A stakeholder model for implementing social responsibility in marketing

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Abstract

Purpose – To provide a comprehensive managerial framework to understand and provide a well balanced and integrated stakeholder orientation for implementing corporate social responsibility in marketing.

Design/methodology/approach – Many published articles provide significant findings related to narrow dimensions of stakeholder orientation in marketing. This article utilizes existing knowledge on this topic to support a methodology to implement a well-integrated corporate social responsibility program that encompasses marketing.

Findings – The findings provide a grounded framework based on previous research that provides a step-by-step approach for implementing corporate social responsibility from a marketing perspective.

Research limitations/implications – The framework developed in this paper provides an opportunity to examine to what extent the step-by-step methodology has been implemented in organizations as well as alternative approaches for implementation.

Practical implications – This is a managerial guide for using a stakeholder model for implementing social responsibility in marketing.

Originality/value – This paper fulfils a need for advancing knowledge on implementing social responsibility in marketing and provides a practical framework for managers who desire to implement social responsibility.

Keywords Social responsibility, Stakeholder analysis, Corporate identity

Paper type Conceptual paper

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While marketing has traditionally emphasized customer orientation, the unintended consequences of marketing activities require consideration of key stakeholders and their relevant interests (Fry and Polonsky, 2004). The marketing literature supports a focus on customers and the development of superior solutions to their needs (Slater and Narver, 1999). Market orientation has been found to be a key variable in the successful implementation of marketing strategies (Homburg *et al.*, 2004). But, a successful marketing strategy has not always been associated with meeting the needs and demands of all stakeholders (Miller and Lewis, 1991). Unfortunately, most approaches to market orientation select to elevate the interests of one stakeholder – the customer –

over those of others (Ferrell, 2004). There is evolving concern that organizations must focus not just on their customers, but also the important stakeholder groups that hold the firm accountable for its actions. A new emerging logic of marketing is that it exists to provide both social and economic processes, including a network of relationships to provide skills and knowledge to all stakeholders (Vargo and Lusch, 2004).

This logic is captured in the new definition of marketing developed by the American Marketing Association (2004) which states that:

> Marketing is an organizational function and a 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.

This definition emphasizes the importance of delivering value and the responsibility of marketers to be able to create meaningful relationships that provide benefits to all relevant stakeholders. This new definition of marketing is the first definition to include "concern for stakeholders". The complexity surrounding a determination of the effects of marketing transactions on all relevant stakeholders requires the identification of stakeholders in the exchange process (Fry and Polonsky, 2004). The reconceptualization of the marketing concept based on a long-term, multiple stakeholder approach has also been suggested as a prescriptive model for organizational responsibility in marketing (Kimery and Rinehart, 1998). For example, research indicates that strategic planning varies considerably based on the stakeholder profiles of organizations. It has been found that some companies focus on a specific stakeholder group, such as customers, shareholders, employees, or competitors (Greenley *et al.*, 2004). Based on these developments, there is a need for marketing to develop more of a stakeholder orientation rather than a narrow customer orientation. Stakeholder orientation in marketing goes beyond markets, competitors, and channel members to understanding and addressing all stakeholder demands.

As a result, organizations are now under pressure to demonstrate initiatives that take a balanced perspective on stakeholder interests. Even though some leading businesses – including Shell, Beyond Petroleum, and Starbucks – have introduced innovative corporate social responsibility (CSR) initiatives, many organizations have failed to implement a solid CSR program that truly integrates and balances their responsibilities to various stakeholder groups. Instead, most companies have a tendency to adopt uncoordinated initiatives that address only specific stakeholder issues (e.g. policies against child labor, green marketing, equal opportunity programs). Corporate identity and reputation, both important to marketing, are created by business actions and communications with stakeholders (Christen and Askegaard, 2001; Bromley, 2001; Dowling, 2003). Over time the relevance of corporate identity will diminish without implementation of meaningful communications with stakeholders (Topalian, 2003).

Interestingly, the academic and managerial literature has provided little guidance to help marketers integrate various initiatives into a sound program that can cover a wide range of corporate responsibilities. For example, it has been suggested that meeting the needs of customers and motivating employees to serve customers will provide growth in shareholder value and help meet stakeholder interests (George, 2003). It has been suggested that one way to enhance socially responsible marketing is to enhance customer well-being without any harm to other stakeholders (Sirgy and Lee, 1996);

much of the research on CSR has focused on its conceptualization (Carroll, 1979; Clarkson, 1995; Wood, 1991). Contemporary studies usually focus on the implementation of very limited aspects of CSR (Porter and Kramer, 2002). Little has been written about the concrete and systematic implementation of CSR in the organization (Smith, 2003) and the likely benefits to be expected from its implementation (Maignan *et al.*, 1999). This paper adopts an encompassing view of stakeholder orientation and describes a step-by-step methodology that can be used to implement a well-integrated CSR program in marketing to consolidate, coordinate, and integrate with existing initiatives at the organizational level of analysis.

CSR from a marketing perspective

From the 1950s onward, business scholars have provided various definitions of CSR and of related notions such as corporate citizenship, corporate social responsiveness, or corporate social performance (Bowen, 1953; Wood and Jones, 1995). The differentiated terminology employed, along with the multiplicity of the conceptualizations proposed, underpins the complexity of the CSR concept. The discussion below draws from the extant literature to outline a definition of CSR that accommodates the intricacies of this concept while providing solid grounding for organizational and marketing implementation.

Senior management and many marketers still struggle with the notion of corporate social responsibilities (Greenfield, 2004). In particular, they are unsure about the meaning of the word "social," and do not necessarily see its link to daily business activities. Quite often, they have problems evaluating how their own organization can have an impact on, or contribute to, the well-being of society as a whole. This difficulty is understandable because, as explained by Max Clarkson, society is "a level of analysis that is both more inclusive, more ambiguous, and further up the ladder of abstraction than a corporation itself" (Clarkson, 1995). Therefore, we propose as a starting point that even though businesses in general are accountable toward society at large, an individual business can be deemed responsible only toward the definable agents with whom it interacts. These agents can be regrouped under the label of "stakeholders" (Freeman, 1984). Even within a business, functional areas such as marketing may only have a limited view of important stakeholders. Marketing scholars have usually focused on two main primary stakeholders: customers and channel members (Maignan and Ferrell, 2004). Stakeholder research indicates the treatment of customers and employees has the most influence on firm performance (Berman *et al.*, 1999).

The discussion above suggests that businesses committed to CSR, at a minimum, adopt values and norms along with organizational processes to minimize their negative impacts and maximize their positive impacts on important stakeholder issues. Therefore, the CSR of an organization is issue-specific: while the organization might display exemplary behavior with respect to one stakeholder issue, it may fail to properly address another stakeholder concern. The degree of commitment to CSR is best evaluated at the level of an individual business unit: within large companies, various business units may face different stakeholders and stakeholder issues. In addition at any given life cycle stage of on organization certain stakeholders, because of their potential to satisfy organizational needs, will be more important than other stakeholders (Jawahar and McLaughlin, 2001). Within the marketing function, the

degree of customer orientation will affect relationships with other stakeholders. It has been hypothesized that "company orientation to non-consumer stakeholder groups will be dependent on their consumer orientation" (Greenley and Foxall, 1996).

Marketing stakeholders and CSR

Stakeholders designate the individuals or groups that can directly or indirectly affect, or be affected by, a firm's activities (Freeman, 1984). Marketing stakeholders can be viewed as both internal and external. Internal stakeholders include functional departments, employees, and interested internal parties. External stakeholders include competitors, advertising agencies, and regulators (Miller and Lewis, 1991). The various relationships should be identified and interests understood.

Another view of stakeholders characterizes them as primary or secondary. Primary stakeholders as those whose continued participation is absolutely necessary for business survival; they consist of employees, customers, investors, suppliers, and shareholders that provide necessary infrastructure. Secondary stakeholders are not usually engaged in transactions with the focal organization and are not essential for its survival; they include the media, trade associations, non-governmental organizations, along with other interest groups. Different pressures and priorities exist from primary and secondary stakeholders (Waddock *et al.*, 2002). Unhappy customers may be viewed with less urgency than negative press stories that can damage a business (Thomas *et al.*, 2004). Highly visible secondary stakeholders such as an interest group or the media may at times be viewed with greater concern than employees or customers. Remote stakeholders at the fringe of operations can exert pressure calling into question the firms' legitimacy and right to exist (Hart and Sharma, 2004). The three critical elements in assessing stakeholder influence is their power, legitimacy and urgency of issues (Mitchell *et al.*, 1997).

Power has been defined as "the ability to exercise one's will over others" (Schaefer, 2002). Legitimacy relates to socially accepted and expected structures that help define whose concerns or claims really count and urgency captures the dynamics of the time-sensitive nature of stakeholder interactions (Mitchell *et al.*, 1997). Power and legitimacy may be independent but the urgency component sets the stage for dynamic interaction that focuses on addressing and resolving issues.

Shared stakeholder norms and values. Major stakeholders may have different needs and a fine-grained approach may be needed to ascertain even differences within major stakeholder groups, such as customers, employees, suppliers, and investors (Harrison and Freeman, 1999). On the other hand, usually, a certain number of individual stakeholders share similar expectations about desirable corporate practices and impacts (Maignan and Ferrell, 2004). Some of them choose to join formal communities dedicated to better defining, and to advocating, these values and norms. For example, some investors choose to play a role in SocialFunds.com, an organization that provides information about socially responsible investing and stimulates shareholder activism in favor of CSR. Similar communities can also be found among employees (Employee's Advocacy Group), consumers (Consumer Federation of America), suppliers (Covisint in the automobile industry), competitors (Better Business Bureau), the geographical areas where the firm operates (Alaska Wilderness League), and the media (National Association of Broadcasters). Individual stakeholders may embrace and discuss issues on a collective basis even when they do not join a formal organization. For instance,

customers do not need to be members of Greenpeace, a group concerned about the environmental impact of business operations, to discuss this issue with others, and to incorporate this concern in their voting and purchasing decisions. Accordingly, stakeholders can be regrouped into formal or informal communities that share a certain number of values and norms about desirable business behaviors. Often different stakeholders include customers, suppliers, employees, as well as others who agree upon shared needs and interests:

> Cultivating a "stakeholder friendly culture" that is responsive to those common needs can be a source of competitive advantage for a firm (Leap and Loughry, 2004).

Stakeholder issues in marketing. Stakeholder values and norms apply to a variety of marketing issues such as sales practices, consumer rights, environmental protection, product safety, and proper information disclosure (Maignan and Ferrell, 2004). Noticeably, stakeholder values and norms concern both issues that do and do not affect stakeholders' own welfare. For example, consumers may worry not only about product safety, but also about child labor, an issue that does not impact them directly. We define stakeholder issues as the concerns that stakeholders embrace about organizational activities and the residual impact. Within the context of marketing, Social Responsibility (SA) 8000 registration/certification addresses customer concerns about child labor, worker rights, discrimination, compensation, and other issues that could impact marketing activities (Miles and Munilla, 2004). Accordingly, the level of social responsibility of an organization can be assessed by scrutinizing its impacts on the issues of concern to all defined stakeholders. Table I provides examples of common stakeholder issues that impact marketers and may need to be considered in CSR decision-making.

