

Social responsibility
in managing
stakeholder
relationships
marketing essay



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Social responsibility is very important for a business to have. Social responsibility can help a company's reputation and help increase profit. Social responsibility is defined as volunteering to manage the company's operations and what they do with stakeholders to have a good impact on the community where the company works (McAlister, 2005). When it comes to social responsibility and stakeholders there are important things to consider such as trust, customer satisfaction, employee commitment, investor loyalty, and national economy. Social responsibility attracts and retains customers and companies need to attract and retain customers in order to maintain an effective and efficient company. There are many examples of Companies who show excellent social responsibility and companies that show poor social responsibility. For example BP is showing poor social responsibility because of the current oil spill that is going on. BP chose to drill in the wrong area for oil and then after the spill BP chose not to take the blame for it. This shows poor responsibility because BP is not taking responsibility for their actions and BP were the ones drilling and caused the spill.

Stakeholders are also important to a company because stakeholders affect and influence the company. Stakeholders can be internal and external, they include customers, employees, investors etc. Stakeholders and their interests are very important and if the stakeholders interests are not met then the company is not showing social responsibility.

The conclusion explains the summary of the paper and my opinion on social responsibility in managing stakeholders. It explains the benefits of social responsibility and the interests the company's stakeholders.

Why do companies feel social responsibility is so important in running a business? Social responsibility is defined as volunteering to manage the company's operations and what they do with stakeholders to have a good impact on the community where the company works (McAlister, 2005). Companies have many responsibilities and one of them is helping out the community to show that the company cares about other things besides making a great profit. Social responsibility increases company's reputations and makes the company look good, and these companies get rewarded with customer satisfaction. If these companies show poor social responsibility it can ruin revenue and stakeholders may go to another company.

Social responsibility is very important because it shows that companies can treat customers, employees and investors fairly (Les, 2007). One example of social responsibility is when a car manufacturer doesn't put a stop on a bad product (Les, 2007). First the car manufacturer claimed that it was not their fault. Then the government made them admits that they were responsible (Les, 2007). In this example the company admitting to their faults show responsibility and the charismatic ways they have for their employees, customers and even investors. A second scenario is a restaurant that doesn't deliver good quality food and extremely poor service (McAlister, 2005). Customers than decide to eat somewhere else and no longer come to the restaurant anymore. The customers that left decide to tell their friends negative things about the restaurant (McAlister, 2005). This scenario shows that the restaurant has probably lost some revenue as well as customers. This also makes their reputation go down and gives other restaurants more

business. Everything employees or CEOs do in relate to the company is very important because it can make or break the company (McAlister, 2005).

Social responsibility also attracts and keeps employees, customers and investors (Taylor, 2009). When companies have good social responsibilities they increase employee loyalty, performance and job fulfillment and all of these increase reputation management. Besides making a good profit and increasing revenue companies should look forward to making a positive difference in society that benefits customers, employees and investors (Taylor, 2009).

Customers are very important when it comes to social responsibility and companies want to do anything positive to attract these customers.

Customers become attracted to certain companies who develop wonderful and beneficial products that are environmentally or socially responsible and give people a reason to buy from the company (Taylor, 2009). Social responsibility also attracts investors (Taylor, 2009). These investors buy from companies that are socially responsible and will benefit these investors.

Some other pros of social responsibility is that it involves encouraging personal grow by better leadership and project management skills (Taylor, 2009). It also helps reduces the companies costs. For example recycling or conserving energy increase internal effectiveness and cuts costs (Taylor, 2009). Companies like Proctor and Gamble do many environmental things with their manufacturers to save money when producing products. Social responsibility is important because it enhances stakeholder relationships, improving presentation and making other benefits (McAlister 2005). Social

responsibility involves customer and employee trust, customer satisfaction, employee commitment, and loyalty from investors and all of these come to a result in good organizational performance (McAlister, 2005). All companies want to have social responsibility because it improves business value and increases reputation (Dunn, 2010). These companies want to have good reputations so that they can increase revenue and attract and attain more customers.

