

INSEAD

The Business School
for the World®

Social Innovation Centre

Faculty & Research Working Paper

The New Marketing Myopia

N. Craig SMITH
Minette E. DRUMWRIGHT
Mary C. GENTILE
2009/08/ISIC

The New Marketing Myopia

by

N. Craig Smith*

Minette E. Drumwright **

and

Mary C. Gentile ***

forthcoming in the *Journal of Public Policy & Marketing*

* Chaired Professor of Ethics and Social Responsibility at INSEAD, Boulevard de Constance, 77305 Fontainebleau Cedex, France, Tel: 33 (0)1 60 72 41 45, Fax: 33 (0)1 60 74 55 00, e-mail: Craig.Smith@insead.edu

** Associate Professor of Advertising & Public Relations at the University of Texas at Austin, 1 University Station, Austin, TX 78712; e-mail: mdrum@mail.utexas.edu

*** PhD, independent business education consultant and Director of the *Giving Voice to Values* curriculum (www.aspenCBE.org); based in Arlington, MA, email: Mcgentile@aol.com

A working paper in the INSEAD Working Paper Series is intended as a means whereby a faculty researcher's thoughts and findings may be communicated to interested readers. The paper should be considered preliminary in nature and may require revision.

Printed at INSEAD, Fontainebleau, France. Kindly do not reproduce or circulate without permission.

THE NEW MARKETING MYOPIA

Abstract

During the past half century, marketers generally have heeded Levitt's (1960) advice to avoid "marketing myopia" by focusing on customers. We argue that they learned this lesson too well, resulting today in a new form of marketing myopia, which also causes distortions in strategic vision and can lead to business failure. The New Marketing Myopia stems from three related phenomena: 1) a single-minded focus on the customer to the exclusion of other stakeholders; 2) an overly narrow definition of the customer and his/her needs; and 3) a failure to recognize the changed societal context of business that necessitates addressing multiple stakeholders. We illustrate these phenomena and then offer a vision of marketing management as an activity that engages multiple stakeholders in value creation, suggesting that marketing can bring a particular expertise to bear. We offer five propositions for practice that would help marketers correct the myopia: 1) map the company's stakeholders, 2) determine stakeholder salience, 3) research stakeholder issues and expectations and measure impact, 4) engage with stakeholders, and 5) embed a stakeholder orientation. We conclude by noting their implications for research.

Keywords: marketing myopia, stakeholders, corporate social responsibility, marketing and society

Fifty years ago, Ted Levitt (1960) exhorted marketers to correct their “marketing myopia”. The shortsightedness that distorted their strategic vision caused them to define their businesses narrowly in terms of products rather than broadly in terms of customer needs. The term entered the vernacular of managers and the pages of textbooks, and when *Harvard Business Review* reprinted the article in 2004, it designated marketing myopia as the most influential marketing idea of the past half century. No doubt, today’s marketers do a much better job of focusing on customer needs. However, we argue that they have learned the lesson of customer orientation so well that they have fallen prey to a new form of marketing myopia that, in today’s business environment, can also cause serious distortions of strategic vision and the possibility of business failure, or at least exacerbate the marginalization of the marketing function.

The New Marketing Myopia occurs when marketers fail to see the broader societal context of business decision-making, sometimes with disastrous results for their organization and society. It stems from three related phenomena: 1) a single-minded focus on the customer to the exclusion of other stakeholders; 2) an overly narrow definition of the customer and his/her needs; and 3) a failure to recognize the changed societal context of business that necessitates addressing multiple stakeholders. This paper examines how the new marketing myopia is made manifest and illustrates its strategic implications and consequences. We then identify a vision for marketing management as an activity that engages multiple stakeholders in value creation and offer propositions for practice to help marketers overcome their myopia.

WHY THE NEW MARKETING MYOPIA?

Marketers suffering from the new marketing myopia view the customer only as a “consumer”—a commercial entity seeking to satisfy short-term, material needs via consumption behaviors. The customer is not viewed as a citizen, a parent, an employee, a community member, or a member of a global village with a long-term stake in the future of the planet (see Jocz and Quelch 2008 for a political theory perspective on this point). We are arguing for a more sophisticated understanding of consumption that takes into consideration a wider set of stakeholders concerned about a company’s social and environmental impacts—and recognizes that customers also wear some of those other stakeholder hats.

These stakeholders and the societal forces that they represent have profoundly changed the business context and business decision-making in recent years (Freeman, Harrison and Wicks 2007; Porter and Kramer 2006). Although they are often excluded from the marketer’s analysis, they clearly warrant close attention. As Ian Davis (2005), Worldwide Managing Director at McKinsey & Company, has observed: “Companies that treat social issues as either irritating distractions or simply unjustified vehicles for attacks on business are turning a blind eye to impending forces that have the potential to alter the strategic future in fundamental ways.” Marketers must understand the firm’s deeply embedded position in society and shift from a narrow focus on customers to a stakeholder orientation if they and their firms are to prosper and grow in today’s more complex and unpredictable business environment.

Attention to stakeholders beyond the consumer often means engaging with groups that managers sometimes see as adversaries—such as activists, scientists, politicians and

the local community (Spar and La Mure 2003; Yaziji 2004). Collaborating with these stakeholders provides many benefits, including potentially helping marketers develop foresight regarding the markets of the future and providing the impetus for innovation. Consider two topical examples: the obesity crisis and the plight of the US auto industry.