Stakeholder pressures. As illustrated in Figure 1, various stakeholder communities are likely to exercise pressures on the focal firm and on each other in order to push forward their own values and norms. Figure 1 further illustrates that, in spite of disparities across communities, stakeholders conform to broad and abstract norms that define acceptable behavior in society. Home Depot requires that an independent firm check the promoted environmental practices of the products and materials provided by its suppliers. In particular, the retailer requires wood products be certified through the independent Forest Stewardship Council. Hence, Home Depot imposes its norms and concerns regarding the natural environment on its suppliers. Noticeably, each business has its own values and norms depicting desirable behaviors based on its corporate culture and operations. These organizational values and norms overlap with those of some stakeholder groups, and especially with those of primary stakeholders since they are in the best position to exercise an influence on the organization.

Importance of stakeholder norms. Stakeholders provide resources that are more or less critical to the firm's long-term success (Freeman, 1984). Stakeholder resources may be both tangible and intangible. For example, stockholders can bring in capital; suppliers can provide material resources or intangible knowledge; local communities can offer infrastructure and a location; employees and managers can grant expertise, leadership, and commitment; customers can provide loyalty and positive word-of-mouth; and the media help spread positive corporate images. The ability of stakeholders to withdraw, or threaten to withdraw needed resources gives them power

Some stakeholder groups and issues	Potential indicators of corporate impact on these issues
Employees	
1. Compensation and benefits	1. Ratio of lowest wage to national legal minimum or to local cost of living
2. Training and development	2. Changes in average years of training of employees
3. Employee diversity	3. Percentages of employees from different gender and race
4. Occupational health and safety	4. Standard injury rates and absentee rates
5. Communications with management	5. Availability of open-door policies or ombudsmen
Customers	
1. Product safety and quality	1. Number of product recalls over time
2. Management of customer complaints	2. Number of customer complaints and availability of procedures to answer them
3. Services to disabled customers	3. Availability and nature of the measures taken to insure service to disabled customers
Investors	
1. Transparency of shareholder communications	1. Availability of the procedures to keep shareholders informed about corporate activities
2. Shareholder rights	2. Litigation involving the violation of shareholder rights (frequency and type)
Suppliers	
1. Encouraging suppliers in developing countries	1. Fair trade prices offered to suppliers in developed countries
2. Encouraging minority suppliers	2. Percentage of minority suppliers
Community	
1. Public health and safety protection	1. Availability of an emergency response plan
2. Conservation of energy and materials	2. Data on reduction of waste produced and comparison to industry
3. Donations and support of local organizations	3. Annual employee time spent in community service
Environmental groups	
1. Minimizing the use of energy	1. Amount of electricity purchased; percentage of green electricity
2. Minimizing emissions and waste	2. Type, amount, and destination of the waste generated
3. Minimizing the adverse environmental impacts of products and services	3. Percentage of product weight reclaimed after use

Table I.
Examples of stakeholder issues and associated measures of corporate impacts

over the organization. The idea of stakeholder power is exemplified in Ford's on-line Corporate Citizenship Report:

> We exist in a complex system of relationships with our stakeholders. When the connections between us are strong, communications are clear and high levels of trust and respect are

> present in our relationships, we are more likely to achieve sustained business success. And when any part of the system breaks down, we are more likely to fail.

On the other hand, citizenship can enhance social capital contributing to the creation of structural, relational, and cognitive sustainable organizational advantage (Bolina *et al.*, 2002).

Stakeholder values and norms

The discussion above could imply that marketers will engage in socially responsible behaviors only in the presence of stakeholder power. Marketers would then limit their responsibility initiatives to those issues of concern to the most powerful and visible stakeholder communities. This view has some merit especially since managers and employees form stakeholder communities that actively defend specific norms and values within the firm. However, organizations may be driven to commit to a specific cause independently of any stakeholder pressure. Businesses may also want to exceed stakeholder expectations. Thus, organizational values and norms can dictate modes of behavior that are more stringent than those demanded by more various stakeholder communities. For example, Starbucks engages in recycling, employee-friendly policies, and fair trade initiatives that go beyond what stakeholders might require. Organizations such as the Home Depot engage in strategic philanthropy tying their business goals to their social mission. When employees volunteer to erect Habitat for Humanity homes, they are applying their skills and improving their expertise as sales associates for the company.

Clear organizational values and norms are also needed to select among conflicting stakeholder demands. A given organization could indeed be faced with equally powerful stakeholders whose views of CSR imply differentiated business practices. For example, while customers may demand environmentally friendly products, shareholders may question green investments because of their high costs and uncertain returns. Accordingly, organizational values and norms are especially useful to guide CSR practices when they specify the nature of either relevant stakeholder communities or important stakeholder issues. For example, the pharmaceutical company Bristol-Myers Squibb states on its website:

> Our company's core values [...] center on sustaining and improving the lives of people throughout the world. This specifically includes our employees and shareholders, customers and consumers, suppliers and contractors, and members of the communities in which we operate.

Organizational values and norms are most likely to actually pervade decisions and practices when they are clearly formalized and well-communicated to employees and business partners. The formalization of CSR norms can be accomplished in many ways such as:

- Presenting the stakeholder issues viewed as most important in official organizational communications (mission statement, values statement, annual reports).
- Clarifying the nature of desirable and undesirable behaviors in a code of ethics and associated training programs.

- Openly endorsing environmental, ethical, or social charters (e.g. Caux principles, Keidanren Charter for Good Corporate Behavior, CERES principles – Coalition for Environmentally Responsible Economies, Responsible Care Principles – from the American Chemistry Council).
- Actively benchmarking achievement of CSR goals and establishing revised expectations annually.

Noticeably, even though strong organizational values and norms are important, they are not sufficient to ensure responsible corporate behaviors: they may fail to account for the evolving norms and issues valued by powerful stakeholder communities. Wal-Mart customers appear to have more power than employees, while suppliers do not feel preferred and some communities boycott Wal-Mart stores. Employees may be gaining power as their treatment is under scrutiny (Ferrell, 2004). Therefore, businesses must be capable of defining their values and norms while concurrently keeping abreast of those of their stakeholders.

Stakeholder issues and processes

Important stakeholder issues. Given limited organizational resources, businesses cannot possibly address all stakeholder issues. The nature of the most important stakeholder issues is determined by considering simultaneously:

- the priorities dictated by organizational values and norms (urgency);
- the relative power of different stakeholder groups; and
- the legitimacy of the issues presented (Mitchell *et al.*, 1997).

The magnitude and presences of these three elements increases organizational attentiveness to stakeholder concerns (Mitchell *et al.*, 1997). As earlier mentioned, organizational values and norms can be more stringent than those of stakeholders; therefore, addressing relevant stakeholder issues is seen as a strict minimum to show commitment to CSR. The evaluation of the organization's impacts on various stakeholder issues can be based on objective indicators such as those outlined in Table I. This assessment can also be performed by surveying the satisfaction of different stakeholders with the organization along with their image of the organization.

CSR processes. Two main types of CSR processes can be recommended to bring organizational norms into practice and to properly address relevant stakeholder issues. First, stakeholder intelligence generation processes help the firm keep abreast of the nature of powerful stakeholder communities along with their main norms and concerns. A second type of CSR processes consists of implementing concrete initiatives aimed at tackling relevant stakeholder issues. These initiatives can take many different forms. For example, processes aimed at addressing some employee issues could include a health and safety program, the development of a career management program, or work schedules that facilitate the coordination of personal and professional lives. With respect to customers, concrete CSR implementation processes could consist of product quality and safety programs, or of procedures aimed at responding to individual customer complaints. Initiatives aimed at the community include philanthropic and volunteerism programs along with environmental protection efforts.

Overall, the view of CSR depicted thus far helps render this concept manageable by limiting its scope and tying it to concrete business activities. Clarkson (1999, p. 4) defined nine principles of stakeholder management in building stakeholder relationships:

(1) Acknowledge.
(2) Monitor.
(3) Listen.
(4) Communicate.
(5) Adopt.
(6) Recognize.
(7) Work.
(8) Avoid.
(9) Acknowledge conflicts.

In addition, Carroll and Buchholtz (2003, p. 78) provide key questions in stakeholder management:

- Who are our stakeholders?
- What are our stakeholders' stakes?
- What opportunities and challenges do our stakeholders present to the firm?
- What responsibilities (economic, legal, ethical, and philanthropic) does the firm have to its stakeholders?
- What strategies or actions should the firm take to best handle stakeholder challenges and opportunities?

It has been suggested that a stakeholder management approach systematically integrates managers' concerns about organizational strategy with the interests of marketing and other functional areas of business (Savage *et al.*, 1991). By assessing each stakeholder's potential to threaten or to cooperate with the organization it is possible to identify supportive, non-supportive, and marginal stakeholders (Savage *et al.*, 1991). The next section uses this conceptual framework as a basis to develop a solid plan to manage CSR.

How to implement CSR in marketing

This methodology outlines the steps to be adopted to properly implement CSR from a marketing perspective. In particular, the methodology advanced is aimed at introducing a coherent CSR program where marketing decisions are driven by a fit with organizational values and norms. An overview of the proposed methodology is provided in Figure 2.

