

Ethics and social responsibility in strategic planning

[Business](#), [Strategic Management](#)



Ethics and social responsibility occupy an important place in our personal value system. Customer confidence in how business operates has been severely shaken by recent corporate scandals and collapses, such as Enron and bank failures. Hence it is important for companies to consider incorporating ethics and social responsibility into their strategic planning. This applies whether a company is involved with customers one-on-one, such as a Taco Bell or Dell, Inc., or their involvement is indirect, through their relationship with their clients, such as newspaper distributor Pogo Distribution Company, or wholesale food seller, Del Monte. This paper analyzes what are ethics and social responsibility, how each applies to a company's strategic planning, and the overall impact on stakeholders when ethics and social responsibility is considered in strategic planning. The paper will conclude with how my ethical perspective has evolved throughout the program.

The Role of Ethics and Social Responsibility in Strategic Planning

To be their most successful, companies must consider ethics and social responsibility as critical parts, inherent components of strategic plan. Ethical and social responsibility criteria must be included as part of the strategic process in before-profit decisions rather than after-profit decisions in order to receive the maximum benefit, i. e. corporate profits.

The Role of Ethics in Strategic Planning

Reflecting critically and actively on ethical issues is an obligation of every professional. Reflecting such ethical content or implications in one's

decisions and actions must be salient in every aspect of how companies operate.

Ethics ensure that a company achieves its mission, vision, goals, and objectives in such a manner that they give a company a sense of direction and framework. Ethics ensure guidelines are created that bind the entire organization into one common thread, govern the action of the organizational employees, and avoid deviation from the desired strategic path. Ethics ensure that strategic plan is prepared as per the best interest of all a company's stakeholders, whether employees, vendors, customers or even the society in which the organization operates.

What is ethics? According to authors Andre and Velasquez, ethics has two parts. First, it refers to well based standards of right and wrong behavior. What individuals ought to do, usually in terms of rights, obligations, and benefits to society, fairness, or specific virtues. Second, it refers to continually examining our moral beliefs and moral conduct, and striving to live up to these well based standards (Andre, C, Velesquez, M., 1987).

Recent corporate scandals such as Enron (Business Wire, 2002), and the collapse of a major Wall Street banking house, Lehman Bros. (Jaffe, 2009), have scarred the business industry. Everyday poor customer service, such as from Dell, Inc. has brought high levels of frustration to customers (Gizmodo, 2010). All have left customers with levels of distrust in our businesses, resulting in more scrutiny from regulatory authorities, government and the public.

Adhering to the highest possible ethical standards, and integrating these ethics into their strategic planning, can build a good corporate image in front of all the stakeholders of the organization. Integrating and planning must go beyond compliance issues and reactive disciplinary policies to actually manage integrity.

Five ways a company can ensure ethics is included in their strategic planning are:

Establish explicit ethical goals and criteria,

Demonstrate commitment to ethical goals and criteria,

Communicate ethical expectations and train workforce to enact ethical goals and criteria,

Assess and monitor employee behavior and decisions, and

Maintain on-going proactive integrity continuity management (Valentino, 2007)

Such a strong focus on ethics will ensure that each set of stakeholders will be happy and assured that strategic plan will address their needs and wants and the organization will act in the best interest of each stakeholder.

The Role of Social Responsibility in Strategic Planning

Another major element of today's strategic planning is corporate social responsibility (CSR) where managers face a varied and increasing demand from stakeholders (McWilliams and Siegel, 2001). This demand has been

marked by numerous claims linking corporate social responsibility to a firm's profits, particularly in professional publications (Kanter, 1999), in the media, and by emerging international CSR organizations - such as the United Nations Global Compact. The motivation is laudable: if a positive CSR - financial performance relationship can be demonstrated, and then firms will be motivated to increase spending on CSR activities. However, academic research to date has been inconclusive, finding positive, negative and curvilinear relationships between CSR and financial performance (McWilliam and Siegel; Margolis and Walsh, 2001). Nevertheless, for those companies who include social responsibility as one of their criteria, companies are leaving no stone unturned to ensure that they contribute to the improvement and well being of the society, while minimizing any negative impact of their operations on the society.

Thus CSR focuses on two areas: Internal behaviors, which refers to the way a corporation conducts the day-to-day operations of its core business functions, and External behaviors, which refers to a corporation's engagement outside of its direct business interest (Jones, 2004). It goes beyond good public relations tactics or being nice to have. (Valentino, 2007).

Internal behavior planning generally starts in the Human Resource Department. It can be an aid to recruitment and retention. (Lingham, 2009). Examples are 'going green,' matching employee charitable contributions; creating 'help the community' programs, and sponsoring community events.

While external behaviors can include the latter three internal behaviors, they differ from internal CSR because management and public relations will consider the financial impact of their decisions because of their stakeholders, such as owners and shareholders. Business exists for many reasons but survival ultimately depends on profits.

My Ethical Perspective

My ethical perspective has broadened via this program as I have understood the linkage between ethics and its implications on the organization from strategic perspective. I have understood the strategic importance of ethics in terms of benefiting all the stakeholders of an organization and its importance in the organization's day to day operations. The program has taught me the relationship between ethics and the different components of the strategic plan of the organization. The future of our organizations, the people they represent, and the wider community can only be strengthened by embedding ethics into the strategic planning process." Ethics should be central, not peripheral, to the overall management of the firm.