Stakeholder Marketing: Beyond the Four Ps and the Customer

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To better understand the full impact of marketing on society, there is an urgent need for new research that looks beyond customers as the target of marketing activities and firms as the primary intended beneficiary. A consortium of leading scholars and practitioners was convened to discuss how adopting a stakeholder perspective gives birth to a host of research questions that are relevant to the broader academic community.

The Stakeholder Marketing Consortium, a collaborative project between Aspen Institute’s Business and Society Program and Boston University and supported by the Marketing Science Institute, is a forum for innovative research and collaboration among leading marketing scholars and practitioners that is designed to generate new research that looks beyond customers as the sole target of marketing activities. The consortium is envisioned as a multiyear endeavor that will generate and support new scholarship. The consortium’s first, invitation-only convening, Stakeholder Marketing: Beyond the Four Ps and the Customer, was chaired by C.B. Bhattacharya of the Boston University School of Management and was held at the Aspen Meadows Resort on September 14–15, 2007, in Aspen, Colo. The objective of the conference was to explore new frontiers of marketing by addressing longstanding marketing questions placed within a much broader context—reexamining the customer relationship—and by examining the impacts of marketing activities on a host of other actors (i.e., employees, regulators, investors, and society at large). The conference entailed five academic sessions, each led by a four-member panel of scholars who framed extant knowledge and identified opportunities for further research. The academic sessions were interspersed with perspectives of senior-level practitioners from McKinsey & Company, The Gap, Girl Scouts of America, Visa International, and Frito-Lay. More detailed information about this meeting is available at http://stakeholder.bu.edu.

Session 1: New Role of Marketing

Session Panel
Rohit Deshpandé (Harvard University), Ron Hill (Villanova University), David Mick (University of Virginia), and Madhu Vishwanathan (University of Illinois at Urbana–Champaign).

Discussion Summary
Current thought in the marketing field tends to be firm-centric, with profit maximization as the primary objective; scant attention is devoted to the myriad social actors who affect and are affected by companies (including, but not limited to, employees, investors, suppliers, and regulators). The current conceptualization of marketing was challenged, and the impact of marketing on societal welfare was discussed. It was suggested that both scholars and practitioners need to consider how marketing activity affects a firm’s constituents from the unique perspective of each actor rather than relying exclusively on the myopic lens of a firm’s financial performance. A way to achieve this is through education of business school students. Given that ethics and wisdom can be learned, it was recommended that business schools devote greater effort to incorporating values, ethics, wisdom, and leadership into marketing programs.

Much of the current thinking in stakeholder theory is still tied to the classic hub-and-spoke model, in which stakeholders are distinct and mutually exclusive. However, there is growing consensus that a firm’s constituents are actually embedded in interconnected networks of relationships through which the actions of a firm reverberate with both direct and indirect consequences. To understand better how networks of individuals and groups interact through these “porous boundaries,” it was suggested that scholars apply theories and methodologies from other sciences (e.g., ecosystems theory). A systems-based approach may help shed light on the potential tensions and synergies that arise in these networks; the values, needs, and desires of a firm’s stakeholders are potentially diverse and often present difficult trade-offs for managers. Furthermore, it was advised that managers take an “outside-in” rather than an “inside-out” perspective in approaching marketing challenges involving multiple stakeholder groups. In other words, the interests of constituents should not be presumed based on those of marketers or of the firm.

Opportunities for Further Research
The discussion revealed opportunities to define and conceptualize marketing in a way that reflects and inspires the
realization that marketing is fundamentally a "social force" with moral responsibilities and the potential to influence the welfare of society. Researchers should examine the impact of marketing actions on a broader range of constituents than is currently reflected in the literature. Scholars also need to study when and how the impact of these marketing actions on stakeholders reverberates through the entire network of social actors, with both intended and unintended consequences. Finally, further thought is needed on the question whether companies should attempt to change the consumption habits of consumers when the habits appear to run counter to the interest of the consumer.

