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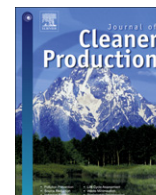

Corporate responsibility for sustainable development: a review and conceptual comparison of market- and stakeholder-oriented strategies

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A B S T R A C T

This paper reviews and compares two mainstream business theories, namely market and stakeholder orientations, as contending strategies of corporate responsibility for sustainable development. We argue that even though *stakeholder orientation* offers a broader inclusion of values and expectations than *market orientation*, they share considerable similarities in terms of sustainability assumptions and how the role of the corporation becomes perceived in the quest for sustainable development. Both strategies leave responsibility outside the firm by emphasising the role of either customers or stakeholders as the basis of strategizing. Both strategies are also based on assumptions consistent with weak sustainability (at best), which is argued to be insufficient in order to achieve sustainability over time and space. Therefore, this article suggests that a new orientation is needed if corporations are to contribute to sustainable development, namely *sustainable development orientation*. We call for further research in outlining a business strategy that admits corporations' responsibility for sustainable development and departs from the strong sustainability assumption.

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1. Introduction

There is a growing consensus in society that we face major environmental problems. Many would now say that ecosystem degradation, resource scarcity, biodiversity loss and climate change are threatening the modern welfare society and eventually life on Earth (Brown, 2011; Rockström et al., 2009). This environmental crisis is accentuating current poverty and health problems, particularly in the face of an increasing global population with growing demands on prosperity and consumption.

While the environmental problems are clearly anthropogenic (e.g. MA, 2005; IPCC, 2007; UNEP, 2007), the social and human sides of the sustainability challenge cannot either be disentangled from organised human action. Correspondingly, with climate change being an extreme case of market failure (Stern, 2006), we can argue that environmental degradation as well as the distribution of wealth over space and time is a broader political and socio-economic failure.

Regarding the failure of the political sector, illuminated, for instance, in the quest to replace the Kyoto protocol (cf. Harris, 2007), one explanation can be found in the elevation of economic values and interests in today's societies. A superior role is given to markets and market actors in coordinating the use and distribution of resources, particularly in the Western world (Armour, 1997; Lunt et al., 1996). While international competition and national economic interests seem to effectively contribute to hampering responsible political decision making, businesses and consumers, to whom much of the responsibility for sustainable development is allocated, have until now not succeeded to achieve the sustainable use and distribution of natural and man-made capital (Brown, 2011; Rockström et al., 2009; Steffen et al., 2011).

Although economic theory as well as liberal ideology emphasise the role of the individual, and of markets in a functional and neutral sense, it can be argued that the resources of major corporations and the transnationality of business networks give the real power to firms to act as harbingers of "development" and our common future (cf. Anderson and Cavanagh, 2000; Coghlan and MacKenzie, 2011).

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Certainly, governments still play major roles in societal development, but increasingly in cooperation with the private sector (Christopoulus et al., 2012), and given the importance of the quest for sustainability, we should be concerned about what to expect from firms. Such corporate responsibilities for sustainability extend beyond the need to follow social codes of ethics, as well as being functional in providing economic wealth, to also include an active role in ecological stewardship and sociocultural well-being. By furthering knowledge of the possibilities and limitations for such responsibility of firms, we may improve our abilities to shape the reform of the business sector as well as to find balancing institutions and supporting regimes.

This article builds on the fairly conventional assumption that business theory has descriptive relevance and prescriptive power (Armour, 1997; Ghoshal, 2005). Hence, the main corporate approaches to sustainability are likely to be indicated by existing business theories, containing authoritative claims about the roles and responsibilities of firms. Two major theoretical lenses that compete for such an influence denote a narrow and a broader approach to responsibility. The former, a mainstream approach to a firm's responsibilities, which is expected to also hold a dominant normative role in how sustainability is met, can be represented by market orientation (MO; e.g. Narver and Slater, 1990; Kohli and Jaworski, 1990). MO, narrow in the sense of its focus on conventionally determined economic transactions and actors, has been seen as a foundation of strategic marketing since the middle of the last century (Mitchell et al., 2010). In contrast to MO, a broader approach to responsibility can be labelled stakeholder orientation (SO; e.g. Freeman, 1984; Mitchell et al., 1997), according to which various actors within civil society are presumed to influence corporate strategizing. This more inclusive orientation is an emerging alternative in the business literature, built on the deficiencies of conventional theories in terms of how issues of ethics and sustainability are handled.

