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THEORY/CONCEPTUAL

Strategic marketing, sustainability, the triple bottom line, and resource-advantage (R-A) theory: Securing the foundations of strategic marketing theory and research

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Abstract Addressing strategic marketing's identity problem, several highly complementary works have clarified the field's theoretical foundations, nature, and scope by (1) specifying its domain, (2) defining its central concept, "marketing strategy," (3) proposing the field's foundational premises, and (4) positing its fundamental explananda. Furthermore, the works have shown how resource-advantage (R-A) theory (5) grounds major theories of marketing strategy, (6) illuminates, informs, extends, and grounds the field's foundational premises, (7) identifies three fundamental strategies ("superior value," "lower cost," and "synchronal"), and (8) explains how the three fundamental strategies promote societal welfare. However, a major unresolved issue concerns the second fundamental explanandum of strategic marketing. Specifically, Varadarajan (AMS Review, 5, 78-90, 2015) expands his second fundamental explanandum from "marketplace and financial performance" to explaining triple bottom line (TBL) performance. That is, strategic marketing theory and research should answer: "What explains differences in [social, environmental, and financial] performance of competing brands/product lines/businesses?" This article provides a background discussion on how "sustainability" and the TBL relate to marketing in general and strategic marketing, in particular. Next, it (1) examines the nature of the TBL, (2) shows how the TBL concept and certain issues regarding its measurement parallel those in the "corporate social responsibility" literature, (3) reexamines the value of the TBL framework, (4) makes clear how R-A theory accommodates the TBL, and (5) shows how R-A theory provides seven potential explanations of differences in firms' TBL performance.

Keywords Strategic marketing · Marketing strategy · Resource-advantage theory · Sustainable marketing · Triple bottom line · TBL · Provisioning society

The strategic marketing field's longstanding identity problem persists, as attested by Moorman and Day's (2016, p. 6) call for a massive increase in research on the "marketing strategy process." Nonetheless, the works of Varadarajan (2010, 2015) and Hunt (2010, 2015) indicate that progress is being made. Indeed, each of these works constitutes a significant step toward clarifying the theoretical foundations, nature, and scope of the strategic marketing field. First, Varadarajan's (2010) seminal article contributes to resolving strategic marketing's identity problem by proposing (1) a specific *domain* for strategic marketing, (2) a thoughtful definition of its central concept, "marketing strategy," (3) a set of sixteen foundational premises that generalize across products, markets, and time horizons, and (4) two fundamental explananda that strategic marketing field should seek to explain: "What explains differences in the marketing behavior of competing businesses in the marketplace?" and "What explains differences in the marketplace and financial performance of competing brands/product lines/businesses?" (p. 133).

Hunt (2010) then contributes to resolving strategic marketing's identity problem by showing how resource-advantage (R-A) theory provides (1) a theoretical grounding for eight forms of business and marketing strategy, (2) an explication of the competitive context that determines the outcomes of firms' marketing strategies, and (3) a framework that can guide managers' strategy development and choice. For the field of strategic marketing, R-A theory's structure and

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nine foundational premises "provide a foundation for–both research in and the teaching of–the normative area of marketing strategy" (Hunt 2010, p. 405).

Next, Hunt (2015) (1) explores the relationship between Varadarajan's (2010) framework and that of R-A theory, (2) identifies R-A theory's three fundamental strategies ("low cost," "superior value," and "synchronal"), and (3) shows how R-A theory illuminates, informs, extends, and grounds each of Varadarajan's (2010) sixteen "purposes," "differentiation/cost," "cost-based," and "strategy diversity" premises. Therefore, not only does "R-A theory undergird and complement Varadarajan's (2010) work, …[but] when considered jointly, Varadarajan's (2010) sixteen foundational premises and R-A theory combine to foster the development of the field of strategic marketing and the forms of marketing strategy, … establish the credentials of strategic marketing as a field of study, help managers develop superior strategies, help secure for marketing a seat at the corporate strategy table, and demonstrate the societal value of marketing strategies that promote efficiency and effectiveness" (Hunt 2015, p. 61–62).

Finally, as to strategic marketing's identity problem, Varadarajan's (2015 commentary reinforces the view that his framework and R-A theory are complementary, and he (1) provides a retrospective on the events that were instrumental for developing his seminal article, (2) clarifies portions of his sixteen foundational premises (see his Table 2), (3) highlights the distinction between *marketing* strategy and *market* strategy, and (4) revises certain aspects of his approach to strategic marketing. One important revision—and the revision that is the focus of the present article—is his position on the fundamental explananda that the strategic marketing field should seek to explain.

Recall Varadarajan's (2010) second fundamental explanandum of strategic marketing: "*What explains differences in the marketplace and financial performance of competing brands/product lines/businesses*?" In his revision, Varadarajan (2015, p. 89) points out that "there have been calls for firms to move…toward a triple bottom line [TBL] orientation—people (social performance), planet (environmental performance), and profit (financial performance.)" These normative calls have resulted in a growing number of firms adopting a triple bottom line orientation. Therefore, Varadarajan (2015) argues that his previous call for explaining "marketplace and financial performance" should be replaced with a more "broadly construed" concept of firm performance: "*What explains differences in [social, environmental, and financial] performance of competing brands/product lines/businesses?*" (p. 89; italics added). That is, Varadarajan (2015) observes that some firms stress triple bottom line (TBL) performance, but others do not. This observation prompts him to argue that (1) strategic marketing theory should explain this phenomenon, and (2) strategic marketing empirical research should explore and test the proposed explanations.

Readers should note that Varadarajan's (2015) revised fundamental explanandum parallels the position of Bharadwaj (2015). In a "commentary [that] complements the Hunt (2015) essay," Bharadwaj (2015, p. 98) calls for "new marketing strategy theory with a broader perspective of including other stakeholders beyond investors while designing firm objectives." Although Bharadwaj (2015) does not use the TBL label, the "societal stakeholders" (p. 99) he argues for would clearly include those customarily subsumed by "planet" (environmental) and "people" (social) in the TBL classificatory schema.

The purpose of this article is to address the question that Varadarajan's (2015) revised fundamental explanandum raises: With respect to the foundations of the field of strategic marketing, do R-A theory and Varadarajan's (2015) framework still complement each other in resolving strategic marketing's identity problem? At first glance, it might seem that R-A theory's premise that the primary, superordinate objective of for-profit firms is superior financial performance implies that any theory of strategy that incorporates the triple bottom line (TBL) would be inconsistent with R-A theory. However, this article argues that a closer examination of R-A theory shows that R-A theory not only accommodates the TBL, but also that the structure and foundations of R-A theory provide seven specific explanations for *why* some firms, but not others, stress TBL performance. That is, R-A theory provides an approach, a starting point, for explaining Varadarajan's (2015) revised fundamental explanandum of strategic marketing.

Structurally, this article first provides a background discussion on how "sustainability" and the TBL relate to marketing in general and strategic marketing, in particular. Next, it (1) examines the nature of the TBL, (2) shows how the TBL concept and certain issues regarding its measurement parallel those in the "corporate social responsibility" literature, (3) reexamines the value of the TBL framework, (4) makes clear how R-A theory accommodates the TBL, and (5) shows how R-A theory provides seven potential explanations of differences in firms' TBL performance.

