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Choosing Between Right and Right

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Abstract

Corporate responsibility is an area of growing interest among business researchers, practitioners and policy makers. Demands on firms to act ethically are made by a wide range of stakeholder groups, including customers and the wider community. However, stakeholders often make competing demands on firms, and the desired outcomes, though apparently responsible, may be contradictory. This paper reviews the corporate responsibility literature to reveal research gaps and inconsistencies, and proposes a research agenda to address these issues, beginning with an examination of how senior marketing managers decide between decisions that are “right” and “right” rather than “right” and “wrong”.

Introduction

Firms are under increasing social and political pressure to act responsibly (Husted, 2003), with moral imperatives to do the right thing (Donaldson and Davidson, 1991). However, managers face paradoxes and conflicts in their efforts to act ethically.

Choices between self interest and community interest, or between socially “right” and “wrong” alternatives, are conventional problems that could be addressed in the context of utilitarian ethics and/or game theory. A more intriguing question, though, and one that has yet to be addressed in the corporate responsibility literature, is how managers choose between “right” and “right”. For example, if a firm is under pressure from two conflicting stakeholder groups – one that wants the firm to reduce its operations to protect the natural environment and one that wants the firm to increase its operations to improve local employment opportunities – how do managers choose between these seemingly responsible but mutually-exclusive alternatives?

This paper outlines a research agenda to explore the paradoxes and conundrums that beset managers in their efforts to act responsibly.

Background to the Problem

Recent studies suggest that socially and environmentally responsible firms are more likely to have respected brands and trustworthy corporate reputations (eg Perrini, Pogutz and Tencati, 2006). A review of the corporate responsibility literature also reveals a generally positive relationship between corporate responsibility and firm performance (Chand, 2006). However, the motivations for firms to act responsibly – i.e. in the interests of society, at the cost of profits (Baron, 2001) – appear to be questionable.

There is some suggestion that many seemingly responsible actions may be more self-serving, than philanthropic, because firms perceive that the returns for being honest, trustworthy and

ethical are high (Jones, 1999). In other words, responsible actions may be driven more by the prospect of greater public acceptability and higher profits, rather than the interests of society. There are also questions about the sustainability of ethical business policies. There is an assumption that responsible codes of conduct and associated strategies and practices may be sources of sustainable competitive advantage. However, according to the resource based view of the firm (Wernerfelt, 1984; Barney, 1991; Fahy and Smithee, 2001), corporate responsibility can only be viewed as a source of competitive advantage if it is relatively rare and associated policies and procedures are not easily replicated. However, as more firms adopt responsible corporate policies and strategies, the less effective these may become in providing points of differentiation.

In turn, this raises questions about the temporal nature of ethical decisions. There may be a corporate responsibility lifecycle, where firms' decisions at the early stages are largely voluntary and driven by a mixture of societal interest and self-interest. As the ethical market matures and more and more firms appear to adopt responsible strategies and practices, the financial drivers are likely to lessen as competition increases and advantages derived from corporate responsibility wear out. At the latter stages of the lifecycle managers' decisions are likely to be less voluntary, with external pressures by customers, investors, interest groups and/or legislators (Jones, 1999) becoming more important drivers than strategic concerns.

Finally, there are questions about how managers choose between competing ethical demands when the alternatives all appear to be responsible. In other words, how do firms choose between socially and/or environmentally "right" and "right" outcomes as opposed to "right" and "wrong"? There is a lack of understanding about how firms balance or trade-off the competing demands of different stakeholder groups, as well as limited research into the internal and external environmental influences on corporate responsibility. A better understanding of these motivations and processes is important for researchers interested in modelling the drivers of corporate responsibility, for stakeholders concerned with improving business ethics, for managers concerned with improving corporate reputation and brand equity, and for policy makers concerned with improving the relationships between business enterprises and their social and physical environments.

Proposed Research Agenda

The authors propose to investigate stakeholders' perceptions of the drivers and consequences of responsible corporate behaviour, senior marketing managers' motivations for acting responsibly, the internal and external influences on managers' decision-making, links with corporate strategy, and procedures used to make ethical trade-offs and/or compromises. The research will be conducted in New Zealand, Australia and in several other country markets, using a range of firms, to assess cultural and institutional influences (c.f. Doh and Guah, 2006). The aim is to develop a theoretical model that can be used to guide future research into the drivers, processes and consequences of responsible corporate decision-making.

