

Society Versus Business Organization: The Strategic Role of Marketing

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Abstract

This paper is intended to discuss the role of business organization within society, contributing to the theoretical and managerial understanding of this matter. Concepts of strategic marketing and societal marketing are presented and comparatively analysed. In addition, corporate positioning based on social responsibility is examined. The author believes that managers should accept the challenge of balancing the interests of society with those of organizations, trying to reach the best relationship between them.

Keywords

Society, business organization, societal marketing, strategic marketing, roles

Introduction

This article discusses the inter-relatedness of society and marketing, considering the strategic aspect that emerges from such a combination. Social responsibility is becoming increasingly popular amongst organizations and can be regarded as a strategic positioning tool. Studies merging society and strategic marketing are needed in order to clarify the genuine role of business organizations within the social context. This is a challenging matter as the managers should balance and juggle the often competing interests of society and companies and go beyond corporate image to effectively sustain a competitive position. This article addresses these concerns, presenting the view of several authors and concepts to support them.

Competing Interests of Society and Companies

The recent years have witnessed an enthusiastic debate about the role of business organizations within society. Academic scholars and practising managers have questioned "whether the proper or legitimate role of a business organization is merely economic or also social" (Lantos, 2001, p. 608). They have wondered what the corporate purpose should be and to what extent the company should be held responsible for social issues. This is not simply a speculative debate over how to accommodate different opinions, but a relevant discussion over how the business world actually works and how it could do better.

Some authors have criticized profit-oriented companies which do not return a portion of their profit to society. They claim that organizations may serve many purposes beyond those for which they primarily exist. Mintzberg et al. (2002, p. 69), for instance, argue:

Corporations are economic entities, to be sure, but they are also social institutions that must justify their existence by their overall contribution to society.

And Lazer (1996, p. 52), talking specifically about the marketing area, corroborates:

Marketing is not an end in itself. It is not the exclusive province of business management. Marketing must serve not only business but also the goals of society. It must act in concert with broad public interest. For marketing does not end with the buy-sell transaction – its responsibilities extend well beyond the formal boundaries of the firm.

Companies generating cash flows, producing goods or maximizing stock values may also promote social welfare. If companies exist to serve society as a whole, it is expected that they pursue economic profitability and have social responsibilities as well. However, in real life this is not a simple task. Organizations ought to make profits to survive and to be able to keep investments and employment. Bankruptcies bring clear negative social implications. The commonsensical view holds that generation of capital is beneficial to all society.

Nevertheless, the goal of making profit is not always compatible with the collective interest. While the societal ideal would be to aim at offering a good standard of life to all its members, companies apply market segmentation techniques to attain certain profiles of consumers who can afford to pay for their products. While society needs a more equal distribution of income, companies pay dividends to their shareholders, generally distributing earnings among the most affluent groups. Some ethical dilemmas appear when analysing these examples. Could ordinary corporate activities, such as segmentation and dividend distribution, be considered means of social exclusion, leading to the perpetuation of social disparity? Could they not be considered inconsistent with the ideology and ethics of society? There are instances when the goals of a society and the goals of a business organization are at least contradictory. The question that remains is how managers should cope with these situations.

The difficulties in answering such challenging questions and the contemporariness of the 'society-versus-organization' topic have made it the focus of numerous debates. A crucial strategic component underlies this matter and this is the future relationships among all constituencies involved in the organizational process. The next section comparatively

analyses conceptual aspects of 'society' and 'strategy' within the corporate context.

Societal Marketing and Strategic Marketing: Points of Convergence

The bridge between firms and society is created and maintained by marketing tasks involving the establishment of relationships through the exchanges of values. The concept of exchange is also present in the definition of 'societal marketing' – a term coined by Kotler (1972) in the early 1970s. The societal marketing approach considers not only the commercial exchanges carried out to satisfy the needs of customers, but also the effects on all members of the public involved in some way in these exchanges. The members of the public who are directly or indirectly involved in the organizational process are called stakeholders. Business's major stakeholders include consumers, employees, owners, shareholders, suppliers, competitors, government, the community, and the natural environment (Carroll, 2004; Ferrel, 2004; Henriques and Sadorsky, 1999; Laszlo and Nash, 2001). The notion of future is embedded in the societal marketing thought since the consequences of current decisions will be felt in the long-term. In the latest edition of their textbook, Kotler and Keller (2006, p. 22) define societal marketing as follows:

The societal marketing concept holds that the organization's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

In order to make comparisons between concepts, let us look briefly at the concept of strategy. The term 'strategy' has its roots in the Greek word 'stratego', which meant to "plan the destruction of one's enemies through the effective use of resources" (Fawcett, 1995, p. 33). Although strategy is still defined in terms of competition, its original meaning evolved over time to integrate other elements. The view of Hamel and Prahalad (1994) – prominent researchers in this area – draws on strategy as a pattern and as an imaginative future position. A comprehensive definition of strategy is given by Kerin et al. (1990, 39):

Strategy is a fundamental pattern of present and planned objectives, resource deployments, and interactions of an organization with markets, competitors, and other environmental forces.

This definition embraces a broad range of participants (or stakeholders). In addition, it suggests that a strategy should specify: (a) objectives to be accomplished today and in the future, (b) which industries and product-markets to focus on and finally, (c) which resources and activities to allocate to meet environmental opportunities and to gain a competitive advantage.

Strategy exists at various levels in an organization, including functional levels (Varadarajan and Jayachandran, 1999). The interface between the function of marketing and strategic management is established by the so-called 'strategic marketing' that considers long-term objectives and planning. According to Wiersema (1983), the strategic marketing perspective is defined as having the dual task of providing a marketplace perspective on the process of determining corporate direction, and guidelines for the development and execution of marketing programmes that assist in attaining corporate objectives. Among other actions, it includes trend analyses, customer service and relationship processes, forms of corporate marketing organization, intelligence gathering processes and marketing planning and positioning.

By comparing the conceptual elements underpinning the definitions of 'societal marketing' and 'strategic marketing', it is possible to find points of convergence. These conceptual similarities can be summed up in three points:

a) Broad view of marketing. Societal marketing goes beyond the traditional marketing concept based on commercial exchange, by incorporating exchanges able to safeguard society's welfare. Analogously, strategic marketing enlarges the scope of marketing, considering it as a way to do business and not only as a function of business.

b) Focus on long-term rather than short-term. The future serves as a broad-spectrum guide to societal marketing as much as it does to strategic marketing. Both are concerned with preparing the organization and its environment in regards to forthcoming events.

c) External-orientation towards stakeholders. While societal marketing concentrates its efforts on enhancing the well-being of society, strategic marketing carries out environmental and trend analysis involving all the members of the public relevant to the organization. In other words, both work in favour of stakeholders.

Societal marketing and strategic marketing present similar conceptual points that deserve more study and research. The discussion until now has demonstrated the relevance of the topic 'society versus business organization' to strategic marketing management. The next section explores the impact of companies' actions on stakeholders' perceptions, as well as the consequences of their perception for the organizations, by discussing social responsibility as a strategic positioning tool.

Social Responsibility as a Strategic Positioning Tool

Nowadays it seems that business organizations are finally learning to look to their customers. Listening to customers, paying attention to customers, looking after customers needs: these are the most basic lessons of any marketing lecture. Customers are observers analysing their purchase alternatives before deciding upon a specific product that will enable them to maximize their level of satisfaction. Customer-aware companies are actually concerned with finding out and reaching their needs. Moreover, they are concerned with demonstrating that they are able to do it. Given this, positioning strategies have been created in an attempt to develop a positive institutional image in the costumers' mind and, consequently, influence their behaviour. As images and perceptions are not enough to sustain sales, firms are also employing sophisticated techniques towards the creation of long-lasting relationships, employee training, customized offering and the opening of new channels of communications with consumers, among other customer-oriented activities. Ellson (2004, p. xiii) summarizes these comments in the following statement:

Every action and inaction, every behaviour and trait observed by a customer, whether business or retail, forms part of the larger picture. It is not enough to rely upon an image, a perception (or sometimes, more accurately, a manipulation of perception) to support the sale of products and services.

Companies are trying to create differentiation criteria in tune with their positioning, taking into consideration that customers are always on the verge of changing their purchase decision since they are constantly evaluating and comparing products and brands. In this regard, social responsibility emerged as an important criterion of differentiation in the last years. However, it is becoming more and more common, putting pres-

sure on companies to engage in social activities and to display them to the wider public. "Corporations are starting to view philanthropy-related expenses as no different from budget allocations for advertising, human resources, raw materials and other traditional expenditures" (McAlister and Ferrell, 2002, p. 690) and most of them are emphasising societal issues in their values, marketing strategies, structures and functions (Karna et al. 2003).