Sustainability, the triple bottom line, and marketing

Since a widely discussed United Nations report in the 1980s, *sustainable* economic development has been viewed as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (UNWCED 1987, p. 8). The sustainability movement may be viewed as bringing together a diverse group of social activist organizations, whose goals, policies, ideologies, and action plans share a common "worldview" (Bridges and

Wilhelm 2008). This worldview incorporates ecological (environmental), social (equity), and financial (economic) sustainability, which are often referred to as the "three Es" (Savitz and Weber 2006). In a sustainable economy, the full environmental costs of production and consumption are incorporated (Peattie 2001).

By the 2000s, the advocacy of sustainable development had become an institutionalized, global movement. For example, in academia there are over 1400 degree programs at 450-plus colleges and universities worldwide that focus on (or significantly relate to) "sustainability studies" (with over 1200 of these programs in the United States alone) (Peterson and Wood 2015). Furthermore, approximately 700 academic institutions are signatories to the American College and University Presidents' Climate Commitment, which obliges them to eliminate or offset 100% of all greenhouse gas emissions and to integrate sustainability into the curriculum (Peterson and Wood 2015). The institutionalization of sustainable development in academia has influenced all academic areas, including the business disciplines.

In the marketing discipline, there has been a longstanding interest in "green" marketing. Examples include the works on *ecological* marketing in the 1970s that focused on particular environmental problems (e.g., Henion and Kinnear 1976; Kassarjian 1971) and those on *environmental* marketing in the 1980s that focused on advocating clean technology and understanding and targeting the "green consumer" (e.g., Elkington and Hailes 1988). As Peattie (2001) has noted, since the 1990s, much of the research on ecological and environmental marketing has morphed into *sustainable* marketing, which has been defined as "marketing within, and supportive of, sustainable economic development" (Dam et al. 1996, p. 46). Just as sustainable development has been institutionalized in academe, sustainable marketing is now becoming institutionalized in the marketing discipline. This institutionalization process has been furthered by the publication of several textbooks on sustainable marketing (e.g., Belz and Peattie 2009; Martin and Schouten 2012; Peterson 2013).

Also, the 2011 special issue of the *Journal of the Academy of Marketing Science* on sustainable marketing provided *significant* impetus to furthering the institutionalization of sustainable marketing in the marketing discipline. Specifically, Chabowki et al. (2011) provide research opportunities on sustainability; Closs et al. (2011) take a supply chain management approach to sustainability; Connelly et al. (2011) discuss the opportunities for using such approaches as transaction cost theory and agency theory for sustainability research; Crittenden et al. (2011) elaborate the concept of market-oriented sustainability; Cronin et al. (2011) evaluate green marketing strategies in sustainability research; Huang and Rust (2011) explicate the role of consumption in sustainability; Hult (2011) focuses on the importance of market orientation for sustainability; Hunt (2011) discusses the implications of economic growth for sustainability; Nikolaeva and Bicho (2011) investigate social responsibility reporting standards; Peloza and Shang (2011) review issues related to social responsibility and stakeholder value; and Sheth et al. (2011) advocate a customer-centric approach to sustainability.

Concomitant with the rise of sustainable development and sustainable marketing has been the development, advocacy, and acceptance of the triple bottom line (TBL). The label "triple bottom line" was coined by the consultant John Elkington in the early 1990s and then explicated in detail in his subsequent, widely discussed book (Elkington 1998). Dovetailing with the sustainability movement, Elkington's (1998) TBL drew upon imagery from the standardized, accounting income statement to argue that firms should not restrict themselves to just *one* "bottom line," that is, financial performance ("profit"). Rather, they should have two additional bottom lines: environmental performance ("planet") and social performance ("people"). Starting in the late 1990s many firms began incorporating the TBL in their annual reports to reflect their commitment to corporate social responsibility and/or sustainability. Indeed, almost all the world's 250 largest companies formally report on corporate responsibility (whether the report is labeled "corporate responsibility," "corporate social responsibility," or "sustainability") (KPMG 2013).

The preceding warrants several conclusions. First, by showing how the TBL relates to the specific field of strategic marketing, Varadarajan's (2015) work may be viewed as furthering the institutionalization of sustainability in marketing. Second, Varadarajan (2015) is on firm empirical ground with his normative claim that there have been many works calling for firms to stress TBL performance. Third, he is on firm ground when he claims that many firms have indeed adopted (to varying degrees) a TBL approach to reporting their firms' performance. Now, Varadarajan (2015, p. 89; italics added) urges scholars in the field of strategic marketing to theorize about (and empirically investigate): "*What explains differences in [social, environmental, and financial] performance of competing brands/product lines/businesses?*"

If Varadarajan (2015) is correct that strategic marketing researchers should seek to explain differences in TBL performance of competing brands/product lines/businesses, then any *theory,* such as R-A theory, that purports to ground the field of strategic marketing should (1) accommodate (i.e., not be inconsistent with) the TBL and (2) provide insights (i.e., starting points) for possible explanations of differences in firms' TBL performance. However, before we address the accommodation and "insights" issues, we need to explore the nature of the TBL more closely.

What is the nature of the TBL?

Firms that use TBL language in their corporate responsibility (or "corporate social responsibility" or "sustainability") reports customarily use a large number of categories to reflect the different types of social and environmental performance. Within each category, the reports have multiple indicators of performance. For example, to reflect social performance, firms often use categories such as diversity, unions/industrial relations, health and safety, child labor, and community (Norman and MacDonald 2004). As indicators of social performance within the categories, they often report measures such as the percentages of senior executives and staff who are women or minorities, the number of workplace deaths per year, the number of grievances filed by employees, and the percentages of earnings donated to their communities. As the examples show, the items in the reports are often quantified, so that year-to-year and industry comparisons and trends can be compared and evaluated.

Readers should note several similarities among the financial, social, and environmental bottom lines. In particular, note that the financial bottom line in an income statement reflects numerous categories of costs and revenues. Furthermore, note that the items in the cost and revenue categories are quantified and used for comparisons and evaluations. At this point, however, the similarities between the financial bottom line and the social and environmental bottom lines end, and striking dissimilarities begin.

Norman and MacDonald (2004), writing in the business ethics literature, evaluate extensively the actual use of the TBL framework by firms in numerous industries. They point out that the costs and revenues in an income statement (and other financial performance statements) are measured with a common metric—monetary units. In contrast, the indicators in the various categories of social performance (as well as, they suggest, the categories of environmental performance) use different metrics. The use of different metrics for the various indicators makes it impossible to sum the indicators to reach a true *bottom* line. (How could one possibly sum the percentage of women executives with the number of workplace deaths and the percentage of earnings donated to the local community?) The upshot is that one simply cannot *calculate* a bottom line for the social and environmental performance indicators, let alone *aggregate* across the three separate bottom lines of the TBL to get an ultimate indicator of total firm performance.

