Corporate Social Responsibility (CSR) inclusion in the Strategic Planning Process to:

Maximize Corporate CSR Benefits – Minimize Corporate CSR Risks

Presented at:

The 3rd Conference of the Association pour le Développement de l'Enseignement et de la Recherche sur la Responsabilité Sociale de l'Entreprise (ADERSE)**,** October 18 and 19, 2005 Lyon, France; Conference of the Association for the Promotion of Research and Education on Corporate Social Responsibility; Conference organized in partnership with the ISEOR and the Social Issues in Management Division of the <u>Academy of Management</u> (USA)

TYPE of Paper: Concept paper – A procedural approach to include Corporate Social Responsibility in the Strategic Planning Process

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By: Keith K. Morgan

ABSTRACT

Strategic planning embraces corporate social responsibility during the analysis of internal and external environments. The stakeholders in both environments have legitimate claims on corporate resources and the strategy for the future. The strategic planner must consider these claims in developing an overall corporate strategy. This paper will propose a high-level procedural methodology that could be used in the strategic planning process to address these claims. This procedural methodology will have the objective of maximizing CSR benefits to the corporation, while minimizing CSR risk.

Keywords: Corporate Social Responsibility, CSR, Strategic Planning, Strategy

Introduction

The inclusion of the corporate social responsibility (CSR) analysis into the strategic planning process would permit the corporation to use stakeholder's CSR requirements for creating a competitive advantage. To accomplish this, the various stakeholder CSR claims must be evaluated. To do integration of CSR requirements into the strategic planning process, a high-level procedural method will be proposed that could facilitate the determination of stakeholder CSR requirements. A competitive CSR analysis of the corporation and its competitors could be

performed as well. The objective of this procedural methodology is to maximize CSR benefits to the corporation, while minimizing CSR risk.

Corporate Social Responsibility vs. Strategic Planning Stakeholders

   The stakeholders in internal and external environments have legitimate claims on corporate resources and the strategy for the future. The strategic planner must address these claims during the planning process. In a comparison of Corporate Social Responsibility and Strategic Planning Stakeholders (See Table 1), they are the same except in the external environment, where the Unions (Not currently representing employees), Competitors, and Creditors are not included in the Corporate Social Responsibility stakeholders list.

<div align="center">

Comparison of Corporate Social Responsibility and

Strategic Planning Stakeholders

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Stakeholders	Corporate Social Responsibility	Strategic Planning
Internal		
Owners/Shareholders	X	X
Managers:		
Board of Directors	X	X
Executive Officers	X	X
Employees	X	X
External		
Customers/Consumers	X	X
Natural Environment	X	X
Global Community	X	X
Local Community	X	X
The General Public	X	X
Suppliers	X	X
Government	X	X
Unions		X
Competitors		X
Creditors		X

(MHC International, 2005; Pearce & Robinson, 2005)

Table 1

This raises the question: Should Corporate Social Responsibility analysis include Unions, Competitors, and Creditors in their stakeholder list? Let's examine these three groups. First, the Unions, which are not currently representing employees are trying to organize employees by promising better employee benefits, employment practices, and wages through the collective bargaining process. An example of this would be: United Food and Commercial Workers Union are urging Americans not to spend their money at Wal-Mart. They have launched a broad social movement to change this company using standard political campaign tactics. "This is a moral question about what kind of America we want to live in. Do we want to live in Wal-Mart's version of America, where you drive down wages, don't provide health insurance, provide no retirement security, ship jobs overseas and have complete abandonment of your values in the relentless pursuit of profit?" (Curry, 2005) This same argument can be used for competitors. If your competitor is not providing the same or similar employee packages, then you are at a competitive disadvantage in the marketplace, In the case of wages, Wal-Mart has an average wage of $9.68 per hour versus a competitor (Costco), which is paying an average wage of $16.72 per hour. (Curry, 2005) It could be argued that creditors should be included under the category of suppliers in the Corporate Social Responsibility analysis, but strategic planning handles them as separate stakeholders. Therefore, based on the discussion above, it appears that Unions, Competitors, and Creditors should be added to the Corporate Social Responsibility stakeholders list.

Stakeholders Analysis

In the previous section, the stakeholders for strategic planning and corporate social responsibility were found to be the same. Although they are the same, they do not have the same impact on the corporation results. Therefore, the stakeholders should be ranked in priority order

based on their impact on the corporation. The stakeholder that has the maximum impact on the corporation's results is in the number one (1) position.