Step 1: discovering organizational values and norms

In order to enhance organizational fit, a CSR program must align with the values, norms, and mission of the organization. The purpose of this first step is to identify the organizational values and norms that are likely to have implications for CSR. In particular, relevant existing values and norms are those that specify the stakeholder

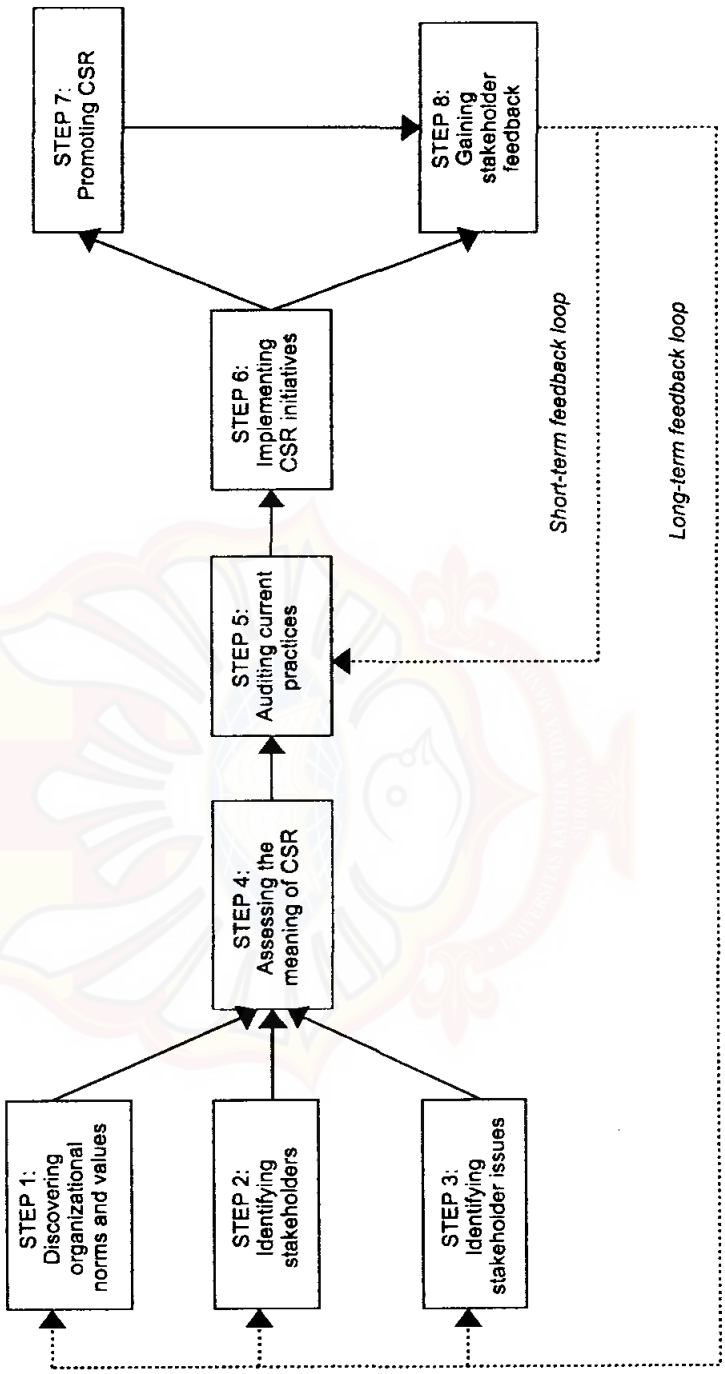

Figure 2.
A step-by-step approach for implementing CSR

groups and stakeholder issues that are deemed as most important by the organization. Very often, relevant organizational values and norms can be found in corporate documents such as the mission statement, annual reports, sales brochures, or web sites. Table II illustrates how concrete corporate values and norms can be translated in terms of CSR objectives.

Formal documents may not be sufficient to elicit how the organization envisions its relationships and contributions to stakeholders. Interviews of leading and senior organizational members may yield fruitful insights to begin the management process. While they clarify the stakeholders and issues they stand for, businesses must also understand which corporate practices and impacts are of greatest concern to their stakeholders. While limited attention has been given to processes for identifying alternatives based on stakeholder values, Gregory and Keeney (1994) do suggest approaches for creating policy alternatives. They suggest an approach to guide stakeholder tradeoff decisions that uses a logical methodological framework. First,

Company	Statement of organizational values and norms[a]	Implications for CSR
3M	3M has four fundamental corporate values: "(1) satisfying customers with superior quality and value, (2) providing investors an attractive return [...], (3) respecting the social and physical environment, (4) being a company that employees are proud to be a part of"	*Identification of most valued stakeholders*: customers, investors, social and physical environment, employees *Identification of valued stakeholder issues*: satisfaction, quality, and value for customers; return for investors; no damage for the natural environment; and a sense of belonging for employees
McGraw-Hill	"The McGraw-Hill Companies services its customers, employees and shareholders alike, reaching across the globe. But our mission remains simple: [...] to help people around the world learn, grow, acquire new skills, better their lives and, in doing so, better their community"	*Identification of valued stakeholders*: customers, employees, shareholders *Identification of important stakeholder issues*: education and personal development
Beyond Petroleum	BP's business policy includes: "Each individual in the teams that form the new company comes from a background in which values matter. These values may have been manifested in different ways, but they have much in common: a respect for the individual and the diversity of mankind, a responsibility to protect the natural environment, a belief in honest exchange and an awareness that a strong reputation is essential for business success"	*Identification of relevant stakeholder issues*: diversity, respect of human rights, protection of the natural environment, ethical business transactions

Note: [a] As found in the web sites of the corresponding companies

Table II.
Implications of values and norms for CSR

with mutual understanding of the decision context, each stakeholder articulates objectives. Stakeholders then, based on a list of objectives, identify alternatives with the understanding that objectives should be linked to values. Then a balanced compromise is developed from the objectives of competing stakeholders through negotiations (Gregory and Keeney, 1994). For example, marketing traditionally targets customer stakeholders, but a new logic is evolving with the appropriate unit of exchange being the application of competencies, knowledge, and skills for and to the benefit of all stakeholders (Vargo and Lusch, 2004). Organizations that embrace a stakeholder orientation need to generate intelligence identifying stakeholders and understanding their needs.

Identifying CSR issues and problems is the first step in determining the stakeholder groups that have an interest in organizational participation and solutions. When addressing marketing issues, consumer surveys have been used as a key input for decision making, especially in shaping public policy through agencies such as the Federal Trade Commission and Food and Drug Administration (Hastak *et al.*, 2001).

Step 2: identifying stakeholders

In managing this stage, it is important to recognize stakeholder needs, wants, and desires. There are many important issues that gain visibility because key constituencies such as consumer groups, regulators, or the media express an interest (Hastak *et al.*, 2001). When agreement, collaboration, or even confrontations exist on an issue, there is a need for a decision making process. Lober (1997) suggests a model of collaboration to overcome the adversarial approaches to problem solving. Managers can identify relevant stakeholders that may be affected by or may influence the development of organizational policy. Altman and Petkus (1994) suggest that there will be conflicting needs that require:

- consulting, accommodation, and involvement;
- formulation of alternatives;
- communication and leadership; and
- policy implementation that is monitored and adjusted.

As discussed earlier, stakeholder identification and salience is based on stakeholders possessing one of the following attributes: power, legitimacy, and urgency (Mitchell *et al.*, 1997). Stakeholders have some level of power over a business because they are in the position to withhold, or at least threaten to withhold, organizational resources (Carroll and Buchholtz, 2003). To assess the power of a given stakeholder community, it is useful to rate the extent to which:

- the firm depends on the resources of this stakeholder community for its continued survival; and
- the welfare of the stakeholder community depends on organizational success (Frooman, 1999).

Stakeholders have most power when their own survival is not really affected by the success of the organization, and when they have access to vital organizational resources. For example, most consumers of shoes do not need *per se* to buy Nike shoes. Therefore, if they decide to boycott Nike, they have to endure only minor

inconveniences. Nevertheless, their loyalty to Nike is vital to the continued success of the sport apparel giant.

The proper assessment of the power held by a given stakeholder community also requires an evaluation of the extent to which that community can collaborate with others to pressure the firm. The more ties exist or can easily be developed between stakeholder communities with similar norms, the more vulnerable the organization. This idea can be illustrated with Shell's Brent Spar crisis in the early 1990s (Zyglidopoulos, 2002). Greenpeace had secured the support of several television and newspapers outlets before it launched its offshore demonstrations against Shell's planned destruction of an oil platform. The NGO had also gathered support beforehand among other environmental groups, church representatives, and political leaders in several European countries. This created legitimacy of the cause. As a result, Greenpeace's actions were highly visible and led to broad-based and unified condemnations of Shell. This resulted in the urgency for Shell. The oil giant then had little choice but to give in to activists' demands. Such contagion effects and collaboration help stakeholders build power relative to the firm. At the end of step 2, businesses should have a list of stakeholder communities in hand, with a rough assessment of their perspective and common power.

Step 3: identifying stakeholder issues

Together, steps 1 and 2 lead to the identification of the stakeholders who are both the most powerful and legitimate. The level of power and legitimacy determines the degree of urgency in addressing their needs. Step 3 consists then in understanding the nature of the main issues of concern to these stakeholders. Conditions for collaboration exist when problems are so complex that multiple stakeholders are required to resolve the issue and the weaknesses of adversarial approaches are understood (Lober, 1997). Some of this knowledge is often partially in-house, but has not been systematically integrated and analyzed. Boundary spanners (e.g. sales representatives, customer-service representatives, purchasing managers, public relations and advertising specialists) may be especially knowledgeable about the main norms and concerns shared by customers, suppliers, and the public opinion. Relevant information can also be found in secondary documents published by stakeholder organizations such as professional associations, governmental agencies, NGOs, or competitors. In spite of this existing knowledge, it may still be useful to conduct panel discussions or interviews with stakeholders to better understand their specific expectations. Topics to be tackled in these forums could include:

- Stakeholders' views of CSR in general: what is CSR? What are examples of socially responsible firms? What are examples of socially irresponsible firms? To whom are businesses most responsible?
- Stakeholders' views of the social responsibilities faced by the focal organization: to whom is this firm responsible? What are negative impacts of the firm on society and on its business associates? How can the organization actively contribute to the well-being of different stakeholders?

Such a process of stakeholder intelligence generation is in place at General Motors with "community impact strategic teams," in charge of identifying internal and external issues that may impact the company and its stakeholders. An accurate assessment of

relative power levels can enable stakeholders to accept their roles and responsibilities and assist top management in implementing stakeholder orientation (Daake and Anthony, 2000). Overall, step 3 should result in a clear list of stakeholders and their concerns as well as providing the framework for strategic planning.

Step 4: assessing the meaning of CSR

Steps 1 through 3 consist of generating information about CSR among a variety of influencers in and around the organization. Step 4 brings these three first stages together to arrive at a concrete definition of CSR that specifically fits the organization of interest. This general definition will then be used to evaluate current practices and to select concrete CSR initiatives. Functional areas such as marketing, should be able to use this definition for CSR activities that address stakeholder concerns. Ideally, this chosen definition is then formalized in official documents such as annual reports, web pages, or company brochures. The definition should at least clarify two main points:

(1) The motivation underpinning the commitment to CSR.

(2) The stakeholders and issues that are perceived as priority by the organization.

The first element of the definition clarifies why CSR is of interest to the company, and therefore places CSR in the context of the broader organizational objectives and mission. When a CSR issue and mandate for a solution exists, there is a shift to exploring alternatives with constituencies such as consumer groups, trade associations, regulatory agencies, as well as others to develop a CSR definition and policy (Hastak *et al.*, 2001). From the analyses conducted in steps 1 and 2, it may become obvious that CSR is an integral part of the organization's values and norms. For example, the financial services provider PNC states:

> Giving back is a bedrock value at PNC. For us, that is business-as-usual (PNC, 2004).

In contrast, the pharmaceutical company AstraZeneca presents CSR mainly as the result of stakeholder pressures: "we aim to be in tune with the changing expectations of society and to conduct business in a way that meets widespread approval" (AstraZeneca International, 2004); and Carrefour introduces CSR as an excellent instrument to achieve performance objectives: "we firmly believe that our responsible approach is the source of our financial success" (Carrefour, 2004).

