Sisodia, Sheth, and Wolfe (2007)

Researchers have long argued for the benefits of a firm's focus on customer needs (Converse 1945; Keith 1960), and over time the idea has expanded into distinct approaches such as customer centricity (Sheth, Sisodia and Sharma 2000), market-driven organizations (Day 1994), and market orientation (Kohli and Jaworski 1990; Narver and Slater 1990). All of these ideas share one foundational tenet: the importance of an organization-wide alignment towards an agenda designed to serve customer needs. This core mandate has been empirically tested and shown as superior to internal or product orientations (e.g. Hult and Ketchen 2001; Kirca, Jayachandran, and Bearden 2005). While its scope transcends the function of marketing, it has arguably become the predominant theory for explaining the role of the marketing organization in delivering firm performance. However, recent studies find that market orientation has become less effective over time, as more firms adopt its practices within an industry, resulting in a loss of differentiation (Kumar et al. 2011). Scholars have begun to advocate for a broader perspective for marketing, suggesting that, despite the value of market stakeholders, firms need to respond to the needs of other stakeholders in society.

The need to manage a portfolio of stakeholders is an idea with a long history in Stakeholder Theory (ST) research, which, in contrast to the shareholder perspective, sees the firm as a web of relationships with different individuals or organizations in society, and its purpose as one of creating value for all its stakeholders, not just for generating financial wealth for shareholders. The origins of Stakeholder management date back to the Great Depression when General Electric identified and promoted their work for four stakeholders, including shareholders, employees, customers, and the general public. In 1943, Robert Wood Johnson II, then chairman of Johnson & Johnson, crafted a credo for the firm prior to it becoming a public company. It described the responsibility they had with every stakeholder that served or was served by the J&J business. Other companies began to adopt a similar public position, but it was not until the mid-1960's that the term of stakeholder management formally entered the literature through work in the corporate planning department at the Standford Research Institute in 1963. A manager in the Theory and Practice Planning (TPP) group by the name of Marion Doscher is credited with coining the term of stakeholder management and its application to strategic planning. Managers in the TPP group argued to executives that unless they understood the needs and concerns of the stakeholder groups, they could not formulate objectives which would receive the necessary support for the continued survival of the firm.

The formalization of Stakeholder Theory by Freeman (1984) follows the direction set by the Stanford Research Institute (SRI) two decades earlier and positions it as a strategy for value creation. It recognizes the intrinsic value of the needs of all stakeholders that are influenced by the firm (Freeman 1984; Evan and Freeman 1988) and views the ultimate test of corporate performance to be its ability to satisfy multiple stakeholder interests simultaneously (Donaldson and Preston 1995). In this literature, stakeholders are defined as any group or individual that can affect or is affected by the achievement of a corporation's purpose. Research in Stakeholder Theory (ST) has grown over the last 20 years in response to the increasing interdependency between customer and non-customer constituents in the value creation process.

Marketing scholars, influenced by the firm level ideas in Stakeholder Theory, have begun to formalize a research stream called Stakeholder Marketing (SM). Proponents of SM argue that, increasingly, firms need to develop shared value and relationships with multiple entities, not just customers. From an institutional theory perspective, scholars have also argued that demonstrating support to relevant stakeholders in a community should be given the same strategic consideration as the work used to demonstrate the firm's competitive position (Handelman and Arnold 1999). In addition to the fact that stakeholders can be beneficiaries of value, they can also be involved in the co-creation of value, not just its exchange (Sheth and Uslay 2007). More formally, stakeholder marketing has been defined as activities within a system of social institutions and processes for facilitating and maintaining value through exchange relationships with multiple stakeholders (Hult et. al 2011).

While the work on Stakeholder Marketing is recent, a review of marketing literature in regards to stakeholder concerns (Hult et. al 2011) shows a long history with 58 articles published since 1985 studying the relationship between marketing and a variety of stakeholders including employees, suppliers, and regulators. One of the findings from this review is that most marketing research to date has not adopted a multi-stakeholder view in its studies, looking instead at the firm and its relationships one stakeholder at a time. This finding has created the need for a holistic stakeholder perspective which is at the core of Stakeholder Marketing concerns (Hult et. al 2011).

Therefore, there are important advances in identifying the need for SM, providing a definition, and exploring its consequences at the individual stakeholder level.   However, the research work is far from complete. The behaviors, measurement, and implications of adopting a SM approach have yet to be presented, tested, and agreed upon by the field. Some early work on this area has been proposed (Maignan, Ferrell, and Ferrell 2005), but it is primarily of a normative nature, creating the opportunity for the suggested behaviors' need to be evaluated in the context of existing firm behavior. In addition, few studies to date have looked at the simultaneous relationship or value created across stakeholders or at the differential effect of different stakeholder relationships to different firm goals (Grinstein and Goldman 2011; Greenley, Hooley and Rudd 2005). Finally, while it is recognized that SM should create value beyond the traditional financial metrics, no study to date in SM marketing literature has expanded the measurement of consequences to include the effect of SM on other measures of value across constituencies.

Another important stream of work in the development of the conceptualization of CBM relates to the practice of cross-functional integration (CFI). Marketing literature has demonstrated the important role that CFI plays in a number of marketing outcomes, particularly in the context of new product development (Troy, Hirunyawipada, and Paswan 2008). Literature on CFI is, by definition, inclusive of collaboration behavior across different areas of the business. However, the application of CFI to date has been focused on the need to coordinate firm action in order to serve customer needs, but not for the purposes of understanding the needs across a portfolio of constituents (Rouzies et al. 2005; Troy et al. 2008). In fact, research reveals that the existence of multiple constituent needs is often a barrier to achieving cross-functional collaboration (Meunier-FitzHugh and Piercy 2007) or frequently a factor that can reduce the flow of customer information across a firm (Ruekert and Walker 1987; Kohli and Jaworski 1990). In contrast, I propose that by attending to the needs of multiple constituents, a firm can identify issues that cut across multiple areas in the organization, resulting in super-ordinate goals that can enable alignment and collaboration across functions (Pinto, Pinto, and Prescott 1993).

To summarize, prior literature has recognized the need for firms to manage their portfolio of constituents in the pursuit of growth. The work also suggests the evolution required is non-trivial and could amount to substantial changes in the processes and organization of marketing activities. However, work is still needed to clarify the firm behaviors associated with SM and their effect on firm performance.

Constituents Based Marketing: The Construct

In addition to drawing on extant literature, I followed a discovery-oriented, theory-in-use approach (Glaser and Strauss 1999) to define the CBM construct. I used this approach because it has proven effective in identifying emerging capabilities, orientations, or practices such as service quality (Parasuraman, Zeithaml, and Berry 1985), market orientation (Kohli and Jaworski 1990), marketing strategy making (Menon et al. 1999), and customer solutions (Tuli, Kohli, and Bharadwaj 2007). In addition, this theory-building approach possesses a greater likelihood of generating well-developed constructs, testable hypotheses, and theory that closely mirrors reality (Eisenhardt 1989; Cameron and Quinn 1988). I selected a multi-national firm that expressed a commitment to broadening their market orientation to include multiple constituents beyond the traditional customer focus. This direction was evident in an internal document written by the firm's CEO:

> *"Integrating our goals on profit, products, partners, people, productivity and planet into every single thing that we do will become the core of our ability to drive sustainable growth in the future."*

I interviewed a total of 70 managers across six geographic business units (GBU) and nine different organizational functions. This sample included a combination of developed and developing GBUs chosen based on the per capita consumption of the firm's products in order to allow for a broader sampling of organization size and performance. I sample director level managers across different functions (e.g., sales team, human resources, community affairs, R&D, manufacturing, etc.) who manage, interact, or provide services to the marketing function. They were selected as representation of the different constituents of the firm. The interviews were conducted via a combination of video-conference and face to face sessions each lasting one hour and all following a semi-structured and consistent interview guide. The goal of the interviews was to understand the implications of the firm's general ambition for creating value across stakeholders on the practices and processes of marketing and their relation to other functions representing different stakeholders of the firm. To complement the interview data, I collected data from first hand observation of formal routines in the business units and examined documents used by managers, which helped to deepen our understanding of the behaviors. The data was analyzed using the Nvivo9 software to facilitate the process of coding and identification of emerging themes. I coded observations and interview data based on distinct behavioral patterns and then organized the codes into three higher order constructs called first-order categories (Strauss and Corbin 1998), which formed the bases for the CBM conceptualization. I followed a non-linear, recursive and iterative analytical process (Corley and Gioia 2004) where I was cautious in identifying processes and practices that would differ from pre-existing constructs such as customer/market orientation and cross-functional integration.[5] Based on the depth of the interviews and the relevant extant literature, three behaviors were identified as indicative of the presence of CBM capability:

Understanding Constituents' Needs is defined as the capability to understand the requirements of their portfolio of constituents as represented by other functional areas of the firm. The importance of understanding the needs and concerns of stakeholders is presented as an important behavior in stakeholder theory literature (Freeman 1984). Traditionally, however, marketing managers focused on generating intelligence about consumers, customers, and competitors. In contrast, the interview data showed that some marketing managers were applying similar curiosity and discipline to gathering insights about other constituents in the organization and found ways to connect them to their product offering. This required an important complement to the research methods present in customer-focused

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[5] Beyond a conceptual distinction between constructs, I later demonstrate empirically the descriminant validity of CBM from these two related constructs and its differential effect on outcomes.

firms. In addition to insights about external competitive and consumer motivations for the usage or purchase of products, marketers also collected insights about the needs of suppliers, sales teams, or employees. They also conducted formal exchanges of information, briefing sessions, or actual research studies to understand needs and expectations from NGOs, government officials, or opinion leaders in the community and used the information gained in their planning process. This point can be illustrated by the observations from a manager responding to the changes needed by marketing to improve their product offerings in the future:

> *"We need the type of marketer that deeply understands not just the consumer perspective and the role of brands, but also a wider set of stakeholder perspectives about the link between brands, companies, and society." - Community Affairs Director*

In one of the business units, the marketing manager expanded the scope of a consumer research study by including employees, partners, distributors, and government regulators to identify opportunities for leveraging a promotional program for a product offering across more areas of the business. Another business unit had institutionalized a monitoring system of opinions about their firm and industry from special interest groups, and proposed the creation of focus groups with key stakeholders to generate insights about their expectations of the company and products that could be provided to the marketing team as part of their planning process. They also expanded the brand level consumer research tracking study to include questions about the perception of consumers of the company reputation and its behavior as a responsible corporate citizen. Managers claimed that a broader stakeholder view of their brands and how they are perceived by constituents other than customers and consumers is an increasingly important and eye-opening step in the development of their offerings. They also spoke about this change as a recent development that was still in the process of infiltrating their organization:

> *"When you listen to the other stakeholders, you realize that there are a lot of different viewpoints, not just about our brands, but also the role of brands in society. These are things that we need to be fully cognizant of when making decisions about our brands".*

> *"In the past, we may have engaged the community affairs team to do them a favor. Today we do it as part of a requirement in the marketing of our brands, which is about connecting our brands to the sustainability of our community".*

The need for gathering information about market stakeholders has been identified in literature, particularly in one of the original definitions of market orientation, represented by the level of openness and receptivity to the ideas of other functions (Kohli and Jaworski 1990). However, the distinction in the context of CBM lies in the type of information and the role it plays in the definition of a market offering. In market orientation literature concern for, openness to, and receptivity for the ideas of other functions are posited to facilitate the flow of information, particularly customer or competitive information, within the organization. Therefore, a low level of concern for the ideas of others is expected to be a barrier to the dissemination of the market intelligence needed for market orientation (Kohli and Jaworski 1990). The practices I observed transcended a concern for others' ideas and included the pursuit of constituent insights and their use in the development of the marketing strategies. A Community Affairs manager also suggested this distinction:

> *"We need a deeper understanding of the drivers [of the company] reputation [among stakeholders] in the marketing community almost at the same level as brand metrics. We need the same level of richness of understanding behind reputation [among stakeholders] as we have behind brands and consumers."*

> *"I think we are becoming a company that is more sensitive to what other audiences think and need from us. Just a few years ago, some of my managers would ask me not to waste time communicating to other stakeholders, and asked for me to focus on customers and consumers. I think today we are very clear that we also have a responsibility of shaping the perception and needs of other stakeholders in the market".*

Therefore, *understanding constituent's needs* is about defining how the work of marketing affects and is affected by the work and goals of other functions across internal and community constituencies. It involves understanding both the needs and constraints that other interest groups can bring to the design or promotion of a product offering.

Complement Constituent Offerings refers to the processes and methods used to develop marketing strategies and plans designed to address the needs of relevant constituents for a given product offering. The notion of complementarity is often used to describe a condition when two activities reinforce each other in such a way that doing more of one increases the value of doing more of the other (Matsuyama, 1995). Marketing literature has used complementarity in the study of capabilities (Moorman and Slotegraaf 1999) and product portfolios. The CBM perspective builds on the notion of complementarity and proposes a view of a product offering, not as a set of benefits for a consumer or customer group, but rather as a bundle of benefits for a portfolio of constituents.

The interview data pointed to instances where functions representing internal or community constituents were involved early in the development of marketing strategies and programs. This resulted in marketing strategies that originated from a collective and a holistic review of threats and opportunities, which included not only consumer and customer needs but also an understanding of the landscape across different constituents. Multi-constituent teams were formed, often including human resources and community affairs representatives, to craft the initial strategies for a brand or business category. Once co-created, the strategies were shared by all functions in the business unit and served as an organizing framework for functional business plans. These practices seemed to emerge from a view of marketing as the enabler of constituent complementarity and the offering as the carrier of such benefit. This view was illustrated by the following managers' comments:

> *"We actively look for ways to do more with each marketing program, trying to develop the initiatives in ways that can help the Human Resources, the Community Affairs, the Customer teams, and Operations get to their goals as well. By doing so, we increase*

> *the engagement with our plans within the organization, which then translates to better execution." - Marketing Director*

> *"Our ambition is to create marketing programs that are not just about advertising or the consumer group, but programs that are truly going to work for us with all of our stakeholders, communities, employees, even government regulators if necessary".*

In contrast, the absence of this approach was often noted as an important barrier to the alignment and integration of initiatives across functions, as noted by two marketing managers:

> *"I think one of our challenges is that we don't have strategic corridors that everyone can rally behind."*

> *"We have channel initiatives, category initiatives, brand initiatives, etc., … so everyone is busy doing their own thing. They are all different and not integrated behind a shared set of strategic corridors."*

Such approaches enable marketing managers to define strategies that keep multiple needs in mind and increase the likelihood of executing a program that creates shared value across the constituents of an organization or its offerings. This perspective was expressed by a manager when describing how the firm is changing its processes:

> *"We now have the necessity across different countries of developing messages for audiences that are not directly consumers. These are messages that have to do with our brands, but also with shaping the perception of our brands, products, and categories in the minds of special interest groups and government entities."*

In addition, the interview data pointed to situations where the process of co-creation of constituencies' driven marketing strategies enabled the teams to discover untapped opportunities for complementarity in planning and execution as illustrated by the following comment:

> *"Marketing has worked closely with the community affairs team to link the launch of a new product line with issues of social responsibility, not only in terms of the nutritional benefits of the product but also the social benefits of our products. We have extended this approach to a number of our products, linking them to our coastal clean-up initiatives, water conservation, water access to poor communities. So yes, the marketing area today is a lot more conscious of the potential of this relationships and the value they can bring to their brands".*

In another example, one of the GBUs realized that a change in consumer perception about their product was influenced by opinion leaders in the health industry. As a result, the firm co-created its marketing plan with the community affairs team to develop a not-for-profit health institute that funds the development of academic research used to inform health officials about the scientific facts associated with their product and, in doing so, helped provide consumers with information about the product's benefits and consequences. Complementarities with the internal community were also achieved via the way marketing involved the human resources department into their work. As one human resources director reflected:

> *"An important change we have implemented is the inclusion of our team early in the planning of marketing activities. The earlier we know about the initiatives, the more I can leverage their work in my efforts to drive employee engagement and motivation."*

Therefore, leveraging complementarities across constituents relies on an organization process that seeks to craft marketing strategies that incorporate and reflect the needs of multiple constituents and facilitate the alignment of work in the organization.

Synchronize Constituent Activities refers to the design of routines and implementation of guidelines that enable projects aimed at different constituencies to be organized and sequenced as they move from planning into execution phases. For instance, GBUs actively seeking to organize and serve their portfolio of constituents shifted the management of marketing projects from individual project plans into one shared, stage-gate type process. In this forum, all functions representing the full portfolio of the firm's constituents participate in a review of the progress of multiple marketing projects. This change creates the opportunity for managers representing the needs of different constituents to participate in the execution decisions of marketing plans. Managers can also view projects across functional needs and identify potential blind spots before the initiatives are executed in the market. A number of managers commented:

"Once every month all business functions get together to review the pipeline of marketing projects, make connections, and make decisions. While it adds a lot of time commitment at the beginning, it has added significant speed to our execution by eliminating duplication or replication of work caused by someone in the project team not considering a need or requirement from another function."

"We started a routine where the consumer, customer, and community managers participate. It was first only between consumer and customer managers, but we extended it and now the three groups get together to review plans and provide input as projects move forward".

We also observed the role that a multi-constituency view of a product offering has in the execution phase. During a presentation of the results of a consumer test for the launch of a new package, a community affairs manager asked the brand manager about the package's environmental implications and the potential negative consequences of its launch on the firm's commitments with other constituents. This resulted in a decision to evaluate the environmental footprint of the plan prior to its market introduction. The synchronization appears to also be an important aspect and a key change in the execution of new product offerings as described by a community manager:

"Prior to the launch, we had the responsibility of approaching the NGOs, community associations, and consumer advocacy groups to do work in ensuring they understood our offering and ingredients. This helped prepared the landscape so that the product could be introduced without a backlash."

To summarize, three organizational behaviors constitute CBM capability, namely the *understanding of constituents' needs* by generating insights from multiple constituents and using them as input for the marketing plans, *complementing constituents' strategies* as a result of the co-creation of plans by multiple constituent groups, and the *synchronization of constituent activities* during execution. A similar perspective on the implications of stakeholder management was echoed by John Mackey, CEO of Whole Foods: "One of the most important responsibilities of Whole Foods market leadership is to make sure the interests, desires, and needs of our various stakeholders are kept in balance. It requires participation and communication by all our stakeholders. It requires listening compassionately, thinking carefully, and acting with integrity. Any conflicts must be mediated and win-win solutions found (Firms of Endearment)."

It is important to mention that more common practices and orientations such as innovation orientation, cross-functional integration, and market orientation were also observed in our interview data. However, managers also appear to have an emerging and more holistic perspective on the role of different constituents in the work of marketing and the development of a market offering.

Difference between CBM and CSR:

As stated in the introduction section, this research is based on an understanding of Sustainability as an attribute or benefit for a product offering. In addition, CBM is proposed as a capability needed in marketing to bring sustainability attributes into an offering. In this definition lies the differentiation between CBM and other related terms such as CSR, Cause Marketing, Corporate Social Performance, or Social Business. As illustrated in Figure 1, these four terms represent different strategies a firm can use to leverage sustainability benefits in their business, and can be classified on two dimensions: (1) unit of analysis and (2) role of sustainability. The unit of analysis can vary from firm level to offering level. For example, corporate social responsibility programs often take place at a corporate level with firms donating some of their resources for philanthropic or social causes. At the offering level, similar donations would tend to be associated with product purchase and be understood as "cause-related marketing". Importantly, both of these strategies, while taking place at different levels of the firm, often share an objective which is to sustain the company's license to operate through improved reputation or reduction of risks. Few CSR or cause-marketing programs are designed for the purpose of building competitive advantage. In fact, quite the contrary, they tend to be investments that are highly replicable and provide little differentiation. For instance, the Cause-Marketing activities associated to the Susan G. Komen Foundation to raise funds for Breast Cancer research annually sponsors over 125 annual Races for the Cure, more than a dozen three-day, 60-mile walks, with close to 200 corporate partners;[6] which is not precisely an inimitable resource. However, Corporate Social Performance and Social Business or Social Entrepreneurship is driven by a motivation to generate competitive differentiation, cost advantage, or both. Such actions can also result in reputational gains or risk reduction, but that is not their primary intent. For instance, the investments by The Coca-Cola Company to hire and train five million women in Africa to become distributors of their products by the year 2020 has as much to do with creating a competitive advantage and barrier to entry into the rural areas as it does in terms of meeting corporate social responsibility expectations. The firm Healthpoint, in India, is an example of a social business model, where providing affordable health care service and clean water access to the lower socio-economic levels of the population is designed to open up a new profitable market opportunity. Such Corporate Social Investments or Social Business Endeavors are designed into the business model of the firm and become hard to copy or even observe by competitors.

