From Market Orientation to Stakeholder Orientation

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Drawing on the marketing orientation and stakeholder literature streams, the authors define the concepts of market orientation (MO) and stakeholder orientation (SO) to explore their potential contribution to marketing. They discuss the potential contribution of each construct along with the similarities and differences that could be significant for marketing strategy. The MO construct focuses on customers and competitors and indirectly on other stakeholder groups. The SO construct does not designate any stakeholder group as more important than another, and the prioritization of stakeholders may change depending on the issue. As such, SO is more contingency based and is a function of contextual aspects surrounding the organization. The SO and MO constructs are not mutually exclusive; there is some overlap between them. The authors suggest further research to explore the most appropriate construct for firms to consider.

Keywords: stakeholder orientation, market orientation

Over time, marketing scholars have broadened the marketing concept beyond current customers and competitors to include future consumer and societal needs (e.g., Day 1994; Narver, Slater, and MacLachlan 2000). In parallel, the management discipline has refined a stakeholder concept that redefines organizations as a grouping of stakeholders, stressing that the purpose of the organization is to manage these stakeholders' interests. The stakeholder view has been the subject of significant theoretical and empirical developments in the management literature (Donaldson and Preston 1995; Jawahar and McLaughlin 2001; Jones and Wicks 1999). There is a connection between how these marketing and stakeholder concepts have evolved—both position the company obligations beyond shareholders and include customers as one of the primary stakeholders (Lusch and Laczniak 1987). Marketers adopting the stakeholder concept have shifted the firm's focus to a broader set of stakeholders, including suppliers, employees, regulators, shareholders, and the local community (Greenley and Foxall 1997).

Firms now widely embrace the concept of stakeholders. Yet, surprisingly, the marketing discipline has not given much attention to the implications of the stakeholder perspective for marketing theory and practice, in particular to the role of the marketing function in a stakeholder view of the firm. Instead, while acknowledging market orientation (MO) as a core concept in marketing strategy over the past two decades, scholars have implicitly positioned customers as the stakeholder group of most interest to marketing research and practice (Day 1994; Narver and Slater 1990). Although other stakeholders are considered important, in general, it is in the context of the customer's perspective, not from a larger societal viewpoint.

To explore the contribution of the marketing function in a stakeholder view of the firm, we define the construct of stakeholder orientation (SO). Accordingly, we put forward a preliminary definition of SO as the organizational culture and behaviors that induce organizational members to be continuously aware of and proactively act on a variety of stakeholder issues. Importantly, SO stimulates a general concern for a variety of actors rather than focusing on any specific group. Stakeholder issues are "the corporate activities and effects thereof that are of concern to one or more stakeholder communities" (Maignan and Ferrell 2004, p. 8). Examples of stakeholder issues include the fairness of product information, the transparency of company reports and audits, and the environmental impact of products. We view behaviors as stakeholder oriented if they are aimed at developing positive solutions to concretely address stakeholder issues, and we exclude activities that are also based on

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stakeholder intelligence but aim to bypass issues or manipulate stakeholders' perceptions.

Drawing on previous work (e.g., Kohli and Jaworski 1990; Narver and Slater 1990), we define MO as an organizational culture, which provides norms for behaviors that focus on assessing and acting on customers' needs and anticipating and responding to competitors' actions. A major distinction between MO and SO is that MO identifies customers and competitors as the primary focus, with little attention to other stakeholder groups, whereas SO does not designate any stakeholder group as more important than another but also does not claim that all stakeholders are equal, as stakeholder prioritization may change depending on the issue. The actual weight allocated to a particular stakeholder is contingency based and is often a function of the contextual aspects surrounding the company (e.g., country, industry, strategic group, market segment).

Our purpose is to define both MO and SO, establish the similarities and differences of these constructs, and discuss the opportunities for researchers and firms to explore SO as a broader, expanded view of MO for marketing strategy. A key issue to explore is whether a concern for all stakeholders is more or less beneficial than an emphasis on certain stakeholder groups as primary targets for marketing strategy.