Although social responsibility sounds like the best thing to have in a company, social responsibility has some negative about it. Social responsibility lowers the economic good organization and profit and it improves extra costs and then reduces competitiveness (tutor2u). Another con is that CEOs have the obligation to manage the company in the interest of shareholders and not for other stakeholders (tutor2u, 2010). The CEO should be managing in the interest of shareholders and other stakeholders; if not then those other stakeholders such as investors may take business elsewhere. Companies are also restricted in how they can produce with their resources (tutor2u, 2010). This is a downfall because the companies are limited to how much they can do involving social responsibility, it should be unlimited and the resources should be unlimited as well. Even though social responsibility has some flaws the positive towards it is much better and it benefits the company in many good ways.

Social responsibility fulfills the economic and legal responsibilities to keep and further relationships with employees, customers, etc (McAlister, 2005).

Companies have responsibilities of helping the community, creating jobs and providing goods and services to the community. Being socially responsible
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will benefit the company in a short run and in a long run. In order to commit and have good social responsibility, the company has to attract and attain the best workers. Once the company has social responsibility they have to implement it through programs and community service (McAlister, 2005).

When a business is up and running they have these groups called stakeholders. Stakeholders are very important in a business. Stakeholders are defined as people or groups that a company is responsible for (McAlister, 2005). Stakeholders are internal and external. The internal stakeholders consist of employees, managers, and owners. The external stakeholders consist of suppliers, society, government, creditors, shareholders and customers. Stakeholders are so important because they have played a part in some aspect of the company's outcomes. They are also influenced and affected by the business.

There are models that show input and output stakeholders in order to maximize profit (McAlister, 2005). The first model is called the input-output model which shows who businesses interact with to make profit. Investors, employees and suppliers are the ones that are input for the business which then look for external ways to bring profit in (McAlister 2005). These investors, employees and suppliers are responsible for making the customers happy because the customer is always right. The second model is the stakeholder model, which recognizes other stakeholders that the input-output model does not. This model looks at more shared dialog between internal and external setting (McAlister, 2005).

Once again there are primary and secondary stakeholders. Primary stakeholders are stockholders, customers, suppliers, creditors and employees. They are very important to the company, and without these primary stakeholders a company has no chance of surviving (tutor2u, 2010). Secondary stakeholders are influenced and affected by the business but have nothing to do with the daily endurance of the business (McAlister, 2005). Secondary stakeholders would be special interest groups and they have powerful influences on the firm (McAlister, 2005). The book states an example of secondary stakeholders. “ The British Petroleum being charged with supplying oil and gas to the government while Barclays Bank is alleged to have paid white employees more than black employees” (McAlister, 2005 p. 39). “ The suit which calls for a collective liability of up to 100 billion dollars, may not significantly harm either companies balance sheet but could cast a shadow on the reputation and stock price of both” (McAlister, 2005 p. 39).

Stakeholders must have good relationships because it affects the company’s reputation. Stakeholders have to know how to manage and handle crisis situations (McAlister, 2005). They especially have to be mindful of the way business is done outside of the United States and stakeholders have to build good relationships with these people. Stakeholder relationships are extremely important especially after the companies like Enron and WorldCom fail to keep their company in good shape. When the stakeholders are being satisfied then the company stays successful in a competitive environment (Alexander, 2010). Also managers, CEOs, supervisors, etc should build and maintain well-built relationships with the stakeholder

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groups (Alexander, 2010). Once these relationships are built, maintained and positive most likely the relationship will continue to last for a long time.

When the relationships last for a long time companies tend to bring in more business and maintain a strong standing company. A company that is successful is because everyone internal and external can operate wonderfully along with the stakeholders. These relationships with stakeholders are to be treated the same way families and coworkers are treated which is based on trust, commitment and communication (McAlister, 2005).

Sometimes it is hard to develop a relationship with someone you have just met but when it comes to business all of those things don't matter because you meet and interact with new people every day in order to bring business to the company. Companies have to seek long term relationships with clients, investors, etc to stay competitive in this world. A long time ago companies only worried about relationships with suppliers, employees etc for economic exchange but now in the twentieth century it involves more than that (McAlister, 2005).

Companies have to fulfill stakeholder's needs and have good relationships. In order to do those companies have to give stakeholders what they want. Most stakeholders want continuous communication so they know what's going on with the company that may have invested in (Penn State, 2010).