The preceding explains why it is the case that, though the TBL framework draws on the metaphorical *imagery* of a standardized, accounting income statement (in which the total monetary value of costs is subtracted from total revenues to yield an ultimate bottom line of profit or loss), no one has ever successfully devised a standard unit of account that can be used for either of the other two "bottom lines" of the TBL (Bohringer and Jochem 2007; Schulz and Flanigan 2016). In actually implementing the TBL framework, firms have found that the most useful indicators of social and environmental performance are measured in units that cannot be summed. Norman and MacDonald's (2004. p. 254) conclusion with respect to the status of TBL reporting is that, though there are "rhetorical advantages to borrowing from the 'hard headed' language and legitimacy of accountancy, … [because] there is no meaningful sense in which 3BL [TBL] advocates can claim there is a social bottom line, … this piece of jargon is inherently misleading." In short, for Norman and MacDonald (2004, p. 256, caps in original), "The concept of a Triple Bottom Line turns out to be a 'Good old-fashioned Single Bottom Line plus Vague Commitments to Social and Environmental Concerns.' " (We return to the alleged vagueness of TBL commitments later in this article in our discussion of "greenwashing.")

Robins (2006, p. 2), writing in the business and society literature, also reviews extant, corporate TBL reports. His detailed analysis finds three major weaknesses of the TBL framework. "*One* [weakness] is that it offers business no means of prioritizing among the requirements of different stakeholder groups." A second weakness "is that it does not help the company manager to trade off the wishes of one group against those of another when the needs of different stakeholder groups are in conflict." A third weakness is:

> *Most centrally*, it provides no standard of account, that is, of measurement; either within one single dimension of account, or across all three bottom lines. It provides no means of summing a series of different outcomes within either of the two noneconomic "lines." Nor does it provide a unit of account for summing across all three bottom lines. So realistically, this central weakness casts doubt on whether the TBL really is a "bottom line" at all. (Robins 2006, p. 2)

Because the focus of this article is on explaining differences in TBL performance, the acknowledged measurement problems in the TBL literature warrant a more detailed explanation. Also, a more detailed explanation is warranted because some readers may assume that the TBL's measurement problems could be solved by the construction of a simple "index" that aggregates the disparate indicators of performance. Therefore, to deepen our understanding of the TBL and its measurement problems, it is useful to consider the closely related concept of "corporate social *performance*" and how it has been developed and measured in the literature on "corporate social *responsibility.*"

Corporate social responsibility and measuring corporate social performance

The fact that researchers have found no satisfactory way to measure the TBL will come as no surprise to those who are familiar with the problems associated with attempts to measure overall "corporate social performance" (hereafter, "CSP") in empirical research focusing on "corporate social responsibility" (hereafter, "CSR"). Because the literature on CSR and CSP is vast, this section must limit its focus to the seminal articles associated with the major theoretical positions in the CSR literature.

First, the neoclassical economics approach to CSR traces to Friedman (1962, 1970), who viewed the maximization of profits and shareholder value to be the only social responsibility of firms. For Friedman (1962, p. 133), "Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible." According to the neoclassical economics approach, when firms engage in CSR activities, an "agency" problem exists between managers and shareholders (Jensen and Meckling 1976). Therefore, firms should exercise diligence in making sure that corporate governance mechanisms are in place that minimize such agency problems. These mechanisms include developing financial incentives to align managers' interests with shareholder wealth maximization, instituting tight monitoring and control systems, and maintaining a high proportion of independent, outside directors on boards of directors.

Contrasted with the neoclassical economics' approach, Wood's (2010) review points out that the "landmark article" conceptualizing the CSR of firms in the modern-day, management and business ethics literatures is that of Carroll (1979). In this seminal article, Carroll (1979) argued that CSR researchers seeking to assess the dimensions of CSP should acknowledge that firms had *four* responsibilities, not just *one*. Furthermore, all four are properly designated as *social.* Moreover, the four social responsibilities may be organized in a hierarchy: an economic responsibility (to produce goods and services at a profit), a legal responsibility (to obey society's laws), an ethical responsibility (to adhere to society's ethical guidelines), and a discretionary responsibility (to voluntarily contribute to other aspects of societal well-being). Carroll (1979) also argued that CSR researchers focus on "performance" in each separate area of social responsibility. (Later, Carroll (1991) changed the "discretionary" category to "philanthropic responsibility," a label more consistent with the types of corporate behaviors he believes should be stressed.) Carroll's (1979) work is widely acknowledged as "landmark" because it provided a much-needed structure to the extraordinarily diverse CSR literature that was being developed.

Freeman's (1984) book has also been seminal in the CSR area by arguing that firms have many stakeholders, not just stockholders. According to stakeholder theory, any group that affects the firm, or is affected *by* the firm, is a *stakeholder* to whom the firm is responsible. Donaldson and Preston's (1995) widely cited articulation of the stakeholder approach argues that there are several major theses that constitute the foundations of stakeholder theory: (1) the descriptive premise (i.e., the firm is best described as a constellation of cooperative and competitive interests, with each possessing intrinsic value), (2) the instrumental premise (i.e., firms that successfully practice stakeholder management will perform well on conventional economic terms), and (3) the normative premise (i.e., all groups of stakeholders have intrinsic value and merit consideration for their own sake and not merely because of their ability to further the interests of some other group, such as shareowners).

Another seminal work is that of Wood (1991). With Carroll's (1979) structure as a starting point, she uses a systems framework to organize the CSR literature into the principles of responsibility (the inputs), the processes of social responsiveness (the throughputs), and the resulting performance (the outcomes). For her, the *principles* of social responsibility involve legitimacy, public responsibility, and managerial discretion; the *processes* involve environmental scanning, stakeholder management, and issues/public affairs management; and the *outcomes* of performance include the effects on people, organizations, natural (physical) environments, social systems, and institutions. Contrasted with Carroll's (1979) "discretionary" category, Wood (1991, p. 696) maintains: "Managers are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them, toward socially responsible outcomes." Orlitzky et al. (2003, p. 411) find that Wood's (1991) model is "one of the most influential, helpful, parsimonious, and yet comprehensive conceptualizations of CSP."

Measuring corporate social performance (CSP)

With the works of Friedman (1962, 1970), Carroll (1979), Freeman (1984), Donaldson and Preston (1995), and Wood (1991) as conceptual foundations, empirical research on CSP has been voluminous, with much of it focused on the relationship between financial and social performance. (See Margolis and Walsh (2001) for a review.) Each empirical study, of course requires a measure (or measures) of CSP. Wood (2010) provides a comprehensive review of the many different measures employed in studies investigating the relationships among CSP and a host of other variables. The most common measures of CSP stem from company self-reports, stakeholder attitude surveys, legally required corporate disclosure statements, and 3rd-party assessments of performance by commercial firms. Pertinent to our discussion of the measurement problems of TBL is Wood's (2010) evaluation of the use of aggregate indexes as appropriate measures of a firm's overall CSP.

Wood (2010) points out that some of the empirical studies on CSP use an aggregate index for overall performance. For example, a frequent aggregate measure is the "KLD index," which is in the Global Socrates database created by KLD Research and Analytics, Inc. for the purpose of assisting investors who seek a mutual fund that is comprised of US companies that are screened for social responsibility factors. The measure screens over 3000 firms on such categories as their environmental records, community relations, the hiring and promotion of minorities and women, and whether they participate in such "controversial" industries as military contracting, gambling, tobacco, and nuclear power. Wood (2010, p. 65) assesses the appropriateness of the use of such indexes and concludes: "KLD and similar ratings are sometimes used as aggregate measures of overall CSP, but this seems unsound both theoretically and methodologically." Her reasoning is that such indexes do not validly account for the "possibility… of a highly ranked company that performs abysmally on some key dimensions, or a low ranking for a company that causes little or no harm but is unremarkable in 'doing good.'" Therefore, for Wood (2010, p. 65), "Taking CSP as a multivariate construct does not necessarily mean that it is appropriate to search for, or assume, a single measure that captures all the components accurately." Instead, she argues, researchers should use individual measures of different forms or dimensions of CSP.