For generations, food manufacturers and fast food retailers catering to children had focused only on satisfying the short-term appetites of young consumers with little thought to their longer term well-being. These firms seemed insensitive to their role in shaping the habits and appetites of children. They excluded the concerns of other important stakeholders who were concerned about health and nutrition, including parents. As Paine (1992) noted, marketers often seemed to be pitting children against parents, especially with advertising. Belatedly, food marketers have placed some restrictions on their marketing to children, but only after a concerted attack. What if they had led the way by recognizing the long-term needs of their customers and collaborating with rather than resisting the myriad stakeholders who were championing healthy eating? Food manufacturers and retailers should not shoulder the full blame for the obesity crisis. However, the fact that other factors contributed does not lessen the responsibility of food companies for the part they played.

Likewise, with their narrow reading of consumers' preferences, the Big Three American automobile manufacturers have largely ignored admonitions from scientists, environmentalists, politicians, and journalists to attend to the problems posed by oil and develop the potential of alternative energy sources. They have held fast to their long-time emphasis on large, gas guzzling cars, trucks, and SUVs, which have become a symbol of America's blatant disregard for energy consumption. Lured by fat margins on

big vehicles, they catered to only one component of consumer preference and ignored the need for cleaner and more fuel efficient vehicles.

Consider Japanese producers Honda and Toyota in contrast. Honda launched its first low emission and fuel-efficient vehicle in 1974 and consistently improved the fuel efficiency of its cars during the 1970s and 1980s (Govind 2007). In 1998 it unveiled the world's first hybrid car and in 2002 became the first manufacturer to have fuel cell cars certified by the US government for commercial use. Toyota's energy efficient offerings have followed suit and its Prius hybrid has sold over one million units worldwide (Engardio 2007). Today, American manufacturers lament the changing consumer preferences that are forcing them to close their truck and SUV plants and take other drastic measures to survive (Mohr 2008). General Motors, in an advertisement published in *Automotive News* in December 2008 as part of an effort to secure the billions of dollars in federal funding it needed to survive, admitted that it had "disappointed" if not "betrayed" consumers. The government aid likely will require US manufacturers to produce much greener cars and trucks. Multiple factors explain the demise of the US automobile industry, but its prospects certainly have not been helped by its failure to collaborate with stakeholders in creating energy efficient vehicles.

There are many other examples of the new marketing myopia, be it Nike's failure in the 1990s to respond to workplace abuses in the factories of its suppliers that resulted in worldwide protests and boycotts, or Monsanto's blatant disregard of public opinion about genetically-modified food that was a major contributing factor in its merger with Pharmacia (Smith 2007). Suffice it to say that when marketers give insufficient attention

to stakeholders they do so at great peril; their customers, their companies, and society at large likely will be adversely affected.

MARKETING AND STAKEHOLDER MANAGEMENT

New definitions of marketing are emerging suggestive of a role for stakeholder management in marketing, although discussion of these definitions also speaks to the myopia found in practice. The 2004 AMA definition made specific reference to stakeholders, but was criticized for defining marketing from the perspective of marketing management and ignoring marketing's societal impact (Gundlach 2007).¹ Nonetheless, Sheth and Uslay (2007: 303) welcomed its departure from the exchange paradigm in favor of value creation because they believed that the former had resulted in "a single-minded focus on the role of customers," whereas "multiple stakeholders are involved... and value cannot be created in isolation of the stakeholders." Lusch (2007: 266) noted that "more attention to stakeholder theory must be central to marketing scholarship."

The current AMA definition, replacing the 2004 definition, does not make explicit reference to stakeholders but does refer to marketing as an activity involving the exchange of "offerings that have value for customers, clients, partners, and society at large."² Like its predecessors, this definition is oriented towards the practice of marketing management, reflecting the process used to develop it and the interests of most AMA members (Ringold and Weitz 2007). Perhaps for this reason, it treats marketing's

¹ The 2004 AMA definition stated that "Marketing is an organizational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" (Gundlach 2007: 243).

² "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. (*Approved October 2007*)." Source: <http://www.marketingpower.com/AboutAMA/Pages/DefinitionofMarketing.aspx> (accessed January 27, 2009).

stakeholders as mere beneficiaries of marketing rather than as stakeholders as they are traditionally defined—anyone who is affected by or can affect what a company does (Freeman 1984)—or, for that matter, as partners in value creation (Lusch 2007).³

It is beyond the scope of this paper to tackle all the perceived shortcomings of the AMA definitions of marketing (see *JPP&M* special issue on the topic, Fall 2007). However, it is apparent from the foregoing discussion of the New Marketing Myopia that a more appropriate definition of marketing management alone (i.e., as a description of effective marketing practice) should include recognition of the role of multiple stakeholders in determining value creation. It is this vision that informs our subsequent prescriptions for more effective—and socially responsible—marketing practice.

Stakeholder management is not a new idea. It is well-established within the business and society field, though this literature generally does not address how marketing specifically can be informed by attention to stakeholders. In a recent account of the history of corporate social responsibility (CSR), Carroll (2008), while acknowledging its earlier roots, suggests CSR is mostly a product of the twentieth century that began to take shape in the 1950s. At that time, according to Carroll (citing Frederick 2006), managers were expected to balance competing claims to corporate resources—thus prefiguring the idea of stakeholder management. While the origins of stakeholder theory go back much further (Freeman et al. 2007), it is generally found to have its first formal expression in Freeman's (1984) book, *Strategic Management: A Stakeholder Approach*.