Therefore, these four strategies are different actions a firm can take to leverage sustainability benefits in their business, while CBM represents the capabilities needed to do so. The real contrast of CBM should be made with Market or Customer Orientation, as alternative capabilities for turning inputs into outputs in marketing.

[Insert Figure 1 About Here]

[6] Barron Lerner, "*Pink Ribbon Fatigue*"; The New York Times (October 11, 2010)

Hypotheses

CBM and Firm Performance

From the perspective of CBM, firm performance encompasses the value created for each of the three constituency groups: internal, market, and community. To explain the mechanism by which such results takes place, I draw on stakeholder theory and its conceptualization of a business as a set of relationships among groups that have a stake in the activities that make up the business (Freeman 1984). Specifically, I propose a product offering, not just a firm, as a bundle of relationships and benefits to market, internal, and community constituents. As a consequence, the success of a product or service offering is dependent on the quality of the relationship it has with each of the constituency groups and its ability to leverage the complementarity across constituency groups. Complementarity in economics has been defined as a condition where the total economic value added by combining two or more complementary factors in a production system exceeds the value that would be generated by applying these production factors in isolation (Milgrom and Roberts 1994). The concept of complementarity has been used in the study of innovation, where scholars argued that the commercialization of an innovation may require additional complementary assets; in particular, downstream capabilities such as marketing know-how, which are critical to a successful market introduction (Moorman and Slotegraaf 1999, Bharadwaj et al. 2011). I argue that complementarity effects also exist among constituents, and therefore using the design or promotion of a product offering in a way that addresses the needs of multiple constituents at the same time can lead to increased performance.

Consider a product such as bottled water. As an offering it provides a set of hydration and convenience benefits for consumers, but to NGOs and special interest groups it also represents a major risk to the environment due to its impact on pollution or water scarcity in some countries or regions. The Ilohas water brand in Japan was developed to address both benefits and costs into the design of their offering. Its supply chain focused on local sources of water and the package was developed to be the lightest bottle in the market, which allowed them to claim a significant reduction of CO2 emissions, use of crude oil and pollution, along with a reduction in their cost of goods. It also promoted the use of their bottles for the creation of sculptures of endangered species. The program was officially recognized and promoted by the Environmental Ministry in Japan and promoted by NGOs. Later innovations included the substitution of regular PET material for plant-based material, strengthening their credentials as an environmentally friendly product and receiving support from stakeholders and the media. The complementarities leveraged in the design and promotion of Ilohas enabled the company to create an offering that was differentiated, difficult to replicate, and reinforced by the positive response it received across constituency groups. Two years after its launch, Ilohas grew to 55 percent market share and the market leader of its segment. Therefore, and from a resource-based perspective, the complementarities across constituency groups can provide an offering with a competitive advantage that leads to greater demand by consumers and customers, as well as trust and admiration by community groups.

Another reason for the positive effect of CBM on market and community constituents relates to the reduction of risks associated with promotional or product ideas that do not account for the diversity of constituent needs. In addition, the process of co-creation and synchronization across constituents' strategies can lead to the discovery of potential design problems prior to execution. The example of the diet Pepsi packaging introduction mentioned earlier is one of many situations that occur when the inability to account for different constituent needs can create constituent conflicts and consumer backlash.

In addition, not taking account of complementarities among constituents can lead to a loss in value creation, revenues, and, ultimately, in profits for the firm (Stieglitz and Heine 2007). For example, a firm that improves the sustainability of its supply chain activities, but does not use it as a differentiation factor in promoting its products partially gives up the ability to further strengthen its competitive position among environmentally conscious consumers. In a more extreme case, a firm that ignores the needs of its community of influence could face a market backlash that can directly impact demand by customers, as was discovered by Nike and its controversy with the low labor protection standards used by some of their suppliers in Asia.

Value for the internal constituents is expected to come as a result of building social, employee and environmental considerations into the product offering. Extant research has found that social programs can have a positive effect on the engagement of internal constituents, particularly employees and partners (Drumwright 1996, Hoeffler, Bloom, Keller 2010). Employee engagement has been defined as a state of mind inclusive of dedication, commitment, and absorption (Schaufeli, Salanova, Gonzalez-Roma, and Bakker 2002), and as a feeling of responsibility and commitment towards superior work performance. Managerial interest in engagement has been growing given its association with greater productivity, quality of outcomes, and lower turnovers (Harter, Schmidt and Hayes 2002). Therefore, the inclusion of internal and community constituents in the work of marketing is expected to result in stronger commitment and engagement across the organization, leading to improved execution in the marketplace and a positive impact on customer satisfaction (Hult et. al 2011). This effect was also found in the interview data, as illustrated by the following comment from a marketing manager:

> *"The fact that the needs from every stakeholder were represented in the design of the program is what drove the engagement [of the team]."*

This effect is also consistent with research in marketing strategy-making, which finds that marketing plans built through multi-disciplinary participation to increase consensus commitment that reduces uncertainty and stimulates stronger execution by other functions of the business positively impacts the likelihood of success in the market (Menon et. al 1999). This is because the activities are based on shared strategies and plans that are co-created and already account for the needs, constraints, and concerns of the different constituents. A marketing manager expressed this sentiment:

> *"The view of the business through multi-disciplinary strategies and plans [rather than brand specific strategies] is excellent from the standpoint of the one that executes."*

Formally, the combination of arguments above leads to the following expectation:

H1: The greater the CBM capability, the higher the performance among (a) market, (b) internal and (c) community constituents.

The Moderating Effect of Networked Markets, Competitive Intensity, and Marketing Centrality

There are two moderating conditions identified as a result of the interview data and manager conversations. First, managers seem to connect the practices of CBM with the need to compete in a networked environment where peripheral players like the community constituents were beginning to play a more active role in the formation of market preferences. From an internal organization perspective, the practice of CBM appeared to be accompanied with a greater centrality of the marketing function, and the product manager in particular. Finally, given the arguments for the effect of CBM on performance related to competitive advantage, it became important to assess the effect that competitive intensity would have on the consequences of CBM.

Networked Markets

Despite the attributes of CBM capability, its development is expected to have a greater impact on performance in markets where the complementarity among constituents can be expanded through the presence of social networks. The emergence of networks in the economy is not a new phenomenon, and marketing literature and scholars have reflected on its implications and potential (Achrol and Kotler 1999). However, few studies have considered the network potential across constituents as an operating condition impacting firm performance. In this study, networked markets are defined as *those with the technological infrastructure necessary to create large-scale social connections among and across constituents and the political conditions that allow the freedom of expression for constituents to voice their views*.

Early work on personal influence (Katz and Lazarfeld 1955) and recent research in marketing (e.g., Godes and Mayzlin 2004; Chevalier and Mayzlin 2006; Luo 2007) has documented the role of word-of-mouth about brands in influencing consumer choices and the stock market performance of firms. The magnitude of these effects becomes greater as the availability of social media technology grows across countries. These conditions make it possible for different constituents with different interests and expectations of a firm's behavior to influence each other. For firms operating in such markets, the CBM capability is likely to help leverage the market networks to their advantage through the ability to deliver on the needs of multiple constituents. On the other hand, if such networked conditions do not exist, one constituent group (e.g., a NGO) may not have the opportunity or the ability to influence another constituent's (e.g., the consumer's) needs, so benefit claims may not move as openly or as often across constituent groups, reducing constituency complementarity and, therefore, the overall effect of CBM. As a result, CBM capability is likely to be more strongly related to business unit performance with market and community constituents in high networked market conditions. Our interview data also illustrated evidence of this effect in the comments of one of the managers:

> *"We currently realize that the media scene has changed. Not only is it greatly fragmented, but also the influence of media and opinion leaders is sometimes greater in influencing public views of our brands and categories than our own advertising".*

Therefore,

H2: The greater the presence of network conditions in a market, the stronger the relationship between CBM and the (a) market, (b) internal and (c)community constituents.

<u>*Competitive Intensity*</u>

CBM differs in its effect and contribution in competitive markets. Specifically, given CBM capability fits the description of a resource-based advantage, it can strengthen the ability of firms to compete by providing a new source of differentiation which can be difficult to understand and replicate by competitors. At the same time, CBM capabilities are expected to result in a heightened execution ability driven by increased alignment and engagement among firm employees and partners. During times of competitive pressure, this advantage could also provide firms with an edge over competitors. Finally, by addressing multiple constituents' needs, CBM firms are more likely to generate positive word of mouth, which helps differentiate the value of the product offering in a tight competitive landscape. Therefore,

H3: The greater the competitive intensity in a market, the stronger the relationship between CBM and the (a) market, (b) internal and (c) community constituents.

<u>*Marketing Centrality*</u>

Finally, CBM increases the number of factors necessary to consider in the creation or promotion of a product offering which, as mentioned earlier, can lead to coordination costs and complexity in firm activities (Thompson 1967, Simon 1967). Structural solutions have been proposed to reduce the difficulties of managing complementarity. For instance, in their analysis of modern manufacturing processes, Milgrom and Roberts (1990) observed that the changes in manufacturing practices were accompanied by changes in human resource policy, positioning, and organizational structure. Similarly, the qualitative data pointed to the requirement of an organizational structure innovation needed for a marketing organization to fully leverage CBM capability. In particular, marketing managers needed to play a role of constituent connector during the development and execution of the product offering. This was expressed in our interview data by one of the GBU general managers:

> *"It is not that marketing will do all that work, but they represent the engine that enables the connection between our brand programs and the rest of the initiatives by the company, including programs for other audiences like employees, our community initiatives, NGO's and regulators".*

While this is a role that marketing has historically played, recently both marketing and practitioner publications have discussed the narrowing role of product or brand managers in organizations (Webster et. al 2005). For instance, a study by McKinsey & Company finds that marketing organizations have become increasingly segmented into smaller areas of expertise, leading the over-involvement of people who lack information or perspective in many decisions (Haas, McGurk, and Minhas 2010).

Greater marketing centrality is a result of the presence of a marketing manager recognized as an integrator of the business, and not only of the branding activities of an offering. It also translates into marketing managers with greater accountability across all areas of the product that proactively connect the needs of different constituents into the design or promotion of the product offering. Such a role by the marketing function will facilitate the realization of complementarities across constituent groups and, consequently, the effect of CBM on performance. Stated formally:

H4: The higher the central role of marketing managers in the organization, the greater the effectiveness of CBM on (a) market, (b) internal and (c) community constituents.

Antecedents of CBM

While CBM capability carries the benefit of creating shared value across constituents, doing so is not cost free. Particularly, the coordination and collaboration required for CBM can be difficult to implement, resulting in possible disadvantages in the short term against competitors that are more narrowly focused on customers and are able to move faster into the marketplace. Therefore, I expect that strong incentives need to be at play for a firm to embark on the development of CBM capability. In this section, I identify three factors following Merton's Motivation Ability Framework (1957) that serves as antecedents to the development of CBM capability. This framework has demonstrated applicability in several areas, including consumer behavior (e.g. MacInnes, Moorman, and Jaworski 1991), marketing strategy (e.g. Boulding and Staelin 1995), and channels (e.g. Grewal, Comer, and Mehta 2001). I use it to inform antecedents at the environmental and organizational level. In the empirical analysis, I control for other relevant factors that explain the variance in CBM capabilities across business units.

Externality Pressures

Pressure from external stakeholders in relation to firm specific externalities, either due to labor, social, economic or environmental concerns, is expected to be associated with the presence of CBM capability. The tenants of institutional theory (Meyer and Rowan 1977) and the effect of coercive isomorphism (DiMaggio and Power 1983) suggest that the shape and behavior of an organization is, in part, influenced by the pressure they face to conform to the cultural expectations of society at large. A firm facing rising criticism and more explicit expectations by its community of constituents is likely to encounter sufficient motivation to embark on the development of CBM capability, as it will support its search for legitimacy from the environment. In a study of 10 years of CSR reporting across firms and industries, Nikolaeva and

Bicho (2010) found evidence for the institutional theory effects on the likelihood of firm adoption of sustainability activity. This perspective was also recognized by one of the community affairs managers in our interviews:

> *"We faced a defamatory campaign about our product which could waste all our investment behind marketing. That motivated the marketing managers to call us to the table early and for them to see us as an integral part of their marketing strategy."*
>
> *"Today, marketing recognizes the importance of our stakeholder work because we are facing a more difficult environment in terms of activism, in terms of more informed consumers, and a medical and government sector who is more critical of our efforts."*
>
> *"This change in behavior came as recognition from marketing that we have important hurdles to manage across other audiences that are not consumers, and that they needed attention prior and after the introduction of an offering".*

A transaction cost theory perspective can also be used to explain the motivation by firms to develop CBM capability. As the pressure and influence increases from stakeholders on firm managers and their market offerings, it makes the cost of avoidance much greater than the cost of engagement. As a result, firms operating under stakeholder pressure to address and resolve social, labor or environmental externalities will be more likely to develop CBM capability. Therefore:

H5: The greater the pressure from external stakeholders on issues of firm externalities, the higher the CBM capability.

<u>Market Orientation</u>

Of critical importance to my theory is the contention that CBM capability is more likely to emerge in market-oriented firms because they have already developed the mechanisms to understand the evolution in the customer and competitive environment and its implications for the firm offerings. As the interdependency among constituents increases in a business environment and the needs of internal and community groups to enter the consideration set of marketers, market-oriented firms are in a better position to notice and evolve towards a broader constituent view. Furthermore, market oriented firms cultivate strong levels of inter-functional collaboration which becomes a good foundation for the emergence of the three behaviors that composed CBM capability. Therefore:

H6: The greater the market orientation of the business unit, the higher the CBM capability.

Cross-Functional Integration

The need to manage multiple constituents' requirements in a networked marketplace calls for greater collaboration and integration across different functions within marketing and the firm as a whole. Cross-functional integration is a core organizational capability that has been associated with positive outcomes in new product innovation and market orientation literature (Troy, Hirunyawipada and Paswan 2008). A business unit that already has in place the cultural inclination, the leadership reinforcement, the employee incentives, and the processes and structures that allow for cross-functional work to take place is likely to have a greater ability to adopt the behaviors of CBM. The costs of collaboration in search of constituent complementarity and synchronization will be lower and less daunting to an organization that is used to working together across functions. Therefore:

H7: The greater the cross-functional integration in a firm, the higher the CBM capability.

Conclusions

This study contributes to the formation of the Stakeholder Marketing literature by proposing, with greater clarity than previously specified in literature, the organizational capabilities in the form of processes and behaviors required for Stakeholder Marketing to take place. I name these capabilities as Constituents-Based Marketing capabilities, adopting the view of capabilities as complex bundles of skills, knowledge, and processes that enable firms to coordinate activities and make use of their assets (Day 1994). Given the newness of this phenomenon, I relied on a theory-in-use approach, executed through the in-depth qualitative interviews of 70 managers in a multi-national firm.   The research process led to the identification of three behaviors that were increasingly being used by managers in order to connect the needs of multiple stakeholders into the design or promotion of their product offerings. By proactively seeking to understand the need of relevant constituents building opportunities for complementarity into the design or promotion of their offering and synchronizing activities across constituency groups, the managers were demonstrating a heightened sensitivity for the increasing inter-relation of stakeholders in the market. While literature has recognized the importance of considering multiple stakeholders, its impact on the marketing organization and capabilities has not been fully studied. In the following essay I provide an empirical test of the hypotheses generated in this study, as well as a more general discussion of theoretical and managerial implications.

IV. ESSAY 2: CBM EFFECTS - AN EMPIRICAL TEST OF ANTECENDENTS AND CONSEQUENCES

Introduction

The presence of Stakeholder Marketing is still in an emerging phase on marketing literature. While the need for marketers to consider a broader set of stakeholders has been well established, the actual measurement of Stakeholder Marketing still remains to be debated and understood. In a recent review paper of Stakeholder literature in marketing, most of the research gaps presented pointed to core issues of measurement, including the need to understand the nature of stakeholder transactions and the relative value between stakeholder marketing and customer focused marketing activities (Hult et. al 2011). There have been a number of papers with attempts at measuring Stakeholder Marketing, but their methods have followed one single research path: to measure Stakeholder Marketing as an extension of Market Orientation. As a result, the measurement of the presence of Stakeholder Marketing has adopted the three behaviors of Market Orientation (information gathering, dissemination, and response) and simply expanded the definition of market to incorporate a broader set of stakeholders (Mish and Scammon 2010, Tellefsen 1999, Maigan, Gonzalez-Padron, Hult, and Ferrell 2011). A second approach has followed a line established in management literature and defined Stakeholder Marketing as the sum of individual orientations such as employee orientation, customer orientation, competitive orientation, and shareholder orientation (Greenley, Hooley and Rudd, 2005).

Despite the merits of these efforts, they both carry limitations that prevent scholars from addressing the research gaps identified in literature. First, it would be important for future research to differentiate the effects of Stakeholder Marketing from those of Market Orientation.
However, the methods to date fall short in their ability to measure such distinction for one of two reasons. Some that measure individual stakeholder orientations have not covered environmental or

community related stakeholders. Therefore, the focus on internal and market stakeholders is arguably the same as those involved by a Market Oriented firm. Second, the method that uses the three behaviors of market orientation with a broader definition of the market may encounter difficulties in separating the effect driven by the expanded stakeholder scope from the effect derived by the gathering, dissemination, and responsive behaviors of the firm. A final observation of the current measurement efforts of Stakeholder Marketing is that the similarity with the Market Orientation measurement may be driven by the fact that no studies to date have investigated the behaviors of stakeholder marketing inside a firm in a line similar to the one followed by Kohli and Jaworski (1990) to clarify the original Market Orientation construct. I believe the efforts carried out in the first essay of this dissertation enables the definition of a more precise construct measurement and increases the possibility for identifying the unique consequences of Stakeholder Marketing relative to other capabilities of the firm.

To that end, this essay is focused in developing an empirical test of the antecedent and consequence hypotheses stated in Essay 1 as well as providing a discussion on the theoretical and managerial implications of CBM.

Empirical Setting

Data Collection

Two important considerations guided my choice for the empirical setting. First is the fact that CBM is a business unit level construct, not a firm level construct. Therefore, the study of multiple business units within a firm would be of greater value to a first empirical test of my ideas than a firm level study across firms. In addition, CBM capability is hypothesized to affect performance dimensions across multiple constituency groups. It can be challenging to access such a breadth of performance measures from secondary sources at the business unit level from multiple firms. As a result, I focused the analysis on one multinational firm across 44 countries, each representing a geographic business unit. There are clear shortcomings related to the generalization of findings in a one firm study, but the empirical setting does offer some advantages considering the early stage of research in stakeholder marketing. Specifically, the business model and product homogeneity across business units avoids confounding the exploration of the construct with the differences that could exist across industry characteristics, businesses, and firm cultures. At the same time, the business units studied adapted their marketing strategies and programs locally to a significant extent, providing sufficient variance in terms of both organizational behavior and outcomes.

CBM capability was measured via an online survey sent to 441 marketing managers. Following Phillips (1981), the sample size included key informants in different marketing roles and focused on manager-level or above employees who tended to have greater knowledge of the dynamics at play in the organization. I also conducted pre-testing of the survey to ensure the clarity of the questions. To assess the informant adequacy in answering the questions, I added a question on the tenure of the individual in the organization. A large segment of the respondents (89 percent) have been in the company for more than two years. As an additional check, I tested the final model only with respondents with more than two years of tenure, and the results were consistent with those achieved with the full sample, indicating no respondent bias on the basis of experience. In order to address other concerns stemming from use of survey data, I followed several of the procedural remedies identified by Podsakoff *et al* (2003). To minimize social desirability bias, the cover letter included with the survey emphasized that all analysis would be conducted only on aggregated data and individual respondents would not be identified. Moreover, the respondents were assured that there were no right or wrong answers to the questions and they were asked questions specific to behaviors in their department or areas of work, not about the business unit in general.

I received 361 completed surveys from 44 countries, each representing a different business unit, for an effective response rate of 81.8 percent. A chi-square test comparing the profile of the respondents and the non-respondents indicated no significant difference between the two groups on firm tenure and respondent location. Measures for business unit performance, moderating variables, and controls were obtained from secondary sources or provided by the firm.

CBM Measure

A number of approaches have been used in literature to study multi-stakeholder relationships. One common method is to measure individual stakeholder orientations such as shareholder orientation, employee orientation, and product orientation, and study their relative contributions to performance (Ingenbleek and Immink 2010). Another method used relies on external indications of stakeholder engagement (e.g. KLD) to create a formative measure based on adding firm actions across different constituent areas of interest, like environment, community, or social contributions (Berman, Andrew C. Wicks, Suresh Kotha, Thomas M. Jones 1999). A third approach has proposed an expanded view of the market orientation measures to include general stakeholders, not solely customers or competitors. Each of these approaches has merit, but they also fall short from addressing the call for a holistic measure of stakeholder marketing. The multi-orientation method does not capture the relationship across constituents, nor has it been used in an expansive enough way to capture all relevant constituents. The stakeholder index captures firm activities across community and internal constituents, but does not capture the firm activities related to the market constituents. Finally, the extension of market orientation to cover firm stakeholders can be too generic, aggregates constituents and would limit the understanding of the effect and contributions of different constituency groups.