The objective of this article is to review and conceptually compare market orientation and stakeholder orientation as contending strategies of corporate responsibility for sustainable development. These two orientations were chosen for analysis because of their dominant position in the field of corporate responsibility and strategy (Heikkurinen, 2012). We focus on analysing their differences and similarities in terms of (a) underlying assumptions that are relevant in the quest for sustainability, and (b) how the role of the corporation becomes perceived in this quest. The key contribution is to comment on the suitability of these business theories as bases for reaching sustainable development, and to outline the preconditions for business strategies so that they contribute to sustainable development.

This paper is organised as follows: firstly, we explain why responsibility of private actors is called for; secondly, we discuss the concept of sustainable development; third and fourth, market and stakeholder orientations are reviewed, whereafter they are compared as contending explanations. A sustainable development orientation is introduced in the discussion section, before the concluding remarks.

2. Call for responsibility

Mankind is facing the challenge of sustaining life on our planet, and a scientific consensus is emerging that this sustainability challenge is caused by human activity. According to the Millennium Ecosystem Assessment, "Over the past 50 years, humans have changed ecosystems more rapidly and extensively than in any comparable period of time in human history, largely to meet rapidly growing demands for food, fresh water, timber, fiber, and fuel" (MA, 2005, 2). Arguably, the consequences of this development are not fully understood. However, we have already had a taste of the undesirable outcomes in the form of climate change and the irreversible loss of biodiversity of flora and fauna (IPCC, 2007; Wake and Vredenburg, 2008).

The root causes of the rapidly growing environmental pressure are the growth in the global population, which has already passed 7 billion, and more importantly, increasing human consumption. This implies growing material and energy flows from states of low to high entropy and pressure on land, water and other resources, which are necessary for economic processes but quantitatively and qualitatively constrained due to the biophysical limits of the planet (Steffen et al., 2011; Rockström et al., 2009).

In order to meet the increasing demand, market mechanisms are, within the dominant liberal paradigm, considered to be the most effective response. With rival competition, inefficient players can be eliminated from the marketplace, while publicly owned organizations are often claimed to be too inefficient and regrettably static in their responses to new demand situations (Vining and Boardman, 1992). This notion, whether it really is the case or not (see e.g. Sarkar et al., 1998), is one of the main underlying reasons for the privatization trend among state-owned suppliers, in industries such as energy, water, food, transportation, education, healthcare and medicine (e.g. Lunt et al., 1996).

Despite the desired ability of market mechanisms to boost efficiency, issues of socioeconomic and environmental justice have remained unresolved (e.g. UNEP, 2007). Further, the replacement of societal and governmental actors with business actors has had implications for the power structures within and between societies (Ketola, 2011). Within societies, large corporations are able to lobby their interests successfully, and in the international context, major multinational companies can even decide to shop around with different countries and continents in order to obtain the best offer (Fuchs and Clapp, 2009).

Proponents of international and domestic regulation have also been disappointed, as national states and supranational communities (such as the EU and UN) have proved ineffective in tackling the problems of sustainable development (Stiglitz, 2010; Leventon and Antypas, 2012). This failure to succeed with, or even to admit responsibility for, sustainable development is found to be associated with concerns regarding the impact of policy on industrial competitiveness (Gouldson and Murphy, 1996). The concern about competitiveness arguably applies to private actors as well, in addition to barriers that can be more contextual in nature, e.g. low environmental and social awareness, poor institutions, and few genuine good examples (Kronenberg and Bergier, 2012). Important antecedents to corporate environmentalism are public concern, regulatory forces, competitive advantage, and top management commitment (Banerjee et al., 2003). If these antecedents are not in place, then economic rationale does not push firms to incorporate sustainability principles into their business models.

Nevertheless, along with deregulation and privatization, and consequently increased corporate power and presence (both scope and scale), has arisen the question of corporate responsibility for sustainable development, also beyond the mere economic rationale.