In fact, corporate social responsibility has been affecting business images as well as customer behaviour. Surveys reveal a great quantity of customers who either reward or intend to reward companies that are proactive regarding social or environmental issues in their business and marketing practices (Carlson et al., 1993). This can be confirmed by Brown and Dacin (1997), who investigated the effects of the company's perceived social responsibility on product responses. The research findings show that what consumers know about a company can influence their reactions to its products. Negative corporate social responsibility associations can have a detrimental effect on overall product evaluation, whereas positive ones can improve the product evaluations. In their words (1997, p. 80): "managing all the associations that people have about a company, both for abilities and social responsibility, is an important strategic task".

The standpoint on social responsibility as a strategic device is endorsed by other authors. McDaniel and Rylander (1993), for instance, recommend incorporating environmental concerns into strategic marketing planning. In their opinion, with increasing environmental consciousness, green marketing is taking shape to be one of the key business strategies of the future. The results of the Hartmann et al.'s research (2005) also indicate the positive influence of green brand positioning on brand attitude.

The process of creating brand values through social contributions, called 'cause of related marketing' (Pringle and Thompson, 2001), appears to have a widespread appeal among organizations. But, it does not mean that a firm needs to adopt a philanthropic cause to meet the demands of society. Doing 'charity' work should not be considered the norm for organizations to manage their stakeholders' expectations and to gain their confidence. Furthermore, promotional campaigns do not necessarily have to be devised in order to build the firm's reputation as an exemplary social contributor. Stakeholders can realize it by other means since a solid reputation is not constructed overnight, but day by day. Adopting a philanthropic cause for the company's own sake may sound evasive and disconcert stakeholders. Paraphrasing Peatti and Peatti (2003, p. 366):

Corporate initiatives driven by enlightened self-interest may make a positive social contribution, but they ultimately reflect the harnessing of social issues to drive forward corporate and marketing strategies.

Food advertisements that talk about quality of life do not hold any meaning if the food is unhealthy. Similarly, it does not make sense if a company claims to protect an environmental cause while not using emission-controls in its production processes. What can be said about the social responsibility of the automobile industry considering the pollutants emitted by cars?

Even though reality is full of paradoxes, people expect consistency in corporate actions.

Social responsibility is not merely using communication tools to inform stakeholders of corporate conduct that favours the community. Communicating social achievements must not be the primary business goal, but a secondary outcome. Indeed, what is necessary is to generate capital responsibly and to be responsive to stakeholders. As Kopperi (1999) points out, people who work in business should consider how their economical decisions affect other people, the environment and society. The interests of all stakeholders should be acknowledged and weighed. Promotional activities that do not reflect true societal concerns can incite the opposite effect, leading to the depreciation of the corporate image.

As previously mentioned by Ellson (2004), it is necessary to go beyond corporate image to effectively sustain a competitive position, which is also applicable to positioning involving social issues. More than lending a brand an aura of social responsibility and making profits in doing so, it is imperative to truly improve the quality of life within the community.

Final Considerations

In the beginning of 1970s, Bell and Emory (1971) had already suggested the consumer comes first' assumption as a more equitable basis for the buyer-seller relationship. This message seems to be understood at present. However, besides customers, these authors (1971) mentioned society as well, arguing (p. 41): "the entire business is a total operational system with consumer and social problems taking precedence over operational considerations in all functional areas". Companies are concerned with their customers and it is about time they treated society as a whole in the same manner. A particular corporate positioning strategy may influence not only the customer, but also several different audiences (or stakeholders) and it should be carefully examined by the firm as well.

What this article engenders is the idea that marketing managers should accept the challenge of balancing the interests of society with those of organizations, trying to reach the best relation between them. It is worth elucidating that behind the impersonal walls of an organization are people. A company is built by people for people. Employees, managers and directors of a specific company may play the role of consumers of another or feel collectively injured by an unethical decision of a particular organization. In this sense, we receive back all that we give to our society.

Moreover, individuals do not develop in isolation. Their development occurs through relationships with others. In order to promote an ethical behaviour in managers, the firm should nurture them with an ethical environment (Sargent, 1999). Bearing in mind what is discussed in this article in terms of societal marketing and strategic marketing, we invite academic scholars, practising managers and ordinary citizens to think seriously about what kind of world we are constructing and the consequences of our current actions in the future.

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