³ A stakeholder is any group or individual who “can affect or is affected by the achievement of the organization's objectives” (Freeman 1984: 46; refined to refer to the “achievement of the corporation's purpose” in Freeman et al. 2007: 6). See Mitchell, et al. (1997) for a chronology of stakeholder definitions.

There have been many contributions to stakeholder theory since then (for a review, see Mele 2008; Phillips 2003), including some from critics, such as Jensen (2002) and Sundaram and Inkpen (2004). Suffice it to note for our purposes that absent from consideration in much marketing practice—and research—is the idea at the heart of stakeholder theory, that companies have stakeholders who are affected by or can affect what a company does. While some stakeholder theorists make a normative claim about company obligations to stakeholders (e.g., Evan and Freeman 1988), others treat the idea simply as a description of a business and managerial reality (e.g., Mitchell, Agle and Wood 1997). In this paper, at least, our purpose is to urge greater attention to this business reality within marketing practice—as a way of escaping the new marketing myopia. As we have shown, the need to do so has become increasingly evident.

The new marketing myopia also can be found in marketing research. Largely absent from the marketing literature is attention to the multiple stakeholders that serve in practice as constraints on marketing strategies, as well as sources of opportunity for firm and societal value creation. There have always been streams of research in marketing that acknowledge its social aspects, not least in the broadly defined marketing and society literature (see an overview in Bloom and Gundlach 2001). However, much of this literature has focused on public policy, particularly as it relates to consumer protection. There is attention to company stakeholders, but it is one step removed and mediated through government, the law, and related regulatory mechanisms. Attention has been given to topics such as social marketing, cause-related marketing, and ethical consumerism, but even in these areas, there has been little focus on the requirement that

the firm consider multiple stakeholders beyond the consumer. Moreover, marketing and society is not seen to be at the core of marketing thought (Wilkie and Moore 2003).

Not long after Levitt's (1960) seminal article, the marketing literature included acknowledgements of the relevance of social responsibility to marketing and attention to questions of the role of business in society (e.g., Andreasen 1975; Lavidge 1970; Patterson 1966; but see Levitt 1958 for a critique of CSR). Subsequent attention was sporadic, but research on CSR and marketing has increased substantially in the last few years (e.g., Berger, Cunningham, and Drumwright 2007; Bhattacharya, Smith, and Vogel 2004; Ellen, Webb, and Mohr 2006; Klein and Dawar 2004; Maignan and Ferrell 2004; Maignan, Ferrell, and Ferrell 2004; Sen and Bhattacharya 2001; Smith 2008). It has been encouraged in part by Aspen Institute and Marketing Science Institute-sponsored conferences, such as the 2007 Stakeholder Marketing Consortium. Nonetheless, there remains a paucity of marketing research on the implications of multiple stakeholders for the marketing function and for the firm more generally.⁴

PROPOSITIONS FOR MARKETING PRACTICE

How can marketers avoid the new marketing myopia? We have identified a vision for marketing as a practice that involves proactively incorporating stakeholders

⁴ As one indicator, a search in January 2009 on EBSCO-hosted Business Source Complete using the term "stakeholder" yielded eight articles in the *Journal of Marketing*, one article in *Journal of Consumer Research*, and no articles in *Journal of Marketing Research*, the twenty-year history of the concept within the management literature notwithstanding. This is not to say that other articles did not mention stakeholders, these are the only articles for which stakeholder(s) were sufficiently salient to warrant a mention in the article abstract (a search of the three journals by "stakeholder" as the subject term revealed only two articles, both in *JM*, whereas the same search of the entire database generated 1959 peer-reviewed articles; 7,221 peer-reviewed articles in the database included "stakeholder" in the abstract). Almost all the articles identified made only passing mentions of stakeholders, a notable exception being Rao, Chandy and Prabhu (2008). More encouragingly, ten articles were identified in a *JPP&M* search, with a majority of these articles giving substantial attention to stakeholders as relevant to marketing, such as two that looked at pharmaceutical marketing and the HIV epidemic (Calfee and Bate 2004; Kennedy, Harris and Lord 2004), though only two articles were identified in *JPP&M* in a search using "stakeholder" as the subject term (Calfee and Bate 2004; Bhattacharya and Korschun 2008).

beyond the customer in creating value for the firm and for society. This is not to suggest that customers are unimportant—they remain a central consideration—but it is to recognize that there are other stakeholders who also require marketing's attention. For B2C companies, these other stakeholders (e.g., employees) are sometimes customers too, but they need not be (e.g., non-target market members of the firm's local community). Marketers are often viewed as boundary-spanners, operating at the interface between the corporation and its customers, competitors, and channel intermediaries (Dunfee, Smith and Ross 1999; Singh 1993). Incorporating multiple stakeholders in marketing suggests an expanded boundary-spanning role to include a wider range of interested constituencies. We offer five propositions that build on the stakeholder management literature and the limited research to date on stakeholders in marketing (notably, Bhattacharya and Korschun 2008; Maignan and Ferrell 2004; Maignan, et al. 2004, Sirgy 2008).