Stakeholders also want programs or some type of information that can help them in decision making. Most importantly stakeholders want proper respect and treatment because they have invested or put much work into a certain company. In order to maintain these relationships with stakeholder, <https://assignbuster.com/social-responsibility-in-managing-stakeholder-relationships-marketing-essay/>

companies have to treat them as if they work for the company (Penn State, 2010). Companies should have stakeholders attend meetings and events. Companies should also reward stakeholders for their positive accomplishments as well as recognize them. Other ways to maintain these relationships are asking stakeholders for input on concern with the companies or concerns that may affect the company in a positive or negative way. Have stakeholders participate in events hosted by the company and just make the stakeholders feel a part of the company that they plan to be committed to (Penn State, 2010). If the stakeholders show commitment to the company then the company should show the same commitment as well.

Although stakeholders are important not all stakeholders are equal (McAlister, 2005). The Business and Society: A Strategic Approach to Social Responsibility text shows an example. “ There are regulation and legal requirements that govern financial outcomes to them. Business communications such as advertising, press releases, and websites have the potential to reach many stakeholder groups whereas formal proceedings may be the modus for dealing with government official” (McAlister, 2005 p. 54). When companies have strong relationships especially with stakeholders they should have no problem with communicating conflicts with the business. Good problem resolution will hold a strong bond with the company and its stakeholders and remembering to make decisions based upon what is best for the stakeholders.

Stakeholders and social responsibilities are linked together because people are interested in what the companies are doing for the stakeholders and are interested in what the companies are doing for the stakeholders and <https://assignbuster.com/social-responsibility-in-managing-stakeholder-relationships-marketing-essay/>

especially their interests (McAlister, 2005). To help companies out there is also a scale called “ The Reactive-Defensive-Accommodative-Proactive Scale” (McAlister, 2005 p. 57). The scale gives strategy options and routine outcomes to help stakeholders (McAlister, 2005). The book gives a great example, “ a poorly handled crisis situation may provide feedback for continuous improvement that creates more satisfactory performance in the future” (McAlister, 2005 p. 57). The scale is also useful because it estimates and allows the company to see its strengths and weaknesses with each stakeholder (McAlister, 2005).

As shown stakeholders play an important role in companies and they keep the company in positive shape. Certain models show they are important and how they benefit the customers. Also primary and secondary stakeholders are important to a company, one holds the foundation of the company and the other is influenced and affected by the company.

Consumers are people who use goods and services through companies. Consumers are the backbone when it comes to goods and services of a company. If consumers don't buy products, then the products can't be used and the companies have a difficult time trying to make money. This is why consumer stakeholders are important. For example Proctor and Gamble produce many products and their advertisements are shown all over the world so that consumers can buy their products. If consumers don't buy the products then Proctor and Gambles business will fail because Proctor and Gambles business is entirely made up of manufacturing and producing products. Also businesses have responsibilities to these consumers by

producing excellent products, testing the products and advertising the products appropriately.

Consumers are stakeholders because without consumers companies can't survive so companies have to have consumers. Consumers are primary stakeholders because consumers play an important part to the company's existence (McAlister, 2005). There are many responsibilities to consumers such as economic issues, legal issues and philanthropic issues. Companies and consumers have economic relationships (McAlister, 2005). Businesses are responsible for advertising companion slogans and keeping consumers happy as they will purchase the company's products. Businesses want to watch out for consumer fraud. Consumer fraud deals with things like shoplifting or conspiracy (McAlister, 2005).

Some cons of consumer stakeholders are consumer fraud as mentioned earlier. An example of consumer fraud can be a teenager shoplifting. Another con is that consumers might not feel the product is worth the price offered. For example, " Although some marketers claim that their creams, pills, special massages, and other techniques can reduce or even eliminate cellulite, most medical experts and dermatologists believe that only exercise and weight loss can reduce the appearance of the undesirable condition" (McAlister, 2005 p. 196). Consumers have to feel satisfied with the product they purchase and that's the company's responsibility. If the consumers are not happy then they will most likely return the product for money.

