

# [The importance of ethical responsibility in business](https://assignbuster.com/the-importance-of-ethical-responsibility-in-business/)

Starbucks is an international chain of coffee and the coffeehouse based in Seattle, United States and Washington. With almost 17133 stores in about 49 countries the Starbucks is the world’s largest coffeehouse company. There are about 11068 stores of Starbucks in US, 1000 in Canada and almost 800 in Japan. There are many good products served by the Starbucks. The Starbucks is specialist in providing the Drip Brewed Coffee, Hot Drinks Based on Espresso, other cold and hot drinks, salad, coffee beans, cold and hot sandwiches and pastry, panning, snakes and other items like tumblers and mugs.

The company market music, books and films through the entertainment divisions of the Starbucks. The many products of the organization are either seasonal or they are available according to the location of the store. The branded coffee and the ice-cream of the Starbucks is also available on some grocery stores.

Since the company is expanding rapidly, the Starbucks opened a local Seattle model for the coffee roasting and marketing. The Starbucks continued to open a new store every working day from 1990’s to 2000. The first international store of the Starbucks outside US was opened in mid-1990 and it continued to grow on continuous basis. In 2008 the 900 stores of the Starbucks targeted of protest on issues such as in the United States since about 900 2008 Retail Stores Starbucks has been a target of protests on issues such as labor relations, fair-trade policies, political views environment impact and anti-cooperative practices.

The time survey represented damaged reputation of Starbucks at higher rate than the rivals of the Starbucks due to the environmental and the controversial disputes. The Starbucks enjoyed the decade growth without any interruption until their decision to close 700 stores in US, Briton and Australia.

The ubiquitous coffee chain enjoyed decades of uninterrupted growth until this summer when it decided to close nearly 700 stores in the United States, Australia and Britain.

Now, the latest concerned consumer survey, carried out for The Times by Populous, shows it has also lost the most support among green and ethically aware shoppers.

(EPA. gov U. S. Environmental Protection Agency Wastes 5/5/2008[iv])

## Ethics:-

According to the Webster’s the ethics can be defined as, “ the determination of the good and bad with the obligations and the moral duties, a set of the moral values and the principles or a system or theory of moral values. “ The ethics helps the individual’s weather an act is immoral moral, wrong or right. The basics of ethics can be in religious tenets, natural law, family influences, and educational experiences, social and cultural expectations.

## Ethics in business context:-

The business ethics is also known as, “ ethics is the application of the principles, discipline, and the ethical theories for the organizational context. The business ethics can be defines as, “ the determination of the standards and the principles which guides the required behaviors in the business scenario. The research is being conducted to follow that the graduates and the undergraduates.

The ethical behavior in a business context is critical, because there always concerns of the people and the employees under legal investigation. If there is no business ethics then the level of mutual trust which serves as the basis of free market economy.

It is the belief of the Starbucks that the ethically doing business and the right things are very important for the organizational success.

The business ethics compliance is a program which supports the Starbucks mission and vision and helps the organization to protect the culture and the reputation, through the resource allocation for the ethical decisions at work. The ethical context can be used to develop and expand the awareness of the standards regarding business conduct, legal compliance, facilities, training, political interest, etc.

## Ethical Consideration:-

The ethical concerns are the growing consideration of the consumers in the financial products and services. According to the report from GFK Bonn on 22 july, 2008, the behavior of the product or service providers are most important aspect for the consumers in UK to make a decision regarding the product and the services. (Gfk NOP, 2008 )

While choosing the products and services about 21 percent of the customers in United Kingdom consider ethics before decision making. 26 percent declared the moral values as irrelevant, and 45 percent believed that buying products is less important than the issues behind them.

The overall study revealed that about 95 percent of the consumers believe that all companies, producers and suppliers must practice the fair-trade policies to avoid distracting environment, and there should no child labor. (Gfk NOP, 2008 )

## Ethical responsibility:-

The business and the organizations which have more moral and social responsibilities are expected to grow faster. But there is one problem that the ethics is the combination of the different group’s ethics. The ethics are not just about doing the right things but it is much more than that.

## Reasons of ethical responsibility:-

There are the following reasons which explains the reasons for the ethical responsibilities of the organizations,

The first one is the business organization works in the society and it is not operating in the Vacuumed.

The other reason is that the decisions of the organization have the huge impact on the society

In the past the decisions by the management were taken on the basis of the just only cost-benefit analysis which creates the “ Bottom line” impact.

Such decisions of the organizations caused adverse impact on others

The corporations owe some social responsibilities for their society.

## Ethical Responsibilities:-

There are the following types of the theories of the ethical responsibility in business.

* Maximizing Profit
* Moral minimum
* Corporate citizenship
* Stakeholders interest

## Profit Maximization:

According to the theory of the profit maximization it is the responsibility of the organization to take the particular steps and perform the actions which can lead to the profit maximization for the shareholders of the organization. According to this theory the concerns and the expectations of the other members of the society are not considered as more important.

## Moral Minimum:-

According to this theory of the social responsibility the company or the organization should make profits without getting other to harm due to the actions of the organization. The organizations can be more socially responsible bye correcting the social injuries caused by the organization to the society members. There are many laws developed by the Governments to implement the social responsibilities of the organization. For example:

* Health and Safety Law
* Discrimination Act
* Legislation for Sexual Harassment
* And the law for the safety and security of the consumers by implementing the consumer protection act

## Stakeholder’s interest:-

According to this theory the organization must be responsible for the effects of the business activities on the important stakeholders of the organization. This theory was not very success full because it is not possible fr the organization to satisfy the interests of all the stakeholders of the organization because there are conflicts between the people. There can be following stakeholders of the organization:

* Customers
* Suppliers
* Govt agencies related to organization
* Employees
* Financial institutes
* Competitors

## Corporate Citizenship:-

According to this theory of the social responsibility, the businesses are responsible for doing the right things to solve the social problems. As the individual members of the society the corporations have the responsibility to develop and promote the social goals for the betterment of the society.