I used existing practices for the measurement of new constructs (Kohli and Jaworski 1990) and a combination of literature and field-based perspective to develop a second order reflective measure of CBM. It is composed of three individual reflective constructs representing each of the three constituency groups: internal, community and market. These constructs indicate the degree to which the correspondent constituent group has been embedded in the development or promotion of the product offering based on the three behaviors defining CBM: understanding, complementing, and synchronizing across constituent needs. Therefore, a business unit had a high CBM measure if its marketing managers worked to understand the needs of the three constituency groups before the start of the planning process, created opportunities for complementarity between constituents in the design or promotion of the offering, and synchronized the execution of product initiatives across constituency group. I measured the depth level of each of the three constituency groups through the survey instrument where managers were asked to rate, on a seven point scale, the degree to which behaviors of CBM capability for a given constituency group were present in their organization. It is important to mention that I used managers in the firm responsible for the different constituency groups as a proxy for assessing the degree of involvement of a given group into the marketing work.

While the CBM construct includes all three constituent groups (market, internal, and community), the contribution of this study is on measuring the incremental effect of accounting for internal and community constituencies. Therefore, I focused the analysis on the combined effect of internal and community groups.[7] The internal constituent group was defined as employees and measured through the relationship of marketing with the human resources (HR) function. The community constituent group included both social and environmental

[7] The results for the CBM construct with all three constituents are also included in the analysis for the purposes of comparison and completion.

considerations through the relationship with the community affairs group and NGOs. The market constituents were measured through the relationship between marketing and the sales and customer teams (see Appendix for details on scales and descriptive statistics).

Confirmatory factor analysis (CFA) was used to assess the construct validity of CBM with all paths showing positive and significant effects on the second order construct and the fit statistics meeting accepted thresholds (GFI = 0.97, RFI = 0.92, RMSEA= 0.058). Finally, discriminant validity between constructs was tested using two CFA assessments: once constraining the correlation between the latent variables to unity and once freeing the parameter between each of the constituent groups, Market Orientation, Cross-Functional Integration, and Marketing Centrality. A chi-square difference test was then used to test whether the chi-square value of the unconstrained model was significantly lower, in which case discriminant validity would be upheld. The critical value ($\Delta\chi^2_{(1)}$>3.85) indicates that discriminant validity was upheld in all cases.

Business Unit Performance, Antecedents, Moderators, and Control Measures

Recent papers argue that marketers have not adopted a holistic unit of analysis across stakeholders and seem to only look at the firm and one stakeholder at a time (Hult et. al 2011). Therefore, it was important to expand the measures of performance and assess the consequences of CBM across each of the three constituency groups. Sales growth for each business unit based on the year-on-year change in unit sales was used as a measure of performance among the market constituents. The value was re-scaled by a constant to maintain confidentiality of the data. A measure of employee engagement was used to assess performance with the internal constituent group. The employee engagement measure used is the outcome of a firm-wide survey issued at a separate time in the same year of the study among all firm employees.

Finally, a measure of trust in the company was used as an indicator of performance among the community of influence. The data was provided by the company but collected by a third party research company across countries as part of the company's monitoring process of their reputation on issues of corporate social responsibility and citizenship. It is important to note that using data from primary and secondary sources allows me to minimize common source and method bias, which is typical in survey based research.

The presence of a networked market was measured as a formative index (Net Index) consisting of two components. The first component, which captures the potential for social connectivity among constituents, was measured for each GBU via three items: the number of mobile phone subscribers per capita, the number if internet users per capita (both as reported by Euromonitor) and the number of Facebook users per capita by country as reported by Facebook. The first two items relate to the technological infrastructure required for mass connectivity, and the third is used as a proxy for the development of social networks. However, the level of technological connectivity is necessary but not sufficient for the presence of a networked marketplace as defined in this paper. Constituents must have a level of interest in the social impact of firms and the ability to express their views freely about firms and their products. This is an important addition because CBM offers its greatest value to firms that serve connected consumers and influential constituents. I measured this second component of the networked marketplace index using three items: the level of freedom of political expression by country as measured by the World Bank Governance Indicators, a measure of the importance of social responsibility by country as reported by the firm AccountAbility, and the measure of freedom of the press provided on a yearly basis by FreedomHouse. A final formative index was created by equally weighting all six items.

Competitive intensity was measured using a Herfindahl measure of industry concentration. A reflective construct for marketing centrality was creased based on the four behaviors of brand managers measured through the business unit survey and indicating their work in connecting and leading the organization. The measure had a coefficient alpha of 0.70.

To account for business unit specific heterogeneity, I used information from managers and prior literature to determine the control variables. These included a measure of economic conditions in the form of change in the purchasing power parity (PPP) per capita, as provided by the United Nations Statistics Department,[8] business unit size measured through two dummy variables to reflect the total number of employees in each business unit, and the intensity of new product innovation by incorporating a measure of the trend over time of the number of new products introduced during a 10-year period preceding the time of our study. Market orientation was measured via the six-item scale of Deshpandé and Farley (1998). Cross-functional integration (c-alpha = 0.76) was developed for this study to reflect the key characteristics of coordination, interaction and communication across functions as proposed by Song and Montoya-Weiss (2001)

The control variables in the antecedent model included the business unit age, size, and the degree of support by GBU leaders for cross-functional involvement measured in the survey through manager perceptions. Young organizations with fewer established functional blueprints and routines have a greater ability to adapt to market changes and therefore develop CBM capability (Kor and Mahoney 2005). Business unit age is based on the years in operation of each GBU in each country as provided by firm sources.

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[8] *http://unstats.un.org/unsd/demographic /products/socind/inc-eco.htm*

Analysis Strategy and Findings

Accounting for potential endogeniety. A major concern with cross-sectional studies is the inability to rule out endogeneity in biasing the results, specifically because error terms in the models might be contemporaneously correlated with the key independent variable, CBM. This could occur if unobserved firm level variables are simultaneously related to both the outcome and the exogenous driver. In this instance, the error term in the regression model can be viewed as a sum of two terms: $\varepsilon_i = u_i + v_i$, where u_i is uncorrelated with the independent variables and v_i is correlated with the independent variables.

A way to address this potential problem would be to include all of the unobserved firm level variables as covariates in the model. However, since it is not possible to identify all such variables, I adopt an instrumental variable approach (Wooldridge 2002). I use, as instruments, two variables collected through a survey two years prior to the primary data collection. Specifically, I used a variable to measure whether all of the brand managers had a common process to manage brands and a variable that measures whether the business unit coordinates procurement of marketing point-of-sale material with the channel partner as instruments for CBM. I chose these instruments because they are related to CBM and are measured temporally prior to the primary data collection period in the study. Therefore, by definition, they are unlikely to be correlated with the error term (v_i component of the error term) in the estimation year (see Rust, Moorman, and Dickson 2002 for a similar approach).

As pointed earlier, I focused the study on the combined effect of internal and community groups. The Tables also contain the results of CBM that include the market constituents for comparison purposes. I tested for the relevance and strength or validity of our instrument variables using a Sargan J test for over-identifying restrictions and Stock and Yogo's (2005) formal test for weak instruments (Cameron and Trivedi 2009). Consistent with my expectation, the Sargan J test showed that the null hypothesis of relevant instruments could not be rejected [Sargan for Sales growth model χ^2 =0.01 (p=0.9694); Sargan for Employee Engagement χ^2 =0.46 (p=0.4947); Sargan for Firm Trust χ^2 =0.11 (p=0.7279); Sargan for Antecedent Model χ^2 =0.21 (p=0.6448)]. The Stock and Yogo test for weak instruments again indicates that we can reject the null hypothesis of weak instruments in all four cases, since the Robust F-test and the minimum eigen value statistic exceed the nominal 5 percent Wald Test critical numbers for all four models estimated (for Sales Growth: the Robust F=12.21, the minimum eigen value=15.08; for Engagement: the Robust F=13.64, the minimum eigen value=16.24; Firm Trust: the Robust F=16.11, the minimum eigen value=18.60 and the Antecedent Model: the Robust F=48.19, the minimum eigen value=42.45). Taken together, these test results indicate that the instruments used were both relevant and strong, supporting their validity and providing confidence in the results.

In order to test the interaction hypotheses, following standard guidelines for moderated regression analysis, the main effect variables were mean-centered before creating the interaction variables (Cohen, Cohen, Aiken, and West 2003). All variance inflation factors are significantly below 10, indicating that multi-collinearity is not a concern. In addition, since the data consist of multiple respondents from each GBU, I used clustered robust standard errors, which allow observations within the same GBU to be correlated. As shown in Table 2, the results provide support for hypotheses H1 a and b, but not c, confirming the predicted positive association between CBM and firm performance measured as sales growth and employee engagement, but the relationship with firm trust was not significant. Results in Table 3 provide support for the moderating effect on H2a, and H2c, suggesting CBM has a stronger positive association with sales growth and firm trust when firms operate in networked markets with connected constituents. Support is found for H3a and H3c, suggesting that under conditions of high competitive intensity, a CBM capability is more valuable in driving sales growth and firm trust. I also find support for H4a indicating that market centrality positively moderates the association between CBM capability and sales growth. However, I find no support for H2b H3b, H4b and H4c indicating that CBM's effect on firm engagement is not moderated.

[Table 2, 3, and 4 About Here]

The Johnson-Neyman technique (Hayes & Matthes 2009) was used to identify the statistical significance of the effect of CBM across varying levels of moderators, namely net index and competitive intensity. I plot the beta coefficients of CBM on all three indicators of business unit performance in Figure 1. As can be seen in the left panel of Figure 1, the effect of the CBM on sales growth and firm trust increases as net index increases, providing strong support for H2a and c. Similarly, the right panel of Figure 1 presents the beta coefficients of CBM on business unit performance, conditional on two levels of competitive intensity. As can be seen from the results, CBM has a progressively increasing effect on sales growth as competitive intensity increases, providing further support for H3a.

[Figure 2 About Here]

Among the antecedents shown in Table 4, support is found for H4, indicating that stakeholder pressures serve as a motivation for a firm developing a CBM capability. Support for H5 and H6 suggests that, as anticipated, the presence of market-orientation and cross-functional integrative processes provide the ability to develop a CBM capability.

The models explain a significant amount of variance in the dependent variables. The results of the control variables used are relatively consistent with expectations. Innovation intensity and brand equity are positively associated with sales growth performance. Firm size appears to provide the resources necessary for being positively associated with firm performance. The controls for country characteristics and the purchasing power parity index were also associated with firm performance. Among the controls in the antecedent model, the age of the business unit was negative, suggesting that CBM is a capability of younger business units, while internal leadership and size are positively associated with CBM capability.

Robustness Checks

As reported in Tables 5 and 6, I re-estimated the models by including market orientation and cross-functional integration as control variables to ensure that CBM effect was still significant after controlling for those two related conditions. H1a and b and the results for the interactions are consistent with the results of the analysis without these control variables. Moreover, the incremental R^2 explained by adding CBM to models that included market orientation and cross functional integration, respectively, is statistically significant at $p<0.05$ in the sales growth and employee engagement models indicating that a CBM measure that focuses on internal and community constituencies explains variance over and above these two established variables[9].

[Tables 5 and 6 About Here]

To examine persistence and proxy for omitted variables, I included the lag dependent variable in the sales growth model, in addition to the firm and country level controls. The pattern of results remained largely stable to this addition.

In order to verify that the choice of the estimation approach did not bias the results, I also re-estimated the four recursive equations utilizing Roodman's (2009) conditional mixed process

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[9] The effect of the CBM measure that includes market constituents however becomes weaker when market orientation is added to the model and in some cases becomes insignificant.

(CMP) regression technique. CMP is relevant for recursive systems of equations and uses a seemingly unrelated estimator. The results remain, to a large extent, robust and consistent with prior results. While the primary analysis used a GMM estimator, I used two alternative estimators based on 2SLS and a LIML estimator, and the results remain relatively robust to the choice of an estimator.

Discussion And Implications

One of the main ideas guiding the marketing field over the last twenty years is the importance of market orientation. Under this mandate, firms create value when all functions of the business are aligned to address the needs of customers. While this conception of marketing has been broadly embraced, a sole emphasis on customer needs may not be sufficient given a changing stakeholder landscape. The emerging literature on Stakeholder Marketing has identified this change, proposing Stakeholder Orientation as a necessary evolution for firms. However, despite advancing the definition and propositions, literature to date has provided few empirical studies of the causes, consequences, and conditions for Stakeholder Marketing. In addition, scholars have pointed to the need to advance knowledge about the value and performance outcomes of holistic stakeholder related studies, calling it a major limitation of marketing research (Hult et. al 2011).

This study contributes to the formation of Stakeholder Marketing literature by proposing and empirically testing the Constituents-Based Marketing capability. I adopt the view of capabilities as complex bundles of skills, knowledge, and processes that enable firms to coordinate activities and make use of their assets (Day 1994). Given the newness of this phenomenon, I relied on a theory-in-use approach, executed through the in-depth qualitative interviews of 70 managers in a multi-national firm. The research process led to the identification of three behaviors that were increasingly being used by managers in order to connect the needs of multiple stakeholders to the design or promotion of their product offerings. By proactively seeking to understand the need of relevant constituents, building opportunities for complementarity into the design or promotion of their offering, and synchronizing activities across constituency groups, the managers were demonstrating a heightened sensitivity for the increasing inter-relation of stakeholders in the market. While literature has recognized the importance of considering multiple stakeholders, its impact on the marketing organization and capabilities has not been fully studied, in part because the commercial constituents were the dominant focus in the value creating process.

I measure the presence of CBM capability across 44 geographic business units and its consequence on three types of performance measures: sales growth, employee engagement, and trust in the company. An instrumental variable regression finds support for a positive relationship between CBM and improved performance across the three constituent groups, in line with the propositions of stakeholder theory and stakeholder marketing. The robustness tests suggest that the main effect remains consistent with the hypotheses in my study.

In addition, a key contribution of this work relates to identification of the environmental conditions that moderate the effect of CBM on performance. In particular, the study shows that the strength of the relationship increases in markets with the technological and political conditions to enable large-scale connection across constituent groups. Marketing literature first presented the idea of market networks in the early 1990s, but to my knowledge this paper is amongst the first to use the notion of market networks as an operating condition for marketing capabilities on firm performance. Moreover, in line with the competitive differentiation hypothesis, CBM capability appears to have a stronger effect on firm performance in more competitive markets. Finally, I also find support for the implications of CBM on the structure of the marketing organization which suggests greater marketing centrality is an important condition for strengthening the effects of CBM on market performance.

While CBM capability is not cost free, firms can leverage the foundation set by the adoption of market orientation to facilitate the development of CBM. Specifically, I find that business units with an already heightened degree of market orientation are more likely to develop CBM capability in response to new dynamics introduced by constituent networks or highly competitive markets. By already being market oriented, they are more likely to be aware of how customer perceptions are changing and what new factors are influencing such a change.

Theoretical Implications:

The literature on marketing capability has been based primarily on the tenets of customer centricity. Marketing capability is often defined as superiority in identifying a customer's needs and in understanding the factors that influence consumer choice behavior (Dutta, Narasimhan, and Rajiv 1999) as well as the ability to develop and maintain relationships with customers, including both end users and channel members (Moorman and Slotegraaf 1999). While these elements of marketing capability continue to be important, I offer an extension to the scope of the discussion by introducing the ability of firms to manage a portfolio of constituent needs as an emerging marketing capability. As such, and as indicated in Table 7, CBM proposes a shift from a customer-centric view of capability towards a constituent-centric view. Particularly for firms operating in networked and competitive market environments, focusing on customer needs as the primary input in the design of product offerings can, at times, be myopic (Smith, Drumwright, and Gentile 2010). Under the CBM approach, the marketing function would evolve its role towards becoming a designer of offerings that, while looking to serve customer needs, does so in a way that accounts for the needs of multiple constituents. This transformation suggests an evolution in the role of marketing from representing the voice of the customer within a firm towards becoming the connector of constituents' needs throughout the firm.

While market networks have been discussed in marketing literature for close to 20 years, the constituent-networked economy is a new reality fueled by the presence of technological capabilities that enable interactions among constituents and consumers. New theory is required to understand how the marketplace conversation shapes brand perceptions in this new environment where information flow is no longer one-to-many (between a firm and its consumers) but many-to-many (among consumers and between consumers and other commercial and non-commercial constituents).

Managerial Implications:

The adoption of CBM capability represents important changes to the organization of marketing activities and structures within a firm. Most firms today focus their market research on understanding customer and competitive needs and are less focused on assessing the needs of other internal or external constituents. Marketing processes recognize the importance of cross-functional integration but tend to be focused on the integration between marketing and sales or marketing and manufacturing. The integration of marketing activities with human resources and community affairs functions are rare in many organizations today. Finally, marketing structures often revolve around the role of a product or brand manager who operates as an expert on the product offering and its customers. Adopting a CBM perspective calls for an evolution in this role towards the creation of *constituents managers* who, while being experts in a particular product or service offering, can also help the firm understand the tradeoffs involved in marketing an offering in a way that can address the needs of multiple constituents at the same time.

A second set of managerial implications relates to the reduction of the boundaries between programs aimed at promoting the social responsibility of a firm and those aimed at promoting market growth. Marketers that adopt a CBM perspective will see concerns about the societal impact of the product offerings in the supply, manufacturing, distribution, consumption, and post-consumption processes as relevant topics that, if managed strategically, can become sources of competitive advantage. A third and related implication speaks to the nature of the external partnerships required to manage a portfolio of constituents. For instance, one of the determinant factors that enabled Target to enter into the New York City market successfully related to their strategic partnership with Harlem residents who acted as suppliers of local products. Similarly, one of the core strategies of Coca-Cola's growth objectives in Africa relies on a program called 5 by 20, where they seek to empower five million women to become distributors of their products across under-developed communities. It is a partnership with civic institutions, governments, and NGOs directed towards expanding their distribution reach in the continent. Melinda Gates of the Gates Foundation has identified their activities in Africa as an as example from which NGOs can learn.

Implications for Marketing Education:

Increasingly, business schools have become interested in developing classes and projects that focus on the societal impact of firms. The resource allocation and attention towards a multi-stakeholder perspective (such as naming a Vice Dean for Social Impact at the Wharton School) and external ratings of business schools (such as Beyond Grey Pinstripes that ranks course work and research and activities that prepare MBAs for social, ethical, and environmental stewardship) emphasize the importance of educating students with a CBM approach to marketing. Doing so will enable the training of the next generation of managers to generate shared value for both their firms and the communities in which their firms operate.

Limitations and Future Research:

The empirical strategy of my study enabled richness in qualitative observation of the CBM phenomena and quantitative assessment of its effects within 44 business units of a multinational firm. However, our findings have yet to consider cross-industry effects. In addition, while our theory stipulates that a broader set of performance measures are needed to assess the effectiveness of marketing activities from a CBM perspective, our data focuses on GBU sales, employee engagement, and company trust. More work is needed to understand other consequences on firm and constituent performance, including profitability and constituent endorsement. Also, while CBM is expected to result in the creation of an offering that addresses multiple constituent needs, the current study does not measure the offering itself. Future research could consider the view of CBM from the offering perspective as an alternative way of studying its consequences.

From an organizational perspective, the costs associated with the development of CBM capability are yet to be understood. In addition, the work presented here raises questions about the role of the CMO and product managers, and implies that their responsibilities may need to evolve in order to support the development of CBM capability within a marketing organization. Furthermore, additional research is needed to understand the tradeoffs involved in CBM. While I stipulate the importance of managing a portfolio of constituents, I do not investigate the choice among the specific mix of constituents for a given offering. It is unlikely that all constituents are relevant or cost effective to manage at all times, so I expect that the formulation of a constituent mix for different market conditions to be a fruitful area of research with important strategic and theoretical implications. Finally, our empirical evaluation of CBM is able to assess its relationship to short-term performance. From a theoretical perspective, CBM is expected to strengthen a firm's position across multiple constituents and, in doing so, enhance the sustainability of its performance. However, such contention remains to be tested and compared to the benefits of Market Orientation.

Despite the limitations in our current effort, I hope the ideas presented and preliminarily tested in this study help to ignite a debate about the direction of the evolution of Market Orientation and to revive scholarly interest in organizational issues within marketing, which are at the core of a firm's ability to evolve and succeed in the new operating environment.

