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Consumer-defined sustainably-oriented firms and factors influencing adoption

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ABSTRACT

Guided by stakeholder theory, a pair of exploratory studies identifies factors that influence firms to adopt an environmentally-friendly approach to conducting business, while providing insight into consumers' perceptions of such firms. An analysis of twenty in-depth interviews and a qualitative survey yields a conceptual model, indicating that such firms are motivated by governmental intervention, organizational values, and the potential benefits that can accrue as a result of implementation. Moreover, consumers view sustainably-oriented firms as maintaining procedures, developing products, and portraying themselves accordingly. These findings are relevant to academicians as they describe the underlying rationale for such behaviors and outline a novel conceptualization of the construct, thus invigorating future research. The results are also useful for firms as they shed light on sustainability efforts that are salient to the consumer and provide support for implementation, thereby encouraging the joint maximization of social and economic objectives.

1. Introduction

Many highly visible firms are adopting what might be broadly construed of as a sustainable orientation; that is, attempting to conduct business in a more environmentally-friendly way (Yaziji, 2004). For example, Bank of America reduces paper consumption, recycles over 30,000 tons of paper annually, and provides employees with $3000 to purchase a hybrid vehicle. Such efforts lie in contrast with the traditional profit maximization approach to business in that they jointly facilitate positive outcomes for the firm, including sales, profit, and stock price increases, and society, including pollution reduction, natural resource conservation, and, hence, promotion of the species' longevity (Banerjee, 2002; Porter & Van der Linde, 1995).

The recent flurry of firms' adoption of a sustainable orientation is drawing considerable attention from the academic press as such behaviors spawn several managerially relevant and theoretically important questions (Banerjee, 2002; Menguc & Ozanne, 2005). First, the construct is currently developed from the perspective of a single stakeholder – the manager – and thus may contain elements that to the consumer are undetectable or irrelevant, reducing the effects of implementation as a means of connecting with such environmentally-concerned consumers (cf. Aragon-Correa, Matıas-Reche, & Senise-Barrio, 2004; Clemens & Douglas, 2006). While managing this stakeholder segment is not the only reason that firms choose to embrace such behaviors (cf. Plambeck & Denend, 2008), ignoring what this group values could result in negative consequences for firms (Braunsberger & Buckler, 2011; Maignan & Ferrell, 2003). Relatedly, whereas research on stakeholder theory identifies a host of stakeholders whose positions the firm should consider prior to strategy enactment, research that attempts to catalogue the firm's underlying rationale for adopting a sustainable orientation is relatively scant (cf. Sharma, 2000; Sharma & Vredenburg, 1998). Given the increasing number of firms purporting to adopt a sustainable orientation, as well as the myriad of possible enablers of such behaviors, the development of a compendium of adoption factors contributes to both theory and practice.

Informed by stakeholder theory, the research presented attempts to advance these two complementary areas of inquiry. First, an examination of twenty in-depth interviews of mid- and senior-level managers suggests that governmental intervention, organizational values, and the potential benefits that result encourage such an approach. Next, in an effort to more clearly understand the perspective of an as yet investigated and important segment, an analysis of an open-ended survey ($N=226$) conceptualizes a consumer-defined sustainably-oriented (CDSO) firm as one in which the firm develops environmentally-friendly offerings, operates in a likewise manner, while promoting such behaviors.

This manuscript proceeds as follows: a brief discussion of stakeholder theory is presented, highlighting how this theory supports inquiry into the factors that influence firms to enact a more environmentally-sound approach to doing business, as well as in understanding why consumers' perceptions of such behaviors are particularly relevant. An analysis of two qualitative studies builds on previous research by identifying and parsimoniously classifying motivating factors, in addition to exploring consumer perceptions of firms' behaviors. The manuscript concludes with a discussion of the findings, limitations, and research extension opportunities.

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2. Conceptual background

Stakeholder theory suggests that organizations are accountable for their actions to more than just their shareholders (Freeman, 1984). This at one time groundbreaking theory departs dramatically from the widely held belief that the firm's sole purpose is to generate profits and, hence, provide a substantial rate of return on shareholders' investments (Hult, 2011). Instead, this theory implies that organizations should attempt to maximize the welfare of a wide-ranging constituency, as firms depend on a variety of stakeholders for needed resources and hence seek to simultaneously maintain amicable relationships with multiple parties (Freeman, 1984; Hult, Mena, Ferrell, & Ferrell, 2011). Thus, firms implementing the guiding premises of this normative theory will focus jointly on contributing to society's greater good, as well as the firm's bottom line.