Session 2: New Audiences

Session Panel
Peter Dacin (Queen’s University), John Lynch (Duke University), Punam Keller (Dartmouth College), and Barbara Kahn (University of Miami).

Discussion Summary
This session examined whether and how marketing can provide insights into developing relationships between a company and its stakeholders and the limits of extant theory in understanding these relationships. The stakeholder marketing perspective implies a view that is considerably more expansive than is currently found in research on distribution channels. For example, regulators greatly influence exchanges between buyers and sellers, though they are not considered channel members. Developing an understanding of the stakeholder landscape often reveals actors who have considerable influence on a company’s ability to innovate and serve the marketplace. However, the needs of stakeholders are not always closely aligned, making collaboration between a company and its stakeholders difficult to implement. Furthermore, despite the common phrase that practitioners should try to “manage” stakeholders, it is still unclear how this can be done and whether stakeholders can be managed at all.

It was argued that societal well-being could be enhanced by applying the tenets of marketing to new fields and disciplines. For example, to improve the welfare of a company’s employees, the human resources department can employ a marketing perspective, tailoring employee compensation and health benefits to the needs of individual employees or employee segments; the return on investment of these efforts can then be measured in terms of employee satisfaction, productivity, absenteeism, and employee retention. Recent advances in marketing also suggest that the firm and its constituents can develop strong and enduring relationships by cocreating value; both the opportunities and potential pitfalls of the cocreation approach were discussed. For example, assistive consumer technologies commonly included as features of many Web sites help consumers find—and coproduce—products or services that best fit their needs. However, most assistive agents today take a transactional approach, attempting to steer consumers toward products that are advantageous only to the firm, even though current technology is fully capable of providing mutually beneficial solutions for the firm and its customers. In the case of the health industry, patients are now given unprecedented control in making health care decisions, in terms of diagnosis, treatment, and financing. However, there are many cases in which patients make poor decisions on their own behalf, raising the question whether a customer can have too much control over the terms of exchange.

Opportunities for Further Research
Researchers must identify not only the connections between the company and its constituents but also the connections among the various constituents themselves. In viewing the network of stakeholders as a system, researchers can understand the role of companies in “managing” stakeholders and the limitations on the feasibility of such strategies. Scholars should also examine the means by which companies and other organizations are most capable of improving societal welfare. For example, it is important to understand when assistive technologies actually benefit consumers and when intervention by regulators is necessary to prevent consumers from making suboptimal decisions in the purchase of products or services.

Session 3: New Forms

Session Panel
Paul Bloom (Duke University), Meme Drumwright (University of Texas at Austin), Craig Smith (INSEAD), and Aradhna Krishna (University of Michigan).

Discussion Summary
This session explored the conditions under which taking a stakeholder perspective provides benefits to companies, nonprofit organizations, and society at large. The discussion revealed that the business case for being socially responsible is anything but settled and deserves continued attention and scrutiny. Methods such as mathematical modeling can be used to help managers determine which product or brand should be linked to a social cause on the basis of the incremental profits that such a sponsorship would yield. However, it was suggested that metrics should not be limited to charitable giving but that companies should consider the overall impact of their core operations on society as well; for example, a pharmaceutical company might consider how many lives its drugs save each year. There is still a fairly meager understanding of how consumers and other social actors interpret the actions of companies. The business case also needs to consider how companies can overcome constituent skepticism, assuring constituents that the company is genuinely interested in improving societal welfare.

The business case for acting responsibly must be viewed in light of the impact on and from the nonprofit partners and nongovernmental organizations often involved in social responsibility activity. There has been scant attention in the marketing literature on how these groups function and what effects they have on constituents’ perceptions. Furthermore, there are numerous potential dangers that arise as a result of alliances between nonprofit organizations and for-profit
companies. Anecdotal evidence indicates that the increasing frequency of these alliances may be contributing to excessive competition between nonprofit organizations for access to corporate resources. As a result, nonprofits may eschew their core purpose and values in an attempt to accommodate the demands of companies. Furthermore, in an effort to remain competitive, nonprofit organizations sometimes disproportionately allocate resources to promotional endeavors (e.g., fundraising, awareness building), even though these activities may run counter to their social mission.