3. Sustainable development

As the sustainability challenge is predicted to seriously affect sociocultural and economic conditions, globally as well as locally, sustainable development has become an accepted issue on political agendas. What is meant by sustainable development, however, is not clear-cut. Pezzey (1992) reviewed over 60 definitions of sustainability and found that they differed on how significant, essential or substitutable the various natural and man-made

resource inputs were considered to the economy's production processes. After Pezzey, the concepts of *weak* (*WS*) and *strong sustainability* (*SS*) emerged to describe the different assumptions related to which development is considered sustainable (Pearce and Atkinson, 1993; Beckerman, 1995; Gutes, 1996; Hediger, 1999; Ayres et al., 1998; Neumayer, 2002).

An assumption within WS is that natural and man-made capital is substitutable, while within SS they are seen as complements. As man-made solutions have not been capable of replacing services provided by our ecosystem, WS has faced criticism, for instance, from ecological economists. Daly (1996, 77), e.g., notes that, "[t]he complementarity of man-made and natural capital is made obvious at a concrete and commonsense level by asking, What good is a saw-mill without a forest, a fishing boat without populations of fish, a refinery without petroleum deposits, an irrigated farm without an aquifer or river?"

On the contrary to WS, SS implies conservation of critical natural capital, i.e. stocks of natural resources. Proponents of SS also emphasise systemic thinking, in which the economy and society are considered as subsystems of the environment (the ecosphere or biosphere). The limits of this biophysical world constrain social and economic systems, and necessitate economic non-growth (Meadows et al., 1972; Daly, 1993, 1996), or, as planetary boundaries are already exceeded, de-growth (Latouche, 2007; Victor, 2008; Jackson, 2009). Development is still possible, but signifies qualitative improvement and not quantitative growth (Daly, 1996).

WS, in turn, asserts the need for sustainable growth (cf. Holliday, 2001; European Commission, 2011), in which economic growth would not contradict sustainable development. As a key example, the Brundtland report, *Our common future*, denied absolute limits and declared that "technology and social organization can be both managed and improved to make way for a new era of economic growth". (WCED, 1987, 24). The report certainly emphasized the needs of the poor, and hence a more fair distribution, but the idea of sustainable growth is also based on a belief in ever increasing quantitative development, which corresponds to (never ending) needs and desires that can be marketed. It also builds on the assumptions of substitutability and of dematerialization enabled by technology and other innovations. Observers within SS, however, are less confident about the imperative to modify the natural environment for common good and the human ability to dematerialize growth. The impacts of the technology revolution on human and societal well-being, as well as its abilities to solve the problems that it has created, have been questioned by philosophers such as Arne Naess and Georg Henrik von Wright. The latter linked techno-optimism to hubris, as through technology, man attempts to gain control over nature for anthropocentric purposes (von Wright, 1978).

Nonetheless, the bulk of the discussion on sustainable development is firmly anthropocentric and, as with the widely referenced Brundtland report (WCED, 1987), can be characterized as WS (see e.g. Hueting, 1990; Hopwood et al., 2005; Ketola, 2010). The report was not only a broad international political compromise. It also established the now conventional compromise between environmental, social and economic aspects (Ketola, 2010), underlining its "weakness" in terms of sustainability assumptions. This enabled its broad adoption but also gave room for critique. Irrespective of this debate, the Brundtland report introduced two fundamental dimensions that have guided the discourse on sustainable development ever since, namely sustainability over space and time.

Often, these dimensions are referred to as intra- and intergenerational justice, respectively, through which socioeconomic and environmental inequalities become addressed. Such reasoning, however, is alien to mainstream economic and business theory, to which the assumed obligations to keep agreements and abide by the law are as close as we get to the concept of justice (cf. Carroll, 1991; Friedman, 1970). Rather, the functionality of the economic system and its actors is emphasised. This addresses the efficient allocation of resources and utility in a way that is neutral to actors and preferences (differentiations are not made, for example, between basic needs and luxury goods). Hence, space in particular is assumed to be treated in a neutral sense. However, market imperfections such as inefficient regulation or anti-competitive structures are considered discriminating, as they would mean that the allocation is distorted and prices and profits misleading.