Proposition 1: Map the Company's Stakeholders

The starting point is for marketers to map the company's stakeholders (Krick et al. 2005; Freeman et al. 2007). Clearly, there may be specific departments in the organization with primary responsibility for certain stakeholder groups (e.g., investor relations, human resources). However, we are suggesting that marketing, at minimum, needs to be strategically cognizant of all the firm's primary stakeholders (customers, employees, suppliers, shareholders, and communities) and its key secondary stakeholders (typically, media, government, consumer advocacy groups, competitors, certain NGOs)—and the interactions between them. Consider, for example, an electric automobile manufacturer (e.g., Th!nk or Tesla) with overlapping and interconnected

stakeholders in its customers, employees, investors, suppliers, government, media, and environmental NGOs—united by a common interest in reducing climate change.

In some circumstances, it may fall to marketing to have the strategic oversight of all salient stakeholders in the set. This is more likely when the organization is marketing-led and when there are many interrelationships between customers and other stakeholders. In light of our earlier discussion of obesity, illustrative in this regard is the decision in 2003 by Kraft Foods, Inc. to establish its Global Advisory Council, an interdisciplinary group of experts on behavior, nutrition, health, and communication who were assembled to guide its response to the growing national furor about obesity. This initiative was led by Kraft Food's then Co-CEOs, Betsy Holden and Roger K. Deromedi, both of whom came out of marketing. Deromedi observed: "As part of our commitment to ongoing stakeholder dialogue, we welcome the council's knowledge, insight and judgment, all of which will help us strengthen the alignment of our products and marketing practices with societal needs."⁵

Stakeholder mapping is more difficult than it might at first appear. Stakeholders must be identified beyond generic categories—as real people with names and faces (McVea and Freeman 2005). Companies must also identify the salient stakeholders—those particularly deserving of management's attention—and their interconnections.

Proposition 2: Determine Stakeholder Salience—Who Counts?

Mitchell et al. (2007: 853) propose a managerial approach to stakeholder salience—or “who or what really counts.” They suggest that the degree to which managers give priority to competing stakeholder claims reflects stakeholder power, legitimacy, and/or urgency. According to Mitchell et al. (1977: 865) “a party to a

⁵ See: http://findarticles.com/p/articles/mi_m0EIN/is_ai_107214470 (accessed January 29, 2009).

relationship has power, to the extent it has or can gain access to coercive, utilitarian, or normative means, to impose its will in the relationship” with the company, though they add that this stakeholder power may only be transitory. The interconnections between stakeholders may well give rise to increased power—albeit potentially transitory—as, for example, when consumers lend support to NGO calls for a boycott (Klein, Smith and John 2004). Observing that power and legitimacy together create authority, Mitchell et al. (1997: 866) use Suchman’s (1995: 574) definition of legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” They define urgency as the degree to which stakeholder claims call for immediate attention.

Mitchell et al. (1977: 855) claim that they “do not argue that managers should pay attention to this or that class of stakeholders... [they] argue that to achieve certain ends, or because of perceptual factors, managers do pay certain kinds of attention to certain kinds of stakeholders.” Yet, while asserting a descriptive account, it also may be treated as a normative account, at least relative to a traditional theory of the firm perspective (Donaldson and Preston 1995). As a prescription, their stakeholder salience attributes may serve well for managers acting consistent with shareholder primacy (and, in this respect, stakeholder theory is acceptable to critics such as Jensen 2002).

To the extent that we are writing for marketing managers operating from a shareholder primacy perspective, stakeholder power, legitimacy and urgency may well be the key considerations in determining which stakeholders warrant attention and how to prioritize amongst stakeholder groups. In addition, we would anticipate that marketing managers specifically would give particular attention to stakeholders that include or are

especially influential or relevant in regard to customers.

Some stakeholder theorists posit a different view on stakeholder salience. It could be the case that some stakeholders lack power or legitimacy. Consider, for example, the developing country farmers providing the produce sourced by the large multinational food companies. Do they deserve to be heard? Quite possibly, stakeholders lacking power may become more powerful in the future, especially if the public or regulators become concerned about their issues. Equally, company values may dictate attention to a stakeholder group absent any perceived threat (Maignan and Ferrell 2004). A normative ethics perspective (Donaldson and Preston 1995; Dunfee et al. 1999) might indicate a prioritization of stakeholders markedly different from a managerial view dictated primarily by a desire to mitigate the company's downside risk.

Consider, for example, AARP (formerly the American Association of Retired Persons), which states that its mission is “to enhance the quality of life for all as we age, leading positive social change and delivering value to members through information, advocacy and service.”⁶ Consistent with its mission and values, its for-profit subsidiary, AARP Services, makes available “new and better choices” for its members. Thus, AARP Services seeks to fill consumers' needs for health insurance, but at the same time does much more to further consumer wellbeing in combination with its partners (AARP, Walgreen's, the Business Roundtable, and the Service Employees International Union). Together, they are attempting to improve the health insurance marketplace, educate consumers about wise use of medicines, and ultimately transform the health care system for the benefit of consumers (Novelli 2007). AARP provides testament to the value of

⁶ See: http://www.aarp.org/aarp/About_AARP/ (accessed January 30, 2009).

having a broad and enlightened view of customer satisfaction and giving priority to noncommercial needs of consumers.