The second element of a CSR definition pinpoints the stakeholders and issues that are the main targets of CSR initiatives. The formation of voluntary collaborations is related to organizational commitments in their values and objectives to participate in solutions that result in improved CSR (Lober, 1997). For instance, the global bank ABN AMRO defines its social responsibilities as follows:

> Being an active and responsible member of the societies and communities in which we operate is very important to us, morally as well as financially. Whether creating new products designed to promote sustainable development, spelling out the principles on which we conduct our business or supporting sports and the arts, we believe that being a good corporate citizen creates value for all stakeholders – employees, clients, investors, communities and others (ABN AMRO, 2004).

In this definition, ABN AMRO identifies key stakeholders along with stakeholder issues that are considered as most important including sustainable development,

integrity, and sponsorships of sports and arts. Ginsberg and Bloom (2004) noted that consumers will not compromise on key product attributes for environmental issues such as green marketing. Environmental approaches must be customized to the company, strategy, and competitive environment. While most organizations will identify customers as key stakeholders, specific issues the marketing function addresses should be derived from organizational issues.

Step 5: auditing current practices

The use of social auditing to identify stakeholder issues is important to demonstrating a firm's commitment to social responsibility. Social auditing is a process of assessing and reporting business performance and fulfilling social responsibilities expected by its stakeholders (McAlister *et al.*, 2005). Without reliable measurements of the achievement of social objectives, a company has no concrete way to verify their importance, link to organizational performance, or justify expenditures to stakeholders (Zadek *et al.*, 1997). The social audit should provide regular, comprehensive, and comparative verification of stakeholder feedback, especially key issues and concerns.

Two main questions can guide an audit of current CSR practices:

(1) What does the organization already have in place to address important stakeholder issues?

(2) Which practices need improvement?

The first part of this inventory is necessary because most organizations do not have a good overview of the various processes already in place to tackle each specific stakeholder issue. For example, when considering the issue of customer relationships, managers may consider a broad range of initiatives such as customer expectations, contract employee performance, as well as the customers' feelings about environmental and social issues related to the purchase of the product. This creates the need for marketing to consider long-term relationships rather than using technology to control immediate customer behavior (Vargo and Lusch, 2004).

The second part of the audit consists essentially in identifying which organizational practices need to be modified in order to better address stakeholder issues. A systematic review of all organizational processes along with surveys of different stakeholders could be conducted to perform the second part of this audit. Objective indicators of the organizational impacts on specific stakeholder issues (see those presented in Table I) can also be used. Businesses can rely on standardized audits such as those offered by the Global Reporting Initiative and the Social Accountability Institute. These standards provide a listing of issues to be surveyed, along with recommended indicators of impacts. These standardized audits implicitly assume that all companies share similar values and face about the same stakeholder communities and issues. As a result, they are most adequate for large companies that confront a wide range of issues and can afford to tackle this variety. Regardless of size, businesses should make sure that their audit centers on the stakeholders and issues favored in their own definition of CSR. Such a focus best enables businesses to concentrate their efforts and to establish a clear profile in the eyes of stakeholders. At the end of step 5, businesses should have a detailed inventory of organizational activities that need to be added or improved.

Step 6: implementing CSR initiatives

The CSR implementation process starts with the prioritization of the challenging areas outlined in step 5. Two main criteria can be considered. First, the levels of financial and organizational investments required by different actions should be considered. In particular, one could distinguish between the challenges that require:

- Only small adaptations of current processes. For instance, philanthropic donations could be re-organized to systematically target one specific strategic issue. Similarly, communications to employees could be consolidated in order to yield greater accessibility and clarity. Service quality could be improved by reducing cycle time.
- The creation of new external marketing processes. Examples would include the development of a supplier selection program based on environmental criteria, and the adoption of a process to give a personal answer to every customer complaint.
- The development of new products to enhance green marketing. For instance, businesses could attempt to lower the non-recyclable content of products, design ways to re-use old packaging or improve pollution emission well in advance of government regulations.

A second criterion to consider when prioritizing CSR challenges is urgency. When the challenge under consideration corresponds to a point listed in the definition of CSR, and when stakeholder pressures on the issue could be expected, then the challenge can be considered as urgent. It should therefore be tackled without delay. Once a depiction and schedule of CSR challenges has been established, it is essential to allocate responsibility both to individual initiatives, and to the CSR implementation process as a whole. Even though it is often neglected, the designation of an individual or committee in charge of overseeing all CSR efforts is the only way to ensure the coherence of diverse initiatives, along with their fit with the stated definition of CSR.

Step 7: promoting CSR

Creating awareness. Given that one aspect of CSR consists in addressing stakeholder issues, it is essential that businesses keep internal and external stakeholders aware of the initiatives undertaken to address these issues. Public relations including environmental and social reports constitute an increasingly popular means of keeping some stakeholders informed (mainly shareholders, investment funds, business partners, and employees). An increasing number of companies also seem to also use web sites to communicate their achievements (Maignan and Ralston, 2002).

Traditional advertising can also be used to enhance awareness of CSR initiatives. For instance, Shell has been conducting for several years a campaign on the theme: "profits and principles: is there a choice?" This campaign emphasizes Shell's commitment to social responsibility and environmental sustainability. Given that the successful management of CSR requires the continuous generation of intelligence about stakeholders, communications on CSR should not flow solely from businesses to stakeholders. Instead, businesses should strive not only to create awareness of CSR, but also to establish bonds to stakeholders and invite them to participate in their CSR initiatives.

Getting stakeholders involved. One approach to stimulating a sense of bonding to the firm consists in emphasizing the fact that the business and its stakeholders share similar concerns. For example, Wal-Mart advertises on store displays and on its web site the thank-you letters and special acknowledgements received by its employees during the working hours they spent as volunteers in the community. These messages make public the common concern for the community displayed by both the company and its employees. The publicized affiliation and commitment might be appealing to potential recruits, consumers, and community members. Stakeholder expectations should be known to provide for the best match with corporate action and a mismatch between words and actions jeopardizes firm credibility (Dawkins and Lewis, 2003).

Awards, prizes, and events similar to sales promotion activities in marketing are also popular methods to encourage stakeholders to partner with the firm in order to address a specific issue. For example, AstraZeneca has adopted an awards program that recognizes the country managers that have introduced successful initiatives with respect to safety, health, and the environment. In a similar vein, AstraZeneca organized community initiatives in more than 20 countries to celebrate its first birthday. Not only were employees invited, but business partners, NGOs, and community leaders were also invited to take part in these special events.

Overall, step 7 is intended first and foremost to encourage the exchange and interaction of ideas to gain stakeholder engagement. Meanwhile, promotion adopted during this phase may provide important information to stakeholders to secure increased support for their activities. When stakeholders get a chance to understand that a business acts upon issues that they value, they may be appreciative of the firm's efforts, and may be willing to support organizational CSR initiatives. There is some preliminary research evidence that supports the likelihood of increased stakeholder resources as a result of CSR initiatives. In particular, scholars have established positive relationships between perceptions of CSR and a variety of desirable outcomes such as positive product and brand evaluations, customer loyalty, employee commitment, and attractiveness as an employer (Brown and Dacin, 1997; Handelman and Arnold, 1999). Even though these findings need confirmation, they suggest that businesses may be able to enjoy concrete rewards from their investments in CSR. Even though such benefits may be real, businesses should not be tempted to use step 7 only for promotional spin rather than focusing on stakeholder expectations. It is indeed also essential that businesses use communications to obtain stakeholders' feedback on their CSR efforts.

Step 8: gaining stakeholder feedback

The different activities mentioned in step 7 help stimulate a dialogue with stakeholders. Other instruments can be employed to keep abreast of stakeholders' views of the firm and of their evolving issues (Sen and Bhattacharya, 2001). Additional stakeholder feedback can be generated through a variety of means. First, stakeholders' general assessment of the firm and its practices can be obtained through satisfaction or reputation surveys. For instance, AstraZeneca has conducted a global survey of its employees to evaluate not only their own satisfaction, but also their perceptions of the firm's socially responsibility efforts. Beyond Petroleum (BP) has conducted several surveys of stakeholders in order to evaluate their perceptions of the firm, and get

insights into welcome improvements. One quantitative survey focused on the reputation of BP among several audiences in the US and UK.

Second, in order to gauge stakeholders' perceptions of the firm's contributions to specific issues, more qualitative methods may be desirable. For example, BP conducted a qualitative evaluation of its social responsibility efforts and reporting through in-depth interviews of institutional investors, private shareholders, community leaders, and NGOs. Different approaches enable assessment of the firm's progress in addressing specific stakeholder issues. They also highlight areas that require further improvements. Therefore, as depicted in Figure 2, we suggest that stakeholders' feedback be used as input for the next audit. Consequently, the sequence linking steps 5 to 8 (from the CSR audit to stakeholder feedback) should be performed on a regular basis. In fact, we recommend conducting an audit of current practices bi-annually.

Figure 2 further illustrates that stakeholders' feedback can be used as an input to reassess the first three steps of the CSR management process in the long-run (approximately every four years). Stakeholder surveys and interviews could indeed highlight a new and important stakeholder group, or could reveal emerging stakeholder issues. As a result, organizational norms and values along with the definition of CSR might need to be revised. Since social responsibility practices are aimed in large part at addressing stakeholder issues, it is essential that businesses continuously gauge the evolution of these concerns, and integrate the changes into organizational values, norms, and practices. Finally, functional areas such as marketing, can assist in implementing shared values and norms relating to CSR.

Conclusions

A stakeholder model can be used for implementing CSR in marketing. Marketing is moving from a narrow customer orientation to managing relationships and benefits for all stakeholders. The new American Marketing Association definition of marketing reflects this change and Vargo and Lusch (2004) provide a theoretical foundation for this new perspective. The stakeholder methodology for marketing presented in this paper outlined only the main logic underpinning the sound implementation of CSR. CSR in marketing, like all marketing activities, is driven by overall values and norms at the organizational level. This analysis did not did not specify the process for specific marketing initiatives, especially in the presence of conflicting stakeholder demands. The focus was to prove a methodology, specifically the steps, for using a stakeholder model for the organizational level that encompasses functional level marketing CSR decisions.

The dynamic nature of CSR along with the complexity of the challenges raised call for a significant amount of organizational planning, resources, and commitment. Support for investing in CSR is likely to yield tangible benefits in terms of customer loyalty, employee commitment, supplier support/partnership, and corporate reputation. Furthermore, avoiding the costs of managing CSR may lead to misconduct that, as demonstrated by recent business events, can not only tarnish the image of the firm, but also endanger its mere existence. Many organizations desire to go beyond the basic regulatory requirements and make a difference by contributing to stakeholder needs. Far from being a luxury, CSR has become an imperative to secure stakeholders' continued support, and ensure a desired identification and reputation among customers, employees, shareholders, NGOs, and governments.