Consumers may also tell others about their bad experience and it will cause the business to lose money and to cut back on inventory. Another con will be

legal issues. Consumers may complain about problems dealing with merchandise. For example, “ Consumer complains about problems receiving merchandise ordered online prompted The Federal Trade Commission to launch Project TooLate. com to investigate whether internet retailers had violated the mail and telephone order rule during 1999 holiday season. Seven online retailers eventually settled with the Federal Trade Commission over charges that they did not provide consumers with adequate notice of shipping delays or they promised specific delivery dates that they know were impossible to meet” (McAlister, 2005 p. 196).

One pro about consumer’s stakeholders is that consumers have a right to choose any kind of product at different prices (McAlister, 2005). Consumers also have the right to safety meaning that any product a consumer purchases it will not be harmful. For example, “ Products like guns in the state of Massachusetts recently required that all guns sold in the state meet stringent standards and carry internal identification numbers” (McAlister, 2005 p. 205).

Community stakeholders are important to companies as well but don’t receive the same gratitude as other stakeholders (McAlister, 2005).

Community involves people that are affected by what goes on in an organization. Businesses are socially responsible for what goes on in their community including things like land use, criminal things, information technology, etc. These issues can be either pros or cons. A con is that community stakeholders can improve things around the community such as helping with employment opportunities, education, health and

extracurricular activities for the youth. In order to do these things the <https://assignbuster.com/social-responsibility-in-managing-stakeholder-relationships-marketing-essay/>

company has to build trust with the community (McAlister, 2005). Building trust with the community is also called community relations. When companies try and build long-term relationships they are showing good social responsibility. Community stakeholders help economically by bringing in jobs for families that have trouble supporting themselves (McAlister, 2005). Companies also support these communities by providing raw materials and many other goods and services.

Community relations deal with philanthropy by offering grants or other resources to help (McAlister, 2005). Companies look to solve issues within the community and this can also improve publicity through stakeholder recognition. For example, “ Colorado-based New Belgium Brewing Company donates one dollar for every barrel of beer brewed the prior year to charities within the markets it serves. The brewery tries to divide the funds among states in proportion to interests and needs, considering environment, social drug, and alcohol awareness and cultural issues” (McAlister, 2005 p. 221 par. 1).

Another important stakeholder is employee stakeholders. Employee stakeholders are important to the company and the company is expected to consider the needs and wants of employees. As an employee stakeholder you want to feel a part of the company by making decisions of the company strategic direction to feel empowered, you want to be treated fairly by other employees, and you want to be providing with options like training to become a better employee for the company (McAlister, 2005 p. 228).

There are many issues related to social responsibilities with employee stakeholders like workforce reduction, wages, benefits, equal opportunity etc (McAlister, 2005). Companies have to treat employees fairly and provide expectations for their employees. Employees help the company in many ways, they are the backbone of the company. Without employees there wouldn't be a successful company. Employees help keeps companies stable by bring in customers, more employees and of course money. Employee stakeholders also represent the company in the direction of other stakeholders (Greenwood, 2008). If employees aren't treated well by the company then they may go to another company and the company will end up failing.

One important issue with social responsibility in employee stakeholders is sexual harassment within the company. This is a con when it comes to employee stakeholders. When there is sexual harassment in a company it usually deals with women being harassed. Sexual harassment can be verbal and physical. There are two categories of sexual harassment which include quid pro quo and hostile work environment (McAlister, 2005). Quid pro quo is “ where there is a proposed or explicit exchange of job benefits for sexual favors” (McAlister, 2005 p. 240). An example is “ You will be fired if you do not have sex with me” (McAlister, 2005 p. 240). Hostile work environment sexual harassment is “ conduct that shows hostility towards an individual or group in a work environment” (McAlister, 2005 p. 240). An example is “ an email message for containing sexually explicit jokes that is broadcast to employees could be viewed as contributing to a hostile work environment”

(McAlister, 2005 p. 240). Employees need to be aware of these behaviors and how avoid them as well as detect them.

In conclusion all companies need to have social responsibility and stakeholders to run a successful company. Stakeholders are the ones that help a company maintain itself as well as grow. All stakeholders have good things and bad things about them but they are an asset to the company. Social responsibility is a great way to show that your company is good to invest in. Social responsibility in managing stakeholders helps a company succeed and run effectively and efficiently. Performance is what counts in a company and stakeholders help provide excellent performance to make the company look good by doing socially responsible thing.