Proposition 3: Research Stakeholder Issues and Expectations and Measure Impact

Having mapped and prioritized the salient stakeholders, companies must identify their expectations and issues of concern. This proposition speaks to the particular relevance of marketing's role in stakeholder management. Marketing expertise in marketing research can readily be transferred from research that looks primarily at customers to research on a full array of stakeholders, using both primary and secondary data and qualitative and quantitative analysis. In some cases, marketing researchers' methodological skills in investigating sensitive or emotionally-charged topics will be especially useful. Consider, for example, research that might be conducted by an oil company on the expectations of the local community surrounding a petroleum refinery.

Research is a key component of Unilever's integration of social, economic and environmental impacts into brand innovation. Patrick Cescau, Group Chief Executive, has said: "Successful brands of the future will be those that both satisfy the functional needs of consumers and address their concerns as citizens—concerns about the environment and social justice" (Unilever 2007: 12). Key to realising this is Unilever's "Brand Imprint Process," a research-led initiative that has been run on more than fifteen of Unilever's biggest brands. One of the earliest beneficiaries was its Dove brand (Cescau 2007). The result was the widely-lauded Campaign for Real Beauty (2008). Dove, Unilever's largest personal care brand, has as its mission "to make women feel more beautiful every day by challenging today's stereotypical view of beauty and inspiring women to take great care of themselves." Launched in 2004, the Campaign for

Real Beauty is described as “a global effort that is intended to serve as a starting point for societal change and act as a catalyst for widening the definition and discussion of beauty.” A key vehicle has been “Evolution,” a short video seen by tens of millions of people on YouTube (Vranica 2008). It shows how an average-looking woman is transformed by beauty industry techniques such as airbrushing into a billboard supermodel and concludes: “No wonder our perception of beauty is distorted.” The brand also supports online discussions and the Dove Self-Esteem Fund. As Unilever has illustrated with Dove, stakeholder research can serve as catalyst for innovation and value creation for the firm as well as for society.

The methodological expertise of marketing research is also especially relevant to the metrics challenges of social impact measurement. Stakeholder issues and expectations translate into social impacts that reflect corporate social performance. Most large companies today report on their social and environmental performance. KPMG’s regular survey of social responsibility reporting found that 80% of the G250 (top 250 companies of the Global Fortune 500) reported on CSR in 2008, up from 50% in 2005.⁷ However, the quality of many of these reports leaves much to be desired. Marketing research methodologies can contribute to company efforts to better measure company social and environmental performance—as a basis for reporting but also for improving practice where it falls short of expectations (see Epstein 2008 for current approaches).

Research is also required to evaluate the effectiveness of the stakeholder management strategy and its implementation. For example, how do different stakeholders react to the company’s CSR practices, and how can marketing approaches,

⁷ See: <https://www.kpmg.com/SiteCollectionDocuments/International-corporate-responsibility-survey-2008.pdf> (accessed December 3rd, 2008.).

methodologies, and technologies be employed to understand these reactions and to respond creatively to them? How can CSR practices be communicated in a credible manner, and how can skepticism (see Ellen, et al. 2006) be dealt with effectively?

Proposition 4: Engage With Stakeholders

Research with U.S. companies suggest that many who claim to give attention to stakeholders often do so at a distance—they may make efforts to consider the interests of different stakeholders in their decision-making, they may even do research on stakeholder expectations, but they don't engage directly with stakeholders (Googins 2008). Freeman et al. (2007: 60) identify ten “managing for stakeholders” principles, including “intensive communication and dialogue with stakeholders—not just those who are friendly.” Again, marketing has a particular expertise to bring to bear. Its success in identifying how to better listen to customers and how to collaborate with customers in strategic initiatives such as product design can be used to foster improved two-way communications and collaboration with other primary and secondary stakeholders. Indeed, marketing expertise can lend itself to better understanding of stakeholder needs and, quite possibly, as Maignan and Ferrell (2004) suggest, the development of stakeholder orientation, extending the practice of market orientation (Kohli and Jaworski 1990). However, as with market orientation, scale development work is required to develop valid and reliable measures of stakeholder orientation.

Consider the example of Monsanto. By its own admission, prior to 2000 it had failed to take seriously the concerns of stakeholders regarding the safety of its agricultural biotechnology. Monsanto's customers—farmers and distributors—loved the genetically engineered crops, but other stakeholders had grave concerns, which the

company viewed as “nonscientific” and unimportant. The result was a crisis of public confidence incited by activists, who made highly effective use of the internet. They put pressure on Monsanto’s customers, distributors withdrew their support, and the stock price plunged. Monsanto merged with Pharmacia in March 2000 to be spun off a few months later through a partial IPO.

Given these problems, Monsanto identified two challenges that it had to address: 1) to broaden its notion of its stakeholders to include both critics and allies; and, 2) to bring stakeholder concerns into internal policy and decision making. Monsanto then began to engage stakeholders in dialogue—including its fiercest critics—to understand and better respond to their concerns. Monsanto’s scientists received intense training in developing listening skills and were sent out to conduct hundreds of interviews with stakeholders. These data were supplemented by a 10-nation tracking study of consumers and opinion leaders and surveys of trade partners. In November 2000, CEO Bob Shapiro announced “the New Monsanto Pledge,” based on five principles reflecting stakeholder expectations: dialogue, transparency, respect, sharing, and benefits. Through the years, the stakeholder dialogues and the pledge have continued to impact Monsanto’s business strategy in profound ways. For example, under its marketing-led Sustainable Yield Initiative, announced June 2008, Monsanto has pledged to double the yield of its three key crops by 2030, reduce by one-third the resources its crops use by 2030, and improve the lives of five million people in resource poor, farm families by 2020.⁸ Monsanto has demonstrated that stakeholder engagement can benefit the firm and the world in profoundly positive ways, including some of the least powerful stakeholders.