This stakeholder model of CSR provides a foundation for building an organizational identity and reputation based on stakeholders' norms and values. Research is suggested to examine to what extent this methodology has been implemented in corporations as well as alternative approaches for implementation. In addition, linking the degree of implementation with desired corporate identity and reputation would provide evidence of benefits of the methodology. This methodology has important implications for the way the marketing function is conceptualized and implemented in an organization. Preliminary findings indicate a stakeholder orientation assists with not only CSR, but also marketing performance.

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Social responsibility in environmental marketing planning

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Abstract *Companies along the forestry-wood value chain from four European countries were surveyed in order to examine social responsibility in values and environmental emphasis in their marketing planning. Most of the Finnish, Swedish, German and UK companies emphasise environmental issues in their values, marketing strategies, structures and functions. The companies were classified into three groups according to their responsibility values based on the concepts of redirecting customers towards sustainability and the role of governmental balancing of markets. "Proactive green marketers" (companies emphasising pursuing sustainability and believing in free market system) emphasise environmental issues in their marketing planning clearly more than traditional "consumption marketers", and more than "reactive green marketers" (companies emphasising pursuing sustainability under governmental balancing). We interpret that proactive marketers are the most genuine group in implementing environmental marketing voluntarily and seeking competitive advantage through environmental friendliness. Thus, the example of these progressive companies should be the direction towards sustainable development in business and society. The results also give evidence that green values, environmental marketing strategies, structures and functions are logically connected to each other as hypothesised according to the model of environmental marketing used to guide this study.*

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Introduction

A demand for sustainability and social responsibility in business

Business leaders agree that managing in times of turbulence and accelerating change challenges their traditional views of competitiveness and success factors needed for survival and profitability. Today's managers must deal with globalisation of markets, increasing intensity of competition, rapid technological changes, a shift from an industrial economy to a knowledge, human capital and information based economy, demographic changes,

environmental challenges, changing value systems and consumer preferences. The changes in society are forcing companies to consider the views of various interest groups in decision making. Building relationships with customers, suppliers, employees, communities and other stakeholders can become central to competitiveness and form the foundation for a new, progressive and people-centered corporate strategy which attacks the sources – not the symptoms – of challenges facing business today. This brings us to the increased importance of corporate social responsibility (CSR) (Palazzi and Starcher, 2000; Mazarr, 1999).

Corporate social responsibility and business success

Company responsibilities are often divided into economic, social, and environmental categories similar to the categories proposed in the popular concept of sustainable development (Peattie, 1995). However, there is no single, commonly accepted definition of corporate social responsibility (CSR). It generally refers to business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities and the environment. The World Business Council for Sustainable Development (WBCSD) defines CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve quality of life" (WBCSD, 2000). CSR means going beyond the legal, technical, and economic requirements of the company (Carrol, 1999). Palazzi and Starcher (2000) say that in Western Europe, Japan, and North America, an increasing number of companies are finding that it makes good business sense to fully integrate the interests and needs of customers, employees, suppliers, communities, and our planet (environment) – as well as those of shareholders – into corporate strategies. They argue that over the long term, this approach can generate more growth and profits. There can be no social responsibility without profits.

Environmental marketing

Marketing bridges the company and its markets in a societal context. Satisfying the needs of customers in a profitable way is the core of marketing ideology and in turn is a core of the market economy. Environmental or "green" marketing has been seen as a tool towards sustainable development and satisfaction of different stakeholders. Peattie (1995) defines green marketing as "the holistic management process responsible for identifying, anticipating and satisfying the requirements of customers and society, in a profitable and sustainable way". The basic question for green marketing is: how should environmental and social responsibility be integrated into traditional utilitarian business and marketing planning?

Banerjee (1999) and Wehrmeyer (1999) have analysed the greening of strategic marketing with implications for marketing theory and practice. Hierarchical levels of strategic (green) marketing are analysed in these academic discussions. Also Pujari and Wright (1996) address the application of

the strategy, structure and process framework for organisational and product-level response to environmental imperatives. Kotler (2000) uses the term "societal marketing concept" to cover social and ecological responsibilities. Recent developments show that a green agenda following holistic principles has now been integrated into mainstream marketing literature (McDonagh and Prothero, 1997). However, it seems that many companies feel uncertain how they should react to green challenges. As Peattie (1999) states, "Without a greener philosophy and vision of marketing, the greening of marketing practice will be an uphill battle".

Sustainability, regulation and CSR

The question of ecological responsibilities has been a bit vague. During the last few decades environmental legislation has developed everywhere. It implies that ecological responsibilities belong to government. However, globalisation has altered the ability of governments to carry their social and environmental responsibilities. On the other hand, strengthening economic liberalism emphasises that the responsibility of common good can be left to market forces. Sheth and Parvatiyar (1995) argue that sustainable development can be achieved only by proactive corporate marketing and active government intervention. They suggest a two-dimensional shift in the approach to ecological problems: from consumption marketing to sustainable marketing and from invisible hand to a more visible hand of the government (Figure 1).

However, Sheth and Parvatiyar's (1995) conclusion for the direction of "new marketing orientation" seems a bit too straightforward. Porter and van der Linde (1995) and Miles and Covin (2000) have further conceptualised the role of governmental balancing in environmental marketing. Furthermore, another

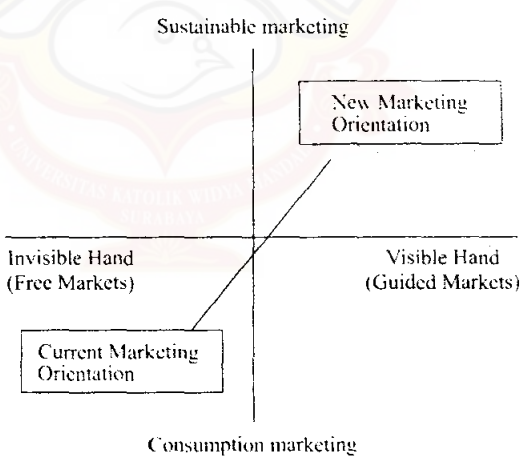

Figure 1.
New orientation for ecological marketing

Source: Sheth and Parvatiyar (1995)

way of looking at corporate social responsibility is the two-dimensional model proposed by Quazi and O'Brien (2000) where they define wide vs narrow responsibility, and benefits vs costs from CSR action.

Miles and Covin (2000) define two mutually-exclusive philosophies towards environmental management:

(1) the "compliance model" of environmental management; and

(2) the "strategic model" of environmental management.

The compliance model suggests that corporations must simply comply with all applicable regulations and laws. This is a typical traditional "defensive" environmental management approach. The strategic approach to environmental performance suggests that firms attempt to maximise stockholder returns by utilising an environmental strategy "proactively" to create a sustainable competitive advantage. They argue that firms primarily marketing commodity products and competing primarily on the basis of price will tend to adopt the compliance model of environmental management, whereas firms that primarily market highly differentiated products will tend to adopt the strategic model of environmental management.

Also Porter and van der Linde (1995) emphasise environmental responsibility and improvements as a source of competitive advantage in today's dynamic economy. They argue that innovating to meet regulations can bring offsets: using inputs better, creating better products, or improving product yields. Furthermore, they list six major reasons why regulation is needed but also define "good regulation" supporting innovations versus "bad regulation" damaging competitiveness. According to them, now is the time for a paradigm shift to bring environmental improvement and competitiveness together. Through innovations companies can reap offsets that will go beyond those directly stemming from regulatory pressures.

Objectives of the study

The purpose of the empirical study is to measure, describe, and compare how social responsibility is emphasised in the values of members of the forestry-wood value chain in four European countries. Environmental marketing is described based on three hierarchical levels: marketing strategies, structures and functions. Relationships among these dimensions are examined. The specific questions under focus are:

- What are the value-based dimensions of companies' social responsibility?
- Is it possible to categorise companies based on their social responsibility values?
- How are environmental issues incorporated into company marketing planning?

- How do the surveyed countries, industry sectors, and responsibility categories differ regarding environmental marketing planning?
- What are the relationships among dimensions of social responsibility and dimensions of environmental marketing?

Theoretical frame of reference

The theoretical framework of the study (Figure 2) shows the independent variables (marketing units) used in the empirical study and their relationship to the model of environmental marketing. The model is based on the integrated model of marketing planning (Juslin, 1992, 1994). Concepts by Ansoff (1965) and Shirley *et al.* (1981) have especially inspired the conceptual ideas and the hierarchy presented in the model. The model contains the usual components of marketing planning presented in marketing textbooks (e.g. Kotler, 2000). However, the background ideology and hierarchical structure differ notably from the most common models, e.g. the frequently-used "four P model", presented in marketing textbooks. Environmental marketing in this model means that environmental issues are genuinely integrated into marketing decisions on three hierarchical levels: marketing strategies, structures and functions. Environmental marketing planning should be based on business values emphasising social and environmental responsibility.

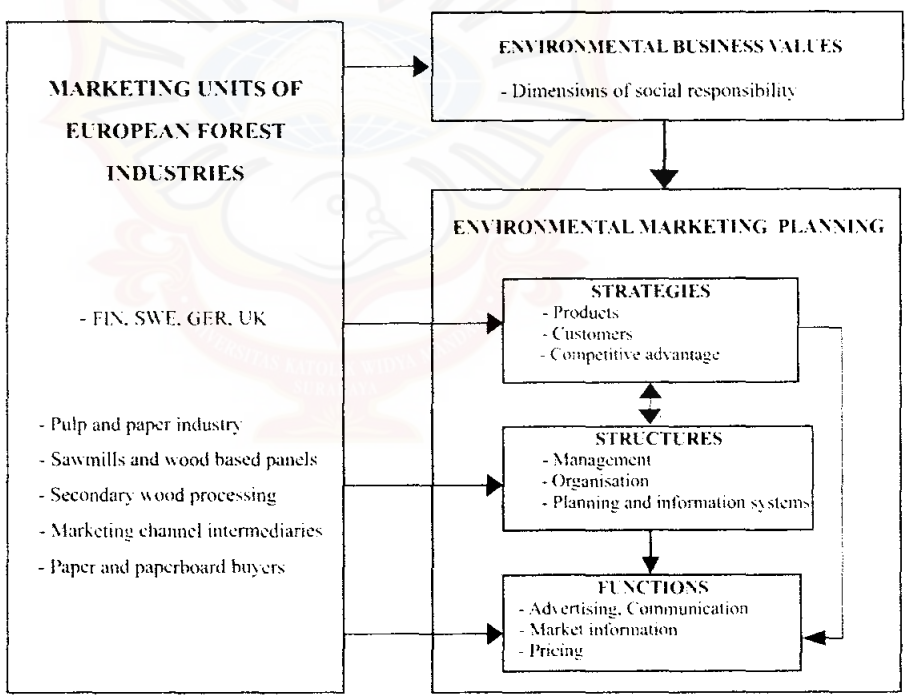

Figure 2.
Theoretical framework of the study

The core of environmental marketing is the strategic product and customer decisions in which environmental issues are emphasised and environmental strengths are used as a competitive advantage. Implementation of the strategies is not possible without structures (e.g. environmental management systems, organisation, contact channels) taking environmental issues into account. Marketing structures and functions (communication, advertising, personal relationships) should be planned so that they carry out and support the environmental marketing strategies. However, an insufficient relationship among strategies, structures, and functions can lead to unfounded claims about a company's environmental performance. This kind of "greenwashing" is the misuse of the principles of environmental marketing. (Juslin, 1994)

The integration of environmental issues into business values and marketing planning examined in this study tests, by using the terminology of Miles and Covin (2000), if corporations are adopting the "compliance model" or the "strategic model" of environmental management. Also the desired direction of "new marketing orientation" suggested by Sheth and Parvatiyar (1995) is tested by examining the dimensions of social responsibility in relation to environmental marketing. Furthermore, green "innovations" as a source of competitive advantage proposed by Porter and van der Linde (1995) fit well in this theoretical framework.