Opportunities for Further Research

Scholars may want to study the relative merits and drawbacks to the company and to society at large of adopting a stakeholder marketing perspective. New models are needed to understand fully the business case for engaging in socially responsible ways. In explaining the process through which stakeholder-oriented marketing contributes to business performance, these models must examine when and how socially responsible actions either inspire a company’s constituents to action or result in skepticism. From the nonprofit perspective, there is a need for research on whether and under which conditions alliances between companies and nonprofit organizations actually advance the mission of the nonprofits.

Session 4: New Metrics

Session Panel

Kay Lemon (Boston College), Priya Raghubir (University of California), John Roberts (London Business School), and Russ Winer (New York University and Marketing Science Institute).

Discussion Summary

This session examined the metrics required to advance the understanding of stakeholder marketing. It was noted that a broad set of metrics is necessary to develop a more profound understanding of marketing’s impact on society, but there is currently a dearth of such metrics available to researchers and practitioners. Financial performance is clearly an integral part of these measures, but additional metrics must be introduced to provide a more complete picture. It was submitted that companies should measure their impact on society in terms of the extent to which stakeholders’ quality of life is affected by the operations and programs of the company. For example, the societal impact of an organization’s actions may be assessed by its contribution to economic development in a region or by improvements in the health of an at-risk population. These metrics can then be integrated with those of financial performance to determine whether such programs are sustainable.

There are several challenges for researchers who want to evaluate firms’ societal impact. Chief among these is ensuring that measures are reliable and valid. There continues to be ambiguity around the causal relationship between social endeavors and corporate financial performance. It was suggested that longitudinal studies, event studies, and other methods be used to examine this relationship over both the short and the long run. Another significant challenge is accounting for the notion that companies may have different objectives than the constituents with whom they interact. For example, governments, employees, and consumers all have goals, which may or may not align with those of the company. Methods currently exist to quantify the objective functions of individual constituents or groups of constituents (e.g., conjoint analysis); however, the more difficult task is to combine these objective functions into a more unified, cross-constituent system.

Opportunities for Further Research

To advance the burgeoning area of stakeholder marketing, researchers must continue to develop valid metrics that reflect the inherent complexity of the subject. New measures are necessary to assess accurately the extent to which social responsibility initiatives benefit society in general and a host of the firm’s constituents specifically. To achieve this, researchers must understand what constitutes value for constituents, when there are conflicts in value between constituents, and what actions companies can take to reconcile these conflicts.

Session 5: New Challenges

Session Panel

C.B. Bhattacharya (Boston University), Susan Fournier (Boston University), Jill Klein (INSEAD), and Sankar Sen (Baruch College).

Discussion Summary

The principal means by which knowledge can be enriched and diffused into the mainstream of marketing research and practice were discussed, and hidden dangers that may inhibit attempts to inspire adoption of the broader stakeholder perspective were identified. Paramount to the diffusion of a stakeholder marketing approach is carefully defining this emerging field. It was argued that ambiguity about what it means for a company to balance multiple stakeholder interests could ultimately lead to a failure of collective will in propelling efforts forward. It was contended that to be sustainable, a corporate orientation toward stakeholders must be borne out of and closely aligned with the corporate strategy rather than executed through ad hoc, promotional programs. Furthermore, it was suggested that there may be a process by which companies gradually embrace the stakeholder orientation; companies begin by recognizing the extrinsic rewards of financial performance, but over time, the motivation may shift to a more intrinsic one, reflecting the core values of the company and its managers. Finally, it was suggested that a company’s contribution to social good be framed as an end in itself rather than simply a means to enhancing financial performance.