Stakeholder theory is used to explain and predict a variety of business related phenomena. For example, research suggests that firms which adopt a stakeholder orientation will enjoy a host of benefits as a result (Cronin, Smith, Gleim, Ramirez, & Martinez, 2010). More specifically, with the enactment of a CSR program – an endeavor akin to actualizing this theory – increased market share, profits, and share price valuations result, as consumers reward firms for such efforts (Cronin et al., 2010). Furthermore, by demonstrating sensitivity to more than firm performance, organizations are perceived of as more altruistic. Consequently, such firms become highly sought after employers, are less likely to be targeted by third-party watchdog groups, and receive free publicity (Bhattacharya, Sen, & Korschum, 2008; Yaziji, 2004). Whereas some argue that stakeholders vary in their level of importance (Jawahar & McLaughlin, 2001), others maintain that all stakeholders' concerns are significant (Hult et al., 2011). These findings indicate that well-established firms should carefully weigh the costs associated with serving stakeholders, while endeavoring not to marginalize any particular group. Interestingly, despite the fact that stakeholder theory contends that firms should serve all involved parties, a significant number of articles on the topic are studied solely from the organization's perspective (Hult et al., 2011).

Although stakeholder theory supports several of the aforementioned advances to knowledge, prior research only considers to whom firms are responsible (Maignan & Ferrell, 2003) and does not specifically address why firms adopt such practices. Given that stakeholders' relative power over firms may wax or wane over time or vary by country, understanding the firms' underlying rationale for conforming to demands is relevant to both theory and practice (Maignan & Ferrell, 2003). In addition, the bulk of research which investigates stakeholder management efforts focuses on broad CSR implementation and not on the enactment of environmental sustainability. Furthermore, given the paucity of research conceptualizing such behaviors from the consumer's perspective, components that may galvanize consumer relationships and hence increase firms' top-line performance may remain unidentified. This is particularly relevant, as consumers increasingly expect for firms to conform to certain norms; that is, many consumers are calling for products that are environmentally-sound and firms that incorporate pro-environmental behaviors into their routines (Handelman & Arnould, 1999). Thus, this study endeavors to uncover the perceptions of a stakeholder segment whose concerns should not go unanswered, by seeking to understand consumers' perceptions of enacting firms.

3. Study 1 — factors influencing a sustainable orientation

A qualitative study provides insight into firms' adoption of a more sustainably-oriented approach to conducting business. Organizational leaders' perspectives are sought, as managers have a more lucid understanding of why firms are motivated to adhere to particular stakeholders' demands. The findings from these interviews ($N=20$) are synthesized with themes appearing in the literature, allowing for a more comprehensive view of firms' underlying rationale. By merging fieldwork and well-supported research, adoption factors are revealed (Strauss & Corbin, 1998).

3.1. Method and data collection

Data are obtained from twenty in-depth interviews of mid- and senior-level managers from firms ranging in size from small to large. Informants are recruited from personal contacts who express that their firms engage in environmentally-friendly behaviors. More specifically, in order to qualify as an informant, potential informants confirm that their organizations had installed a pro-environmental program (e.g., engage in recycling, build using LEED specifications). Coming from multiple industries, informants average ten years of service, and serve in roles ranging from Manager to President. Informants' companies range in sales volumes from < $10 million to > $25 billion and employ from < 50 to > 250,000 employees (see Table 1). In sum, the informants have insight into the implementation of sustainably-oriented behaviors, hail from firms of various sizes that

Table 1
Organization profiles.

Company pseudo name	Industry	Position	Sales volume	Employees
DeliveryCo	Package delivery	Sr. Product Manager	>$25 Billion	> 250,000
SoftwareCo	Software	Product Marketing Manager	>$25 Billion	> 75,000
BankCo	Banking	Vice President	>$25 Billion	> 200,000
MultinationalCo	Multiple	Pan Global Marketing Manager	>$25 Billion	> 75,000
EduCo	Education	Admissions Director	>$1.5 Billion	> 10,000
EntertainCo	Broadcast	Director of Communications	>$10 Billion	> 10,000
PublicationCo	Publisher	Marketing and PR Coordinator	>$1.5 Billion	> 10,000
OnlineauctionCo	Internet	Marketing Manager	>$5 Billion	> 10,000
ConsumerproductsCo	Consumer Goods	Market Research Manager	>$50 Billion	> 100,000
InsuranceCo	Managed Health Care	Executive Operations Manager	>$10 Billion	> 10,000
TechEducationCo	Education	Director of Marketing	>$1 Billion	> 10,000
BankingCo	Banking	Senior Vice President	>$25 Billion	> 200,000
USCo	Multiple	Brand Manager	>$25 Billion	> 200,000
HightechCo	High Tech	Manager of International Trade Compliance	>$15 Billion	> 50,000
SportswareCo	Manufacturing	Brand Marketing Manager	>$15 Billion	> 25,000
PestCo	Pest Control	Owner/Founder	>$10 Million	<50
AdCO	Media Services	Director of Research	>$15 Billion	> 25,000
RegionalfinancialCO	Financial Services	Vice President	>$20 Million	<50
JobsCO	Employment Services	Senior Project Manager	>$10 Million	<50
EnvironmentalCO	Environmental Consulting	Owner/President	>$10 Million	<50

This table lists consumer-oriented businesses that maintain a pro-environmental program (e.g., engage in recycling campaigns, build using LEED certified processes), showing informant titles, firms' pseudonyms, and characteristics.