Operationalisation of variables used to measure business values and environmental marketing planning are presented within the results of a series of factor analyses (Tables I-IV). Overall the operationalisations used in this study are not industry specific and can be applied to any industry sector. Only item 7 in Table IV refers to independent third party certification, and wood products that come from "well managed forests".

Propositions to be tested

The principle assumption to be tested (*P1*) in this study is that environmentally conscious decisions on the structural and functional levels of marketing planning obtain their objectives from marketing strategies. Those marketing strategies are based on the objectives of the business unit, in this case environmental business values of the business unit:

P1. The more environmental issues are emphasised in business values, the more environmentally active companies are in their decisions on strategic, structural and functional levels of marketing

The purpose of *P2* is to test the concept presented by Sheth and Parvatiyar (1995) (see Figure 1) who argue that sustainable development can be achieved only by proactive corporate marketing and active government intervention. We challenge their conclusion concerning the direction of "new marketing orientation" because we consider it too straightforward. *P2* is

Variable[a]	Mean (SD)	Factor I	Factor II	Factor III	h^2
Companies should redirect their customers towards less environmentally harmful consumption	4.5 (1.3)	**0.780**	−0.034	0.003	0.610
Companies should use marketing tools to redirect customer behaviour towards environmentally sustainable consumption	4.5 (1.3)	**0.699**	0.007	0.091	0.497
Environmentally friendly products are a necessity in the future and the price will include the associated costs	4.8 (1.2)	0.228	0.005	0.025	0.115
Adequate social responsibility for company executives is to maintain a profitable business	3.4 (1.7)	0.125	**0.654**	−0.057	0.447
The sole function of marketing is to determine and satisfy the needs of consumers	3.7 (1.5)	0.066	**0.628**	0.012	0.399
To operate in a socially responsible way, companies only need to obey laws and regulations	2.8 (1.4)	−0.116	0.352	−0.038	0.139
In decision making company profits will carry a heavier weighting than environmentally friendliness	4.2 (1.3)	−0.036	0.265	0.212	0.116
The free market system will take care of global environmental problems with no governmental interference	2.7 (1.3)	0.006	0.288	**−0.620**	0.467
Governments must balance environmental and economic values by policies which regulate markets	4.0 (1.4)	0.138	0.111	**0.421**	0.209
Initial Eigenvalue (cumulative percentage of variance = 52.9)		1.791	1.720	1.246	
Variance explained after rotation (%) (cumulative = 32.7 per cent)		13.4	12.4	6.9	
Reliability coefficient Alpha (of highlighted variables)		0.707	0.592	–	

Note: [a] Scale: 1 = completely disagree to 6 = completely agree; $n = 452$

Table I.
Dimensions of company's social responsibility

derived from conceptualisation and ideas proposed by Porter and van der Linde (1995), and Miles and Covin (2000) who emphasise environmental performance as a source of competitive advantage resulting from "innovations", or adopting a "strategic model" for environmental management:

P2. Companies that are most environmentally active (pursuing "strategic model" or "innovating") will emphasise redirection towards sustainable development and free market system (invisible hand)

Variable[a]	Mean (SD)	Factor I	h^2
In your strategic product decisions, how much is the environmental friendliness of the product emphasised?	3.4 (1.0)	**0.623**	0.388
When selecting your most important customer group(s), how important is their level of environmental awareness in your decision making	2.9 (1.3)	**0.589**	0.347
How important is environmental friendliness when planning the competitive emphasis for your most important products and markets?	3.2 (1.0)	**0.725**	0.526
Initial Eigenvalue (61.1 percent of variance)		1.832	
Variance explained after extraction (%)		42.0	
Reliability coefficient Alpha		0.670	

Note: [a] Scale: 1-5; $n = 443$

Table II.
The dimension of environmental marketing strategies

Variable[a]	Mean (SD)	Factor I	h^2
How strong an impact have environmental issues had in the values and philosophy of management in your company?	3.3 (1.1)	**0.680**	0.460
How strong an impact have environmental issues had in the planning and information systems (type of information used etc.)?	2.8 (1.1)	**0.750**	0.563
How strong an impact have environmental issues had in the personnel recruitment and training?	2.6 (1.1)	**0.758**	0.575
How strong an impact have environmental issues had in the distribution channels?	2.5 (1.1)	**0.599**	0.359
Initial Eigenvalue (61.4 percent of variance)		2.456	
Variance explained after extraction (%)		49.0	
Reliability coefficient Alpha		0.790	

Note: [a] Scale: 1 = no impact at all to 5 = strong impact; $n = 447$

Table III.
The dimension of marketing structures

Data and analysis

Data collection

The cross-sectional data for the study was collected mainly through personal interviews with a structured quantitative questionnaire. Personal interviews were used when possible to assure a high total and item response. Quota sampling was utilized with the objective of representative data for the strategic business units (SBU) of the forest industry value chain including companies in Finland, Sweden Germany and the UK. Data was collected in Finland, Germany and in the UK during the winter of 1997 in the context of an EC-FAIR research project on "potential markets for certified forest products in Europe"

Table IV.
Dimensions of environmental marketing functions

Variable[a]	Mean (SD)	Factor I	Factor II	Factor III	h^2
Frequency company procedures: examining environmental information in business decision making (scale 1-4)	2.5 (0.8)	**0.859**	−.0065	0.168	0.770
Frequency company procedures: consideration of environmental concerns in strategic planning (scale 1-4)	2.6 (0.9)	**0.749**	−0.082	0.252	0.631
Frequency company procedures: inviting input from environmental groups when making environmental business decisions (scale 1-4)	1.7 (0.8)	**0.522**	0.047	0.144	0.295
Frequency company procedures: inviting input from consumers' groups when making environmental business decisions (scale 1-4)	1.5 (0.7)	0.301	0.118	0.140	0.124
Frequency company procedures: carrying out customer surveys for marketing planning (scale 1-4)	2.3 (0.9)	0.242	0.004	0.212	0.104
Environmental friendliness can convert an ordinary product into a special product and that is reflected in the price	2.7 (1.3)	0.076	**0.816**	0.005	0.672
Certification leads to a price premium for the product in question	2.6 (1.3)	−0.011	**0.718**	−0.099	0.525
How strong an impact have environmental issues had in pricing of a company's products (e.g. green premium)	2.0 (1.2)	0.220	0.295	0.178	0.133
It is not possible to get a higher price for environmentally friendly products	3.2 (1.3)	0.040	−0.278	−0.088	0.087
How strong an impact have environmental issues had in advertising and communication campaigns	3.0 (1.3)	0.301	0.047	**0.833**	0.787
How strong an impact have environmental issues had in personal contacts/selling	3.1 (1.1)	0.315	0.105	**0.624**	0.500
Initial Eigenvalue (cumulative percentage of variance = 65.1)		3.153	1.840	1.170	
Variance explained after rotation (%) (cumulative = 42.4 per cent)		17.9	12.6	11.9	
Reliability coefficient Alpha (of highlighted variables)		.763	0.728	0.758	

Note: [a] Scale: 1-5, n= 112

and the equivalent data from Sweden was collected during the fall 1998 in the context of a University of Helsinki MSc thesis. In Finland and Sweden the sampling emphasis was on the beginning of the forestry-wood value chain and in Germany and the UK it was towards the end of the forestry-wood value chain. This sampling emphasis was considered relevant because in European forest products markets the Nordic countries are suppliers for Central European companies. Thus, we describe the sample as covering the forestry-wood value chain which includes primary wood processors, secondary wood/paper processors, publishers, and marketing channel intermediaries including DIY retailers. The broad sampling scheme and general operationalisations used in the study are strong indicators of the generalizability of the results outlined below.

The person with the highest responsibility in marketing planning within each unit was targeted. Table V shows the number of interviews and the estimated coverage of production in each country. The German coverage is estimated to be good within the paper and paperboard sector, but other sectors are difficult to evaluate (Rametsteiner *et al.*, 1999). In total, 27 out of 115 questions (dependent variables) in the original questionnaire were used in this study. For a more detailed description of questionnaire development and data collection procedures, see Rametsteiner *et al.* (1999) and Steineck (1999).

Analysis

Interpretation of the data called for a variety of analysis techniques. At the most basic level, means and the end points (two extreme points) of the Likert-type scales were used to interpret the magnitude of ratings. The questions (dependent variables) were self-appraisals in five- or six-point Likert-type variables, e.g. 1 = not important at all to 5 = very important. For clearer interpretation of results, factor analysis (maximum likelihood, varimax rotation) was used to examine the dimensions inherent in the data and as a data reduction tool (Lewis-Beck, 1994). Results and the detailed statistics of the analyses are shown in Tables I-IV. In each case, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, Bartlett's test for sphericity, and Eigenvalues, as well as the judgement of the researchers were included in the decisions surrounding the number of factors that most meaningfully represented the larger number of variables. The reliability of the factor solutions was tested using the reliability coefficient Alpha.

Orthogonal factors of companies' social responsibilities were used in grouping the companies by K-means clustering (Anderberg, 1973). Indicative significance testing was used, although the sampling was not pure random sampling, but closer to the total population. Significant differences among countries and industry sectors were identified by comparing the means of factor score coefficients using one-way ANOVA (Bonferroni, sig. level 0.05) or through the use of the χ^2-test within responsibility categories. Only those

Table V.
Number of interviews and estimated coverage

Industry sector	FIN	SWE	UK	GER
Number of interviews (total 454)				
Pulp, paper and paperboard	34	22	9	13
Sawmills and wood based panels	46	44	20	3
Secondary wood processing	20	14	42	57
Marketing channel intermediaries	11	12	21	24
Paper and paperboard buyers	4	3	8	48
Total	114	95	100	145
Estimated coverage				
Pulp, paper and paperboard	77 percent of the production (100 percenton company level)	35 percent of the production	70 percent of the production	
Sawmills and wood based panels	70 percent of the production (sawmills) 100 percent(panels)	65 percent of the production (sawmills) 40 percent (panels)	60 percent of the production (sawmills) 100 percent(panels)	
Secondary wood processing	20-80 percent depending on the defined branch	12 percent	20-80 percent depending on the defined branch	
Marketing channel intermediaries	70 percent of the volume traded	17 percent	80 percent of the volume traded, 100 percentof the DIY retail	
Paper and paperboard buyers	40 percent of the industrial paper purchases		50 percent of the industrial paper purchases	

differences found to be statistically significant are reported along with their associated p-values. Finally, correlation examination (Pearson) was used to analyse the relationships among the different dimensions. (Bagozzi, 1994; Malhotra, 1993)

Results of the study

Dimensions of social responsibility

Social responsibility values of respondents were examined using statements covering economic, ecological, and social aspects of business management. Table I presents the means and standard deviations of the dependent variables, and the extracted factor solution. The KMO measure of sampling adequacy (0.58) and Bartlett's test for sphericity ($p < 0.000$) both indicated that the variable set was appropriate for factor analysis. This maximum likelihood solution of three factors explains 32.7 percent of the total variation (after rotation) in the variable set.