⁸ See: http://www.monsanto.com/investors/financial_reports/annual_report/2008/sustainability.asp (accessed January 31st 2009).

Proposition 5: Embed a Stakeholder Orientation

Our final proposition is that marketing managers need to ensure that a stakeholder orientation becomes central to day-to-day decision-making, rather than a one-off response, perhaps to adverse publicity. The marketing function has long been required to lobby internally on behalf of customers. Avoiding the new marketing myopia suggests that these efforts need to be extended to include other stakeholders. More broadly, this would form part of a mainstreaming of CSR, such that it “is clearly seen to be on the company’s agenda in a legitimate, credible, and ongoing manner, and it is incorporated into day-to-day activities in appropriate and relevant ways” (Berger et al. 2007: 133).

The experience of oil company Shell suggests that embedding CSR is a process of “hardwiring” via structural responses and formal policies and procedures (e.g., Kraft’s Global Advisory Council) but also “softwiring” too, whereby it is integrated into the organizational culture, skills and competencies (De Wit, Wade, and Schouten 2006). Thus, to embed attention to stakeholders at Monsanto, it established the Pledge Award Program to recognize and reward employees who find important ways to live out the pledge to stakeholders. Similarly, Wal-Mart, as part of its response to multiple challenges from stakeholders over its social and environmental policies (Entine 2008; Smith and Crawford 2006), has extended its sustainability initiative to its employees through Personal Sustainability Projects, whereby employees are asked to take a pledge to improve their bodies, their families, or the planet. Through the initiative, Wal-Mart hopes to better “softwire” sustainability and, through increased organizational identification (e.g., Brown et al. 2006; Maignan and Ferrell 2004), also improve

employee morale and productivity and reduce health care costs. Who better to market a stakeholder orientation to key internal constituents than marketers?

CONCLUSIONS

We have identified how marketing's myopic focus on customers and failure to give attention to a broad range of stakeholders can have serious adverse consequences for marketers, their firms, and society. In contrast, we have proposed a vision of marketing management as involving multiple stakeholders in value creation. To assist marketers in realizing this vision, we have made five propositions for improved marketing practice: 1) map the company's stakeholders, 2) determine stakeholder salience, 3) research stakeholder issues and expectations and measure impact, 4) engage with stakeholders, and 5) embed a stakeholder orientation. We have asserted that marketing can bring a particular, if not unique, expertise to these initiatives. While our emphasis has been on practice, we have also highlighted the paucity of research on stakeholders in marketing. The propositions for marketing practice suggest many avenues for research to fill this gap, from research of communication practices that are salient and effective for different stakeholders to developing methodologies and metrics for the measurement of stakeholder orientation and corporate social performance more broadly. Both marketing practitioners and researchers need to comprehend better the firm's deeply embedded position in society and shift from a narrow focus on customers to a stakeholder orientation if businesses are to prosper and grow in the unpredictable business environment of the 21st century.

REFERENCES

- Andreasen, Alan R. (1975), *The Disadvantaged Consumer*. New York: Free Press.
- Berger, Ida E., Peggy H. Cunningham, and Minette E. Drumwright (2007),
 “Mainstreaming Corporate Social Responsibility: Developing Markets for Virtue,”
California Management Review, 49 (Summer), 132-157.
- Bhattacharya, C.B. and Daniel Korschun (2008), “Stakeholder Marketing: Beyond the
 4Ps and the Customer,” *Journal of Public Policy & Marketing* 27 (1), 113-116.
- _____, N. Craig Smith, and David Vogel (2004), “Integrating Social Responsibility
 and Marketing Strategy: An Introduction,” *California Management Review* 47
 (Fall), 2004, 6-8.
- Bloom, Paul N. and Gregory T. Gundlach (ed.) (2001), *Handbook of Marketing and
 Society*, Thousand Oaks, CA: Sage Publications.
- Brown, Tom J., Peter A. Dacin, Michael G. Pratt, and David A. Whetten (2006),
 “Identity, Intended Image, Construed Image, and Reputation: An Interdisciplinary
 Framework and Suggested Terminology,” *Journal of the Academy of Marketing
 Science* 34 (2), 99-106.
- Calfee, John E. and Roger Bate (2004), “Pharmaceuticals and the Worldwide HIV
 Epidemic: Can a Stakeholder Model Work?” *Journal of Public Policy & Marketing*
 23 (2), 140-152.
- Campaign for Real Beauty (2008). See:
<http://www.campaignforrealbeauty.com/press.asp?id=4562§ion=news&target=press>.