The conclusion of Wood (2010) regarding the unsatisfactory nature of aggregate indexes as a measure of CSP is reinforced by the conclusions of the editors of a special "Thematic Issue on Corporate Social Responsibility" in the *Academy of Management Journal*. The editors report on research trends in CSR research and find that "there is an increasing awareness among the academic community that an aggregate CSR score does not say much about firm social performance" (Wang et al. 2016, p. 537). Indeed, "firm A, which has good environmental performance but does not make financial donations to the community, may have the same aggregate score as firm B, which has low environmental performance, but makes significant community philanthropic commitments." Therefore, they recommend, "By disaggregating social performance, researchers are better able to articulate the tradeoffs in social performance and the allocation of resources toward such activities."

In conclusion, researchers in both the TBL and CSR literatures come to similar conclusions with respect to measuring corporate social performance. For TBL analysts, there is no meaningful way that performance outputs in the two noneconomic dimensions of TBL can be summed. For CSR scholars seeking to conduct social science research on CSP, it is theoretically and methodologically unsound to develop an aggregate index of CSP. In short, though it is (1) entirely appropriate for *investors* to make investment decisions based on such convenient and commercially available indexes of CSP as the KLD index (if they choose to do so), it is (2) inappropriate for *social science researchers* to use such indexes (because the measures lack validity and reliability).

What is the value of the TBL framework?

Does the TBL framework have any merit? Despite the serious weaknesses of the TBL framework in the form in which its advocates have promoted it (i.e., as an objectively calculated, overall measure of financial, social, and environmental performance), the emerging consensus is that the framework does have value. For example, Robins (2006, p. 13) concludes that, even though the "TBL is *not* what it purports to be… it is nonetheless valuable." For him, the actual purpose and beneficial outcome of TBL is greater corporate disclosure and transparency. Indeed, "with bigger and more powerful companies impacting [all aspects of society] ever more widely, the rise of nonfinancial reporting and closer corporate attention to that information is increasingly demanded and even more widely thought [to be] desirable."

The philosophy of science provides a way to understand the merits of the TBL framework. In philosophy of science terms, the TBL framework is clearly a *literary* metaphor, not a *theoretical* metaphor (Boyd 1979; Hunt and Menon 1995). That is, the TBL framework is *not* to be construed as a theoretical metaphor that provides an objective calculation procedure for evaluating each of the two, nonfinancial dimensions of firm performance, let alone is it a procedure for calculating *total* firm performance. Rather, the TBL framework is a literary metaphor, a convenient, provocative, and useful catchphrase. The TBL simply, but very usefully, suggests that, in addition to financial performance, firms should also pursue, report, and be evaluated on specific dimensions of social and environmental performance.

Does R-A theory accommodate the TBL?

With the preceding in mind on the TBL's nature, does R-A theory accommodate the TBL? The straightforward answer to the question is "yes" because, beginning with the first articulation of R-A theory in Hunt and Morgan (1995), the theory has always acknowledged that firms have multiple performance objectives. Premise P_4 in Table 1, "the firm's objective is superior financial performance," has *always* been interpreted to mean that, in for-profit organizations, superior financial performance is the primary, superordinate objective of the firm. Superior financial performance is not, and never has been, argued to be the sole objective of firms. Rather, for-profit firms—by definition—are primarily *for* some profit-related purpose. Furthermore, as briefly argued for in Hunt (2015) and argued for in significant detail in Hunt (2000), "superior financial performance" is the best, most succinct, most descriptively accurate characterization of the for-profit organization's profit-related purpose. Firms have the primary objective of superior financial performance, R-A theory explains, because superior financial and other rewards flow to

Table 1 The foundational premises of R-A theory

P_1: Demand is heterogeneous across industries, heterogeneous within industries, and dynamic.
P_2: Consumer information is imperfect and costly.
P_3: Human motivation is constrained self-interest seeking.
P_4: The firm's objective is superior financial performance.
P_5: The firm's information is imperfect and costly.
P_6: The firm's resources are financial, physical, legal, human, organizational, informational, and relational.
P_7: Resource characteristics are heterogeneous and imperfectly mobile.
P_8: The role of management is to recognize, understand, create, select, implement, and modify strategies.
P_9: Competitive dynamics are disequilibrium-provoking, with innovation endogenous.

Source: Adapted from Hunt (2000) and Hunt and Morgan (1997). Note: The foundational propositions of R-A theory are to be interpreted as descriptively realistic of the general case. Specifically, P_1, P_2, P_5 and P_7 for R-A theory are *not* viewed as idealized states that anchor end-points of continua

the owners, executives, managers, and employees of firms that achieve superior financial performance.

The meaning of "superior financial performance" has frequently been misinterpreted, even by those who are sympathetic to R-A theory. For example, Bharadwaj (2015), p. 98–99; italics added) thoughtful commentary on the relationship between R-A theory and strategy states: "This commentary highlights the challenges that a *single minded* focus on a superordinate objective of firm financial performance *suggested in* Hunt (2015) poses," and then it claims, "a *mere focus* on superior financial performance has two inherent downsides," before maintaining that "a *sole focus* on financial performance …can be perceived as a new form of marketing myopia." But, contra-Bharadwaj (2015), a primary, superordinate objective of superior financial performance is, most definitely, not the same thing as a "mere," or a "single minded," or a "sole" focus. Firms are quite capable of having a primary objective of superior financial performance, while being mindful of other objectives; indeed, they do this all the time.

Despite Bharadwaj's (2015) statements and his subsequent analysis, he surely does not mean to claim that social performance objectives such as promoting diversity or donating funds to the community are the primary or superordinate objectives of for-profit firms. Even advocates of the TBL acknowledge the primacy of financial performance. For example, the "TBL should not be interpreted as to mean that companies are expected to maximize returns across the three dimensions of performance but, rather, that *financial performance* is recognized as the *primary consideration* in assessing business success" (Robins 2006, p. 4, italics added). Furthermore, recall that the Carroll's (1979) framework is widely accepted in the CSR literature as having "landmark" status. Carroll's (1979, p. 500) claim concerning the primary, superordinate, *social* purpose of for-profit firms is worth quoting in full:

> The first and foremost social responsibility of business is economic in nature. *Before anything else*, the business institution is the basic economic unit in our society. As such it has a responsibility to produce goods and services that society wants and to sell them at a profit. All other business roles are predicated on this fundamental assumption (italics added).

The philosophy of science has long recognized the unique difficulty of providing formal arguments for obvious truths (Levin 1991). It goes without being formally stated, but we frequently need to be reminded: bankrupt firms cannot promote *any* desirable performance objective, only profitable firms can do so. Furthermore, the high profitability of some firms may be viewed as *enabling* them to pursue other, societally desirable, objectives. Indeed, empirical research tends to support the "enabling" thesis (Waddock and Graves 1997). Moreover, and finally, even *nonprofit* organizations, whose primary objective is a particular social mission, must have revenues that cover their costs.