Environmental friendliness and social responsibility of companies were seen by respondents as a necessity in society. Almost 90 percent thought that environmentally friendly products are a necessity in the future (rating 5 and 6). A total of 80 percent believed that companies should redirect their customers towards less environmentally harmful consumption. Governmental regulation in balancing environmental and economic values was supported by two thirds of the respondents.

Within the factor solution, factor I received the strongest loadings on redirecting customer behaviour towards environmentally friendly consumption. This factor was named "Redirection of customers towards sustainability". The loadings on factor II refer to traditional utilitarian business values. It was named "Profitability and customer satisfaction orientation". The bipolar factor III was named "Free market system orientation vs governmental balancing". The divergence between countries and industry sectors in these dimensions was studied by comparing the means of the factor score coefficients in one-way ANOVA. The results are presented in Tables VI and VII.

Country	Redirection of customers towards sustainability Mean	F-prob. <	Profitability and customer satisfaction orientation Mean	F-prob. <	Free market system vs governmental balancing Mean	F-prob. <
Finland	−0.091		−0.435		−0.165	
Sweden	−0.070	**0.001**	−0.287	**0.000**	−0.056	**0.003**
Germany	0.240		0.449		0.043	
UK	−0.181		0.124		0.185	

Table VI. Divergence of company's social responsibility among countries

The results of the one-way ANOVA with the factor score coefficients indicate that the German industry emphasises redirection of customers towards sustainability as a dimension of social responsibility more than industries in other countries. On the other hand, German and UK companies emphasise the role of profitability more than Finnish and Swedish companies. The results show that redirection of customers towards sustainability and a profitability orientation are not mutually exclusive. The difference concerning emphasis on a free market system compared to governmental balancing indicates that Finnish companies favour a free market system while UK companies emphasise governmental balancing.

Redirection of customers towards sustainability is emphasised more by paper buyers, marketing channels and secondary wood processors than the pulp and paper industry. The same three industry sectors closest to end-users also emphasise profitability more than the pulp and paper and sawmills and panel sectors. The pulp and paper industry emphasises a free market system more than other industry sectors.

Company categories of social responsibility

Factor scores from the factors I and III outlined in Table I were used in a K-means cluster analysis in order to categorise the surveyed companies according to their values concerning environmental business responsibilities. The resulting clusters fit well the matrix proposed by Sheth and Parvatiyar (1995) (see Figure 1) and proves that the model can be operationalised.

Three- and four-cluster solutions were considered but *F*-test and further face validity supported clustering the companies into three groups:

(1) *proactive green marketers* emphasising redirection towards sustainability and free market system;

(2) *reactive green marketers* emphasising pursuing sustainability under governmental balancing; and

(3) *consumption marketers* having lower scores in the sustainability factor (Table VIII).

Table VII. Divergence of company's societal responsibility among industry sectors

Industry sector	Redirection of customers towards sustainability Mean	*F*-prob. <	Profitability and customer satisfaction orientation Mean	*F*-prob. <	Free market system vs governmental balancing Mean	*F*-prob. <
Pulp and paper	−0.284		−0.296		−0.296	
Sawmills and panels	−0.098		−0.248		0.036	
Second. wood processing	0.072	**0.003**	0.180	**0.000**	0.084	**0.003**
Marketing channels	0.171		0.156		0.029	
Paper buyers	0.182		0.254		0.082	

It was expected that emphasising pursuing sustainability and free market system would reflect proactive environmental attitude beyond governmental pressures (*P2*). According to Sheth and Parvatiyar (1995), the "new marketing orientation" consists of sustainable marketing by companies and active involvement by government in the marketplace referring in this case to cluster II (reactive green marketers). Defining whether consumption marketers emphasise a free market system or governmental balancing was considered less important in this cluster solution.

Table IX outlines cross tabulations between countries and industry sectors with χ^2-test to analyse the divergence of group membership.

Divergence among countries and industry sectors within this typology indicate that German and UK companies are more likely to belong to reactive green marketers. The proportion of UK companies is lowest within proactive green marketers. Regarding the industry sectors, a majority of the pulp and paper industry is divided between proactive green marketers and consumption

Company group	*n*	Percentage	Mean of factor score = cluster center (SD) Redirection of customers towards sustainability	Free market system vs governmental balancing
I Proactive green marketers	145	32	0.337 (0.509)	−0.693 (0.446)
II Reactive green marketers	189	42	0.458 (0.460)	0.518 (0.373)
III Consumption marketers	120	26	−1.129 (0.551)	0.022 (0.654)
Total	454	100		
F-ratio			416.743	256.894
p-value <			0.000	0.000

Table VIII. Company groups based on environmental business responsibilities (K-means clustering)

	Proactive green marketers		Reactive green marketers		Consumption marketers	
	Row percent	Column percent	Row percent	Column percent	Row percent	Column percent
Country (χ^2=12.94, df = 6, $p < 0.044$)						
Finland	36	28	34	21	30	28
Sweden	35	23	37	18	28	23
Germany	34	34	48	37	18	22
UK	22	15	46	24	32	27
Industry sector (χ^2=14.43, df = 8, $p < 0.071$)						
Pulp and paper	39	21	24	10	37	24
Sawmills and panels	28	22	43	25	29	28
Second. wood processing	31	28	47	33	22	24
Marketing channels	32	15	47	17	21	12
Paper buyers	32	14	44	15	24	12

Table IX. Divergence of responsibility categories by countries and industry sectors

marketers. Nearly half of the other sectors' representatives are reactive green marketers.

Decisions for environmental marketing strategies

Emphasis on environmental issues in product, customer and competitive advantage strategies was measured by asking the questions presented within Table II. Factor analysis was performed on this variable set and a one-factor solution was found (KMO = 0.66 and Bartlett's test $p < 0.000$). This uni-dimensional solution explaining 42 percentof the total variance was named "Environmental emphasis in marketing strategies".

As seen in Table II, environmental friendliness (self defined by the respondent) was seen as a rather important issue when planning the competitive emphasis for the most important products and markets. About 40 percent of the respondents regarded it important, and 23 percent did not. Environmental friendliness as a product characteristic is quite emphasised. Fifty percent of the respondents emphasise it in their strategic product decisions while 18 percent do not. Customer environmental awareness had an important role in customer selection for 36 percent of the respondents. For 38 percent it did not play an important role. Divergence regarding environmental emphasis in marketing strategies among countries, industry sectors and responsibility classification was examined by comparing the means of factor score coefficients in a one-way ANOVA (Table X).

Table X. Divergence of environmental marketing strategies among countries, industry sectors and responsibility classification

	Environmental emphasis in marketing strategies	
	Mean	*F*-prob. <
Country		
Finland	0.095	
Sweden	−0.179	**0.001**
Germany		
Germany	0.273	
UK	−0.350	
Industry sector		
Pulp and paper	0.157	
Sawmills and panels	−0.185	
Second. wood processing	0.038	0.043
Marketing channels	−0.054	
Paper buyers	0.119	
Responsibility classification		
Proactive green marketers	0.309	
Reactive green marketers	−0.053	**0.000**
Consumption marketers		
Consumption marketers	−0.293	

The results indicate that environmental emphasis in marketing strategies is strongest in Germany, and lowest in the UK. A significant difference was also found between Germany and Sweden, and between Finland and the UK. Regarding industry sectors, environmental emphasis was strongest in the pulp and paper industry and lowest within sawmills and panels. Supporting *P2*, proactive green marketers emphasise environmental issues in their marketing strategies more than the other two groups. A significant difference was also found between reactive marketers and consumption marketers.

Decisions for marketing structures (environmental management)

The dimension of environmental marketing structures can be described by producing a one factor solution from the original four variables described in Table III (KMO = 0.78 and Bartlett's test $p < 0.000$). This one-dimensional solution explaining 49 percent of the total variance was named "Impact of environmental issues in marketing structures".

Values and philosophy of management is the aspect that is most influenced by environmental issues. About half of the respondents assessed the impact as strong. Only 22 percent of the respondents thought that the impact has been minor. The impact has been lowest with respect to distribution channels. This could be interpreted to mean that companies do not easily make changes in their distribution channels, but for some companies, environmental issues may also influence decisions concerning distribution channels. Divergence regarding environmental emphasis in marketing strategies among countries, industry sectors and responsibility classification was examined by comparing the means of factor score coefficients in a one-way ANOVA (Table XI).

	Impact of environmental issues in marketing structures	
	Mean	*F*-prob. <
Country		
Finland	0.223	
Sweden	−0.039	**0.001**
Germany	0.147	
UK	−0.340	
Industry sector		
Pulp and paper	0.343	
Sawmills and panels	−0.136	
Second. wood processing	−0.055	**0.005**
Marketing channels	−0.019	
Paper buyers	−0.054	
Responsibility classification		
Proactive green marketers	0.234	
Reactive green marketers	−0.094	**0.001**
Consumption marketers	−0.130	

Table XI. Divergence of environmental marketing structures among countries and industry sectors and responsibility classification

Results indicate that an environmental emphasis in marketing structures is strongest among Finnish companies and lowest within the UK industry. The impact of environmental issues in the UK has been lower compared to any other country. With respect to industry sectors, the impact of environmental issues has been stronger within the pulp and paper industry compared to sawmills and secondary wood processing. The impact of environmental issues has been stronger within proactive green marketers compared to the other two groups. This result provides support for *P2*.

Decisions for environmental marketing functions

The dimensions of environmental marketing functions can be described by using factor analysis to produce three factors from the original 11 variables (Table IV) (KMO = 0.73 and Bartlett's test $p < 0.000$). This solution of three factors explains 42.4 percent of the total variation in this set of variables.

The heaviest loadings in factor I were variables related to examination and consideration of environmental issues and inviting input from environmental groups. It was therefore named "Environmental information input in marketing planning". Factor II was labelled "Belief in a price premium for environmentally friendly products" because of its strong relationship to price. Factor III relates to the impact of environmental issues on advertising, communication campaigns and personal contacts/selling. Thus, it was named "Impact of environmental issues in marketing communications".