- Carroll, Archie B. (2008), "A History of Corporate Social Responsibility: Concepts and Practices," *The Oxford Handbook of Corporate Social Responsibility*, Andrew Crane, Abigail McWilliams, Dirk Matten, Jeremy Moon and Donald S. Siegel (ed.). Oxford: Oxford University Press, 19-46.
- Cescau, Patrick (2007), "Beyond Corporate Responsibility: Social innovation and sustainable development as drivers of business growth." Speech to INDEVOR Alumni Forum, INSEAD Fontainebleau Campus, France, 25 May 2007.
- Davis, Ian (2005), "The Biggest Contract: Ian Davis on Business and Society," *The Economist*, May 26th.
- De Wit, Monique, Mark Wade, and Esther Schouten (2006), "Hardwiring and Softwiring Corporate Responsibility: A Vital Combination," *Corporate Governance*, 6 (4), 491-505.
- Donaldson, Thomas and Lee Preston (1995), "The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications," *Academy of Management Review*, 20 (1), 65–91.
- Ellen, Pam Scholder, Deborah J. Webb and Lois A. Mohr (2006), "Building Corporate Associations: Consumer Attributions for Corporate Socially Responsible Programs." *Journal of the Academy of Marketing Science* 34 (Spring): 147-158.
- Engardio, Pete (2007), "Beyond the Green Corporation," *BusinessWeek*, 29th January: 50-64.
- Entine, Jon (2008), "Wal-Mart: Ethical Retailing—From Evil Empire to Jolly Green Giant," *Ethical Corporation*, July 4, 2008

<http://www.ethicalcorp.com/content.asp?ContentID=5983> (accessed on Sept. 7, 2008).

Epstein, Marc J. (2008), *Making Sustainability Work: Best Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts*. San Francisco: Berrett-Koehler Publishers.

Evan, W.M. and R.E. Freeman (1988), "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism," in T. Beauchamp and N. Bowie (ed.), *Ethical Theory and Business*. Englewood Cliffs, NJ: Prentice Hall, 75-93.

Frederick, William C. (2006), *Corporation Be Good: The Story of Corporate Social Responsibility*. Dog Ear Publishing.

Freeman, R. Edward (1984), *Strategic Management: A Stakeholder Approach*. Boston: Pitman.

_____, Jeffrey S. Harrison and Andrew C. Wicks (2007), *Managing for Stakeholders: Survival, Reputation and Success*. New Haven: Yale University Press.

Googins, Bradley (2008), "Structure and Strategies, Profile of the Practice 2008: Managing Corporate Citizenship." Report. Chestnut Hill, MA: Boston College Center for Corporate Citizenship.

Govind, Sachin (2007), "Honda's Environmentology," ICFAI Center for Management Research (accessed through www.CasePlace.org).

Gundlach, Gregory T. (2007), "The American Marketing Association's 2004 Definition of Marketing: Perspectives on Its Implications for Scholarship and the Role and

Responsibility of Marketing in Society,” *Journal of Public Policy & Marketing* 26 (2), 243-250.

Jensen, Michael C. (2002), “Value Maximization, Stakeholder Theory, and the Corporate Objective Function,” *Business Ethics Quarterly* 12 (2), 235-256.

Jocz, Katherine E. and John A. Quelch (2008), “An Exploration of Marketing’s Impacts on Society: A Perspective Linked to Democracy,” *Journal of Public Policy and Marketing* 27 (2): 202-206.

Kennedy, Charles R., Frederick H. de B. Harris, and Michael Lord (2004), “Integrating Public Policy and Public Affairs in a Pharmaceutical Marketing Program: The AIDS Pandemic,” *Journal of Public Policy & Marketing* 23 (2), 128-139.

Klein, Jill G. and Niraj Dawar (2004), “Corporate Social Responsibility and Consumers’ Attributions and Brand Evaluations in a Product-Harm Crisis,” *International Journal of Research in Marketing* 21 (September), 203-217.

_____, N. Craig Smith, and Andrew John (2004), “Why We Boycott: Consumer Motivations for Boycott Participation,” *Journal of Marketing* 68 (July), 92-109.

Kohli, Ajay K. and Bernard J. Jaworski (1990), “Market Orientation: The Construct, Research Propositions, and Managerial Implications,” *Journal of Marketing*, 54 (April), 1-18.

Krick, Thomas, Maya Forstater, Philip Monaghan, Maria Sillanpää (2005), *The Stakeholder Engagement Manual Volume 2: The Practitioner’s Handbook on Stakeholder Engagement*. AccountAbility, the United Nations Environment Programme, and Stakeholder Research Associates. Available at:

<http://www.accountability21.net/uploadedFiles/publications/Stakeholder%20Engagement%20Handbook.pdf> (accessed January 30, 2009).

- Lavidge, Robert J. (1970), "The Growing Responsibilities of Marketing," *Journal of Marketing* 34 (January), 25-28.
- Levitt, Theodore (1958), "The Dangers of Social Responsibility," *Harvard Business Review* 36 (September-October), 41-50.
- _____ (1960), "Marketing Myopia," *Harvard Business Review* 38 (July/August), 57-66.
- Lusch, Robert F. (2007), "Marketing's Evolving Identity: Defining Our Future," *Journal of Public Policy & Marketing* 26 (2), 261-268.
- Maignan, Isabelle and O. C. Ferrell (2004), "Corporate Social Responsibility and Marketing: An Integrative Framework," *Journal of the Academy of Marketing Science*, 32 (1), 3-19.
- _____, _____ and Linda Ferrell (2004), "A Stakeholder Model for Implementing Social Responsibility in Marketing," *European Journal of Marketing* 39 (9/10), 956-977.
- McVea, John F. and R. Edward Freeman (2005), "A Names-and-Faces Approach to Stakeholder Management: How Focusing on Stakeholders as Individuals Can Bring Ethics and Entrepreneurial Strategy Together," *Journal of Management Inquiry* 14 (1): 57-69.
- Mele, Domenec (2008), "Corporate Social Responsibility Theories," *The Oxford Handbook of Corporate Social Responsibility*, Andrew Crane, Abigail McWilliams, Dirk Matten, Jeremy Moon and Donald S. Siegel (ed.). Oxford: Oxford University Press, 47-82.