In conclusion, R-A theory's premise P_4, the "superior financial performance" premise, is the best, most succinct, most descriptively accurate characterization of the for-profit organization's profit-related purpose. This premise is also consistent with, it accommodates, the TBL framework. The accommodation results from the fact that R-A theory recognizes that firms can pursue superior financial performance and, concomitantly, be mindful of other objectives.

R-A theory and explaining differences in TBL performance

Although the preceding establishes that R-A theory accommodates the TBL framework, accommodation is not enough. Varadarajan (2015) maintains that *explaining differences* in TBL performance among firms should be at the very foundation of strategic marketing theory and research. That is, explaining differences in TBL performance is a fundamental explanandum of the field. Furthermore, there is a great deal of variability in TBL performance to explain: surveys consistently show (e.g., KPMG 2013) that firms vary greatly in their TBL performance. Varadarajan (2015) asks "Why?" Of all the independent variables that might possibly explain differences in TBL performance, which ones are likely to explain the most? Researchers seeking to answer this question need theory to guide them. R-A theory can do so.

At the outset, note that researchers seeking to explain the differences in TBL performance must first decide whether to focus on all three dimensions of TBL performance or to restrict themselves to one or two. Also, they must decide whether to address the differences in firms' performance across nations, across industries, or across some other category of firms. Furthermore, they will have to decide on the most appropriate categories of performance and the best indicators of performance within each category. Assuming that the researcher has satisfactorily addressed the preceding issues, R-A theory provides many avenues to pursue. This article details seven likely "starting points" for researchers seeking to explain differences in TBL performance: differences in (1) evaluators, (2) competitive positions, (3) formal institutions, (4) informal institutions, (5) personal moral codes, (6) the perceived value of market offerings, and (7) firms' marketing strategies.

Differences in the evaluators

Consider financial performance. R-A theory maintains that superior financial performance is the primary objective of the firm. However:

> The "superior" in superior financial performance … implies that firms seek a level of financial performance exceeding that of some referent. For example, the indicators … can be such measures as accounting profits, earnings per share, return on assets, and return on equity. The referent … can be the firm's own performance in a previous time period, the performance of rival firms, an industry average, or a stock market average, among others. *Both the specific measures of financial performance and the specific referents used for comparison purposes will vary somewhat from time to time, firm to firm, industry to industry, and culture to culture*. (Hunt 2000, p. 123-4; italics added)

The preceding implies that the observed differences in the financial performance part of the TBL across firms may actually result from differences in the evaluators' preferences for indicators and referents of financial performance. For example, some evaluators may claim that firm "X" is performing well because its profits are greater in the current year than the preceding year, whereas other evaluators may claim that "X" is doing poorly because its profits are still below the industry average.

Likewise, for social and environmental performance, the differences in the performance outcomes may reflect differences among evaluators as to the categories they choose to use, the importance weights assigned to categories, and the indicators of performance within the categories that evaluators believe should be included or highlighted. Indeed, "socially responsible corporate behavior may mean different things in different places to different people and at different times" (Campbell 2007, p. 959). Therefore, *R-A theory's first explanation of the differences in TBL performance is differences in evaluators' preferences for performance categories and indicators.*

The first explanation of TBL performance requires some further explication. The underlying logic is that R-A theory implies that—just like for financial performance— there are significant differences in evaluators' preferences for performance categories and indicators, which in turn, explains significant differences in reported social and environmental performance scores. For example, some evaluators may score firms' "military contracting" actions as highly socially desirable on the grounds that the military defends the country from foreign threats, which then would lead such evaluators to assign high social performance scores to military contractors. In contrast, other evaluators may score firms' "military contracting" actions as highly socially *undesirable* on the grounds that warfare is inherently immoral, which then would lead such evaluators to assign very low social performance scores to military contractors. R-A theory, by implying differences in evaluators' social and environmental *preferences*, contributes to explaining differences in reported social and environmental performance *scores*. In short, researchers seeking to explain differences in reported scores of, for example, social performance, for particular firms should explore not only (1) the nature of the firms themselves, but also (2) the preferences of the evaluators for the performance categories and indicators that are used to score performance.

Differences in competitive positions

As Fig. 1 shows and Fig. 2 explicates in detail, R-A theory maintains that superior financial performance results from firms occupying marketplace positions of competitive advantage. That is, firms achieve superior financial performance when they occupy positions two, three, or six of the Competitive Position Matrix (Fig. 2). Such high-performing firms, when compared with competitors, produce market offerings of parity value with lower resource costs (cell two), or superior value with lower resource costs (cell three), or superior value with parity resource costs (cell six).

Readers should note that when firms occupy marketplace position six, not only do such firms produce superior financial performance, but they do so by means of producing goods and services of superior value, which means they are more *effective* than competitors. Producing market offerings of superior value for consumer stakeholders is (or ought to be) considered a positive indicator of "social performance" in the TBL.

Likewise, when firms occupy marketplace position two, their lower resource costs indicate that their market offerings are produced using resources more *efficiently* than competitors.

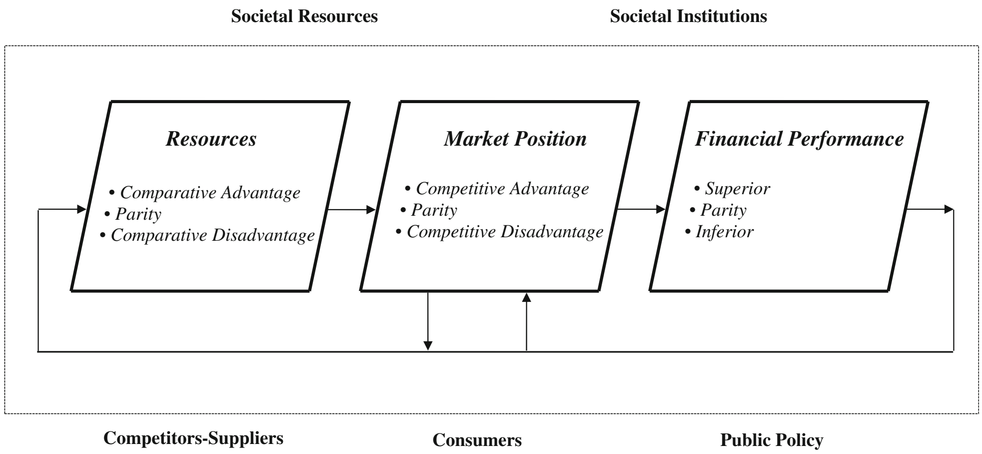

Fig. 1 A Schematic of the Resource-Advantage Theory of Competition. Read: Competition is the disequilibrating, ongoing process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a marketplace position of competitive advantage and, thereby, superior financial performance. Firms learn through competition as a result of feedback from relative financial performance "signaling" relative market position, which, in turn signals relative resources. Source: Adapted from Hunt and Morgan (1997)

Producing market offerings with a more efficient use of resources is (or ought to be) a positive indicator of environmental performance. Sometimes the efficiency gains come from, for example, reducing the amount of scarce, renewable resources and sometimes from reducing the amount of scarce, nonrenewable resources. A key contribution of R-A theory is that firms often become more efficient by *creating* new resources, such as organizational competences or capabilities, which, though not scarce, greatly contribute to productivity and economic growth (Hunt 2000). Furthermore, with specific regard to TBL performance, an important contribution of R-A theory is that when firms use resources that are in disfavor with some stakeholders' norms (e.g., the use of coal), R-A theory is unique as a theory of competition in that it specifically highlights the importance of formal institutions (e.g., laws) in regulating the use of such resources. (See next section on formal institutions.)