The time dimension is treated on the same basis, but here the interest rate and the ideas of value creation and substitutability also play important roles. Interest rates do indeed discriminate between points in time, as any positive rate reduces the present value of future costs or benefits (Stern, 2006). This effect is, however, assumed to be counteracted by the generation of value by profitable market activities (today) and that this value, due to the idea that there is no critical natural capital, can accumulate. Consequently, more value-creating economic activities today mean more capital and wealth tomorrow. Avoiding growth today would thus make future generations poorer.

Hence, applied in a business setting, sustainable development according to WS would first and foremost correspond to the sustained functionality of markets, sustained profits of firms, sustained income of consumers, and so on. More broadly, it has also been found that the word 'sustainable' in many of its current applications and interpretations markedly characterizes the satisfaction of human needs without pointing to the necessity for environmental sustainability (Imran et al., 2011), as von Wright has also warned us. Subsequently, it is worthwhile studying the sustainability assumptions behind popular business theories, as well as analysing their possible outcomes concerning how the responsibility of the corporation for sustainable development becomes manifested in strategies.

4. Market orientation

A conventional approach to the corporate role is to consider markets as instruments in organizing responsibility and corporate strategizing. A well-known business theory that conceptualizes and represents this position is *market orientation* (MO). MO implicitly distinguishes between economic responsibilities and other, primarily legal and ethical responsibilities (cf. Carroll, 1991). The theory basically assigns only a mediator role to the firm concerning its responsibilities. In other words, apart from conforming to regulations, the firm should merely meet the values, needs or expectations that are translated to existing or future customer demand, and measured in terms of customer satisfaction (cf. Porter and Kramer, 2011). The ultimate yardstick for success in MO is its capability to deliver economic utility, not sustainable development in time or space.

MO places consumers at the centre of attention and at the core of strategic thinking (Houston, 1986). Kohli and Jaworski (1990, 6), for instance, defined MO as "the organization wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organization wide responsiveness to it". Another focal definition is a synthesis of several authors collected by Narver and Slater (1990, 21), which proposes that MO "is the organization culture [...] that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business [...]". Hence, among the underlying assumptions are that relevant values are defined by individual economic actors and can be expressed in terms of

preferences on the markets. This, by and large, implies that fair trade, environmental protection and other sustainability issues can appear in product and service offerings as quality features through customer valuation (or, of course, through political measures).

More recent literature has presented two alternative approaches to being market oriented, namely the *market-driven* approach and *market-driving* approach (Kumar, 1997; Kumar et al., 2000; Jaworski et al., 2000; Tuominen et al., 2004). The market-driving approach can be seen as an extension to the (more classical) market-driven approach, as it emerged years later and was developed on the preceding conceptualisation of MO. In a case study, Kumar (1997) found that leading firms – through consolidation, global expansion, technology push and innovative formats – were in fact more market driving than market driven. This 'driving of markets' implied influencing market structure and/or behaviour in a direction that enhanced the competitive position of the business, whereas 'market driven' referred to a business orientation that was based on understanding and reacting to the preferences and behaviours of players within a given market structure (Jaworski et al., 2000). As the consumer responses to sustainability issues such as global warming have proven to be much too slow, a market-driving approach may thus be more promising.

Market-driven strategies are not, however, treated as "only reactive" (Day, 1999, 12), but also as proactive, i.e. anticipatory. Since reactive and anticipatory acts are both determined by the changes in the business environment, the decision-making process becomes an outside-in strategy exercise. Both reactive and proactive firms function within the existing market structures, as their strategies are based on the adaptation to (ongoing or upcoming) changes in the marketplace. For example, an increased, or increasing, customer demand for green products can drive firms to change their production towards sustainable development. Hence, to be market driven is, in fact, an ability to react to and forecast the market demand (e.g. rises in sales volumes), which necessitates sophisticated translations of business functions to economic utility calculations. Concerning the role of the firm in sustainable development, a model by McWilliams and Siegel (2001) suggests that the ideal level of responsibility could also be determined by cost-benefit analyses.