- Mitchell, Ronald K., Bradley, R. Agle and Donna J. Wood (1997), "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts," *Academy of Management Review*, 22 (4), 853–886.
- Mohr, Angie (2008), "GM Announcement Signals the Beginning of the End of the American Automobile," AssociatedContent.Com, July 15, 2008
http://www.associatedcontent.com/article/880993/gm_announcement_signals_the_beginning.html?cat=3 (accessed August 1, 2008).
- Novelli, William D. (2007), "Managing and Leveraging the Triple Bottom Line," Speech delivered at the American Marketing Association Nonprofit Marketing Conference, Washington, D.C., July 11, 2007.
- Paine, Lynn Sharp (1992), "Children as Consumers: The Ethics of Children's Television Advertising," in *Ethics in Marketing*, N. Craig Smith and John A. Quelch (ed.). Homewood, IL: Irwin, 672-686.
- Patterson, James M. (1966), "What are the Social and Ethical Responsibilities of Marketing Executives?" *Journal of Marketing* 30 (July), 12-15.
- Phillips, Robert A. (2003), *Stakeholder Theory and Organizational Ethics*. San Francisco: Berrett-Koehler.
- Porter, Michael E. and Mark R. Kramer (2006), "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review* 84 (December), 78-92.
- Rao, Raghunath Singh, Rajesh K. Chandy and Jaideep C. Prabhu (2008), "The Fruits of Legitimacy: Why Some New Ventures Gain More from Innovation Than Others," *Journal of Marketing* 72 (July), 58-75.

- Ringold, Debra Jones and Barton Weitz (2007), "The American Marketing Association Definition of Marketing: Moving from Lagging to Leading Indicator," *Journal of Public Policy & Marketing* 26 (2), 251-260.
- Sen, Sankar and C.B. Bhattacharya (2001), "Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility," *Journal of Marketing Research* 38 (2), 225-244.
- Sheth, Jagdish N. and Can Uslay (2007), "Implications of the Revised Definition of Marketing: From Exchange to Value Creation," *Journal of Public Policy & Marketing* 26 (2), 302-307.
- Singh, Jagdip (1993), "Boundary Role Ambiguity: Facets, Determinants, Impacts," *Journal of Marketing* 57 (April), 11-31.
- Sirgy, M. Joseph (2008), "Ethics and Public Policy Implications of Research on Consumer Well-Being," *Journal of Public Policy and Marketing* 27 (2): 207-212.
- Smith, N. Craig (2007), "Out of Leftfield: Societal Issues as Causes of Product Failure". *Business Strategy Review* 18 (Summer), 55-59.
- _____ (2008), "Bounded Goodness: Marketing Implications of Drucker on Corporate Responsibility," *Journal of the Academy of Marketing Science*, <http://www.springerlink.com/content/6033un5271751271/> (Accessed: 23rd August 2008).
- _____ and Robert J. Crawford (2006), "The Wal-Mart Supply Chain Controversy," *Journal of Business Ethics Education* 3, 143-164.

- Spar, Debra L. and Lane T. La Mure (2003), "The Power of Activism: Assessing the Impact of NGOs on Global Business," *California Management Review* 45 (Spring), 78-101.
- Suchman, M. C. (1995), "Managing legitimacy: Strategic and institutional approaches," *Academy of Management Review* 20: 571-610.
- Sundaram, A.K. and A.C. Inkpen (2004), "The Corporate Objective Revisited," *Organization Science* 15 (3), 350-363
- Unilever (2007), *Annual Report and Accounts 2007*. Available at:
http://annualreport07.unilever.com/downloads/Unilever_07_annual_report_en.pdf
(accessed January 30, 2009).
- Vranica, Suzanne (2008), "Can Dove Promote a Cause and Sell Soap?" *The Wall Street Journal* 10th April 2008, B6.
- Wilkie, William L. and Elizabeth S. Moore (2003), "Scholarly Research in Marketing: Exploring the "4 Eras" of Thought Development," *Journal of Public Policy & Marketing* 22 (2), 116-146.
- Yaziji, Michael (2004), "Turning Gadflies into Allies," *Harvard Business Review* 82 (February), 110–115.

Europe Campus

Boulevard de Constance

77305 Fontainebleau Cedex, France

Tel: +33 (0)1 60 72 40 00

Fax: +33 (0)1 60 74 55 00/01

Asia Campus

1 Ayer Rajah Avenue, Singapore 138676

Tel: +65 67 99 53 88

Fax: +65 67 99 53 99

www.insead.edu

Printed by INSEAD

INSEAD



**The Business School
for the World®**