Finally, when firms occupy marketplace position three (the "nirvana" position), they produce market offerings more effectively and more efficiently. Thus, they are contributing to both social and environmental performance. Therefore, *the second explanation of the* differences *in TBL performance is differences in competitive position in the Competitive Position Matrix (*Fig. 2*).*

A commentator on an early draft of this article pointed out that "producing market offerings of superior value" was inconsistent with how "social performance" is generally construed in the TBL literature. Unfortunately, the commentator correctly assesses the current state of the TBL literature: advocates of TBL uniformly fail to acknowledge the nature of the overall societal mission of for-profit organizations. What, then, is their overall societal mission? Readers are asked to consider again Carroll's (1979, p. 500; italics added) straightforward assertion that the for-profit firm's "first and foremost *social* responsibility is… to produce goods and services that society wants and to sell them at a profit." Unfortunately, many commentators in the TBL literature, in their earnest advocacy of firms' pursuing other desirable outcomes, have lost sight of the fundamental, socially desirable mission of the for-profit organization as a societal institution: efficiently and effectively provisioning society with goods and services at a profit.

For R-A theory, (1) the societal mission of for-profit organizations is efficiently and effectively provisioning society with goods and services, (2) the pursuit of superior financial

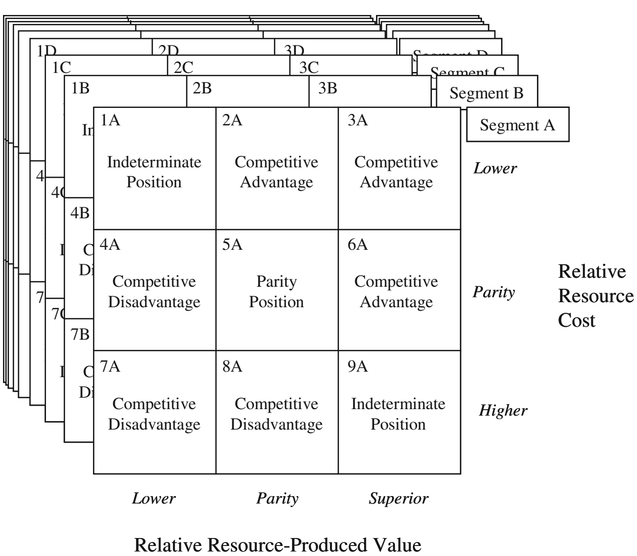

Fig. 2 Competitive Position Matrix. Read: The marketplace position of competitive advantage identified as Cell 3A, for example, in segment A results from the firm, relative to its competitors, having a resource assortment that enables it to produce an offering that (**a**) is perceived to be of superior value by consumers in that segment and (**b**) is produced at lower costs than rivals. Note: Each competitive position matrix constitutes a different market segment (denoted as segment A, segment B,…). Source: Adapted from Hunt and Morgan (1997)

performance motivates firms toward accomplishing the overall societal mission of for-profit organizations as an institution, and (3) the achievement of superior financial performance by means of marketplace positions of competitive advantage is an important indicator of the successful accomplishment of a firm's contribution to the societal mission of for-profit organizations. The landmark work of Carroll (1979), the R-A theory of competition, and this article serve as a useful corrective to the myopic misunderstanding of the primary role, the *mission*, of for-profit organizations in society.

Differences in formal institutions

Note that Fig. 1 highlights the fact that, unlike neoclassical, perfect competition theory, the process of R-A competition is strongly influenced by both societal institutions and public policy. That is, R-A theory is a theory of competition that is "embedded" (Granovetter 1985) in social relations and social structures. Indeed, the embeddedness of R-A theory is argued to contribute significantly to its explanatory power (Hunt and Arnett 2003). North (1990, p. 3) defines institutions as "the humanly devised constraints that shape human interaction," and he distinguishes *formal* institutions (constitutional, statutory, and common law) from *informal* institutions (cultural constraints, such as customs, traditions, and codes of conduct). Institutions, therefore, constitute the "rules of the game," and public policy (implemented by legislators and regulators) creates and enforces the formal institutions.

Social responsibility scholarship has long noted that the tendency towards socially responsible corporate behavior varies greatly across countries (Maignan and Ralston 2002). Focusing on explaining the cross-country differences in TBL, differences in laws and their enforcement constitute a major independent variable. Cross-country differences in laws and their enforcement are striking. Such differences, R-A theory proposes, explain major portions of the differences in firms' financial, social, and environmental performance. For example, societies whose legal and regulatory frameworks strongly emphasize economic freedom and property rights will prompt the process of R-A competition to produce, efficiently and effectively, market offerings that result in high levels of firms' financial performance, which in turn, produces high societal productivity, economic growth, and wealth (Hunt 2000, 2011). In contrast, societies whose legal and regulatory frameworks are corrupt will produce "crony capitalism," which will depress societal productivity and wealth creation.

As to TBL performance, societies whose legal and regulatory frameworks strongly emphasize mandating specific actions that further specific forms of social and environmental performance (e.g., pollution and workplace safety) will prompt the process of R-A competition to produce increases in firms' performance in these categories. For example, three Nordic countries, Finland, Sweden, and Denmark, are often ranked very highly in terms of the socially responsible behavior of their national corporations, as well as their competitiveness (World Economic Forum 2003). Therefore, *the third explanation of the differences in TBL performance is differences in formal institutions and public policy (*Fig. 1*).*

R-A theory's third explanation of the differences in TBL performance provides a theoretical foundation for Campbell's (2007, p. 953) argument that the study of institutions is critical for understanding the determinants of corporate social responsibility. He asks, "under what conditions are corporations more likely to act in socially responsible ways than not?" Applying institutional theory from sociology to the issue of social responsibility, he proposes: "Corporations will be more likely to act in socially responsible ways if there are strong and well enforced state regulations in place to ensure such behavior, particularly if the process by which these regulations and enforcement capacities were developed was based on negotiation and consensus building among corporations, government, and the other relevant stakeholders" (Campbell 2007, p. 953).

Differences in informal institutions

Again focusing on explaining the cross-country differences in TBL, differences in informal institutions constitute a major independent variable. That is, cultural constraints, such as customs, traditions, and codes of conduct differ greatly across countries, and these differences influence the process of R-A competition and, thereby, explain differences in TBL performance.

For example, it has long been widely acknowledged that (1) the "radius of trust" varies greatly across countries, (2) countries with high social trust have firms with high financial performance, which (3) results in societies with high productivity, economic growth, and wealth (Arrow 1972; Fukuyama 1995; Gambetta 1988; Harrison 1992; Phelps 1975). For R-A theory, firms in high social trust nations will have an abundance of trustworthy employees. In turn, firms that have large numbers of trustworthy employees will have a resource that can produce a comparative advantage, when such firms are competing with competitors in nations with (generally) untrustworthy employees. The comparative advantage stems from the fact that firms with trustworthy employees have reduced transformational and transaction costs (Hunt 2000). Therefore, R-A theory, alone among theories of competition, can explain the empirical findings of increased productivity of nations that have high social trust.