V. ESSAY 3: UNDERSTANDING THE CHALLENGES OF CREATING SHARED VALUE

"To maximize consumption is not the goal of Marketing. Rather, the goal of Marketing is to maximize stakeholder welfare"

a. Iyer and Bhattacharya 2009

"Shareholders are the number one constituency. Show me an annual report that lists six or seven constituencies and I'll show you a mismanaged company."

b. Albert John Dunlap 1995

"Learning how to create shared value is our best chance to legitimize business again."

c. Michael Porter and Mark Kramer 2011

Introduction

Constituents-Based Marketing capability is not only about the design of offerings that take into account the needs of multiple stakeholders. It is also about the creation of shared value across the different stakeholders of the firm. The notion of shared value has been present in stakeholder theory literature since its origins. From the perspective of Stakeholder Theory (ST), business is about how customers, suppliers, employees, financiers, communities, and managers interact to create value for all stakeholders involved, not just the firm. It is not that the economic goals of the firm ought not to be important, but just as important to the long term growth of the enterprise is the value created for employees, suppliers, customers, and communities (Freeman, Harrison, Wicks 2008). In fact, a stakeholder approach to business encourage the creation of as much value as possible for stakeholders without resorting to tradeoffs (Freeman, Harrison, Wicks, Parmar, Colle 2010).

The idea of shared value has gained significant popularity in practitioner writings and executive claims. Just recently, the CMO of The Coca-Cola Company named his annual presentation to the American Marketing Association as “Marketing and the Journey to Shared Value”. Hewlett-Packard sponsored the creation of a guide to shared value[10] and Nestle organized its social responsibility report in 2011 around the ideas of shared value[11]. Despite the calls for “shared value” practice, there has been little work on defining the specific changes it requires in the marketing activities of the firm or the challenges that its pursuit can introduce for the marketing function. This study is a rigorous effort to contribute to the understanding of the implications, conflicts, and complementarities of shared value goals in marketing, an issue of great relevance to senior managers in firms.

Research in this area is not only needed due to the increased interest among managers. It is also needed because its benefits are not yet clear. Despite its attractiveness, the idea of shared value as a goal of the firm is not a universally accepted principle. Critics argue that the pursuit of financial goals for the firm can and do create social value in the form of employment and taxes. In neo-classical economics, social or environmental concerns are perceived as constraints to a profit maximization organization and therefore, addressing them will result in cost increases and lower rent for firms. The most prominent advocates for this view include Milton Friedman and Michael Jensen. Their argument is focused on the need for firms to have a single objective function in relation to profit maximization. Attempting to respond to multiple objectives, particularly some related to environmental or social issues, can become a managerial distraction. Friedman (1970) argued that “there is one and only one social responsibility of business–to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” Jensen (2002) proposed that stakeholder theory is fundamentally flawed because it is

[10] http://www.fsg.org/Portals/0/Uploads/Documents/PDF/Shared_Value_Guide.pdf
[11] http://www.nestle.com/CSV/Pages/Homepage.aspx

counter to the idea that any organization should have a single-valued objective as a precursor to purposeful or rational behavior. He goes on to argue that adopting ST as a managerial principle of the firm will create a handicap in its competition for survival because ST politicizes the corporation and leaves managers open to use resources in pursuit of their own personal preferences. Finally, the critics also contend that a single objective function focused on maximizing firm value also translates into the maximization of social welfare. In other words, society is better off when firms are focused on firm value. The intuition for this perspective is that value for society is created when firms market a product or service that meets the needs and expectations of its customers at a price greater than what it costs to produce it. There are, however, two exceptions to this premise. First is that the above claim is not valid in the presence of monopolies. Second, and most important to the argument of Stakeholder Theorists, the claim is also not valid under the presence of externalities. For instance, a firm that meets the needs of consumers at a profit, yet its practices or product result in environmental degradation, human rights violations, or long term adverse health consequences on workers or consumers may be creating economic value, but not creating welfare value for society.

A counter argument has also emerged in ST literature proposing that the prosperity of the private sector is taking place at the expense of the wellbeing of society, particularly as it relates to the environmental damage and income disparity that it is creating (Porter, Kramer 2011). In addition, Stakeholder Theorists argue that shared value is not inconsistent with the responsibility of firms to create economic value for shareholders. If Stakeholder Theory is interpreted as a theory about how value gets created, there is little difference between the ST position and that of economists like Friedman or Jensen (Freeman, et. al. 2010). As such, ST offers a different model for maximizing firm value by arguing that firms can create greater economic value if they expand the pool of benefits across the stakeholders throughout its value chain. Therefore, shared value is about the design of a business in a way that can turn tradeoffs into complementarities and create economic and social value for the firms and the communities it serves.

While the term “shared value” has not been used often in marketing literature, the concept has been a part of the evolution of the stakeholder marketing literature. In his recent introduction to the Special Section on Stakeholder Marketing, Bhattacharya (2010) called for greater attention to marketing practices that could maximize benefits to all stakeholders. The emerging literature on stakeholder marketing also calls for a transition in the goals of marketing towards the creation of value across the stakeholders of the firm. A similar idea was also present in the original conception of Market Orientation (Kohli and Jaworski 1990) and Marketing Resources and Capabilities (Bharadwaj, Varadarajan and Fahy 1993; Day 1994), both of which surfaced the vision of multi-stakeholder value as key in the creation of firm value.

Despite the introduction of shared value in the literature, no study, to my knowledge, has attempted to deepen the understanding of the impact of such a strategy on marketing capabilities and performance. Given the concerns raised by critics mentioned earlier, it should not be considered as a foregone conclusion that the pursuit of shared value in a marketing program would lead to greater value for the firm or for other stakeholders involved. Recent examples such as the failure of the Sunchips bio-degradable packaging or the opposition to the position taken by Starbucks in support of same-sex marriage illustrate the risks involved in developing a market offering in pursuit of shared value. Shared value efforts can politicize marketing and brand-building activities, alienate consumers and initiate counter efforts like boycotts or negative social media coverage that can adversely impact the business. At the same time, the criticism faced by Apple on its supplier’s labor practices illustrates the risks of ignoring a stakeholder view of the business. In this essay, I try to advance the understanding of the challenges associated with the pursuit of shared value in marketing and the mechanisms that firms use to address them. The essay first provides a definition of shared value and firm stakeholders, then describes the research methodology used for the theory construction section of the study, and ends with theoretical and managerial implications.

Defining Shared Value:

There are two factors important in determining the meaning of shared value as applied to marketing. First is the definition of value and second is the description of the stakeholders whose utility may be influenced by the program. Management literature has proposed numerous organizing frameworks for measuring the multiple dimensions of firm performance. One influential direction was proposed by Carroll in 1979 and focused on the definition of social responsibility. It proposed the four categories of social responsibility as economic, legal, ethical, and discretionary. From this perspective, the measurement of firm performance should incorporate the ability to meet stakeholder expectations across these four categories. However, data collection for the application of such measures became a challenge and, hence, the model could not provide a way by which performance of social responsibility could be tested outside the financial metrics of a firm. Efforts to measure the proposed model also demonstrated that the classifications of the model were not grounded in the realities of corporate practice (Clarkson 1995). The triple bottom line (TBL) has become a more accepted model of multi-dimensional performance. Although the idea had been present in management literature for some time, it was made popular by Elkington (1997) when he proposed economic prosperity, environmental quality, and social justice as the three measures necessary for evaluating firm performance. The concept of TBL has been widely accepted, but its empirical execution has been challenged by data availability and definitions. For instance, what constitutes social or environmental value? There are many topics of social need, but which ones are relevant to a firm and how do we measure the firm's contribution? A more foundational gap is the need to understand from an empirical perspective if the managing for TBL performance yields better future growth prospects for the firm than a pure Shareholder perspective (Hult, et.al. 2011).

Recent studies have attempted to measure performance beyond financial metrics by including firm reputation and employee engagement. Murphy, Maguiness, Pescott, Wislang, Ma, and Wang (2005) proposed a holistic method to measure stakeholder performance based on perceptions across customers, employees, community, suppliers, and shareholders. While both of these efforts are worthwhile attempts, the units of analysis is at the firm, not product offering level, and the definition of the stakeholders remains broad (e.g. community, suppliers) and not clearly associated to any particular marketing activity. As a result, it is difficult to gain an increased understanding of how marketing activities can create value across multiple stakeholders of the firm.

Despite these challenges, both management and marketing scholars agree that a key to the future understanding of stakeholder relationships lies in the use of several performance measures in the same study so that the strengths and weaknesses of the stakeholder relationships can be understood (Freeman, et.al. 2010).

A third method of understanding shared value related to the understanding of the different types of value created by different stakeholders. In some of the initial writings on Stakeholder Theory, scholars discussed that both the contributions and rewards that stakeholders make and expect from firms come in different forms, including financial, goods, information, status, and prestige (Rhenman and Stymne 1965). This position was later ratified by marketing research which demonstrated that the contribution of CSR programs on financial performance did not occur directly, but was often mediated through the development of intangible resources such as firm reputation and employee commitment. This direction would suggest that instead of attempting to measure the direct relationship between marketing activities and stakeholder value, future research should inquire into the mediating effects of intangible assets and resources.

I combine the literature described earlier to propose the construct of "shared value" as a strategic option available to marketing managers in the pursuit of growth for their product offering. The distinguishing aspect of a "shared value" strategy for growth is the accounting of needs of the stakeholders in the design and marketing of the product offering. As stated in Essay 1, Constituents-Based Marketing (CBM) is presented as one organizational capability required for operating a strategy of "shared value". In contrast to a "shared value" strategy, I propose that most marketing activities today are based on an alternative strategy in pursuit of "self value", or simply the maximization of brand equity and profit for the benefit of the company and its shareholders. Therefore, the selection of "shared" or "self" value as strategies for the marketing of a product offering can become a core strategic choice to be made by marketing managers.

Defining Stakeholders:

Another aspect of understanding the relationship of marketing and "shared value" relates to the definition of stakeholders. Three approaches have been used in marketing literature for this purpose. One model classifies stakeholders based on their relationship to the boundaries of the firm in terms of internal vs. external constituencies (Cronin, Smith, Gleim, Martinez, and Ramirez 2011). While the simplicity and ease of application of this model has some merit, the classification is absent of a theoretical framework to explain the roles that different internal or external stakeholders can have in the value creation process of marketing initiatives. For instance, employees involved in the development of marketing programs would have a different contribution to the value of the initiative relative to employees in unrelated functions. At the same time, consumers or retail customers are likely to be motivated by a different set of factors than regulators or opinion leaders, despite all being external stakeholders of the firm. Therefore, I would agree with Clarkson's (1995) assertion that whether stakeholder groups are classified as internal or external is irrelevant to the general purposes of studying and understanding stakeholder management.

Another form of categorization carries a greater theoretical base divides the stakeholders in terms of their influence on firm behavior. One of these approaches was presented by Christopher, Payne, and Ballantyne (1991) for the study of relationship marketing by introducing a six-market model: (1) customer markets; (2) referral markets; (3) supplier markets; (4) influencer markets; (5) employee markets; and (6) internal markets. This model was later tested in Payne, Ballantyne, and Christopher (2005), who found evidence for interactions across stakeholder markets. An important contribution of this approach lies in the application of a Resource-Based View (RBV) to classify stakeholders on their contribution towards value creation. For instance, customer markets and supplier markets enable the firm to create tangible assets such as revenues or cost advantages, while referral markets or influencer markets can be sources of intangible assets like reputation and satisfaction.

A third classification that aimed at a similar goal organized stakeholders based on their type of influence on the firm across three categories; the macro-environment stakeholders that influence based on their socio-political participation, the operating environment stakeholders that influence as a result of their role in forming the industry structure, and the internal environment stakeholders with an influence based on the resources they provide to the firm (Harrison and St. John 1994, 1996).

Despite these alternatives, the most prevalent model used in marketing literature is based on the original Stakeholder Theory work and categorizes stakeholders in terms of primary and secondary importance (Hult, Mena, Ferrell, Ferrell 2011). This approach defines primary stakeholders as those with a high level of interdependency with the firm. The argument of ST is that without their on-going participation in the activities of the firm, the survival of the firm can be at risk. From this perspective, the corporation itself can be defined as a complex system of relationships among the primary stakeholder groups. Therefore, the firm survival depends on the ability of its managers to create sufficient wealth, value, or satisfaction for those who belong to each stakeholder group (Clarkson 1995). Secondary stakeholders such as the media or special interest groups are defined as those that influence or are influenced by the firm, but are not essential to the firm survival. Suggesting a categorization based on the level of priority provides an ability for firms to focus, but does not add to the understanding of the role of different stakeholders in creating value. In addition, the importance of different stakeholders is likely to be dynamic and evolving depending on the time, pressures, and external or internal conditions faced by the firm.

I combine the TBL and RBV perspective while building on the idea of the six markets model presented earlier to introduce a shared value model based on market resources. The model as described in Figure 3 proposes three categories of value that a marketing program can create: Social value, Economic value, and Engagement value from here on referred to as the "SEE" model. Economic value represents the main effect that marketing investments have on the revenue and profit of a product or company and would account for the value created for shareholders and business partners. The addition of engagement value brings into the framework a resource-based view of the firm and findings by scholars on the relationship between sustainability activities in marketing and a number of intangible resources, such as firm reputation, consumer trust (Vlachos, et.al. 2009), corporate identification (Lichtenstein et.al. 2004), customer satisfaction (Luo, Bhattacharya 2006), perception of corporate abilities or product attributes (Luo, Bhattacharya 2006, Brown and Dacin 1997, Sen Bhattacharya 2001), and employee motivation (Drumwright 1996). The engagement value category classifies the different types of intangible resources identified in the literature into three categories of stakeholders: those that develop and execute marketing program (e.g. employees, sales force, agencies, retail customers); those that influence the perception of the program in the market (e.g. opinion leaders, media, consumer advocates); and those that participate in the transactions of the program (e.g. consumers & shoppers). Engagement value therefore would represent a measurement of the level of intangible resources such as commitment, participation, or reputation gained among these stakeholders as a result of the marketing program. The notion of engagement has some reference in stakeholder marketing literature, including the recent work by Hoeffler, Bloom, and Keller (2010) which points to the importance of engagement in the context of corporate citizenship initiatives, or the role of societal engagement as a driver of value in market-oriented sustainability efforts (Crittenden et.al. 2011).

The final category of the framework relates to the social resources that the marketing program is able to create with or for community or environmental stakeholders of the firm. The term “social resource” has been used in the literature to represent two different ideas. First, sociology literature has defined “social resources” from a perspective of social networks theory as "the wealth, status, power as well as social ties of those persons who are directly or indirectly linked to the individual" (Lin, Ensel,Vaughn, 1981). However, in this paper I build on a second definition of social resource used in a variety of fields including education and public health literature to represent institutional, relational or contextual resources that enable individual, societal, or organizational needs to be met. It has been defined as the organized associations, institutions, and attitudes, both public and private, which society has developed to satisfy its physical, psychological, economic, and social needs (Donenfeld 1940). Examples of social resources include hospitals, churches, schools, or government agencies, all as institutions that enable some aspect of social development. In the education field, social resources have been used to explain factors that enable advancement in student performance including family and parental support or the presence of mentors. These factors are associated with good academic performance and protect students at risk from the effects of stressful events and circumstances (Nettles, Mucherah, and Jones 2000). I apply this understanding of social resources to the marketing context and argue that from the perspective of the firm, stakeholders that represent the environmental or community interests affected by firm activities are a type of social resource. Their support of firm activities can enable opportunities for growth, while their resistance can create barriers for development. One example of such an effect is the resistance faced by Walmart from local businesses and community leaders as they have attempted to expand into smaller towns or more urban areas. On the other hand, the actions by Starbucks to increase the share of fair trade coffee in their supply chain would be an example of social value created by changes in procurement policy. Therefore, I propose social value to represent the value created by a market offering for its environmental and community stakeholders. As stated earlier, environmental value refers to issues such as carbon emissions, pollution, water usage, or renewable energy, while community value applies to a variety of issues including education, employment, inequality, and health.

Combining the three aspects of economic, engagement, and social value into one framework (Figure 3) creates a holistic view of the multi-dimensional resources that are made possible by marketing programs.

[Insert Figure 3 About Here]

This framework organizes stakeholders by their role in value creation and therefore serves not only for measuring the level of shared value created by a marketing program, but also as a diagnostic tool for understanding the performance of the program.

Research Question and Setting:

As stated earlier in this essay, I intend to propose a theoretical framework that presents the challenges and consequences associated with the pursuit of a shared value strategy in marketing. A within-case analysis method was used to capture a more holistic and contextual understanding of the complex and iterative activities involved in the management of shared value. The choice of a case method is also justified given the novelty of this subject and the absence of extant literature that provides a theoretical base for the evaluation of challenges involved in managing for shared value (Workman 1993, Narayandas and Rangan 2004). The choice of method does introduce limitations on generalizability and understanding of boundary conditions, but case studies are considered appropriate as a research approach for early stages in the development of new theory, particularly when variables are being uncovered and relationships are being explored (Yin, 1994, Eisenhard, 1989). Also, given that case studies are developed in close collaboration with practitioners, they represent an ideal methodology for developing managerially relevant knowledge (Amabile 2001). I followed the methodology proposed in the management literature to establish a research protocol and develop internal and construct validity for the ideas that emerge from the study (Gibbert, Ruigrok, and Wicki 2008; Eisenhard 1989).

After defining the research question, the first step was to identify a marketing program that exemplified the characteristics of shared value strategies. Cause-related marketing (CRM) initiatives are often used for shared value creation in marketing. This stands clear based on its definition as an association of a for-profit company with a non-profit organization, intended to promote the company's product or service and, at the same time, raise money or awareness for the non-profit (Zdravkovic a, Magnusson , Stanley 2010). In the same study, the authors state that CRM is usually considered to be different from corporate philanthropy because firms do not simply donate funds to organizations, but instead get involved in partnerships with non-profits for the benefit of both entities.

CRM has also continued to increase as an activity by marketers and in importance for consumers. Cause-marketing strategies combining product transactions with cause donations have significantly increased over the last two decades. Among corporate sponsors, cause-marketing expenditures went from almost zero in 1983 to an estimated $1.3 billion in 2006 according to IEG, a firm that tracks cause-related sponsorships and investments. At the same time, consumers increasingly demand that companies embrace CRM practices. A 2008 study by Cone/Roper found that 85 percent of American thought it was appropriate for companies to practice CRM and 79 percent claimed to be willing to switch brand choices if a comparable product at a similar price was also supporting a cause. Both figures were at 66 percent in 1993.

CRM programs have traits of shared value strategies as they can be of benefit to all parties involved (Zdravkovic Magnusson Stanley 2010). For instance, NGO's can leverage their partnerships to generate incremental revenue and awareness for their cause (Varadarajan and Menon 1988), while consumers can receive and extract utility from the satisfaction of contributing to a social cause (Webb and Mohr 1998), and firms benefit from the association with the cause and the likelihood of incremental consumer consideration and purchase (Comiteau 2003). However, research has also shown that not all CRM activities create shared value (Hoeffler and Keller 2002). In addition, a number of scholars have begun to surface hidden costs of CRM programs due to the individualization of solutions for collective problems, the replacement of virtuous action with incremental buying, and the hiding of how markets can create many social problems in the first place (Eikenberry 2009). Therefore, CRM activities make a good setting to study the conflicts and consequences of pursuing a shared value strategy in marketing due to the potential they have to generate mutual benefits across stakeholders involved as well as the different opinions in the literature in regards to their ultimate role as a shared value engine.

Case Selection and Description

I used a theoretical sampling approach in selecting a CRM case given its established appropriateness for extending theory and filling in conceptual gaps in the literature (Eisenhardt 1988). Three criteria were used in selecting the sample case. First, it was important to identify a marketing program at the product level, not the company level, given that the research objectives are specific to the marketing management of a product offering, not of a corporate social responsibility initiative. Second, it stands consistent with my research objective that the program must have been designed to create both economic value for the firm and social value for a cause.

Finally, I looked for a program which involved multiple aspects of the marketing mix in order to gain a greater understanding of the dynamics at play at the marketing management level. In addition, a theoretical sampling technique focused on choosing cases of extreme situation can make more easily observable points of theoretical interest, like the challenges faced by managers in developing CRM programs (Eisendhart 1998; Glaser and Strauss 1967; Pettigrew 1988). Given the information above, I chose a marketing program for the study based on a for-profit and non-for-profit partnership aimed at raising awareness and funds for the protection and conservation of an endangered species, while at the same time supports the sales of their core products during a particular promotional period. Three factors make this setting unique to study the challenges of creating shared value.