One Possible Rank Order of Stakeholders

Corporate Stakeholders	Priority Ranking
Customers/Consumers	1
Employees	**2**
Government	**3**
Competitors	**4**
Owners/Shareholders	**5**
Local Community	**6**
Managers:	**7**
Suppliers	**8**
Creditors	**9**
Global Community	**10**
Natural Environment	**11**
Unions	**12**
The General Public	**13**

Table 2

The next step would be to consolidate the stakeholder list by reviewing the values and concerns of each stakeholder and to see if another stakeholder with a higher priority rating addresses these issues. The goal is to end up with five to seven stakeholders. Example: The general public values would also be addressed by the Local or Global Communities; The Unions issues are worked through the Customer/Consumers, Employees, and Government; If you address all the local communities that a corporation activities account for 15% or more of the local economy, then the aggregate (Global) community for the corporation has been addressed; Creditors are actually Suppliers of financial resources; and managers are employees. Therefore, the consolidated list of corporate stakeholders would be the following:

Rank Order of Stakeholders

Corporate Stakeholders	Priority Ranking
Customers/Consumers	1
Employees	2
Government	3
Owners/Shareholders	4
Local Community	5
Suppliers	6

Table 3

Each stakeholder does not have the same impact on corporate results. Therefore, a weighting process should be done for each member. This can be done by pairwise comparisons of the stakeholder based on their priority ranking. Example: Customer/Consumers versus Employees; employees versus government; etc. Alternatively, since the stakeholders are in priority order, rank sum or rank reciprocal weighting techniques or other weighting methods could be used. (Canada & Sullivan, 1989) (Merino & Lang, 1993) The weighting in the following table was done by a rank reciprocal weighting technique.

Weighting of Rank Order of Stakeholders

Corporate Stakeholders	Priority Ranking	Weight
Customers/Consumers	1	.41
Employees	2	.20
Government	3	.14
Owners/Shareholders	5	10
Local Community	6	.08
Suppliers	7	.07
Total		1.00

Table 4

Corporate Social Responsibility Indicators

The indicators used to measure Corporate Social Responsibility (CSR) are the following: 1. Ethics; 2. Litigation; 3. Fines; 4. Contribution to innovation; 5. Job Creation; 6. Profitability/Value; 7. Community Activities, 8. Philanthropy, 9. Safety program, 10. Employee Pay, Pension, and Benefits; 11. Policies; 12. Quality; 13. Pollution; 14. Conservation; and 15. Public Controversy. (MHC International, 2005) The following table shows the allocation of these indicators to the appropriate corporate stakeholder category.

Allocation of CSR Indicators to Stakeholders

| CSR Indicator	Customers/ Consumers	Employees	Government	Owners/ Shareholders	Local Community
Ethics	X	X	X	X	X
Litigation	X	X	X	X	X
Fines	X	X	X	X	X
Contribution to Innovation	X	X	X	X	X
Job Creation	X	X	X	X	X
Profitability/Value	X	X	X	X	X
Community Activities	X	X	X	X	X
Philanthropy	X	X	X	X	X
Safety Program	X	X	X	X	X
Employee Pay, Pension, and Benefits	X	X	X	X	X
Policies	X	X	X	X	X
Quality	X	X	X	X	X
Pollution	X	X	X	X	X
Conservation	X	X	X	X	X
Public Controversy	X	X	X	X	X

(MHC International, 2005)

Table 5

The CSR indicators should be ranked in priority order based on the stakeholder's view of each indicator. An example would be that customers might see the quality of the product or service as a number 1 priority, while the local community may not rate it as their number 1. The competitors

and suppliers stakeholders are not included in this table because they are external influences on the corporation's perceived compliance with CSR requirements.

      The measurement of some CSR Indicators would appear to be difficult, when they cannot be quantified numerically. An easy solution to this issue is to use expert opinion to build utility curves. Ruf, Mauralidhar and Paul, in 1998, looked at utility theory versus Analytic Hierarchy Process (AHP) pairwise comparison method. They chose Saaty's (1980) AHP method. This paper will suggest a different approach to doing company comparison in another section of the paper. See Figure 1 for an example of a utility curve and how to use it.