Similarly, R-A theory argues, nations differ in the extent that they have informal institutions that promote the importance and achievement of firms' social and environmental performance. That is, the cultures of some nations strongly support the view that firms should pursue and achieve high levels of social and environmental performance (however such performance is categorized and measured), and others do not. Therefore, *the fourth explanation of the differences in TBL performance is differences in informal institutions (*Fig. 1*)*.

R-A theory's fourth explanation of TBL performance, like the third explanation, supports the work of Campbell (2007). Specifically, Campbell (2007, p. 956) argues that "corporations will be more likely to act in socially responsible ways if there is a system of well-organized and effective industrial self-regulation [i.e., "informal institutions"] in place to ensure such behavior." Furthermore, institutionalized, "stakeholder monitoring… is an important factor that increases the likelihood corporations will behave in socially responsible ways." For example, Boli and Thomas (1999) document the increasing number of nongovernmental organizations (NGOs) that are monitoring the behavior of corporations, especially multinational corporations.

Differences in personal moral codes

As premise P_3 in Table 1 shows, R-A theory posits: "human motivation is constrained, self-interest seeking." No theory of human motivation can be taken seriously if it does not acknowledge that individuals' behaviors are strongly motivated by the second part of premise P_3. That is, descriptively accurate theories of human motivation must recognize that people are strongly motivated by their perceived self-interests or "utility." However, note that the first part of premise P_3 is that there are *constraints* on self-interest seeking. Specifically, R-A theory maintains that the self-interest seeking of individuals is constrained and/or restrained by their personal moral codes. Because many readers will be unfamiliar with how R-A theory conceptualizes "personal moral codes," we must first provide a brief analysis of this concept.

Personal moral codes

R-A theory's conceptualization of "personal moral codes" draws on the deontological and teleological theories of ethics in moral philosophy (Beauchamp and Bowie 1988), as adapted specifically in what has come to be referred to as the Hunt-Vitell ("HV") theory of ethics in the marketing and business ethics literatures (Hunt and Vitell 1986, 2006). Deontological ethics focuses on the inherent rightness/wrongness of actions. For example, it emphasizes the extent to which a behavior is consistent or inconsistent with such deontological norms as those *proscribing* lying, cheating, deceiving, or stealing and those *prescribing* honesty, fairness, justice, or fidelity. Accordingly, deontological ethics emphasizes duties, obligations, and responsibilities to others. In contrast, teleological ethics maintains that behaviors, themselves, are not inherently right or wrong. Rather, all teleological ethical theories have in common the belief that the ethicality of an act or behavior stems from the relative goodness versus badness of an act's consequences for particular stakeholders.

The HV theory of ethics, on which R-A theory draws, explains (1) why people have such radically different views on the ethicality of alternative actions, and (2) why people engage in ethical/unethical behaviors. As discussed extensively in Hunt (2000, 2013), the "triggering mechanism" of the model is the individual's perception that an activity or situation involves an ethical issue, which is then followed by the perception of various alternatives or actions one might take to resolve the ethical problem. These alternatives are then evaluated both deontologically and teleologically in the "core" of the HV model.

For each alternative, the core of the HV model assumes that the decision-maker has a personal moral code that contains a set of deontological norms that can be applied. The deontological evaluation process, therefore, consists of applying the norms to each alternative, checking for consistency (inconsistency), and resolving the conflicts that result when not all deontological norms can be satisfied simultaneously. Each alternative is also evaluated in the core of the HV model by a teleological process that includes (1) forecasting each behavior's consequences for various stakeholder groups, (2) estimating the probabilities of the consequences, (3) evaluating the consequences' desirability or undesirability, and (4) assessing the importance of each stakeholder group that is affected. The HV theory posits that the constructs involved in both the deontological and teleological processes are influenced or shaped by each individual's (1) personal characteristics (e.g., religion, value system, and strength of moral character), (2) past experiences in ethical situations (for people *learn* to be ethical and unethical), and (3) cultural, professional, industry, and organizational environments (for people are *socialized* to be ethical and unethical).

For the HV theory, the ethicality of an alternative, that is, e*thical judgments*, results from combining the deontological and teleological evaluations. Four examples illustrate how different ethical codes have different combination rules. First, an individual with a strictly deontological code would just conduct a deontological evaluation (i.e., just apply the deontological norms to each alternative act) and conduct no teleological evaluation (i.e., ignore completely the consequences each alternative action on all stakeholders). Second, a strict "utilitarian" would (1) ignore the deontological evaluation, (2) assign equal weights to all individual stakeholders, and (3) maximize the ratio of total good consequences over the bad for all stakeholders. Third, a strict "ethical egoist" or, in terms of neoclassical economics, a "utility maximizer," would ignore any proposed deontological evaluation, assign zero importance weights to all stakeholders other than the self, and choose the action that maximizes the ratio of good consequences over the bad for oneself. Fourth, a strict "opportunist" (Williamson 1993; Williamson et al. 1994) would ignore any proposed deontological evaluation, assign zero importance weights to all stakeholders other than the self, choose the action that maximizes the ratio of good consequences over the bad for oneself, and then—very importantly—defend "with guile" the claim that the chosen action is best for other stakeholders.

The HV theory is not a normative theory of ethics and, therefore, does not theorize that individuals ought to be deontologists, utilitarians, ethical egoists/utility maximizers, or opportunists. Neither is it a positive theory of ethics that claims that all people are ethical egoists/utility maximizers (as does neoclassical economics) or opportunists (as does transaction cost economics). Rather, it is a positive theory of ethics that claims that *most* people in *most* situations evaluate the ethicality of an act on the basis of a *combination* of both deontological and teleological considerations—and extensive empirical research supports the claim (e.g., see Hunt and Vasquez-Parraga 1993; Hunt and Vitell 2006; Vitell and Hunt 2015).

R-A theory and personal moral codes

R-A theory draws on the HV model and maintains that individuals differ greatly in their personal moral codes. As to the nature of the personal moral codes that R-A theory posits to constrain or restrain self-interest seeking, the HV model of ethics suggests that they consist of:

- the rules for combining the deontological and teleological evaluations;
- the deontological norms held;
- the relative importance of particular deontological norms;
- the rules for resolving conflicts among deontological norms;
- the rules for interpreting the applicability of deontological norms in particular situations;
- the importance weights assigned to particular stakeholders;
- the rules for combining the teleological components;
- the perceived positive consequences for particular (e.g., highly important) stakeholders;
- the perceived negative consequences for particular (e.g., very unimportant) stakeholders;
- the perceived probabilities of positive and negative consequences for particular stakeholders (Hunt and Hansen 2007).

Readers should note that the preceding analysis of personal moral codes enables R-A theory to account for the economic value to firms and societies of having individuals who are motivated by moral codes that emphasize deontological ethics, rather than ethical egoism. In particular, when people share a moral code based primarily on deontological ethics, trust can exist and, therefore, the costs that firms and societies have that are associated with shirking, cheating, stealing, monitoring, free-riding, "hostage-taking," and opportunism in general are avoided.