Very few respondents indicated that they never consider environmental concerns in strategic planning. Over half of the respondents reported doing it always or often. Over one-third of respondents reported carrying out customer surveys for marketing plans always or often. About half of the companies examine environmental information actively in their business decision making. Inviting input from environmental or consumer groups was clearly not as common. Less than half of the companies invite input from these groups at least occasionally.

About 40 percent of the respondents estimated that the impact of environmental issues has been strong both on advertising and on personal contacts/selling. Many respondents said that environmental issues have often come up in informal discussions between supplier and customer rather than in formal business documentation. Up to now, environmental issues seem to have had relatively little effect on pricing. Half of respondents said that these issues have had no impact at all. However, 15 percent estimated that they have had some or even a strong impact on pricing.

The results of the one-way ANOVA with the factor score coefficients (Table XII) indicate that Swedish companies are more active in environmental information input than UK companies. Finnish companies were more inclined to believe in a price premium for environmentally friendly products than companies in other countries. The difference concerning emphasis on

	Environmental information input in marketing planning		Belief in a price premium		Impact of environmental issues in communications	
	Mean	*F*-prob. <	Mean	*F*-prob. <	Mean	*F*-prob. <
Country						
Finland	−0.109		0.227		0.242	
Sweden	**0.222**	**0.004**	−0.041	**0.006**	−0.217	**0.001**
Germany	0.108		−0.039		0.104	
UK	−0.207		−0.195		−0.281	
Industry sector						
Pulp and paper	0.352		−0.306		0.334	
Sawmills and panels	−0.073		0.128		−0.112	
Second. wood processing	−0.026	**0.006**	0.086	**0.001**	−0.031	**0.001**
Marketing channels	−0.118		0.175		−0.303	
Paper buyers	−0.150		−0.218		0.163	
Responsibility classification						
Proactive green marketers	0.153		0.045		0.188	
Reactive green marketers	−0.106	**0.042**	0.090	**0.023**	−0.039	**0.004**
Consumption marketers	−0.024		−0.196		−0.170	

Table XII. Divergence in environmental marketing functions

environmental issues in marketing communication was clear: the impact of environmental issues on marketing communication has been strongest within the Finnish industry. The difference between German and UK companies was also significant. The pulp and paper industry was most active in environmental information input and in environmental communication. Supporting *P2*, proactive green marketers are more active in environmental information input compared to reactive green marketers who scored even lower than consumption marketers. Reactive green marketers believe more in a price premium than consumption marketers. The impact of environmental issues in communications is stronger within proactive green marketers than consumption marketers. Pairwise comparison (Bonferroni, sig. level<0.05) also showed a difference of $p < 0.069$ between proactive and reactive green marketers.

Relationships among values, marketing strategies, structures and functions

Table XIII provides a correlation matrix of business values, environmental marketing strategies, structures and functions according to the factor scores.

Results of the correlation examination provide support for *P1*. The high correlations between strategies and structures and the three dimensions of functions suggest that an environmental emphasis in marketing strategies can be seen in the marketing structures and functions of a company. Also, green values concerning the social responsibility of companies correlates with environmental emphasis in strategic, structural and functional levels of marketing decisions. Correspondingly, a profitability orientation correlates

	ValueFac1	ValueFac2	ValueFac3	StraFac1	StraFac2	FuncFac1	FuncFac2	FuncFac3
Redirection of customers towards sustainability (ValueFac1)	1.000							
Profitability and customer satisfaction orient. (ValueFac2)	0.022	1.000						
Free-market vs. gov. balancing (ValueFac3)	0.016	**−0.091**	1.000					
Env. Emphasis in strategies (StraFac1)	**0.211**	0.011	**−0.159**	1.000				
Impact of env. Issues in structures (StraFac1)	**0.126**	**−0.103**	**−0.231**	**0.550**	1.000			
Environmental information input (FuncFac1)	0.056	−0.051	**−0.114**	**0.417**	**0.320**	1.000		
Belief in a price premium (FuncFac2)	0.063	0.024	0.000	**0.143**	**0.101**	−0.093	1.000	
Impact of env. issues in communic. (FuncFac3)	**0.132**	**−0.108**	**−0.113**	**0.486**	**0.420**	**0.127**	0.032	1.000

Note: Correlations $p < 0.05$ in bold type

Table XIII.
Correlation matrix of marketing dimensions

negatively with environmental marketing structures and functions. Additionally, belief in a price premium for environmentally friendly products is in harmony with environmental marketing strategies.

Limitations of the study

Comparability of the results between industry sectors surveyed is good even though respondents represent very different types of firms along the forestry-wood value chain. A total of 454 interviews in four European countries with a coverage along the value chain provides a substantial data set for conclusions. This is because operationalisations concerning environmental business values and environmental emphasis in marketing strategies, structures and functions used in this study can be equally applied to any company or industry sector. Still, marketing of forest-based products is a common denominator among respondents.

Future research should be directed to a wider range of industries for testing the nature and relationships of corporate social responsibility, environmental marketing strategies, structures and functions. Measurement of the nature and role of governmental balancing and CSR could be improved. In addition to self-appraisals from respondents used in this study, future research should enhance measurement validity by including independent measures of marketing strategies, structures and functions. One example of such an independent measure, actual environmental arguments in print advertising, has been successfully used by the authors (Kärnä *et al.*, 2001).

Limitations to the analytical techniques used in this study refer to factor analysis and reliability (generalisation) assessment. In this study, classical Cronbach Alpha coefficient was used to assess the scale reliability. Finn and Kayandé (1997) suggest that generalisation of the measurement over persons in the population should be considered within modern generalizability theory (G-theory). Carrying out a two-stage study for maximising G-coefficient could be followed in further studies. Second, factor analyses conducted in this study are exploratory in character and thus may impose structure that contains measurement error and a degree of incompleteness. However, for example, we feel that the three-factor solution presented in Table I is acceptable even though variance explained after extraction and rotation remains relatively low in this maximum likelihood factor solution. Within this solution, the dimension of "free market orientation vs governmental balancing" could be distinguished in order to test the model presented in Figure 1.

Summary and conclusions

The study results show that most of the respondents emphasise environmental issues in their values, marketing strategies, structures and functions. An interesting observation is that industry sectors closest to end-users emphasise both "redirecting towards sustainability" and "profitability orientation" in their

values more than companies in the beginning of value chain. The impact of environmental issues on marketing planning has been strongest among Finnish and German companies and within the pulp and paper industry. This indicates that environmental marketing and CSR are becoming the norm at some level but this development has been driven mostly by outside pressures and CSR behaviour has been a genuine proactive strategic decision only for a part of the companies.

From the perspective of marketing theory, the interrelationships between values, strategies, structures and functions in marketing planning were analysed. Structures and functions are tools to implement strategies and logical relationships should exist between various planning levels. The results of the correlation analysis give evidence that green values, environmental marketing strategies, structures and functions are logically connected to each other as hypothesised according to the model of environmental marketing used to guide this study. This supports *P1*. For companies examined in this study, environmental marketing functions (e.g. green advertising or examining environmental information) logically reflect environmental values and strategic and structural level decisions. This suggests that the companies may not be at risk of being accused of "greenwashing". However, the correlations could have been higher. Sophistication of integrating social responsibility and environmental issues into marketing planning could be improved and the level of strategic decisions deeper if genuine environmental responsibility is regarded important. The necessity of credible marketing strategies and structures behind environmental marketing functions is the most important lesson to be learned for marketers in all sectors.

Being socially responsible does not mean that a company must abandon its primary economic task. Nor does it mean that socially responsible companies could not be as profitable as other less responsible companies. Social responsibility or environmental friendliness can also be competitive advantage for proactive and innovative companies. The results of this empirical study indicate that there are companies that feel "redirecting of customers towards sustainability" and "profitability orientation" are compatible. This attitude was most common among German companies. Marketers in all sectors must recognise the growing importance of social responsibility and design marketing strategies that will allow the company to meet its responsibility without sacrificing profitability.

Three types of companies were found in this study. Of the companies, 32 percent were classified (Figure 3) as "proactive green marketers" (companies emphasising pursuing sustainability but believing in free market system). The results show that "proactive green marketers" emphasise environmental issues in their marketing planning more than traditional "consumption marketers" (26 percent of sample), and "reactive green marketers" (42 percent of sample) who emphasise pursuing sustainability under governmental balancing (compliance

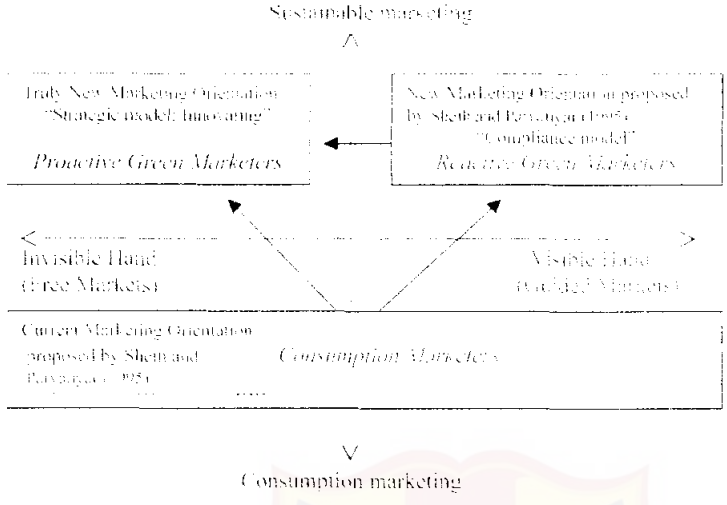

Figure 3.
Truly new orientation for environmental marketing

model). This supports *P2* derived from the ideas by Porter and van der Linde (1995) and Miles and Covin (2000) who emphasise environmental performance as a source of competitive advantage resulting from "innovations", or adopting a "strategic model" for environmental management. The result suggests that the direction of "new orientation for ecological marketing" proposed by Sheth and Parvatiyar (1995) (see Figure 1) is incorrect and that their conceptualisation is too reliant on governmental interference.

We interpret these results to mean that the proactive green marketers are the most genuine group in implementing environmental marketing voluntarily (innovating) and seeking competitive advantage through environmental friendliness. Thus, we suggest that the example of these progressive companies should be the truly new marketing orientation, the direction towards sustainable development in business and society (Figure 3). However, this does not mean that governmental balancing is not needed. Apparently, governmental intervention and balancing contributes in redirection towards sustainability because it is driving the traditional consumption marketers to change their values and practices. The result simply shows that the forerunners of sustainable development are voluntarily ahead of governmental interventions, and this allows an opportunity to gain competitive advantage through environmental friendliness. Government intervention appears to be needed for the laggards but as companies evolve the need for governmental intervention decreases and the truly new environmental marketing orientation can be found from the direction of free market system (invisible hand). As Porter and van der Linde (1995) suggest, companies must become more proactive in defining new types of relationships with both regulators and environmentalists in order to gain competitive advantage and raised resource productivity.

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