Utility Model: Example
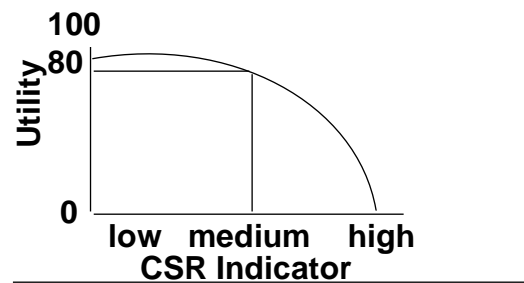
Step 1. Construct Utility Curve
Step 2. Choose CSR Indicator Value (e.g, med.)
Step 3. Determine Utility Value (e.g., 80 in this example)

(Canada & Sullivan, 1989; Merino & Lang, 1993)

Figure 1

All 15 CSR indicators should have either a numerical or a utility curve that can be used to translate indicators into numerical values and they should all be on the same scale.

Maximizing CSR Benefits and Minimizing CSR Risks

In this section, the actual CSR requirement must be developed for each indicator. To do this analysis, use the following stakeholders: Customers/Consumers; Employees; Government; Owners/Shareholders; and Local Community. Suppliers and Competitors are evaluated by the CSR requirements that emerge from this analysis. Let's start with the number 1 stakeholder: Customers/Consumers. A customer CSR satisfaction survey can be conducted to determine the customer's view of what the requirements should be for each CSR indicator. The requirements will be filtered so that the most stringent requirements for each indicator move forward into the next round of analysis. Local Communities, Employees and Owners can be handled in a manner similar to customers/consumers. Government requirements or proposed requirements will establish the minimum performance level for CSR requirements, when the other stakeholders do not have requirements that are more stringent. At the end of this analysis, the most stringent CSR requirements for each of the stakeholder groups will have surfaced.

The next round takes the requirements for each CSR indicator from the stakeholders and analyzes them based on the stakeholder that submitted them. In this case, there may or may not be requirements from each stakeholder. In any case, the most stringent requirement will be selected. If there is any conflict between stakeholder requirements, then the requirement from the stakeholder with the highest priority weight will prevail. At the end of this round, the CSR indictor requirements will have emerged. The selection process for these requirements has ensured that all stakeholder group CSR requirements will be met. The following is a high-level graphical representation of the analysis process:
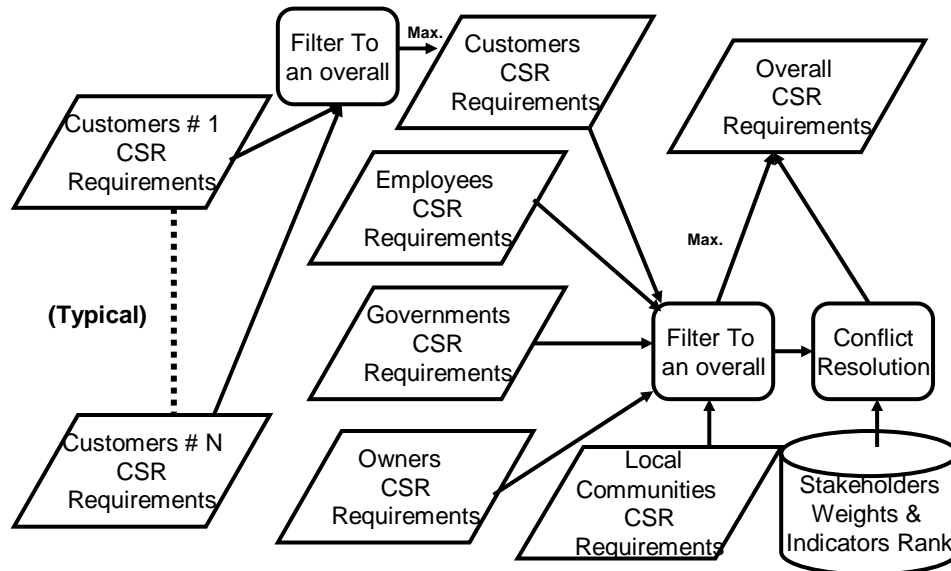
The Analysis Process

Figure 2

In summary, this process gets its CSR requirements from a representative sample of customers, employees, and owners as well as governments & local communities. The requirements are then filtered so that only the most stringent remain for each stakeholder group. The requirements are then filtered one more time to obtain the overall CSR requirements. If a conflict occurs between stakeholder groups, then the stakeholder with the highest priority rating on the CSR indicator wins the dispute. If the stakeholders in the conflict have the same priority rating on the CSR indicator, then the stakeholder with the highest weighting wins the dispute.