R-A theory, personal moral codes, and TBL performance

Returning to premise P_3 (human motivation is best described as self-interest seeking constrained by a personal moral code), R-A theory, informed by the HV theory of ethics, points us toward explaining TBL performance. Specifically, firms that have owners/executives whose personal moral codes are characterized accurately by ethical egoism/utility maximization will focus exclusively on the financial performance dimension of TBL (for there will be high financial rewards for those owners/executives).

Firms whose owners/executives have personal moral codes characterized accurately by opportunism will focus exclusively on the financial performance dimension of TBL, but they will *pretend* to also focus on social and environmental performance. This explains the phenomenon known as "greenwashing" in the sustainability literature, as extensively discussed in Delmas and Burbano (2011). Firms whose owners/executives have personal moral codes characterized accurately by a strong emphasis on deontological ethics, combined with placing a high value on favorable consequences for social and environmental stakeholders, will have performance on all three dimensions of the TBL.

For example, Kang, Germann, and Grewal (2016, p. 73) address the issue of whether and how corporate social responsibility (CSR) and corporate social irresponsibility (CSI) relate to firm financial performance. One of their major conclusions is that there appear to be two major types of firms. First, some firms engage in CSR activities to offset their past CSI behaviors. Second, some firms engage in CSR activities "because (we speculate) it is simply part of what they do." Furthermore, they find, only the second type of firms "can expect to see significant financial returns from their CSR investments."

R-A theory provides a theoretical foundation for the claim by Kang et al. (2016) that some firms engage in CSR activities because "it is simply part of what they do." The explanation is that those firms that engage in CSR activities as part of their normal business practices do so because the owners/executives of such firms have personal moral codes characterized accurately by a strong emphasis on deontological ethics, combined with placing a high value on favorable consequences for social and environmental stakeholders. Readers should note that the concept of "personal moral codes" complements the claim by Campbell (2007, p-. 958) that "cognitive frames, mindsets, conceptions of control, or world views of corporate managers are important determinants of how managers run their firms." Therefore, *the fifth explanation of the* differences *in TBL* *performance is differences in the personal moral codes of the owners and executives of firms.*

Perceived value of market offerings

The "X" axis in R-A theory's Competitive Position Matrix (Fig. 2) is "Relative Resource-Produced Value," where "value refers to the sum total of benefits that consumers perceive they will receive if they accept a particular firm's market offering" (Hunt 2000, p.138). (Here, "consumers" is used in the broad sense to include industrial buyers.) "Relative superior value," for R-A theory, equates with "perceived to be worth more." Perceived value may or may not be related closely to third party assessments of what an offering ought to be worth. It also may or may not be related to any "objective" measure of value. Rather, consumer perceptions of value are key for R-A theory because it is consumer perceptions of value that drive consumer preferences, which in turn, drive choices and outcomes in the marketplace.

Historically, marketing has recognized the "green consumer" market segment. That is, for some consumers, a *specific* product that is socially and environmentally friendly (e.g., made without "sweatshop" labor or made from recycled products) is preferred over one that is less socially and environmentally friendly. Also, some firms have general reputations for being "good firms to work for" or for always using environmentally friendly production processes. Consequently, the market offerings of such firms may *generally* be highly valued by some consumers. Therefore, the sixth explanation of the differences in TBL performance results from the fact that R-A theory posits that consumer perceptions of value are dispositive in the marketplace. *Specifically, the sixth explanation is that when large numbers of consumers perceive high value in socially and environmentally friendly products and production processes, then large numbers of consumers will reward with their patronage the firms that they perceive to be socially and environmentally friendly, which in turn, will result in large numbers of firms with high TBL performance.*

Readers should note that, though the sixth explanation recognizes the "green consumer," it is not the case that high TBL performance results from firms' adopting strategies that *target* the green consumer market segment. Rather, high TBL performance firms are simply perceived—rightly or wrongly—by large numbers of consumers to be socially and environmentally friendly. "Targeting" constitutes the seventh explanation, which is closely related to the sixth explanation.

Differences in firms' marketing strategies

As premise P_1 in Table 1 shows, R-A theory posits: Demand is heterogeneous within industries and dynamic." Therefore, within each industry, there may be market segments (the "green segments") that strongly favor market offerings that are socially and environmentally friendly. Furthermore, the nature of competition in R-A theory is not industry-wide, but segment-by-segment-by-segment within industries. Moreover, premise P_8 posits: "the role of management is to recognize, understand, create, select, implement, and modify strategies." That is, R-A theory adopts what might be called a "strategy-oriented theory of the firm." Therefore, some firms within each industry may specifically adopt strategies that target green segments.

The preceding implies that, because demand is heterogeneous, competition is segment-by segment-by-segment, and the job of managers is to create and implement strategies, R-A theory can provide a powerful explanation of TBL performance. Specifically, *the seventh explanation of the differences in TBL performance is that some firms in an industry may have strategies that consciously focus on targeting the green consumer market segment.*

Conclusion

The process of resolving the strategic marketing field's identity problem, begun by Varadarajan (2010) and Hunt (2010), and then furthered by Hunt (2015), Bharadwaj (2015), and Varadarajan (2015), is making significant progress. Previous work concluded: "By grounding strategic marketing in R-A theory, researchers avail themselves of the opportunity to not only distinguish strategic marketing from strategic management, but also to participate meaningfully in the ongoing conversation about the positive and negative impacts of organizational practices on society" (Hunt 2015, p. 76). Readers should note that when Varadarajan (2015) modified his second fundamental explanandum to include explaining TBL performance and when Bharadwaj (2015) encouraged strategic marketing theorists to address the concerns of multiple stakeholders, they were explicitly encouraging strategic marketing researchers to "participate in the ongoing conversation about the positive and negative impacts of organizational practices on society." As such, both were responding thoughtfully to the call of Hunt (2015).

This article shows how R-A theory can (1) accommodate the additional stakeholders of the TBL and (2) provide seven different "starting point" explanations of TBL performance. In short, R-A theory can accommodate the TBL because the theory has always acknowledged that, while for-profit firms have the primary goal of superior financial performance, such organizations have multiple performance objectives. Furthermore, R-A theory provides the following seven explanations of TBL performance: differences in (1) evaluators, (2) competitive positions, (3) formal institutions, (4) informal institutions, (5) personal moral codes, (6) the perceived value of market offerings, and (7) firms' marketing strategies.

As to future research, readers should note that no theory of competition other than R-A theory can provide a theoretical foundation for the kind of inquiry that is called for by Varadarajan (2015). Furthermore, as shown convincingly by the work of Connelly et al. (2011), neither transaction cost economics, nor agency theory, nor institutional theory, nor resource dependence theory, nor the resource-based view of the firm, nor upper-echelons theory, nor signaling theory can provide a comprehensive, theoretical foundation for the field of strategic marketing and its incorporation of sustainable marketing. "Borrowing" theories from other disciplines will not solve strategic marketing's problems. Indeed, just the reverse is true: because of the "silo" nature of academic disciplines and the fact that R-A theory is "indigenous" (Kohli 2017) to marketing, the field of strategic marketing is in a unique position to use R-A theory to advance our understanding of firms' TBL performance. Consistent with the message of Varadarajan (2015) and this article, researchers should avail themselves of the opportunity to conduct empirical research on the seven potential explanations of TBL performance that are implied by R-A theory.

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