To further define MO, market-driven firms are excellent in generating incremental innovation, but rarely produce the type of radical innovation that is typical for market-driving firms (Kumar et al., 2000). A market-driving firm is more concerned with its resources and capabilities, making strategizing a more or less inside-out process. These firms reconfigure their value chains and use their power to demand changes from powerful manufacturers and drive the product development, pricing, promotion and sales strategies of the manufacturers (Kumar, 1997). For example, an innovation such as an extremely low carbon or water footprint of a product could necessitate the reconfiguration of existing processes and organisations involved in supply. These market-driving firms are able to change the structure of a market by eliminating players in the market, by building a new or modified set of players and by changing the functions performed by players (Jaworski et al., 2000). This may not only be a matter of choice, but dependent on the size and power of a firm and its position in the supply chain. However, when dynamics emerge, a successful firm changes the mind-set of other actors (e.g. customers, competitors and other stakeholders) directly or indirectly (Jaworski et al., 2000). Even though this approach as a strategy entails a higher risk, market-driving firms tend to deliver a leap in customer value through a unique business system, whereby they might revolutionize the industry and reap vast rewards (Kumar et al., 2000). Thus, instead of careful calculations (as is typical for a market-driven approach), the responsibility of the firm is determined by corporate visions and demonstrated through radical innovations introduced in the marketplace.

5. Stakeholder orientation

The alternative line of argumentation on the role of the corporation typically adds a responsibility to consider a broader set of interest groups (not only the customer) in corporate strategizing (Freeman, 1984; Mitchell et al., 1997; Agle et al., 2008). The responsibility in this so-called stakeholder orientation (SO) can be seen as indirect, in the sense that the focal company takes responsibility on an issue through its stakeholders. Furthermore, SO does not make a strict delineation between economic and other responsibilities of the firm, but rather considers them as a confluence of constituent parts (people-planet-profit) through its stakeholders (Freeman et al., 2010).

SO represents an emerging alternative that is built on the defectiveness of conventional business theories in terms of how the issue of ethics and responsibility is tackled. For SO, "[e]thical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (Carroll, 1991, 41). The inclusion of social and environmental concerns in business operations is thus a result of stakeholder interaction and engagement.

The notion of 'stakeholder' originates from strategic management literature (Rhenman, 1968), and later developed into the stakeholder orientation, or approach (Freeman, 1984; Freeman et al., 2010). SO posits that in organizing activities, a firm should consider its stakeholders, which are "any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984, 46). According to Freeman et al. (2007), these can be either primary (customers/communities/employees/financiers/suppliers) or secondary (government/competitors/consumer advocate groups/special interest groups/media). In determining the stake, the focus of SO has been on a stakeholder's ability to affect a business, instead of on the stakeholders who are (negatively) affected by the achievement of organizational objectives. In order to describe the "degree to which managers give priority to competing stakeholder claims", Mitchell et al. (1997, 896) coined the term 'salience' and proposed three relationship attributes, namely power, legitimacy and urgency, that help to distinguish salient stakeholders from other groups and individuals.

It is quite understandable that the stakeholders who are crucial in terms of sustainable development (e.g. the poor, future generations and non-humans) are not necessarily the most salient ones from the corporate point of view. Nevertheless, an increasing number of non-governmental organisations have succeeded in working as the mouthpiece for sustainable development, and have created sustainability-related turmoil around businesses.

Within SO, there is considerable heterogeneity in approaches to being stakeholder oriented. Concerning the responsibility of the firm, a recent typology synthesized that firms use two alternative strategies in stakeholder management, namely *responsive* and *beyond responsive* approaches (Heikkurinen and Forsman-Hugg, 2011). The former approach refers to having organisational capabilities to react to current stakeholder demands and to anticipate upcoming changes in the marketplace, whereas the latter, beyond responsive, describes actions that exceed external expectations for sustainable development. For example, the responsive approach implies that renewable energy or high labour standards will be adopted in case there is, or can be expected to be, such demand by stakeholders, and that it could affect the achievement of the organisational goals. In corporate strategizing, the approach can be

described as an outside-in process, in which the business environment has a major role.

Beyond-responsive strategizing, on the other hand, would mean adopting renewable energy sources without market and stakeholder expectations, but in order to create demand for cleaner production and hence transform the market. Similarly, Kourula and Halme (2008) stated that firms can emphasise the development of new business models for solving social and environmental problems, and not only conduct existing business operations more responsibly. Such beyond-responsive firms seek new business opportunities from responsibility and find novel ways to take responsibility, e.g., the inclusion of 'fringe stakeholders', the poor, weak, isolated, non-legitimate and non-human stakeholders (Hart and Sharma, 2004):

> "First, by reversing the logic of traditional approaches focused on managing powerful stakeholders, firms fan out to identify voices at the fringe of their networks to both preempt their concerns and generate imaginative new business ideas. Second, by creating mechanisms for complex interaction and empathy with those on the fringe, firm fan in to integrate and reconcile this knowledge with existing know-how to design and execute disruptive new business strategies (Hart and Sharma, 2004, 7)."