SO View of the Firm

The contemporary stakeholder perspective (Freeman 1984) takes into account the interests of the groups for which firms are responsible. An individual or group is considered a stakeholder of a business unit when any one of three characteristics applies: (1) when the actor has the potential to be positively or negatively affected by organizational activities and/or is concerned about the organization's impact on his or her or others' well-being, (2) when the actor can withdraw or grant resources needed for organizational activities, or (3) when the actor is valued by the organizational culture (Frooman 1999; Maignan and Ferrell 2004; Rowley 1997). Stakeholder theory is grounded on the normative assumption that "all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another" (Mitchell, Agle, and Wood 1997, p. 68). While the stakeholder perspective recognizes the intrinsic value of all stakeholders, it also acknowledges the need for firms to serve the interests of key stakeholder groups to secure their continued support (Donaldson and Preston 1995). Employees, customers, shareholders, regulators, and suppliers are widely acknowledged as among these stakeholders. In contrast, there is some discussion for other potential stakeholders, including local communities and the natural environment (Bazin and Ballet 2004; Berman et al. 1999).

MO View of the Firm

The marketing concept's focus on developing customer relationships positions marketers to include these stakeholder concerns in strategic planning. Since the early 1990s, the field of marketing has witnessed the development and increasing acceptance of MO. Both Kohli and Jaworski (1990) and Narver and Slater (1990) rely heavily on the marketing concept as the rationale for the importance of an MO. Felton (1959, p. 55) provides one of the first definitions of the marketing concept: "A corporate state of mind that insists on the integration and coordination of all of the marketing functions which, in turn, are melded with all the other corporate functions, for the basic objective of producing maximum long-range corporate profits." Consistent with that, MO entails one or more departments engaging in activities that are directed toward generating intelligence about customers' current and future needs and of competitors' capabilities and strategies, sharing that intelligence throughout the organization, and taking coordinated action to create superior customer value (e.g., Kohli and Jaworski 1990; Slater and Narver 1995).

The marketing concept is not necessarily at odds with (other) relationships between the company implementing the concept and society. Market-oriented companies are likely to select stakeholder claims that matter most to them because they are, or might become, a matter of concern to their current and potential customers. As such, MO is more of an indirect utilization of stakeholders' concerns than a stakeholder focus based on the SO construct. Because of its focus on creating superior customer value, the customer stakeholder group is prevalent across definitions of MO (Day 1994, p. 37; Deshpandé, Farley, and Webster 1993, p. 24; Narver and Slater 1990, p. 21).

To this point, marketing scholars have considered forces beyond customers and competitors because of their influence on those actors' needs and actions. As Jaworski and Kohli (1993, p. 54) note, "additional forces in a market (e.g., competition, technology, regulation) are considered to belong to the domain of the [MO] construct." However, as Matsuno, Mentzer, and Rentz (2000) note, earlier operationalizations of MO (e.g., Deshpandé and Farley 1998; Kohli, Jaworski, and Kumar 1993; Narver and Slater 1990) capture mostly customers and competitors as focal domains for understanding the market environment. However, Matsuno and Mentzer (2000, p. 5) propose a more inclusive definition and operationalization that includes "relevant individual market participants (e.g., competitors, suppliers, and buyers) and influencing factors (e.g., social, cultural, regulatory, and macroeconomic factors)." The studies by Matsuno and Mentzer (2000) and Matsuno, Mentzer, and Rentz (2000) constitute an important step toward enlarging the scope of MO. Nevertheless, their research still fails to characterize the nature of these market forces and does not establish criteria to characterize relevant "individual market participants" and "influencing factors." Overall, the literature on MO constrains the scope of marketing activities to certain stakeholders, with a strong emphasis on the customer group. Advocates of MO would defend the emphasis on customers and competitors as being of primary importance because of existing knowledge about which stakeholders have the greatest influence on financial performance.

The Stakeholder Perspective in Marketing

In contrast, the stakeholder perspective has pervaded the marketing literature on ethics and social responsibility (e.g., Blodgett et al. 2001; Maignan and Ferrell 2004; Sen, Bhattacharya, and Korschun 2008). The growing consensus is that a firm's stakeholders are embedded directly and indirectly in interconnected networks of relationships (Rowley 1997). Diverse stakeholders may even join over issues of concern. From a marketing perspective, SO requires a more expansive perspective than that found in current MO research. Because the needs of different stakeholders are not necessarily aligned, the coordination of MO may require additional inquiry. This challenge is why MO has focused on customers and competitors to be more profitable. In turn, MO research has perceived a need to focus on the key variables that most influence profitability. Because SO is a philosophy of the long-term welfare of all stakeholders, it focuses on how organizations can leverage their marketing expertise to improve the welfare of all stakeholders. As such, SO states that it is up to each organization to prioritize stakeholders and to address conflicts between these groups in a synchronized orientation. In some firms, SO and MO may lead to a similar marketing strategy, but in other firms, there may be significant differences.