First, it was the first time for the firm to develop such program and, hence, provides an opportunity for a quasi-experiment by comparing performance with prior years. Quasi-experiment settings have been used in marketing research to study other phenomena, including pricing strategies in the context of a single firm (Ailawadi, Lehmann, and Neslin 2001), or general consumer changes based on a policy change as was the case in the study of the introduction of nutritional labels (Moorman 1996). Second, unlike other CRM initiatives where the cause is an addition to an existing program, the program initiative was completely focused on creating awareness and donations for the cause while being activated as a traditional commercial and promotional program across marketing channels and customers. Therefore, the program was designed to create value across the three different engagement constituents, namely those that execute, consume, and influence the offering. Finally, it was conducted in close partnership with an NGO, therefore enabling for the consideration of both firm and partner level variables in the study of conflicts and benefits of a shared value strategy.

In line with Eisenhardt's (1988) recommendations, I used multiple data collection methods including qualitative and quantitative sources and designed the research process to overlap the data collection and analysis in the development of theory and constructs. I also looked to compare findings with both conflicting and similar literature to support internal and construct validity claims.

A variety of data sources were used including interviews, review of archival data, and quantitative studies on the effects of the program. The interview data was complemented with direct observations of the marketing program including attendance to the launch press event, and numerous store visits to assess the application of the program at the retail level. The rationale for such an approach is the same as in hypothesis-testing research. That is, the triangulation made possible by multiple data collection methods provides stronger substantiation of constructs and hypotheses (Eisenhardt 1989). The interviews included project team members in community affairs, public relations, customer marketing teams, sales and distribution, manufacturing and supply chain, marketing communications, brand management, sustainability management, and general management. I also interviewed marketing management and strategic alliance teams in the two NGO partners and key project team members from the marketing agency partners involved in the creation of the program. A total of 39 managers were interviewed via face-to-face semi-structured interviews over a period of three months in both Canada and the USA, the two countries implementing the marketing campaign. The managers interviewed were selected based on the recommendation of the project team leaders as to the people and functions with greatest involvement on the project.

The data collection was divided in three phases. Four initial two-hour long interviews were conducted with the project team leaders in Canada and the USA to help inform a preliminary research framework and an initial set of hypotheses which were then tested and revised in the second phase through the remaining 36 interviews, each lasting approximately 1 hour. A third and final phase included the collection of key archival documents mentioned during the interview as well as internal and third party quantitative data on the program results across each area of the shared value framework. One challenge in the study related to the evaluation of the effect of the program on the NGO and its stakeholders. Scholars have recently called for the expansion of measurements that can evaluate performance beyond the firm and consumers to include a broader set of stakeholders (Bhattacharya 2010). To overcome this challenge, I designed and executed a survey which was sent to members of the two NGO partners. The sample of members was selected by the NGOs and represented individuals who, as either active donors or non-donor members, were key stakeholders of the organization. A total of 2,561 members from the sample responded. I used this data to measure the effect of the program on the NGO reputation and key image attribute including responsibility, commitment, and future donation intention.

The interviews were recorded and transcribed, with each response coded across four areas: stakeholder type, country, marketing activity, and sentiment of comment. A total of 422 observations were coded and 49 marketing activities identified in association with the program development and execution. In an effort to establish internal validity of the constructs, I overlapped the data analysis, coding and collection in a highly iterative process of comparing the initial research framework with emerging themes from the data and making adjustments to approximate a theory that closely fits the data from the case (Eisenhardt 1989; Glaser and Strauss 1967). The constructs were refined and coded through approximately 10 iterations based on manager feedback and two formal reviews of findings with core team members. The final codes were also reviewed and confirmed with a project leader with intimate familiarity with the project. In an effort to assess the fit between theory and data, I measured the mentions and sentiment associated with the emerging themes to derive the level of presence of the observations across the sample. Table 8 provides an overview of the core themes along with their presence and sentiment in the sample. The sentiment analysis coded individual data points as positive, neutral, or negative observations about the program, and was used specifically to identify and study the conflicts introduced by the pursuit of shared value.

Following the guideline by Gibbert, Ruigrok, and Wicki (2008), I also used the data analysis described above to assess construct validity. First, it helped establish a clear chain of evidence to make visible the process used to derive the findings of the study. In addition, I used frequent discussion with managers on the research framework and triangulation of data across interviews between Canada and USA, between the firm and its partners, and between the interview responses and quantitative results to support the construct validity process.

Overview of the Program

The marketing activity was executed in the USA and Canada during a three month period in 2011. The core idea of the initiative was the introduction of special-edition package to generate awareness and donations for the protection of an endangered species. The program was designed in partnership with an international NGO responsible for the implementation of the conservation initiative. During this program, consumers were exposed to an integrated marketing campaign with a call to action to help join the brand and the NGO in protecting the endangered species. Consumers could participate by texting a package code or going to a specially created website to donate $1. The brand in turn, matched consumers dollars – dollar for dollar – up to $1 million. All of the funds were designated to help support research and enable the creation of protection area for the species.

<u>Research Findings – A Stakeholder Perspective on Fit</u>

Marketing scholars have made considerable progress in responding to the CRM research questions originally identified by Varadarajan and Menon (1988). However, this progress has been primarily focused on areas of consumer response. For instance, one of the largest research streams focuses on the role that perceptions of cause-brand fit or consumer-cause fit have on consumer participation on CRM programs (Gupta and Pirsch 2006).

Such research emphasis is partly the result of an underlying assumption that cause-related marketing is targeted only towards one of the organization's stakeholders - the consumers (Gupta and Pirsch 2006). However, Varadarajan and Menon (1988) call for research on the managerial dimensions of CRM and specifically the problems and challenges faced by managers in designing and implementing CRM initiatives have largely remained unanswered. This study contributes to this gap in the marketing literature by identifying and proposing an expanded conceptualization for the construct of fit and its role in influencing the performance of CRM initiatives. In specific, the data in the study points to the need for a stakeholder perspective on fit when managing marketing offerings designed to create shared value.

The notion of fit has been used across multiple areas in marketing, from issues of strategy (Zott and Amit 2008), to communication (Walker, Langmeyer, and Langmeyer 1992; Kamins and Gupta 1994), brand extension (Aaker and Keller 1990), and sponsorships (Becker-Olsen and Simmons 2002). In the context of CRM, past research has identified fit as an important dimension in explaining changes in consumer attitudes toward the product offering and the cause (Simonin and Ruth 1998). Extant research speaks to the presence of an "overall fit" construct that is related to consumers' attitude relative to a brand involved on CRM activities (Hamlin and Wilson 2004; Simmons & Becker-Olsen 2006). In addition, scholars have proposed that “overall fit” can be established through different sub-dimensions of fit (Fleck and Quester 2007; Simmons & Becker-Olsen 2006). Despite a number of attempts at establishing dimensions of consumer fit, these dimensions are still broad and scholars argue that are difficult to apply to a managerial context (Fleck and Quester 2007). A separate line of research has investigated issues of fit among the organizations. In marketing specifically, this work has been focused on the management of social alliances and used the idea of fit to define areas in the design of the partnership which are associated with the success of CRM initiatives (Drumwright, Cunningham, and Berger 2000).

In addition to a consumer and firm perspective on fit, different terms have been used to describe the fit phenomena including congruence (Freck and Quester 2007), similarity and typicality. For the purposes of this study, I do not distinguish among those terms and will use the word fit to describe the relationship between the cause and the stakeholders for the market offering.

Stakeholder Congruency

I propose a stakeholder perspective to the management of fit in CRM programs, not as a substitute but rather as a complement to the perspectives already established in the literature. As mentioned earlier, the term fit has been applied to numerous conditions in the literature across the consumer and firm perspectives. However, often the application of fit refers to the notion of similarity of conditions, structures, or management in the case of the firm perspective, or similarity of attributes, functionalities, or schemas in the consumer perspective. Data from the current study suggests that while the firm and consumer dimensions of fit are important, the stakeholder dimension of fit can be a critical factor in explaining the performance of CRM initiatives (Drumwright 1996). The stakeholder perspective asks: Is the CRM program designed to fit the needs of all key brand stakeholders? Are the efforts in establishing fit with one stakeholder impacting the fit with other stakeholders? How do these two dynamic considerations affect the overall performance of a CRM program? I label this phenomenon as *Stakeholder Congruency* and define it as the perception of relevance and authenticity of a shared value program achieved among consumers, collaborators and influencers. The desire to develop programs that would connect across stakeholder needs was evident in a comment by one of the project leaders when speaking about the start of the initiative:

> *"We brief for things we could do together with customers, which will galvanize energy, the brand, partners, and our system".*

There are three main aspects that stakeholder congruency introduces to the study of fit. First, all other evaluations of fit focus on dyadic relations between two entities, be it the cause and the brand, or the NGO and the firm, or the consumer and the cause. Stakeholder congruency proposes that for a CRM program to succeed, fit must be designed across a core coalition of stakeholders who are identified as essential for the survival and eventual success of the project. The size and complexity of the stakeholder coalition would vary by project, and in cases where only the firm and the consumer are the core stakeholders involved, stakeholder congruency could reduce itself to a dyadic congruence phenomenon already present in the literature. Second, with the exception of the work by Simmons and Becker-Olsen (2006) on natural vs. created fit, most CRM studies on fit have attempted to understand its effect by looking into static settings, where fit is either high or low. Few studies have considered the management processes and decisions involved in the creation and sustenance of fit. In addition, the attention of the consumer perspective literature on fit has been, for the most part, on the fit between the cause and the brand. However, as illustrated recently by the work from Zdravkovic, Magnusson, and Stanley (2010), there are specific aspects of the execution of a CRM program that contribute to the generation of consumer fit. In fact, they argue that fit may be created in multiple ways, through different sub-dimensions that contribute to a perception of overall fit, but that marketing scholars has yet to identify those sub-dimensions.

From the stakeholder perspective, I propose that while fit between the cause program, the brand, and its coalition of stakeholders can start with an endowment provided by the brand-cause and cause-consumer fit, the stakeholder fit can become enhanced or weakened by the decisions managers make in the design and execution of the program. Therefore, it appears that what matters is not only the strategic fit with a cause, but also how that fit is strengthened, sustained, and protected during the design and execution of a CRM program. For instance, in this study, despite the fit endowment that the cause and the brand enjoyed, the project team embarked on an iterative process of creation and correction to manage the conflicts and complementarities that resulted from attempts in establishing fit with the needs of core stakeholders.

Finally, while marketing scholars have advanced the understanding of how, when and why fit contributes to the performance of CRM initiatives from the perspective of consumers, little attention has been placed on the conflicts and complementarities that emerge when a firm attempts to create shared value through a CRM initiative. The phenomenon of stakeholder congruency offers one explanation.

Dimensions of Stakeholder Congruency

Data from the study points to three dimensions of stakeholder congruency as part of the management of CRM initiatives. First and as already established in the literature, is the importance of consumer fit. The following comments signal the fact that managers in this study recognized the presence of fit between the cause and the brand and between the cause and consumer interests in both USA and Canada:

> *"Some of the cause programs by our competitors don't have an obvious tie back to their product. That is something that we really accounted for with [this program]"*
>
> *"Fit between the message and the brand is key. If it exists, you may not need as much branding".*
>
> *"There are a lot of consumers who connect [our brand] and the NGO partner with [this particular endangered species]".*
>
> *"After seeing our advertising [using this animal in the past, the company] received calls from customers about the actions [we] were taking to protect it. This was part of what ignited action for this program".*

Press releases and senior leader messages were used to reinforce and clarify the fit between the brand and the cause, created through the use of the endangered species in the brand advertising and promotional material. A company statement explained it in the following way:

> *"[This endangered species] is near and dear to the company and loved by people around the world. [They] were first introduced in [our brand] advertising into 1920's, and today they remain one of the most beloved icons of [our brand]. [This program] gives [our brand] the opportunity to use our significant reach to raise awareness and funds to help [our NGO partner] create a safe haven for the [species]". (FAQ – Marketing Program / Company Website)*

Managers also tested for fit of the cause and its relationship with the brand as part of the research protocols requirements for approval of the program. Some of the consumer responses to the CRM program stated that the ads focus on generosity and sharing was consistent with their expectations from the brand. The measure of fit in the study suggested that the main consumer target for the program perceived a fit level between the brand and the cause which was 19 percent higher than the average population and 34 percent higher than the average fit for other brand marketing programs in their benchmarks[12]. As another sign of fit between the consumer

[12] Results from internal company research study conducted by Millward Brown

and the program, the TV advertising developed for the campaign generated the second highest pre-test scores from the historic benchmarks and was recognized as one of the most impactful ads in the USA by a third party research firm. In essence, both in Canada and the USA the CRM initiative enjoyed a strong perceived fit by consumers both in terms of cause relevance and consistency with the equity of the brand. The focus on consumer fit is warranted given the results from extant literature which finds that consumers use heuristics in evaluating the degree of relevancy for a company's sponsorship activity (Friestad and Wright 1994) and considering the level of perceived fit or logical connection between the cause and the brand to determine whether it is appropriate (Drumwright 1996). Indeed, researchers have found consumers to be less likely to exhibit skepticism and more likely to view the campaign as successful (Drumwright 1996) in the presence of compatibility between the cause and the firm. One difference from the extant literature emerging in this study and worth highlighting relates to the source of the fit and the difference between fit between the brand and the cause and fit between the brand and the CRM program. The data in this study points to the importance of fit with both the cause and the cause program. This finding is supported by recent empirical work on fit where scholars have investigated the extent to which the executional elements of CRM programs such as advertising message, visuals, or slogans can impact brand-cause fit (Zdravkovic, Magnusson, and Stanley 2010). The implication from this finding is that, while a type of fit endowment can be secured by the choice of the cause, fit appears to require active management during the course of the development and execution of a program. In essence, fit can be understood as a type of market-based asset (Srivastava, Shervani, and Fahey 1998), strengthened or weakened by the execution decisions of managers.

While it was clear that consumer brand-cause fit was recognized as important by the managers of the program, the data also shows that significant attention was placed on two other types of fit which required active management and were identified as core to the challenges or successes of the program. I elaborate on these below.

Collaborator Fit

First is collaborator fit, defined as the relevancy that the CRM program achieves among organizations or agents that are critical to the implementation of the program in the market. In the context of this study and for consumer packaged goods in general, they include retail customers and media partners, both of whom were involved in amplifying the presence of the program in the marketplace. Collaborator fit is primarily about the ability of the firm to establish relevancy between elements of the CRM program and the needs of the collaborator. To do so, managers employed two distinct practices which are exemplary of the presence of CBM capability.

Cause Customization: In order to enhance the fit between the CRM program and collaborators, managers altered traditional processes and actively pursued customization strategies to ensure the program could be designed in a way that was relevant to the specific needs of collaborators. This behavior was made evident through comments such as:

> *"[Our work for] creating content for retail customers and customer teams and understanding of customer problems was different from the past - which was national POS and customer "box toolkits". We had not created customized retail customer programs outside what customer teams would do on their own".*

> *"It really opened our eyes to how nimble we had to be in order to get the retail customer to really adopt our programs".*

> *"Retail customers of different channels have different needs so each program needs to assess the extent to which it can create value. Not all programs will resonate equally across retailers".*

The importance of customization in customer relationship management has been well established in the literature (Winer 2001, Payne and Frow 2005). However, customization of a cause-based program to drive fit with collaborators can introduce new types of challenges. First, there could be different levels of interest among retail customers and the cause selected by the brand. Also, efforts to customize can limit the efficiencies of a national program. To address these concerns, managers seemed focused on identifying priorities and developing programs based on flexible modules rather than standardization:

> *"Need to figure out how to customize for the most important retail customers".*

> *"The way I have seen it in the past is that the marketing communication teams would come up with a "retail customer pathway" which were always so generic and really do not take into account what the customer team is trying to achieve with that customer; and they tend to be one-size-fits all. Few people use them".*

> *"The team created a template for activation with customers which went beyond what we normally do. In addition, our content team focused on two customers where we could create a customized program".*

In addition, collaborators may have their own cause priorities which may make it difficult for them to adopt the CRM initiative. Evidence for this was found in the interview data as mentioned by the following manager:

> *"One of the barriers to engage customers on the donation part is that they already had another cause to which they donated money in the same period".*

There could also be limitations on the type of cause customization that the marketing managers can do with collaborators given parameters imposed by the cause partners. In one instance, an effort to customize the program with one customer had to be cancelled because the execution felt outside the type of activation that the NGO partner deemed appropriate.

Timing of Involvement: In addition to customization, the creation of fit with collaborators also meant a change in their role on the marketing process. Most managers suggested that collaborators needed to initiate their participation at the beginning of the planning process to enable the customization required in the design a CRM initiative that fits their needs and the needs of the cause.

> *"The need to get in front of retail customers earlier than competition is critical to winning the space for activation".*

> *"We need to be in conversations with our retailers early. We were running without sleep to pull this up. An earlier start would have allowed us to breakthrough some of the limitations we had on customizing the program. Also, we all need to be involved in driving the key messages".*

> *"If you want an effective program with a particular retail customer, you need to put the objectives with that customer in the original brief. Ideally, when we are briefing for the idea - can you ask the agency to think about how it can extend for these 2-3 customers [and their specific objectives]".*

This change in behavior is consistent with the CBM capabilities identified in the first essay of this dissertation, specifically with the practice of connecting constituent needs and co-creating plans. However, this study adds to the understanding of CBM by suggesting that greater stakeholder involvement can also introduce greater complexity in planning and decision making.

Influencer Fit

Separate from establishing fit with collaborators, the data also points to the importance of reaching fit with a different group of stakeholders which I label as influencers. These are organizations or individuals in the marketplace that, through their acceptance and advocacy for the project, can influence the general opinion in the market. Prior literature has named one of these groups as the cause community and while mentioning its role in enabling the success of marketing programs with a social dimension (Drumwright 1996), has not expanded on the specific challenges involved in managing it. Influencer fit is defined as the complementarity that the program design managers, in this case the marketing managers, are able to achieve between the needs of the influencer and the needs of the plan. The data in the study suggests that achieving influencer fit lies on the ability of managers to design an authentic and credible cause-related marketing effort. Examples of influencers can include beneficiaries of the cause program, government regulators, consumer advocates or advocacy groups, and opinion leaders. The data pointed to the critical importance that influencers had in impacting the perception and credibility of the initiative and the new efforts required on the part of the managers to ensure the fit was sustained throughout the program. To achieve influencer fit, managers embarked on actions of pre-emption and preparation. For instance, achieving fit with the community of people that live in the area where the refuge would be developed was essential to the feasibility of the project. As one manager described it:

> *"For [the project] to become a reality, we need government approval. For government approval, we need [the] community approval. [The] community dislikes the animation of the [endangered species] we have done in the past. So, the authenticity in our program is directly related to our ability to create the [refuge] in the first place".*

The above comment points not only to the importance of establishing fit with one of the beneficiaries of the cause, but also to the complex interdependencies that attempting to create shared value can introduce to the marketing of a product offering. Similar to the management of collaborator fit, establishing influencer fit required the pre-emption of stakeholder concerns through early involvement and active co-creation:

> *"[The NGO] shared all plans with the [community] leaders to ensure alignment throughout the process - this avoided conflict later on".*

> *"Need to poll our stakeholders more actively early in the development of programs. It will help to have a pre-stakeholder engagement in all major programs. To learn of their concerns in time to take them into account".*

> *"If you are doing a cause related program, go talk to key stakeholders before you decide to do the program. Hear their concerns and go back and explain what you are doing and why. We need to have those conversations early on".*

"Government relations team did a lot of preemptive work with people we thought would agree but also criticize the program, to inform them of our intentions and try to give them an opportunity to respond directly to us and not in public".

In fact, establishing influencer fit can become one of the most critical, yet challenging, parts of managing a CRM initiative.

Given the ability of influencers to impact the stakeholder perception of credibility of the program, it is essential to gain their support, or at least, maintain their neutrality. However, conflict can sometimes not be avoided, so managers placed particular attention to the preparation for controversy, which went beyond their normal practice:

"Going into [this program], we had a really robust issues management plan where we thought about all the different attacks that could come out at the company as it relates to the campaign. Everything from oil drilling to the company's own environmental practices and who they may come from so while I know that there was some concern [when we faced criticism], I felt that we were well prepared to handle it".

A final area of influencer fit related to the role of firm employees in the program. Extant literature has studied the effects of CSR initiatives on employee engagement (Bhattacharya, Sen, and Korschun 2008). The data of this study support the positive relationship found in the literature, but also points to different types of roles employees can play as influencers in the program. Managers discussed the opportunity that CRM programs offer to transcend the traditional communication practices of informing employees about the marketing initiative, and evolve into designing opportunities for employees to become activists and advocates of the cause in their communities.

"When people [employees] are passionate [about a program] they will execute better. Also, if they get criticized, they will know how to respond".

"Our associates could become storytellers. Parents could go into schools to talk about the cause programs and the cause with the kids. It gives them a way to contribute and be

part of the program. We did not equip them to do so. I did and it was a great experience".