Such inclusiveness can, on the one hand, lead to increased competitiveness, financial performance and new business opportunities by means of avoiding legal suits and consumer boycotts, and, on the other hand, enhance corporate image and increase knowledge. If these arguments are the drivers for considering stakeholders at large, the justification for SO (whether responsive or beyond) becomes dependent on the economic utility it is able to deliver rather than its appropriateness in order to contribute to sustainable development.

6. Contending explanations

The conceptualization of MO and its typology into market-driven and market-driving strategies (cf. Kumar, 1997) share theoretical similarities with the conceptualization of SO in its typology into responsive and beyond responsive strategies (cf. Heikkurinen and Forsman-Hugg, 2011). In a responsive approach to SO, firms merely respond to the demand for responsibility, as they do in the market-driven approach to MO. Beyond-responsive and market-driving strategies, on the other hand, indicate a supply of certain goods and services in innovative ways to stimulate new demand, either rather directly or more indirectly. As contending explanations for corporate responsibility for sustainable development, however, it is clear that MO and SO propose routes of action that hold an important difference: customers' expectations and values versus the expectations and values of a broader set of stakeholders.

In MO, the economic system mainly depends on a build-up of customer awareness that would be sufficiently rapid and radical to meet large-scale challenges such as climate change, biodiversity loss and global poverty. In the market-driven MO, the role of the corporation would merely be that of a responsive actor to market pull, whereas a market-driving actor would instead be pushing the change to the market, e.g. in terms of sustainable consumption patterns through potential customers. However, due to the collective and non-linear nature of major environmental problems, and the fact that the needs of the poor, unborn and non-human stakeholders are not visible as preferences on the markets, sustainable development cannot be met simply by processes initiated within the seller-buyer dyads.

Together with political measures, including regulation, internalisation of external costs and redistribution of resources and income, a broader inclusion of actor groups and interests would seem more potent than the market solution to meet the issues of sustainable development – as proposed in SO. The heterogeneity of the actors involved potentially also implies that a broader set of values are acknowledged in corporate strategizing. Such examples could be taken from cases where industry "negotiates" with environmental NGOs, governmental bodies, groups of indigenous people and workers' associations under schemes of sustainable forestry or water management (e.g. Driscoll, 1996; Falkenmark et al., 2004; Gulbrandsen, 2005). In a more integrated version, the concept of 'public-private partnerships' would emerge to arrange work "based on a mutual commitment (over and above that implied in any contract) between a public sector organization with any organization outside of the public sector" (Bovaird, 2004, 200). This aim for co-creation of value between societal and corporate interests is a promising avenue for relative improvements in environmental issues (Imparato, 2010) and for the promotion of corporate responsibility (Rotter et al., 2012), but it does not necessarily ensure sustainable development as partnerships are often limited to the interests of the stakeholders involved.

Furthermore, in global and dynamic business contexts, important stakeholders are not always present to negotiate (Gardiner, 2002), or they lack the salience needed, enabling firms to leave ethical (Heikkurinen and Ketola, 2011) and sustainability considerations aside (Hart and Sharma, 2004). Following that, the concept of salient stakeholders must be complemented with the idea of fringe stakeholders as their claims can hold knowledge and perspectives critical to anticipating potential future sources of problems and solutions (Hart and Sharma, 2004).

Concerning the role of the firm in achieving sustainable development (such as in removing toxics from manufacturing processes), MO calls for customers, whereas SO calls for stakeholders, to have an active role and take responsibility for defining or even initiating problem solving. Hence, both orientations consider responsibility as a process which necessitates the involvement of others – either customers or stakeholders – in a broader sense.