Moving from MO to SO

Firms characterized by MO are outward focused and are likely to be in a privileged position to experience the influence of actors other than customers and competitors. Narver and Slater (1990, p. 34) suggested this idea. The implication of a given magnitude of MO is that a firm is, to that extent, sensitive and responsive to any stakeholder or issue that may affect its long-term performance, especially insofar as these stakeholders influence customers and competition. Maignan, Ferrell, and Hult (1999) provide preliminary evidence that suggests the existence of a relationship between MO and SO, observing a positive relationship between MO behaviors and responsible corporate behaviors toward employees, customers, and the community.

Firms characterized by SO are dedicated to learning about and addressing stakeholder issues. For example, investors concerned about sustainability issues may develop a stronger identification with companies that adopt specific initiatives to reduce emissions or support environmental conservation. Prior research has demonstrated that high levels of organizational identification result in increased stakeholder resources (e.g., Bhattacharya, Hayagreeva, and Glynn 1995; Dutton and Dukerich 1994). The bonds of identification stimulated by SO translate into increased stakeholder resources (e.g., employee commitment, good reputation) and, in turn, into enhanced business performance. The failure to embrace SO could result in a failure to address a critical stakeholder issue that improves the bonds of identification.

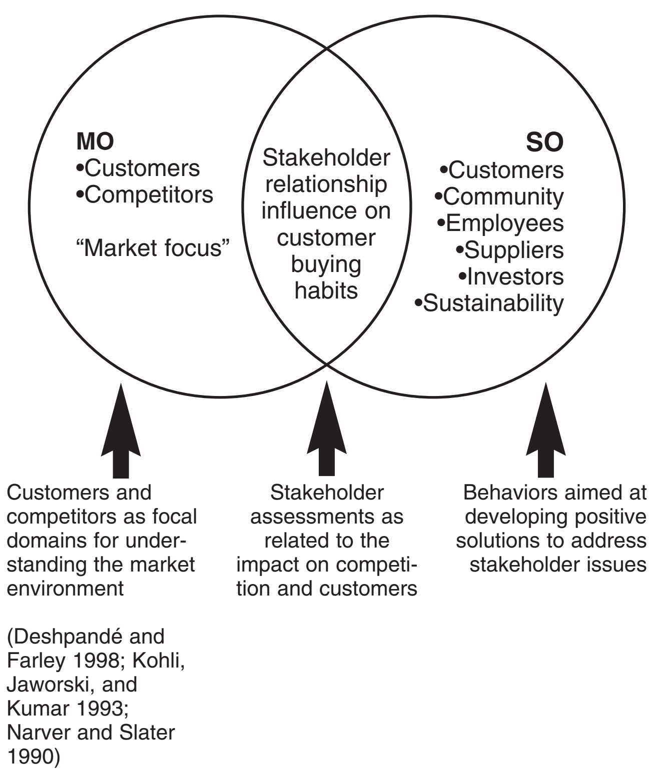
Further Research

Different conceptual orientations often result in different managerial implications. The conceptual descriptions of MO and SO help firms analyze their current perspective and then use the information gathered to move toward the desired orientation. Figure 1 shows the overlap between MO and SO. The areas in the diagram that do not overlap demonstrate the differences between the two approaches. Figure 1 shows that MO begins with customers and competitors as the primary stakeholders. Based on most presentations and constraints of MO, stakeholder assessments are related more to the impact on customers and competitors.

In contrast, SO is a philosophy that begins with the view that the firms are concerned with the needs of a variety of stakeholders, not any specific group. This view will help prevent managerial decisions that could undermine a marketing strategy. Wal-Mart originally took an MO approach and focused on customers and competitors, but today the company has moved toward an SO approach and considers other stakeholder issues, such as employee welfare and sustainability.

Although prior studies on MO have tested the hypothesis that a business focus on customers and competitors leads to superior performance, scant research has examined the performance implications of a broadened marketing focus to all relevant stakeholders. Specifically, empirical studies should examine whether SO is more profitable than MO. Furthermore, given that attention to all stakeholders would divert firm resources, further research should explore which SOs have a stronger impact on market and financial performance. Is there a tipping point at which allocating attention over multiple stakeholders versus focusing on a single one enhances performance? Finally, drawing on MO research, studies could examine internal and externally driven drivers of an SO. Further research on the antecedents and outcomes of SO would provide managerial insights into the optimal configuration for marketing focus beyond customers.

Figure 1. MO and SO Overlap



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