The research will be conducted in two stages. The objectives of the first, qualitative phase are to explore customers' and other stakeholders' perceptions, expectations and experiences of "responsible" corporate decisions. Any experiences of ethical dilemmas or trade-offs will also be explored. Senior marketing managers' corporate responsibility motivations and actions will also be explored in this phase. The most senior marketing decision-makers will be interviewed because they are primarily responsible for product development, sourcing,

packaging, distribution and promotion decisions that are likely to have the greatest impacts on consumption patterns and associated social and environmental concerns. A case study methodology will be used to explore these issues.

Given that tourism firms, in particular, face potential conflicts between economic expansion and environmental sustainability (Dewhurst and Thomas, 2003; Fennell and Malloy, 1999; Nowaczek *et al.* 2007) the tourism industry would appear to be a good context for the preliminary study. The initial sample will be drawn from New Zealand tourism operators who have had to lodge Resource Management Act applications for “sustainable” business development projects in the past year. A grounded theory approach (Glaser and Strauss, 1967) will be used to explore relevant issues and to ascertain the appropriate number of cases for the study. The latter decision will be guided by the information “saturation” criterion.

The case studies will then be replicated in Australia, Thailand, Malaysia, Canada and Scandinavia to determine whether there are cultural and institutional influences (Doh and Guah, 2006) that need to be incorporated in any future empirical research designs.

The results of the case studies will be used to develop a choice model that will be tested empirically in a larger study using a cross-national sample of firms. Structural equation modelling will be used to assess the relative importance of factors influencing ethical decision choices.

The preliminary study will be guided by a number of conceptual models and theories related to ethical decision-making in business, including the general theory of ethics in marketing (Hunt and Vitell, 1986, 1993), a synthesis of ethical decision-making measures (Vitell and Ho, 1997), relativism and ethical trade-offs (Tsalikis, Seaton and Shepherd 2001), and processes and consequences of ethical dilemmas (Le Menestrel, van den Hove and de Bettignies, 2002). The research will also build on recent studies into the impact of stakeholders on corporate social responsibility (Godfrey and Hatch 2007; Miles, Munilla and Darroch, 2006; Knox, Maklan and French, 2005) and the influence of resource dependency on managerial decisions (Griffin and Dunn, 2004).

While previous studies into the influences on ethical decision-making and corporate responsibility have tended to focus on “right” versus “wrong” decisions, this study will explore whether there are similar influences on “right” versus “right” decisions. The proposed study will also answer calls for more in-depth, case-based, qualitative research into ethical decision-making processes (Godfrey and Hatch, 2007; Knox, Maklan and French, 2005). Gaining better knowledge of these processes is essential before conducting empirical studies which aim to generalise findings across industries or countries.

Conclusions and Implications

The question of how to develop economically and environmentally sustainable technologies is a New Zealand Government imperative and is mirrored in the Foundation for Research in Science and Technology 2007/08 research signals (http://www.frst.govt.nz/research/SET_2007.cfm). Similar sustainability aims are incorporated in economic development policies in other countries. However, there is an assumption that economic and environmental sustainability are responsible aims that are compatible and not mutually exclusive, at least in the minds of key stakeholders. Further

research is required to ascertain if this is the case, or whether managers and other important stakeholders perceive that compromises can indeed be made.

A review of the corporate responsibility literature indicates that previous research is fragmented, with the lack of an integrative theory of the business and society relationship (Garriga and Mele, 2004). A better understanding of how managers make trade-offs between competing stakeholder claims and how they resolve (if not accept) associated paradoxes would aid the development of an integrative business-society relationship theory.

Exploring stakeholder trade-offs and how managers choose between “right” and “right” would also provide insights that could be used to guide future research that might guide research that addresses the other gaps and inconsistencies revealed in the review of the extant literature, including the motivations behind seemingly responsible policies, temporal nature of ethical decision making, the voluntariness of decisions and the sustainability of corporate social responsibility. The knowledge would also help marketing researchers, practitioners and business policy-makers concerned with improving the relationships between firms, their customers and other important stakeholders, and the surrounding social and ecological environments.

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