Whether the customers alone or a broader grouping of stakeholders are considered in corporate strategizing, we argue that similar dynamics between the focal corporation (inside) and others (outside) emerge. However, this is with the exception that if the stakeholders could be anything from unborn babies to future generations, from natural environments and species to cultures, then a strategy based on stakeholder considerations would have different outcomes in terms of sustainability over time and space. Whether any conventional business theory is capable of implementing such a set of fringe stakeholders, including the (1) non-salient human stakeholders as well as (2) non-human stakeholders, important in their own right or crucial for a healthy ecosystem, in its strategy analysis is another question. One promising attempt is a concept of 'radical transactiveness', which seeks to systematically identify, explore, and integrate the views of these fringe stakeholders into business strategizing (Hart and Sharma, 2004). The shift to considering any of the above-mentioned as stakeholders would, however, need a radical change in the ways firms organise their responsibilities, because demand and utility would be altered to something that cannot be surveyed or forecasted, and not all values translate to market demand or utility in any relevant way. In addition, new demands for quantity (of products, land and energy) conflict with the interests of stakeholders such as future generations and other species.

Although MO and SO tend to differ in terms of whose preferences matter, i.e. those of the customers or the stakeholders, they tend to match in that the actors who *can affect* the economic success of a firm are the core ones. The stakeholders who only *are*

affected have a minor role, if any role at all. None of these mainstream orientations assumes that trees, bees and the Seven Seas should be in the centre of decision making. Further, and maybe more importantly, none of them seem suitable to deal with the fact that future generations are not present on the markets, nor can they present their claims in any conventional stakeholder setting (Gardiner, 2002). Hence, power of the present (and rich) takes precedence over the legitimacy of the unborn (cf. Mitchell et al., 1997). Similarly, present-generation people with low purchasing or negotiating power, i.e. fringe stakeholders, do not have place in managerial decision making.

7. Discussion

Despite the distinctiveness of customer versus stakeholder preferences, a key similarity of MO and SO is that both orientations leave responsibility to 'others', whether they are the customers or stakeholders who can affect the firm, which makes the consideration of responsibility dependent on the economic utility it can deliver.

Market- and stakeholder-driving firms take responsibility for the initiative, but, in the end, they demand a response from the market that contributes to the traditional economic aims of the corporation. In other words, sustainable development must pay off. Hence, the market and stakeholder-driving strategies ultimately lead to customer responsibility, even though they can be considered more participatory on behalf of the firm.

Another key similarity is that both MO and SO as strategies for sustainable development accept "the rules of the game". That is, essentially the present market regime, where issues such as private property, established economic interests, the autonomy of consumers and economic growth are most often not discussed, let alone problematized. Markets are perceived as a source of value creation, in which value is understood in terms of economic and human capital, leaving natural capital outside the equation. In relation to sustainable development, a common way to frame such a position (at best) is weak sustainability (WS). It posits that natural capital can be substituted with other forms of capital, and that industrial aims to service growing human needs (e.g. leading to economic growth) do not contradict sustainable development. However, if man-made capital cannot substitute environmental capital but only function as a complement, then business theory would need a strategy within the domain of SS to enable corporations to contribute to sustainable development, both in time and space. To be distinguished from MO and SO, such a strategy could be labelled a *sustainable development orientation* (SDO). The logic of the orientations is depicted in Table 1.

Due to the recognition of intrinsic values in the natural environment, responsibility for sustainable development, with an SDO, is not based on an activity's potential in terms of delivering traditional economic utility. Furthermore, sustainable development is considered a pre-competitive and non-growth issue, and strategies based on SDO are initiated by the focal firm itself and do not require mediating actors. Thus, firms with an SDO do not distribute their responsibilities outside the organisation – to the customer or the stakeholders – but carry the responsibility for sustainable development themselves. In other words, the corporation is not dependent on the other actors' perceptions on sustainability, but aims at becoming a sustainable actor since it values sustainability as an end in itself. In SDO, sustainable development is neither a commodity nor an issue of negotiation. "It is held that things of [...] environmental value, should be preserved, not merely because they will in the future benefit beings [...] but 'their own sakes'" (Cox, 1997, 110). Traditional economic aims, such as expansion and profits, cannot dominate over issues of sustainability and responsibility. Such internal motivation for taking responsibility for sustainable development could be related to explanatory models on the individual level, such as Hierarchy of Needs (Abraham Maslow), Stages of Psychosocial Development (Erik Erikson) and Stages of Moral Development (Lawrence Kohlberg), but also to the ethics of Duty (Immanuel Kant) and virtue (Aristotle), i.e. to define and reach the highest organizational potential.