"Most of our associates don't know about our sustainability programs or how to talk about them. This program gave shape to [our sustainability initiatives] and gave [employees] something to talk about.

This opportunity contrasts with the normal practice of marketers which can overlook the employee engagement opportunity as part of the design of consumer marketing initiatives.

<u>*Effect on Performance*</u>*:*

Evidence from the study did not only point to the importance seen by managers in establishing and sustaining collaborator and influencer fit. It also helped surface mechanisms by which collaborator and influencer fit can impact overall performance of CRM programs. First, achieving stakeholder congruency appears to drive collaborator and influencer engagement with the program, defined as their level of participation in and advocacy about the partnership. An internal report on the program activities suggested that by customizing the program and involving the collaborators in the development process, the team was able to reach significantly higher levels of retailer engagement in the form of in-store merchandising and participation. Some customers allowed the company marketing team for the first time to create specific joint merchandising, and through the co-creation process, the joint teams were able to connect the program to the different lines of business within the customers. This higher level of engagement was express by one of the customer marketing managers:

"The association with [the NGO partner] and the cause aspect gave the retail customer reason for providing us greater presence and adopt our program".

"The engagement of the retail customer with the campaign enabled us to get more "real estate" in the store than normal".

"[For the first time], our retail customer allowed us to do creative [work] for them, introducing codes on the packs and creating a special promotion. We had weekly prizes to keep energy up and promoting store re-visits".

Higher levels of retail activation or influencer advocacy can re-enforce consumers interests and purchase by enhancing the perception of credibility and legitimacy of the cause. This finding is consistent with institutional theory which proposes that organizations need to behave in accordance to expectations established by society in order to access tangible or intangible resources required for growth (Liu and Ko 2010). When they do so, organizations earn legitimacy among their stakeholders, or in other words, realize public validation and endorsement which then becomes the enabler of resource gains. Achieving such validation from stakeholders or institutions requires the recognition of a distinctive competency possessed or role-played by the organization in providing an offering (Dacin, Oliver and Roy 2007), or the perception that the actions of an organization are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman 1995). Dacin has argued that, legitimation is an important mean by which technical benefits can be realized and firm and alliance performance can be enhanced. Engagement by collaborators and influencers as a result of stakeholder congruency can send signals of legitimacy to consumers and solidify the perception of consumer relevance and fit which have already been demonstrated as drivers of CRM performance. Bhattacharia and Sen (2004) find that consumers do question why companies engage in CSR and, more importantly, are generally wary of the sincerity of a company's CSR motives. Two factors that seem to moderate this suspicion on the part of consumers are the reputation of the company and the fit between the company and the cause. Positive reinforcement by influencers on the CRM initiative can support progress on both areas.

Based on this background, I contend that engagement of collaborators and influencers with the cause program can enhance the credibility of the program among consumers. Achieving influencer engagement can also have a direct effect on CRM performance due to the legitimization effect they can have not only among consumers, but other marketplace stakeholders. This effect can enhance affinity for the cause or company reputation among a larger group of market players. If, on the other hand, fit between the brand and the cause is perceived as poor, CRM initiatives can sometimes decrease consumers' purchase intent (Becker-Olsen, Cudmore, & Hill, 2006; Simmons & Becker-Olsen, 2006). Data from the study suggests that a lack of collaborator fit can became a barrier to engagement, reducing the amount of in-store activation and cause involvement:

> *"I think one of our largest customers liked the digital part of the program…but still don't think they are excited about donations and the cause message. We have to figure out a way to bring our [traditional] holiday program up more [to get them engaged]. [However], our challenge is to get them to buy into both [the cause and the traditional program]…my gut says that if they know we are doing [the traditional program], they will go for that and drop [the cause]".*

> *"We had a couple of customers that said they would not accept the product. They turned the product away [because they did not agree with the political implications of the cause].*

In summary, through the in-depth study of a private-NGO partnership, a new stakeholder perspective on fit has been identified as an important consideration in the pursuit of shared value. In specific, the concept of Stakeholder Congruency is introduced and as summarized in Figure 4, it is composed of fit among collaborators, consumers and influencers. The analysis also points to cause customization and early stakeholder involvement as two specific practices required to achieve stakeholder congruency.

Despite the benefits described above, the pursuit of shared value and stakeholder congruency can also introduce new challenges to the management of marketing initiatives. In this next section I propose three areas of conflict introduced by the pursuit of shared value in marketing.

Heightened Interdependencies

The pursuit of shared value through CRM can introduce a new set of interdependencies into the management of marketing programs. The importance of managing stakeholder needs and concerns has a vast literature in management and is an emerging research stream in marketing covered during the first essay of this dissertation. However, often the diverse and sometimes divergent interests of stakeholders can be managed through separate efforts by the firm. In fact, many corporate responsibility initiatives are motivated by the need to manage pressures or interests of influential stakeholders such as regulators or NGO's, through a different channel from those used to manage relationships with commercial stakeholders such as consumers or retail customers. Firms are organized with separate structures dedicated to managing the relationships with different and often independent stakeholders. For instance, large corporations may have a group dedicated to the management of investor relations, another to the management of community affairs, and a separate group managing employee relations, all of which may have infrequent contact or need for coordination with marketing in consumer-based programs. When the goal of achieving shared value is adopted and a CRM initiative embraced, it can result in the development of a heightened level of stakeholder interdependency, leading to the need for greater collaboration across areas in the organization. The data point to two reasons for the increase in interdependencies. First is the "politicization" of the offering. When a product offering embraces a social cause as part of its marketing, it brings a new dynamic into its stakeholder relationships. Stakeholders in support of the product could be against the cause, or stakeholders in support of the cause could be against the product. In either case, a cause association carries a greater risk of conflict among stakeholders than product based marketing programs. In the context of this case study, the support for the species conservation was perceived by some influencers as an endorsement by the company of climate change politics. Despite the fact that the chairman of the company expressed support for the idea of climate change and announced numerous initiatives to reduce greenhouse gas emissions, criticism by climate skeptics only started after the association was brought to the level of the brand offering. The program ignited significant resistance and criticism from right-wing public opinion leaders in the USA and led some retail customers to reject the merchandising and packaging. One manager explained it as follows:

> *"The conflict with right wing opinion leaders was ignited by the campaign. They started criticizing our program as associated with liberals. They made it about global warming politics".*

Such phenomena create a greater level of interdependency between the government affairs, the community affairs, the investor relations, and the marketing team than in regular marketing initiatives.

A second factor that gives rise to greater interdependencies is the saliency of operational inconsistencies. In traditional marketing programs, brands are held accountable for consistency between their product claims, product image and product performance. However, relationships between the firm operational practices and the product offering can go unnoticed or receive little attention. Bringing a social cause into the marketing of a product offering can make salient possible inconsistencies between firm actions and the cause they support. For instance, a key concern of the managers working to establish influencer fit with the program related to the conflict people could perceive between the contribution of the company to the species conservation and the contribution of the company to climate change or other environmental problems as a result of their operating practices. Another example related to the contrast between funds donated and funds spent in marketing is explained by one manager:

"I started getting a lot of people asking about the connection between our marketing spend and our donations. Some people felt we were spending millions in marketing and only donating [a few millions for the cause]".

"It was important to keep the dialogue about conservation of the species and not global warming. In one we had a reason to protect, on the other we were contributors to the problem. That was a tough line to travel".

The above finding is not dis-similar from the experience of Unilever who faced criticism of their real beauty campaign for the Dove brand after inconsistencies with the treatment of women in the marketing of another Unilever brand, Axe, were made salient.

The heightened interdependencies as a result of the "politicization" of the offering and/or the saliency of operating inconsistencies can result in conflicts and risks that can threaten the success of the program. On the one hand, it can alienate consumers or collaborators due to different political views, not product perception. Also, it can impose new requirements for collaboration which may not be recognized by managers ex-ante or introduce incremental coordination costs that may impact the organizations speed to market or induce a loss in organizational flexibility. In addition, requirements imposed by different stakeholders may become constraints to the marketing team and inhibit their ability to reach necessary levels of innovation or fit with their consumer groups relative to competitors which may be more focused on self (i.e. financial returns to the firm), not shared value. Scholars have, in the past, identified a similar dynamic for cause-based partnerships, suggesting that the complex nature of social problems pushes each organization into activities beyond its areas of competence, resulting in conflicting demands across partners.

The Tension between Relevance and Authenticity

As noted earlier, achieving stakeholder congruency means the establishment and sustenance of fit across consumers, collaborators, and influencers. Each fit effort was discussed independently, but the data also shows that there are important relationships to consider across stakeholder groups. Most important among the relationships observed were the intra and inter organizational conflicts emerging as a result of the balance between the need to establish relevance among collaborators and consumer groups and the need to demonstrate an authentic commitment and contribution among influencers. These tensions were not strategic in nature, but rather emerged throughout the development and execution of the program and resulted from the difficulty of achieving both goals at the same time. Extant research has demonstrated that an endorsement will be more likely to enhance the brand equity if relevant characteristics in the image or function of the cause match the perceived image or functions of the brand (Gwinner and Eaton 1999; Becker-Olsen and Simmons 2002). The difficulty arises when an attempt to strengthen the match between cause and brand attributes results in introducing a mis-match between the brand and the other stakeholders. Manager comments illustrated the challenges of balancing the authenticity-relevance tension in the following manner:

> *"We really felt strongly that the campaign had to be authentic. It could not be about cartoons or entertainment. It had to be about conservation so the protected species had to be reflected accurately in any communication".*
>
> *"There is another source of conflict, between the need to engage consumers while at the same time, gain legitimacy with the [community] and the [government]. To be real would have included [real aspects of life in that community]. To be engaging would be another [animated animal] ad. We needed to find a place in the middle".*
>
> *"An example of the blind spots we could have had was that we originally called the project a name which made sense to the advertising agency but would have been very offensive to [people in the community where the endangered species live]"*
>
> *"We had shared goals, but we also had separate goals. We always needed our conversation story to be accurately told and we wanted to raise donations. Those were not the company objectives and those were the things we repeatedly came in conflict on."*

Managing the balance between relevancy and authenticity is part of the on-going stewardship of a CRM project. The interview data indicates that it requires two new types of competencies on the part of marketers. First, in addition to understanding the consumer, the brand, and the market; attempting to create shared value raises the importance of having marketers understand the cause and the stakeholder sensitivities that surround it. Without an understanding and appreciation for the stakeholder sensitivities associated with the cause, marketers can increase the risk of tension or failure to the program. This situation was demonstrated by a manager reflecting on the NGO needs:

> *"Part of the NGO's keys in their mission is being perceived as credible and legitimate contributors for solutions. This includes being sensitive not only to species conservation, but to other factors linked to them, like the [surrounding communities], their culture, and their livelihood. This is also key because the [community] can have a negative view on help from other parts of the country. A mis-characterization of their situation may push them further apart".*

> *"They are always walking that fine line in terms of maintaining their credibility with their key stakeholders and audience and not looking like they are "selling out" to a corporation or in the NGO partner case, greenwashing this issue".*

The greater the understanding of marketers about the cause and its political or social ramifications, the more likely they are to develop elements of the CRM program that effectively balances the need for relevancy and authenticity. At the same time, achieving adequate levels of understanding across all the required members of the organization can become a non-trivial endeavor. This sentiment was expressed by a number of managers in the project team:

> *"The company was sensitive and responsive to our needs, but the issue was sustaining the education level. Over time, a lot of new people came into the project and we needed to repeat the education. We needed everyone to understand the sweet spot where our two brands could live in harmony."*

> *"The marketing communications unit has to develop knowledge of the pros and cons and conflicts involved in their creative decisions. Fully understand the issues. They cannot treat it as a regular marketing asset".*

> *"Half way through the campaign the scientists did a great briefing on the [community sensitivities]. If we could do it at the briefing to agencies, doing as part of the briefing a review of the reality of the communities, at the step one of the project, it would be ideal. The education did not trickle down as much as it needed to for the agencies."*

A second important enabler of managing the tension between relevance and authenticity involved the management of executional details. This is an area that marketers appear prong to suffer from blind spots, given their focus on generating consumer attention and differentiation. The data showed that the team had to pay particular attention to the consistency between the cause and the execution in order to sustain the balance and avoid conflicts that could have an adverse effect on the program. For instance:

> *"We kept the cause present in marketing decisions. For instance, we decided against launching the program with a press event in a music venue because it was not a good fit for the cause. We were keen on holding the event on venues that were consistent with the cause – that's why we selected a museum of natural history. Without this sensitivity, we could have faced greater push back and criticisms".*

> *"There was a blog in Canada that mentioned the fact that we used documentary storytellers proved we were sincere and authentic in our concern to help the endangered species. Authenticity also came from how we executed, not just what".*

Operating Ambiguity

A final challenge introduced by the management of a CRM program for the purpose of shared value creation is the potential to alter established operating procedures within the organization and with its partners. For instance, the company-NGO partnership began in the early 2000's and during that period experienced collaboration in numerous projects relating to the company sustainability goals and operations. However, their collaboration prior to the marketing program was primarily in the supply chain or manufacturing operations of the company, not in market facing activities. There were limited relationship networks between the company and the NGO marketing organization. The established methods of collaboration for back-end projects could not apply to front-end initiatives like this consumer promotion because of the differences in timing and stakeholder involvement. The rules of engagement and agreements on methods for collaboration were not present and had to be created along the way. The interview data suggests this situation contributed to tensions in the partnership and inefficiencies in the decision-making process.

In addition, CRM programs can introduce confusion in the organization in regards to the accountability and ownership of the program execution, as indicated by the comment below:

> *"The biggest challenge that we faced as we went to execute the program was really in terms of messaging. Was this about a sustainability effort? Or was this [a brand] promotion? I think the inconsistency in messaging led to a lot of redundancies and cost inefficiencies."*

Because CRM programs carry characteristics of corporate social responsibility, some segments of the organization may view them as corporate-wide initiatives. However, because they are often led by a brand offering, the marketing organization sees them as part of their marketing mix. This situation can introduce confusion of management accountability, budgeting, and even messaging. For instance, in the field study managers discussed the operating confusion in the following way:

> *"One conflict was about the definition of a brand or company program. We had two different owners, and the key issue was about where the budget would come from - if from the company or brand".*

> *"We were unclear about who owned the program. Was it a brand program, a corporate program, a sustainability program? I think that throughout the course of planning the answer shifted depending on who you asked."*

> *"I think there are ways that the objectives around it or who the final decision maker is around things can be clearer so that we're all running towards the same path along with those definitions of roles and responsibility and accountability. That definitely would help things."*

The literature to-date on social alliances has mentioned these risks but mainly as they relate to inter-organizational relationships like between the firm and the NGO partner

(Drumwright, Cunningham, and Berger 2000). Intra-organizational challenges introduced by CRM initiatives in pursuit of shared value have received considerably less attention.

Discussion and Implications

The pursuit of shared value in marketing has captured the interest of practitioners over the last five years. Recognized marketing leaders like Jim Stengel[13], ex-CMO from P&G, Marc Mathieu[14] from Unilever, or Joseph Tripodi[15] from The Coca-Cola Company, have made public claims and calls for the evolution of the marketing discipline towards the creation of economic and social value. However, marketing scholars have been slow at embarking on research that can shed light on the antecedents, capabilities, consequences and implications of designing a product offering to create shared value. This third essay focused specifically in understanding the conflicts that emerge in the pursuit of shared value in marketing, as well as the mechanisms used by managers to address them. Given the diversity of situations in which shared value strategies are used for marketing, I focused on the most often used approach, namely the cause-related marketing program. No topic has received greater attention among marketing scholars in the study of cause-related marketing than the idea of cause-consumer-brand fit. Multiple dimensions of consumer-cause and brand–cause fit have been introduced in the literature and shown to have a critical effect on the performance of CRM initiatives. I use a within-case study method to propose the construct of stakeholder congruency as representing a more complete understanding of the different types of fit that are important in the management of CRM initiatives and ultimately, the creation of shared value by a marketing program. In particular, I use observations from the interviews to argue that achieving stakeholder congruency can help strengthen the engagement of collaborators and influencers with a shared value initiative and

[13] http://www.jimstengel.com/grow-the-book
[14] http://www.marketingweek.co.uk/unilever-marketing-needs-to-be-noble-again/3033850.article
[15] http://storify.com/laurietewksbury/joe-tripodi-coca-cola-cmo-speaks-at-anawfa

provide evidence for the theoretical relation between engagement and project performance. In addition, I also tried to respond to the original questions asked by Varadarajan and Menon (1988) and explore the challenges that managers face when attempting to develop programs that can create shared value. Issues of heightened interdependencies, tension between relevancy and authenticity, and operational ambiguity were introduced and presented as core challenges that require consideration. In doing so, I help establish the foundations of a theory to explain the reasons for the failure of CRM initiatives, particularly when developed in partnership with non-profit organizations. While the notion of shared value is receiving significant attention among marketing practitioners, this study suggests that its pursuit is non-trivial and its practice introduces new complexities and challenges to the marketing process. At the same time, achieving shared value appears possible and its potential merits further exploration and analysis by scholars. While unable to generalize from the results of this case analysis to speak of its effect on shared value, the results of the program studied are encouraging. At the end of the program, the initiative was successful across the three dimensions of the shared value framework. Table 9 provides an overview of the results collected from multiple sources, to assess the engagement, economic, and social value of the initiative. From the engagement perspective, the initiative generated significant levels of awareness which is not to be taken lightly given that awareness is a necessary condition for any favorable attitudinal and/or behavioral response and often CRM initiatives suffer from low levels of awareness (Bhattacharya and Sen 2004). The initiative achieved the highest volume growth for the promotional period over the last 10 years and above benchmarks of engagement among key collaborators and influencers. However, it is possible that some of the challenges faced in establishing collaborator and influencer fit may have played a role in the lower than expected performance on point-of-sale activation. From the perspective of social value, the program generated 15 times more donations than the prior cause activations done by the company. It also contributed to significant increases in the awareness and perceived importance of the cause without impacting the reputation of the NGO among its key donors and stakeholders. While the research methodology used to uncover the phenomenon of stakeholder congruency did not allow me to demonstrate a direct link to the creation of shared value, the evidence does suggest that the ability of the marketing team to establish and sustain fit across collaborators, consumers, and influencers played an important role in the success of the initiative.

Theoretical Implications

Most studies to date on CRM have focused on the cause-brand-consumer factors impacting both consumer behavior and program performance. Numerous moderators of consumer engagement with a cause marketing program have been introduced in the literature and several demonstrated in empirical studies. For instance, CRM has been found to be more effective for customers of luxury items (Strahilevitz and Myers 1998), among customers with a closer geographic proximity to the cause and among women more than men (Ross, Patterson, and Stutts 1992). Consumer's inferences about the company's intention with the CRM program and personal relevance of the cause have all been found to alter the effect of a CRM claim on consumers (Antil 1984, Drumwright 1996). One theoretical contribution of this paper lies in the introduction and proposal of stakeholder influences on consumer engagement with a CRM program. These could be considered as indirect effects on consumer's perceptions of the program. The case suggests that both collaborators and influencer engagement can have an important role in determining consumer engagement and participation in a CRM initiative.

A second implication relates to the conceptualization of shared value. Other scholars have introduced the idea that CRM initiatives carry the potential for benefits that extend the firm, to include consumers and the cause (Bhattacharya and Sen 2004). However, the proposal in this study uses a resource-based view to introduce a framework of shared value that focuses not in the different entities involved or benefiting from the program, but on the different types of value that a program can create. This change in the understanding of shared value can offer new avenues for research to understand how different factors in the design of a CRM initiative can impact different types of value.

Finally, this study proposes a new mechanism to help explain some of the factors that can influence failure of shared value programs. Scholars have proposed hidden costs to CRM such as hiding the contribution of the product or firm actions to the social problems (Eikenberry 2009) or reducing the product performance attributes (Luchs, Walker, Irwin, Raghunathan 2010). However, in this work I try to illustrate new institutional and organizational dynamics that can threaten a CRM program, particularly the politicization of the offering and the tensions between relevance and authenticity.

Managerial Implications

This study offers a number of implications for managers considering shared value as a strategy for their marketing offerings. First and perhaps most important is the notion that establishing the necessary fit for a CRM program to succeed is an outcome that needs to be carefully managed from strategy to execution and across stakeholders, not only consumers. In fact, the management, strengthening, and protection of stakeholder congruency could be considered as an additional responsibility of the marketing manager attempting to create shared value.