The most effective means for inspiring people to adopt the broadened stakeholder perspective were discussed, identifying research, teaching, and practice as the cornerstones of such change. It was submitted that quality research is capable of driving the debate on business and society. Leading-edge research by scholars and doctoral
students is expected to be encouraged to the extent that resources are marshaled toward the area by top journals and leading organizations. There were also calls for teachers to encourage “enlightened leadership” through classroom experiences so that students consider the impact of business on all stakeholders, including society at large. The clear desire on the part of conference attendees to diffuse these ideas was tempered with the realization that the business case for acting responsibly toward all stakeholders must be bolstered.

Opportunities for Further Research

There is a need to understand how the stakeholder perspective can be diffused into mainstream practice. For example, research should examine which methods are most effective for developing enlightened leadership in the classroom. This will likely entail understanding which types (e.g., demographics, attitudes) of students and practitioners are most receptive to such a pedagogical approach. Moreover, researchers might want to investigate what drives managers to consider the societal impact of marketing actions and how an orientation toward stakeholders is diffused through the company to both internal and external constituents.

Practitioner Perspectives

Speakers
Bhaskar Chakravorti (McKinsey & Company), John Elkins (Visa International), Pamela Forbus (Frito-Lay), Bonnie McEwan (Girl Scouts of America), and Bobbi Silten (The Gap).

Discussion Summary
Companies must work closely with a diverse set of stakeholders to remain competitive in today’s marketplace. Close cooperation and coordination with stakeholders can be critical when introducing innovative technologies, managing crises, and educating customers about the societal benefits of a company’s actions. Nevertheless, several fundamental needs were raised by practitioners, highlighting the dearth of extant knowledge in this area. One urgent need involves frameworks that identify key stakeholders and describe their motivations for collaborating with the firm. It is recognized that the company must distribute benefits of its operations across multiple stakeholder segments, but there is currently little understanding of how these benefits should be distributed among stakeholders and whether there are any alternatives to providing financial incentives. Another pressing need for practitioners is to gain insight into ways to improve stakeholder communication and dialogue. For example, companies engaged in social responsibility activity want to communicate these practices to a broad set of constituents in “authentic” ways that do not generate the skepticism that frequently results from large-scale marketing campaigns. Overall, practitioners are working to engage stakeholders already, under the belief that the stakeholder marketing perspective can feed a virtuous cycle in which benefits can be produced for the community, employees, consumers, shareholders, and other stakeholders. However, rather than continue on a path of trial and error, practitioners want empirically valid frameworks that can guide their decision making in this complex sphere.

Opportunities for Further Research
Practitioners are eager for insight into how marketing actions affect society. There is a clear need for research that helps guide decision making by identifying key stakeholders, determining their needs and interests, and providing methods for balancing these interests in cases in which disparate groups of stakeholders have conflicting needs. Research should also examine communication between the company and stakeholders so that managers can find the most effective means of inspiring stakeholders to support the objectives of the firm.

Conclusion
The panel discussions summarized in this essay represent an early attempt to define, study, and understand an important and exciting area of research. The stakeholder marketing approach offers a novel perspective that recognizes the broad impacts of marketing actions on society. We encourage scholars to consider a broad set of social actors in assessing the success of all marketing programs. As a result, we advocate a network-oriented approach that goes beyond the firm-centric models that currently dominate the literature. Although the stakeholder marketing view presents significant challenges in terms of research methods, metrics, and level of analysis, it also generates a rich set of research questions and substantial opportunities for theoretical contributions.

The next step for this research initiative is to publish a set of articles on the aforementioned themes in the fall 2009 issue of Journal of Public Policy & Marketing. The detailed call for papers is published in this issue of the journal and is available online at http://www.marketingpower.com/content/stakeholder_marketing~1.pdf. We will also host a follow-up conference to advance thinking on this issue; details of this event will be forthcoming.