Studies in the field of corporate sustainability have also discussed SDO in the corporate context (see e.g. Dyllick and Hockerts, 2002; van Marrewijk and Werre, 2003; Ketola, 2010; Baumgartner and Korhonen, 2010) and concluded supportively to our study. Dyllick and Hockerts (2002, 135), for example, state that "[...] as long as the firm is operating close to (or even beyond) the environment's carrying capacity, it can never become truly sustainable". This means that as society and economy are subsystems of the ecosphere, their sustainability does not equal to the sustainability of the natural environment. Acknowledging this hierarchical nature is a key aspect in examining the responsibilities of private actors since it has major implications for future developments in business theory and practice (Daly, 1999).

In order to reach sustainable development, the structures of society must be aligned so that they support (and not corrupt) organisational practices with SDO. Examples of these practices are radical decrease in energy consumption, adoption of only renewable inputs and fully recyclable outputs (Ketola, 2010). Moreover, instead of seeking solutions to the valuation of sustainability from the market place, the solution to sustainable development is perceived to lie in the inherent character of the organization; inherent in the sense that the responsibility of private actors, i.e. its employees', managers' and owners' moral responsibility for sustainable development, is not pushed to the customers (Heikkurinen and Ketola, 2012). Increased societal power and significance should translate into increased responsibility for development that is sustainable (Ketola, 2011), which suggests a reorientation in corporate strategizing. To accomplish the reorientation to SDO, there is a need for changes in underlying assumptions as well as reconceptualisation of economic organization that coheres with the SS assumption (Bonnedahl and Eriksson, 2011). In SDO, the economic rationale becomes less significant than intra- and intergenerational justice through which socioeconomic and environmental inequalities are addressed.

Table 1
Market, stakeholder and sustainable development orientations towards corporate responsibility for sustainable development.

Label of orientation	Strategizing	Initiator	Mediator	Outcome	Sustainability assumption	Value assumption
Market orientation (MO)	Market driven Market driving	Customers Corporate	Corporate Customers	Customer responsibility	Weak sustainability (at best)	Sustainability with mainly economic value
Stakeholder orientation (SO)	Stakeholder driven Stakeholder driving	Stakeholders Corporate	Corporate Stakeholders			
Sustainable development orientation (SDO)	Sustainability driven Sustainability driving	Corporate	Corporate	Corporate responsibility	Strong sustainability	Sustainability with intrinsic values

8. Conclusions

The objective of this article was to review and conceptually compare market orientation (MO) and stakeholder orientation (SO) as contending bases for strategies of corporate responsibility for sustainable development. MO and SO are business theories that can be considered to offer relatively distinct approaches to examining issues of sustainability. However, they share considerable similarities in terms of sustainability assumptions and how the role of the corporation becomes perceived in the quest for sustainable development. Ultimately, both MO and SO leave responsibility to actors outside the firm: MO stresses the role of customers and consumers, while SO emphasises stakeholder expectations and values. Both MO and SO are based on assumptions consistent with weak sustainability (WS), at best, which are insufficient to achieve sustainability over time and space. Therefore, and since business theory has descriptive relevance and prescriptive power, there is a need for a business approach to sustainable development that admits corporate responsibility for sustainable development, and departs from the strong sustainability (SS) assumption. This article suggests that such sustainable development orientation (SDO) is needed if corporations are to contribute to sustainable development in time and space.

In future studies on corporate responsibility, strategy and sustainable development, we suggest that the focus is shifted to SDO in order to contribute to sustainable development. As our current analysis is a theoretical contribution, a limitation of the study is the lack of empirical cases. We encourage scholars to examine the alternative orientations in different types of organisations and in multiple contexts. Following that, a research task with high managerial and policy relevance is to study the supportive and corruptive institutions for SDO. Given the importance of the sustainability challenge for humanity (e.g. Brown, 2011), it is evident that societies cannot rely on the self-regulation of the market actors. The state and the civil society should themselves adopt SDO and act actively in their roles accordingly.

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