While stakeholder marketing scholars have made strong claims about the importance of transcending consumers and seeking to create value across all stakeholders, the actual implications and potential adverse effects of such an effort are only starting to be recognized. For instance, Mish and Scammon (2010) studied triple-bottom-line firms to derive at implications for stakeholder marketing. They identified five impediments to stakeholder marketing, including complexity in decision making, measurement, as well as shareholder and legal risks. This research finds that heightened interdependencies, tension between relevance and authenticity, and operating ambiguity are three additional management challenges that can emerge in the process of creating shared value. In particular, attempting to bring a social agenda into the design of a marketing offering can run the risk of introducing political differences into the brand activities, resulting in alienation of consumers, collaborators, or influencers for reasons un-related to the product itself. This phenomenon raises new important questions for managers about the conditionality of shared value and stakeholder marketing practices. For instance, new brands or brands that have yet to solidify a particular consumer base are likely to have greater flexibility to embrace a shared value strategy than brands with an established heterogeneous consumer base, earned as a result of a shared appreciation for the product performance but with diverse views of social issues. In addition, managing for shared value requires a change in traditional marketing practices, including the earlier involvement of functions that are often on the periphery of marketing activities such as government affairs or community relations. It introduces managers to the need to partner with non-profit organizations that have very different goals, cultural orientation, and managerial practices than they do and hence, require more careful alignment processes and mechanisms (Drumwright, Cunningham, Berger 2000). Finally, managing for shared value, particularly when in association to a social cause, expands the knowledge requirements on the firm. As proposed in this study, in order to resolve the inherent tension between relevance and authenticity, managers would need to expand their understanding of the cause, not only of the consumer and the market. Programs to educate brand managers, promotion managers, sales teams, and agencies on the cause can be expensive and time consuming, but without them, the risks of influencer conflicts can increase.

Limitations and Future Research

The most important limitation of this study lies on the constraint that the case study methodology imposes on the generalizability of the findings. While I cannot extend the idea of stakeholder congruency or the challenges to the creation of shared value identified through this study, there are a number of reasons to believe these findings can apply in other marketing efforts where a cause is used as part of the design of an offering to create shared value. First of all, there are numerous examples of stakeholder conflict among recent programs where marketers have taken a stand in support of a social cause. Starbucks has recently faced shareholder complaints and boycotts from conservative segments in the USA for their public support of same-sex marriage. Tom's Shoes is facing scrutiny from opinion leaders because of the religious organizations that are a part of their distribution network. Yoplait faced criticism as a result of inconsistencies in their support of breast cancer research and prevention after it was made public that one of the ingredients in their yogurt was associated with breast cancer. The same occurred to Diet Coke recently following their partnership with the American Heart Association to promote women's heart health. In that case, the medical community released studies that connected the consumption of diet soft drinks to heart problems in women. Finally, NPR received criticism over its merchandising partnership with Urban Outfitter after news spread that the owner of the retail chain was a supporter of republican legislation to reduce funding for public radio. These examples point to similar stakeholder complexities and interdependencies as the ones identified in this study, suggesting the potential that the ideas present here capture a more general phenomenon experienced by brands that attempt to use a cause to create shared value.

There are a number of opportunities for future research on the implications of shared value on marketing theory and practice. One area relates to the antecedents and motivating factors leading a company or brand team to adopt a shared value strategy. While current research into the antecedents of corporate social responsibility can provide a foundation for the work, the pursuit of shared value in marketing could be influenced by new factors not yet captured in the literature.   For instance, Levy (2010) writes that companies frequently employ CSR strategically as a form of self-regulation that serves to accommodate external pressures, present the corporation as a moral agent (DeWinter 2001; Marchand 1998), deflect the threat of regulation, and marginalize more radical activists (Shamir 2004). However, firms face different types of institutional pressures.   The type of institutional pressures that firms attempt to address through CSR programs may relate more to externalities associated with business practices and processes. These tend to be addressed at the corporate level and not at the product offering level. For instance, companies respond to issues of labor practices, environmental protection, or community impact through corporate wide initiatives like in the case of the factory audits established by Nike after the accusations of labor abuses by its suppliers in the 1990's or by Apple recently. Firms also face a different type of institutional pressure relating to the quality and consequences of their product offering. For instance, the food & beverage industry has been facing institutional pressures related to ingredients in their product offerings. The levels of sodium, trans-fat, sugar, and artificial sweeteners are some of the content in food products that have instigated concern and pressure by regulators, the scientific community, and consumer groups. As these pressures being to impact the attractiveness of a product or product category, the firm will face not a “license to operate” risk, but rather a “rights to grow” risk. Consumer perception of a category can be altered, reducing the appeal of products and eventually translating into declines in sales that are less driven by firm level practices and more about total category or brand perceptions. These pressures would relate more to the product offering and hence bring social or environmental issues to the marketing domain. More research is needed to identify these different types and effects of institutional pressures on firm behavior and the different strategies chosen by managers.

Another area that merits future investigation lies in the evolution of the “shared value” strategy. How do firms adopt the change from “self value” to “shared value”? Is it one brand at a time? Is it a change in policy at a corporate level? The evidence in this study points to an evolutionary process starting with an increase in CSR investments and attention, which overtime leads managers to question the benefits of such expenses and pursue opportunities to transform them into value. The internal pressure to turn CSR investments into value can be a similar force for adoption of a “shared value” strategy to the external institutional pressures. In addition, as evidenced in this study, a “shared value” strategy can induce conflicts and managerial challenges into the design of the marketing offering. Empirical research to test the conditions under which a “shared value” strategy is beneficial for the firm becomes a necessary next step in the advancement of the literature in stakeholder marketing.

VI. CONCLUSION

This dissertation accumulates three years of exploration into one core question: is there more to the value that marketing can create with a product offering than the creation of consumer equity, firm revenue and achievement of market share gains? Both managerial and scholarly literature has pointed to the many social and environmental concerns which can be traced back to the traditional practices of customer-focused marketing efforts. The alternative that emerged in this dissertation points to an important change in the marketing discipline, captured by the shift from a consumer-base to a constituent-based marketing approach. This change is not in conflict with the extant literature of market orientation. In fact, in its inception scholars of market orientation presented and embraced a stakeholder view of the market. That need is just as important today as it was when first proposed in the early 1990's. Rather than the change being about the market orientation of the firm, the findings on this work suggest the need for a change in the value orientation of marketers. Through the transition from an internal to an external orientation, the focus of marketing remained on firm value, or what can be labeled as "self value". The extent to which the needs of other stakeholders were considered related to their influence on the "self value" of the firm. This dissertation proposes that the shift needed is one from a "self value" to a "shared value" orientation. A "shared value" orientation that as stakeholder theorists propose, acknowledges both the temporal and functional interdependencies that influence the growth or decline of products. The results presented in these studies provide evidence of the potential of a "shared value" view of the market, as well as the challenges such a view can introduce on the marketing discipline. I hope this work offers ideas that continue to advance the understanding and practice of marketing as an engine of progress, not only of growth, but for society as a whole.

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VIII. TABLES AND FIGURES

TABLE 1

Examples of Constituent Management and Conflicts

Example	Description	Type
Coca-Cola 2010 Football World Cup program	In addition to programs for consumers and retail customers, the plan included initiatives to stimulate employee engagement, incentives for the sales force, and community programs to advance water stewardship initiatives in Africa.	Management of Constituents
Target Store entry in New York	Target worked with local community suppliers and distributors to create a Harlem-based line of products that enabled the retailer to open a store in the neighborhood while avoiding community boycotts.	Management of Constituents
Kohl's Facebook initiative	Retailer donated $10 million to 20 schools as a charitable program that enabled them to also create a database of 2 million Facebook fans for use in direct marketing initiatives.	Management of Constituents
Whole Foods boycott	Whole Foods CEO published an editorial in *The Wall Street Journal* criticizing the Health Care reform initiative by President Obama. A large proportion of Whole Foods customers supported reform and initiated a boycott on Facebook that spread across states and stores.	Conflict of Constituents
Pfizer Japan	Pfizer business managers responsible for the sales of Chantix, an anti-smoking drug, did not fully account for the effect of a new tax on cigarettes, resulting in millions in lost sales after the company could not serve the increase in demand.	Conflict of Constituents
Royal Caribbean	The cruise ship company faced significant public and media criticism after it continued to offer Haiti as one of its destinations during and after the earthquake in 2010.	Conflict of Constituents

TABLE 2
Instrument Variable Regression Results of Consequences of CBM
Main Effects Results

	Sales Growth		**Employee Engagement**		**Firm Trust**	
Independent Variables	Regression Coefficient (Clustered Robust Standard Errors)		Regression Coefficient (Clustered Robust Standard Errors)		Regression Coefficient (Clustered Robust Standard Errors)	
	CBM MICE	CBM ICE	CBM MICE	CBM ICE	CBM MICE	CBM ICE
CBM	0.04**	0.09**	0.07***	0.06***	-0.003	-0.001
	(0.02)	(0.04)	(0.01)	(0.02)	(0.02)	(0.04)
Network Index	0.003	0.01	-0.02**	-0.02	-0.03***	-0.32***
	(0.009)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Competitive Intensity	-0.04**	-0.04**	-0.01	-0.01	0.02***	0.02***
	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)
Marketing Centrality	0.001	0.01	0.01	0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.02)	(0.13)	(0.01)
Controls						
Innovation Intensity	0.14***	0.15***	0.13***	0.13***	-	-
	(0.02)	(0.02)	(0.01)	(0.02)		
Brand Equity	1.07***	0.99***	-	-	0.64***	0.63***
	(0.16)	(0.17)			(0.08)	(0.08)
Log PPP Growth	0.54***	0.55***	-0.03	-0.03	-	-
	(0.04)	(0.05)	(0.05)	(0.05)		
Firm Size (dummy 2)	0.22***	0.20***	0.38***	0.38***	0.11***	0.12***
	(0.03)	(0.03)	(0.06)	(0.06)	(0.03)	(0.03)
Firm Size (dummy 3)	0.14***	0.11**	0.34***	0.35***	0.18***	0.18***
	(0.04)	(0.05)	(0.06)	(0.07)	(0.03)	(0.03)
Log GDP per Capita	-	-	-	-	-0.09***	-0.09***
					(0.23)	(0.02)
Intercept	0.67**	0.68**	2.57***	2.57***	1.18***	1.19***
	(0.25)	(0.24)	(0.19)	(0.19)	(0.23)	(0.25)
R^2	0.68	0.68	0.40	0.40	0.61	0.61
Wald $\chi2$ (p-value)	1249	1064	191	191	484	479
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)

***p<0.01;**p<0.05 (one tailed directional hypothesis).

TABLE 3
Instrument Variable Regression Results of Consequences of CBM
Interaction Effects Results

	Sales Growth		**Employee Engagement**		**Firm Trust**	
Independent Variables	Regression Coefficient (Clustered Robust Standard Errors)		Regression Coefficient (Clustered Robust Standard Errors)		Regression Coefficient (Clustered Robust Standard Errors)	
	CBM MICE	CBM ICE	CBM MICE	CBM ICE	CBM MICE	CBM ICE
CBM	0.03**	0.08*	0.06**	0.14***	-0.01	-0.04
	(0.01)	(0.04)		(0.05)	(0.01)	(0.05)
Network Index	0.002	0.01	-0.02	-0.004	-0.07***	-0.03**
	(0.01)	(0.01)	(0.02)	(0.02)	(0.01)	(0.01)
Competitive Intensity	-0.05**	-0.05**	-0.01	-0.005	0.03***	0.03***
	(0.02)	(0.01)	(0.01)	(0.02)	(0.008)	(0.01)
Marketing Centrality	0.01	0.01	0.01	0.01	-0.01	-0.002
	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Interaction Effects						
CBM * Network Index	0.02**	0.03**	0.00	0.01	0.01**	0.03***
	(0.006)	(0.01)	(0.01)	(0.02)	(0.003)	(0.007)
CBM * Competitive Intensity	0.04***	0.07***	-0.00	-0.004	0.01**	0.03***
	(0.006)	(0.01)	(0.01)	(0.01)	(0.003)	(0.009)
CBM * Marketing Centrality	0.01**	0.02**	-0.00	-0.01	-0.00	0.002
	(0.006)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)
Controls						
Innovation Intensity	0.13***	0.13***	0.13***	0.12***	-	-
	(0.02)	(0.02)	(0.01)	(0.02)		
Brand Equity	1.10***	1.11***	-	-	0.60***	0.58***
	(0.15)	(0.16)			(0.10)	(0.09)
Log PPP Growth	0.58***	0.63***	-0.03	-0.13	-	-
	(0.04)	(0.04)	(0.05)	(0.05)		
Firm Size (dummy 2)	0.21***	0.17***	0.38***	0.35***	0.14***	0.12***
	(0.03)	(0.03)	(0.06)	(0.06)	(0.03)	(0.03)
Firm Size (dummy 3)	0.15***	0.13***	0.35***	0.34***	0.13***	0.21***
	(0.04)	(0.02)	(0.07)	(0.07)	(0.03)	(0.04)
Log PPP per Capita	-	-	-	-	0.01	-0.11***
					(0.01)	(0.02)
Intercept	0.92***	1.31***	3.20***	3.22***	0.24**	1.21***
	(0.21)	(0.13)	(0.16)	(0.16)	(0.12)	(0.21)
R^2	0.71	0.72	0.41	0.40	0.60	0.63
Wald $\chi2$ (p-value)	1722.9	1400.9	234.31	209.4	635.46	628
	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)	(0.0001)

***p<0.01;**p<0.05 (one tailed directional hypothesis).

TABLE 4
Instrument Variable Regression Results with CBM as Dependent Variable

Variables	**CBM MICE** (Market, Internal, Community,Environment) Regression Coefficient (Clustered Robust Standard Errors)	**CBM ICE** (Internal,Community, Environment) Regression Coefficient (Clustered Robust Standard Errors)
Stakeholder Pressure	0.35***	0.17**
	(0.11)	(0.07)
Market Orientation	1.28***	0.91***
	(0.38)	(0.24)
Cross-Functional Integration	0.67***	0.24***
	(0.07)	(0.04)
Controls:		
Internal Leadership	0.26**	0.17**
	(0.11)	(0.08)
Business Unit Size (dummy 1)	-0.04	0.10
	(0.18)	(0.11)
Business Unit Size (dummy 2)	0.11	0.39**
	(0.20)	(0.13)
Business Unit Age	-0.01**	-0.01***
	(0.003)	(0.002)
Intercept	3.57***	2.00***
	(0.82)	(0.57)
R^2	0.43	0.33
Wald $\chi 2$ (p-value)	196.48	111.60
	(0.0001)	(0.0001)

***p<0.01; **p<0.05; *p<0.10

TABLE 5
Robustness Checks: Main Effect Models

Dependent Variable	Sales Growth			Employee Engagement			Firm Trust		
	Including Market Orientation as a Control	Including Cross Functional Integration as a Control	CMP Regression	Including Market Orientation as a Control	Including Cross Functional Integration as a Control	CMP Regression	Including Market Orientation as a Control	Including Cross Functional Integration as a Control	CMP Regression
With CBM ICE									
CBM ICE	0.04**	0.15**	0.06***	0.10**	0.24***	0.04**	0.06	0.01	0.00
Market Orientation	0.19**			0.19**			0.20		
Cross Functional Integration		-0.02			-0.06**			0.003	
With CBM MICE									
CBM MICE		0.07**	0.02**	0.04**	0.11**	0.02*	0.02	0.01	-0.00
Market Orientation				0.23**			0.19		
Cross Functional Integration		-0.03			-0.07**			0.003	

**p<0.05; ***p<0.01 using one-sided heteroskedasticity consistent clustered robust standard errors.
Note: Models included control variables. They are not shown here to conserve space.

TABLE 6
Robustness Checks: Interaction Effects Models

Dependent Variable	Sales Growth			Employee Engagement			Firm Trust		
	Including Market Orientation as a Control	Including Cross Functional Integration as a Control	CMP Regression	Including Market Orientation as a Control	Including Cross Functional Integration as a Control	CMP Regression	Including Market Orientation as a Control	Including Cross Functional Integration as a Control	CMP Regression
With CBM ICE									
CBM ICE	0.04**	0.15**	0.05***	0.04**	0.11**	0.05**	-0.01	-0.01	0.02
CBM * Network Index			0.02***	-0.01	-0.003	0.004	0.02**	0.03**	0.02**
CBM * Competitive Intensity			0.07***	0.00	0.00	0.01	0.03**	0.02**	0.01
CBM * Brand Manager Integrator			0.02**	0.00	-0.002	-0.006	0.00	0.002	0.001
Market Orientation	0.19**			0.26**			-0.02		
Cross Functional Integration		-0.02			-0.07*			-0.01	
With CBM MICE									
CBM MICE	-0.00	0.07**	0.01*	0.04**	0.11**	0.02*	0.01	0.01	-0.00
CBM * Network Index	0.02**		0.02***	0.00	0.00	0.00	0.01**	0.01**	0.01*
CBM * Competitive Intensity	0.04**		0.04***	-0.01	-0.003	-0.002	0.01**	0.008**	-0.002
CBM * Brand Manager Integrator	0.01**		0.01*	0.00	-0.002	0.00	-0.002	-0.003	0.002
Market Orientation	0.23**			0.26**			-0.05		
Cross Functional Integration		-0.03			-0.07**			-0.01	

**p<0.05; ***p<0.01 using one-sided heteroskedasticity consistent clustered robust standard errors.

Note: Models included control variables. They are not shown here to conserve space..

TABLE 7

Comparing and Contrasting CBM and Customer Orientation

CUSTOMER ORIENTATION	CBM
• Implies a priority for customer insights and needs in driving the growth agenda.	• Implies a portfolio of constituent insights and needs balanced together to drive the growth agenda.
• Proposes organization-wide alignment against common external customer requirements.	• Proposes organization-wide representation in the crafting of strategies serving multiple constituent needs at the same time.
• Perceives the marketing function as the representative of the voice of the customer and, in part, responsible for disseminating such understanding across the firm.	• Perceives all functions as having a role in representing the voice of their relevant external constituents and the marketing function as responsible for integrating the portfolio of voices within its programs.
• Proposes that value is created when an organization aligns itself to execute offerings in response to customer needs.	• Proposes value is created when an organization configures its programs to address the needs of multiple constituents simultaneously.

TABLE 8


Core Themes
Observation Count
Sentiment Score
Negative
Neutral
Positive
Leadership Engagement
Leadership w/Customers
Mkt-Sales Collaboration
NGO Partner Agreement
Trust with NGO Partner
Mgnt of Conflict w/Stakeholders
Consumer Content
Brief- Customers
Integration - Employee...
Authenticity in Cause
Process & Routines
Cause Fit - Brand
Communication of Results -...
Customer Choice for Activation
Mkt-PAC Collaboration
Customization - Customer Plans
Commercial Toolkit
Program Idea
Agency Structure - Teams
Co-creation with NGO Partner
Cause Strategy/Portfolio Role
Cause Education - Marketing
Cause Fit - Across regions
Creating Employee Ambassadors
Insights - Testing
Master Plan
Operational Insights
Process Sequence
Early of Involvement - Stakeholders
Shared Accountability with NGO...
Cause Integration - Customer Plan
NGO Partner Approval Process
Insights - Donation Methods
Cause Relevance - Customer
Org Structure - NGO Partner
Managing Cause Message -...
Early Involvement - Employee...
Co-branding with NGO Partner
Early Involvement - Customers
Managing Cause Message -...
Alignment on Project Goals
Employee Engagement - Inclusion...
Donations Method
Cause Education - Sales Force
Inclusion of other Country in Plan
Clarity of Decision Rights with...
Consumer Website
Transparency of Work across...
Using a Surprise Launch
0
10
20
(1.00)
(0.50)
-
0.50
1.00

TABLE 9

Engagement Value	Economic Value	Social Value
Collaborators: Highest take-rate among key customers Highest number of customized programs = 85 However, point of sale activation was lower -13% vs. prior year holiday program. **Consumers**: • High levels of program relevance (77%) • High levels of brand fit (82%) • Increased brand love by 10% • Increased company reputation by 2% **Influencers**: • 19 times more media impressions than prior year • Most successful twitter program to date for the company • The vast majority (85%) of program social conversations are positive or neutral • However, conversation was 2% vs. 5% of total brand conversation in the prior year. • Negativity is slightly higher than benchmark, mainly due to "can confusion"	Sales growth = + 2.7%; highest in over 10 years during the same period. Competitor sales growth = -4.8% Avg. Growth Among Top Customers = + 10%	Increased Awareness for the Cause from 38% to 52% Increased Perceived Importance of the Cause from 30% to 37% Achieved $3.7 million in donations (compared to an average of $250k per year in prior years). Improved NGO reputation among donors: 53% had a better impression of the NGO after the program. Only 3% reported a negative effect on their perception of the NGO.