## Strategic Control:-

The strategic control is the Strategic management focuses on bilateral issues as follows: (1) and is implementing the strategy as planned, and (2) the results produced by this strategy are those intended.

The strategic control is the process through which the performance of the strategy is monitored and controlled is called as strategic control.

There are two aspects of the strategic control, there are:

1. Informational control
2. Behavioral control

## Informational control:-

The informational control is the organization’s ability and the process through which it respond to its external environment.

## Behavioral control:-

The behavioral control creates the balance between the firm’s culture, boundaries and the rewards.

## Control System:-

There are the following six-steps of strategic control followed by the Starbucks to measure the organizational needs, and the performance through the feedback, so that the management can take corrective actions to remain competitive in the market.

## Determine what to control

The first step is the determination of the objectives and the goals of the organization which are to be accomplished. This can be done from the review of the mission, vision and the core values statements of the organization.

## Set standards for control:-

The next step is the determination of the standards of performance. these standards describe the measurement method of the actual performance as compared to the standards of performance to assess whether the organization is performing well or bad.

## Measure performance:-

The most important step in the strategic control process is the measurement and the identification of the actual performance. this is done by comparison of the standard performance with the actual performance of the members of the organization. This also describes the actual performance towards the strategic goals of the organization.

## Reasons for derivative:-

The next step is the determination of the reasons of derivation from the actual strategic plans and also the determination of the causes of the underperformance. This derivation can be due to the internal factors as well as due to the external factors. The internal factors are within the control of the organization but the external factors are beyond the managements control and the organization has to respond to these factors more efficiently to remain competitive in the market.

## Take Corrective Actions:-

In this step the corrective actions are taken by the management. The management takes the internal corrective actions for example introduction of new technology and training and development of the staff to overcome the shortcomings. The actions can be the response to the external environmental factors. This can lead to the structural change or the strategic review.

## Control systems:-

There are the following types of the control systems used by the organizations to measure performance and take corrective actions. These control systems are as described by the diagram,

Strategic Control Systems

## Management by Objectives:-

The Starbucks is using the modern method for the control system called as the MBO (Management by Objectives). The management by objectives can be defined as “ Evaluation of the system with the following characteristics: (1) each manager committed to specific measures that can perform certain written documents, (2) The Director subordinates to discuss the job description is subject to agreed that short-term performance goals, discuss progress toward meeting these goals periodically evaluate the results and give feedback”.

The MBO is the strategic planning process which is used for the employee motivation; improvement is the performance and the strategic control of the organization. The communication is increased between the management and the employees to make them understand the company’s objectives with the achievement of the employee goals. The MBO creates a link between the employee performance and the pay. A key factor in an MBO system work instead worked on the staff. It emphasis on results obtained by the performance appraisal of the employees.

There are three steps of the MBO which are given below,

1. In the first step the specific goals and the objectives are determined at each level of the organization.
2. The goal setting process is a participatory process in the MBO
3. The periodic review is made to check the performance towards the goals of the organization.

## Behavioral control:-

The behavioral control is the process of determination the right of the management to control the way the employees are performing their activities. When the business gains the right to control the activities of the worker he is considered as the employee of the organization. There are the following categories of the behavioral control.

## Operating Budget:-

The operating budget determines the monetary expenses and the revenues the organization has to perform its operations within the described budget. If the organization is performing well and managing its resources well then the actual performance will be favorable but if the organization is not performing well the results are in the form of adverse variance.

## Standardization:-

The standardization is the process of the setting the standard for the performance of the employees and the management regarding the particular goal of the organization. There are different types of the standards which the organization can set for their employees and the management processes. These are given below,

## Standardization of inputs

The standardization of inputs is the determination of the standards for the inputs like the money, man power, skills and the qualifications required to perform a particular tasks.

## Standardization of conversion activities

The standardization of the conservation activities is the determination of the activities required to perform a task within the described period of the time.

## Standardization of outputs

The output standards are the determination of the actual results on the basis of the performance of the organizational processes it can be in terms of quantity, quality of the processes.

## Rules and procedures:-

The rules and the procedures are determined to control, limit and guide the behaviors of the organizational members. The strong cultured organizations have the more controlled behaviors as compared to the week cultured organizations. There are two types of the effects of the determination of the rules and the procedures.

1. Positive effect: Help control, guide, and limit behaviors.
2. Negative effect: Rules lead to bureaucratic behaviors.

## Advantages of the Goal setting:-

There are the following benefits of the goal setting for the public as well as the private sector of the organizations.

* The goals describe the performance indicators to access the actual performance of the individuals, authority or of the teams, towards achievement of the organizational goals.
* Targets and the goals provide commitment towards the achievement of the better quality goals within a specific time period.
* The goals are more sophisticated and are more specific as compared to the targets
* The lower level of the performance acceptability is determined by the minimum standards.
* Plans and forecasts make clear to others the intended direction and likely outputs but without consequences for non-achievement.

## Conclusion:-

The ethical values are very important for the performance of the organization in the society because the organization works in the societies and they cannot work in the vacuumed. So the organizational culture should reflect the norms and the values of the geographical area where the organization is performing its operations so that the customers can get the maximum satisfaction which will increase the firms value as well. The strategic control provides the management the review of the organizations performance toward the achievement of the specific objectives and the goals. The goal setting provides the better control over the performance of the individuals toward the achievement of the organizational objectives