FIGURE 1

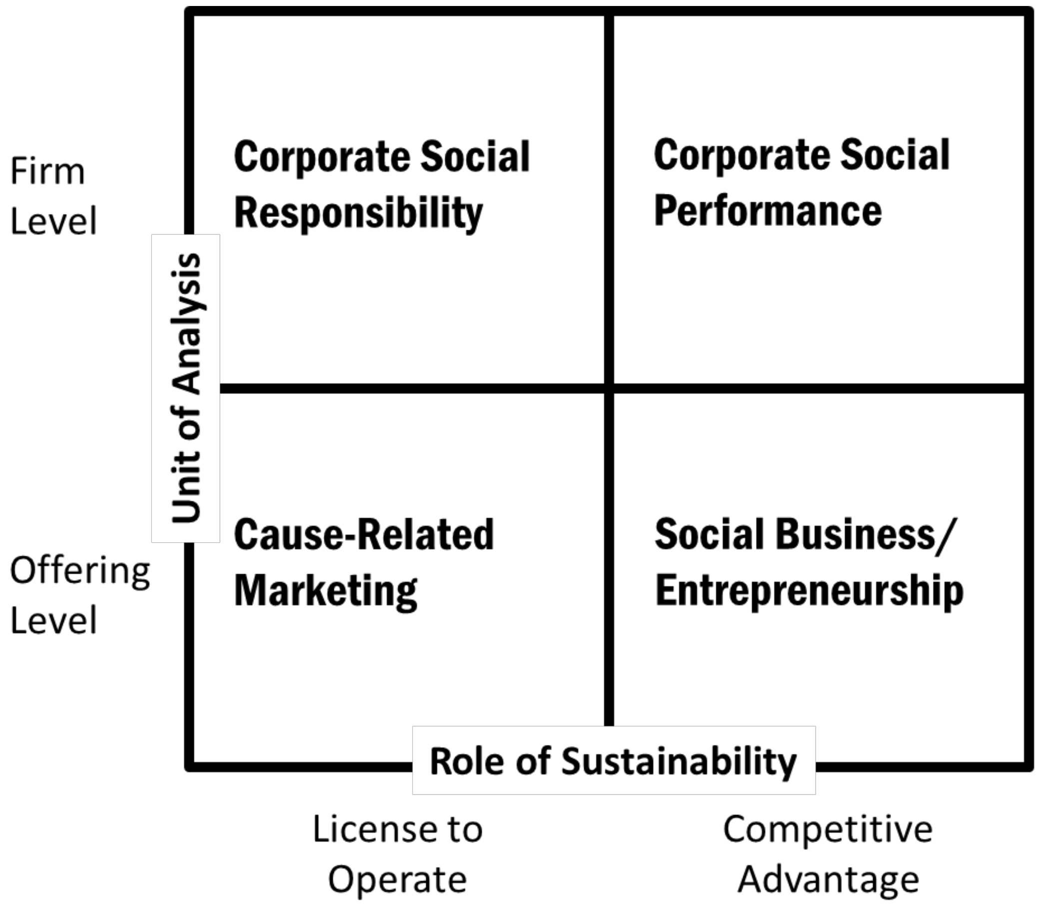

Firm Level
Offering Level
Unit of Analysis
Corporate Social Responsibility
Corporate Social Performance
Cause-Related Marketing
Social Business/ Entrepreneurship
Role of Sustainability
License to Operate
Competitive Advantage

FIGURE 2
MODERATING EFFECTS OF CBM
Johnson-Neyman Technique

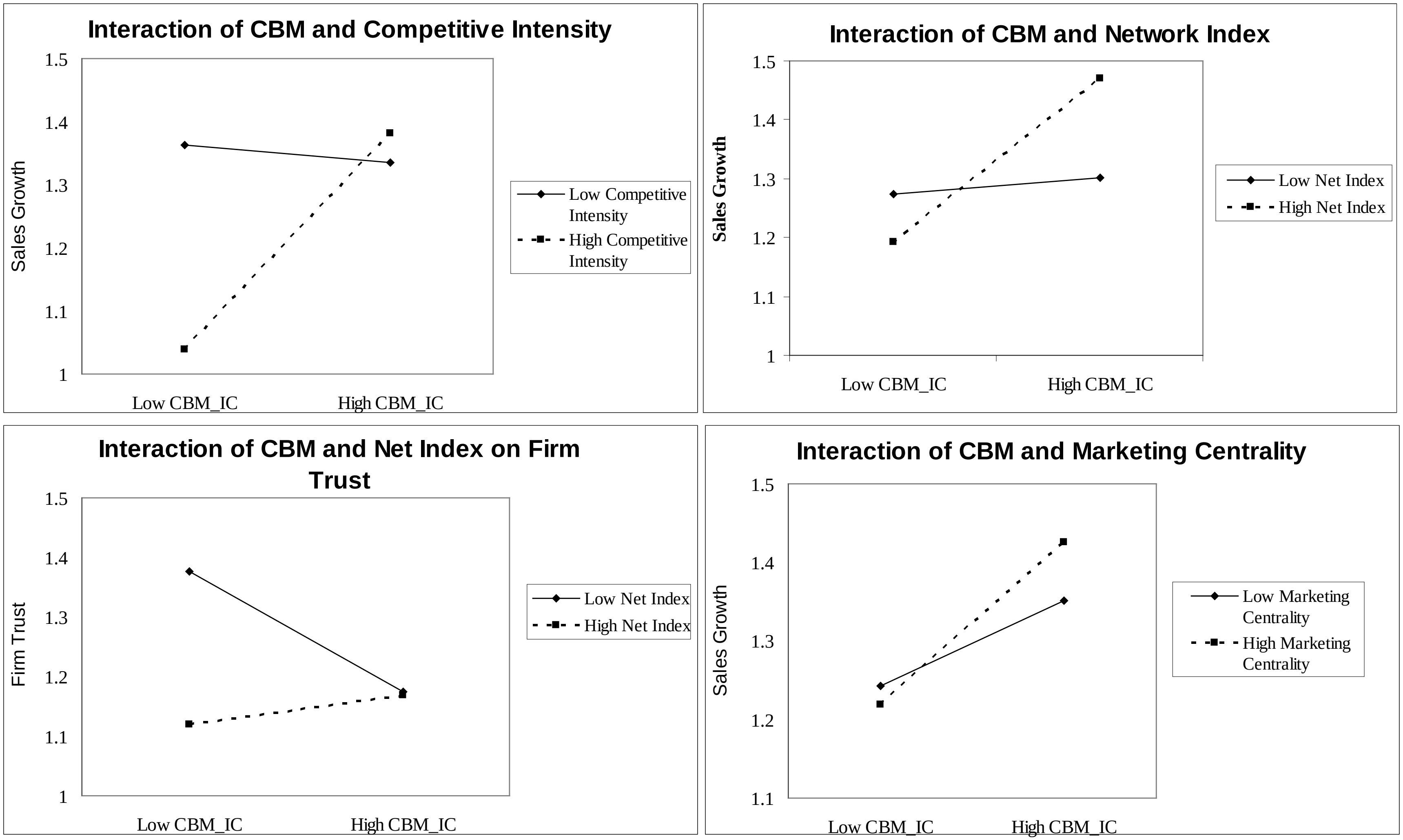


FIGURE 3

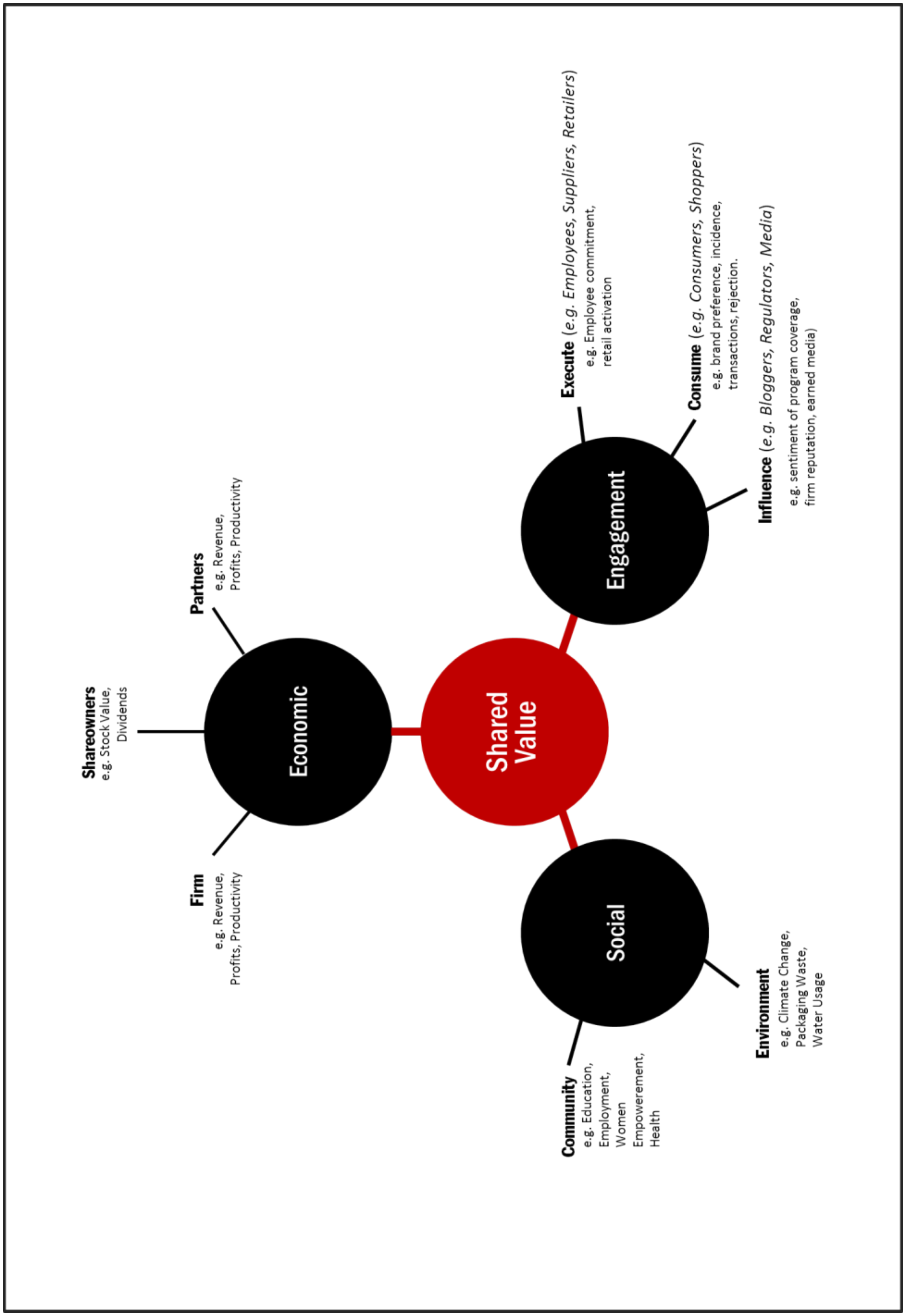
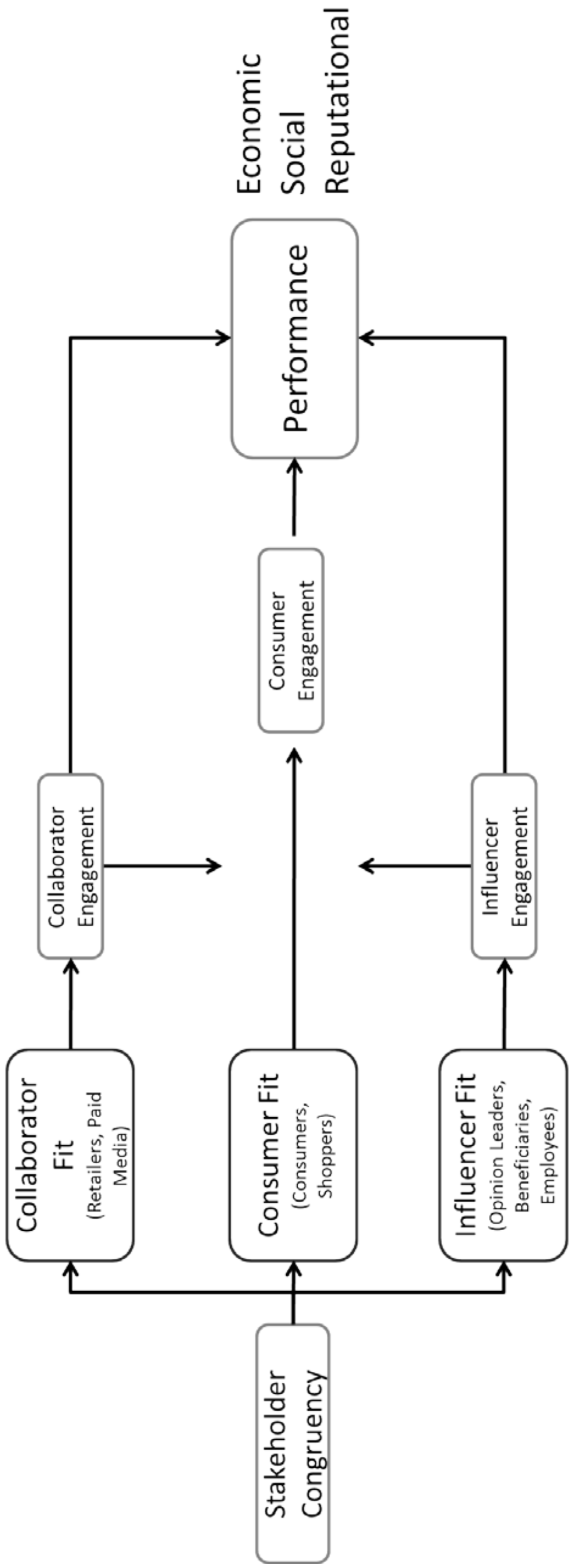

Shared Value
Economic
Engagement
Social
Shareowners e.g. Stock Value, Dividends
Partners e.g. Revenue, Profits, Productivity
Firm e.g. Revenue, Profits, Productivity
Execute (e.g. Employees, Suppliers, Retailers) e.g. Employee commitment, retail activation
Consume (e.g. Consumers, Shoppers) e.g. brand preference, incidence, transactions, rejection.
Influence (e.g. Bloggers, Regulators, Media) e.g. sentiment of program coverage, firm reputation, earned media)
Community e.g. Education, Employment, Women Empowerement, Health
Environment e.g. Climate Change, Packaging Waste, Water Usage

FIGURE 4


Stakeholder Congruency
Collaborator Fit (Retailers, Paid Media)
Consumer Fit (Consumers, Shoppers)
Influencer Fit (Opinion Leaders, Beneficiaries, Employees)
Collaborator Engagement
Influencer Engagement
Consumer Engagement
Performance
Economic
Social
Reputational

APPENDIX:

CBM MEASURES AND SCALE ITEMS

CBM Measures		**c-alpha**
CBM ICE: Internal, Community, Environment		0.79
CBM MICE: Market, Internal, Community, Environment		0.81
Market	The marketing team takes into account the manufacturing and distribution needs when defining their plans.	
	Our franchise partners actively participate throughout the planning process of my department.	
	My department is very familiar with the execution capability of the sales force and takes it into account early in the planning process.	
	Our marketing team develops a calendar of activities across brands based on the number of programs that the sales force can execute per channel / month.	
	Brand teams can easily estimate the impact of their plans and recommendations on the franchise profitability.	
Internal	Brand managers work with the human resources team to understand the company's needs related to employee attraction, retention, and motivation.	
	Brand campaigns are often used by the human resource department to support employee engagement programs.	
	Brand managers work closely with the human resources team to coordinate the execution of brand and employee programs.	
Community NGO’s / Regulators	Brand managers work closely with the community affairs team to understand the issues and concerns of external stakeholders (such as NGO’s or regulators) that are likely to affect our business.	
	The community affairs team provides early input into the development of the brand strategies and plans.	
	Brand managers work closely with community affairs to coordinate the execution of brand and PR plans in the marketplace.	
Community Environmental Groups	Brand managers work with other functions (such as manufacturing or logistics) to understand environmental / sustainability concerns associated with products and programs.	
	Brand managers incorporate environmental sustainability initiatives in plans and programs.	

SCALE ITEMS: MODERATORS AND ANTECEDENTS

Variable	*Indicator*	*C-Alpha*
Stakeholder Pressures	Our business is increasingly impacted by issues that cut across multiple functional areas of our business.	NA
	Consumers and customers in my market are actively influenced by social and environmental considerations in their purchasing and consumption decisions.	
Market Orientation	We know our competitors well.	0.74
	We have a good sense of how our consumers and customers value our products.	
	We are more focused on consumers and customers than our competitors.	
	Our product development process is based on a good understanding of market and consumer information.	
	Our business exists primarily to serve the needs of consumers and customers.	
	Our products are the best in our industry.	
Cross-Functional Integration	We have effective cross-functional routines on a regular basis to provide input and make decisions on projects.	0.76
	The business unit has monthly management meetings between marketing, sales, and operations teams to review performance.	
	My department [marketing] always works together with the sales and operations teams to define and align growth strategies for the brands.	
	My department [marketing] works closely with the sales and operations teams to coordinate the deployment of our plans with our franchise partners.	
	My department [marketing] provides input to the customer, sales, and operation teams prior to the development of their plans	
Marketing Centricity	The brand director often acts as a business integrator, leading and coordinating the work of all relevant functions from strategy to execution in the market.	0.70
	The brand managers in my country are responsible for the full P&L of their brands.	
	The brand team actively participates in the development of sales strategies.	
	Brand managers develop their brand plans by creating cross functional teams that include communications, community affairs, operations, customer, trade, technical and sales participation.	
Internal Leadership	The leaders of the company in my country are constantly promoting the integration of initiatives across functions.	NA

Anchors for the items ranged from Strongly Disagree to Strongly Agree on a 7-point scale.

DESCRIPTIVE STATISTICS AND CORRELATIONS

		Mean (SD)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1.	Business Unit Sales Growth	0.23 (0.40)	-																		
2.	Employee Engagement	46 (13)	0.23	-																	
3.	Trust in Company	0.53 (0.25)	0.50	0.19	-																
4.	Log Change PPP	-2.87 (0.41)	0.58	0.15	0.38	-															
5.	Log GDP per Capita	9.35 (1.19)	-0.16	-0.09	-0.77	-0.41	-														
6.	Network Index	6.00 (2.21)	-0.17	-0.18	-0.75	-0.40	0.83	-													
7.	Competitive Intensity	2.16 (1.39)	-0.06	0.12	0.44	0.08	-0.58	-0.43	-												
8.	Marketing Centrality	4.88 (1.16)	0.43	0.57	0.14	-0.19	0.11	-0.08	0.14	0.70											
9.	Innovation Intensity	1.10 (0.83)	0.10	0.04	0.04	0.04	0.02	-0.09	-0.09	0.00	-										
10.	Brand Equity Index	0.43 (0.12)	0.01	0.05	0.48	-0.05	-0.02	0.02	0.03	0.42	0.01	-									
11.	BU Size (dummy 2)	0.41 (0.49)	0.09	-0.05	-0.11	0.04	-0.19	0.05	0.11	-0.41	0.06	-0.37	-								
12.	BU Size (dummy 3)	0.22 (0.41)	0.36	0.44	0.36	0.34	0.15	-0.12	-0.08	0.47	0.04	0.36	-0.44	-							
13.	Business Unit Age	64 (18)	0.18	0.30	-0.08	-0.25	0.31	0.37	-0.04	0.48	0.01	0.51	0.07	0.17	-						
14.	Internal Leadership	5.33 (1.31)	0.07	0.12	0.15	-0.04	-0.11	-0.08	0.08	0.06	0.30	0.09	0.15	-0.04	0.08	-					
15.	Market Orientation	5.70 (0.78)	0.15	0.07	0.20	0.00	-0.17	-0.18	0.06	0.07	0.38	0.11	0.06	-0.06	0.00	0.42	0.74				
16.	Cross Functional	4.97 (1.15)	0.07	-0.03	-0.09	0.02	0.09	0.07	-0.08	-0.03	0.40	0.06	-0.02	0.09	0.08	0.40	0.37	0.76			
17.	Stakeholder Pressures	5.67 (0.71)	0.07	0.13	0.07	-0.03	0.06	0.09	-0.07	0.00	0.18	0.07	0.07	0.04	0.19	0.21	0.26	0.18	-		
18.	CBM (ICE)	4.56 (0.95)	0.19	0.17	0.25	0.06	-0.09	-0.20	-0.05	0.01	0.35	0.08	0.02	0.08	-0.10	0.30	0.42	0.34	0.20	0.79	
19.	CBM (MICE)	9.55 (1.68)	0.16	0.11	0.14	0.11	-0.11	-0.19	-0.06	-0.02	0.53	0.01	0.05	0.04	-0.05	0.38	0.53	0.54	0.25	0.79	0.81

Correlations greater than 0.11 are significant at $p < 0.05$ / Diagonal = c-alpha