Using the Overall CSR Requirements

The Overall CSR Requirements (Stakeholders CSR Benchmark) can be used to evaluate the corporation, individual suppliers and competitors. The suppliers are evaluated to quantify the risk associated with their linkage to the corporation. Depending on the risk, a new supplier could be

selected or the supplier's contracts adjusted to reduce the risk associated with doing business with a CSR non-compliant vendor. The corporation and its competitors should be evaluated, so that a comparison analysis can be performed that will generate CSR competitive data for use in the other strategic planning processes.

The evaluation of the corporation and its competitors on CSR requirements can be accomplished by doing a SMART (Simple Multi-Attribute Rating Technique) analysis. (Merino & Lang, 1993) The SMART analysis is used to compare alternatives (the corporation and its competitors) by using attributes (stakeholders) and sub-attributes (CSR indicators).

SMART CSR Indicators Totals

Alternative/ Attributes	The Corporation	Competitor 1	Competitor 2	Competitor N
Customers/ Consumers				
Ethics	6	5	4	3
Litigation	7	8	4	5
Fines	10	10	8	6
Contribution to Innovation	8	7	8	4
Job Creation	7	7	6	1
Profitability/ Value	8	8	6	7
Community Activities	6	7	8	2
Philanthropy	8	5	6	3
Safety Program	9	7	8	5
Employee Pay, Pension, and Benefits	7	7	7	6
Policies	8	7	8	5
Quality	9	9	7	4
Pollution	9	8	8	6
Conservation	7	8	7	5
Public Controversy	8	7	7	6
Total	117	110	102	68
(Typical)				
Employees Total	135	120	110	100
Government Total	140	140	140	135
Owners/ Shareholders Total	130	130	123	115
Local Community Total	101	102	95	65
Grand Total	623	602	570	486

Note: Assume a scale of 1 to 10; Randomly assign values

Table 6

In Table 6, the scores of each sub-attribute (CSR indicators) are summed to obtain a total

score for each attribute (Stakeholder group). Once this is completed, a weighted sum is

calculated for each alternative (Entities being compared) by multiplying the attributes

(stakeholder) weight from Table 4 times its' score (See example in Table 7).

Alternative: The Corporation

Attributes	Weights (W)	Score (S)	Sum (W*S)
Customers/ Consumers	.41	117	47.97
Employees	.20	135	27.00
Government	.14	140	19.60
Owners/ Shareholders	.10	140	14.00
Local Community	.08	101	8.08
Suppliers	.07	122	8.54
Total			125.19

Table 7

This process is repeated for all alternatives being compared to create Table 8 below. In this

table, a comparison between alternatives can be done at the stakeholder level. The

alternative with the highest weighted score has the competitive advantage in the CSR.

SMART Weighted CSR Scores

Alternative/ Attributes	The Corporation	Competitor 1	Competitor 2	Competitor N
Customers/ Consumers	47.97	45.10	41.82	27.88
Employees	27.00	24.00	22.00	20.00
Government	19.60	19.6	19.60	18.90
Owners/ Shareholders	14.00	14.00	14.00	13.50
Local Community	8.08	8.16	7.60	5.2
Suppliers	8.54	8.26	7.00	6.65
Grand Total	125.19	119.12	112.02	92.13
Competitive Advantage	X			

Table 8

A competitive advantage in CSR requirements is a short-term advantage. If a competitor chooses to compete in this area, then the advantage cannot be sustained. In most case, the CSR requirements are in transition to more strict standards. Therefore, CSR requirements must be constantly monitored to ensure that the corporation is not vulnerable to stakeholder action or at a competitive disadvantage. This can be accomplished by creating strategic and operational CSR measurements that are evaluated on a monthly or quarterly basis.

Summary

The following procedural method has been proposed to facilitate the determination of stakeholders CSR requirements and as well as a competitive CSR analysis of the corporation and its competitors. The objective of this procedural methodology is to maximize CSR benefits to the corporation, while minimizing CSR risk.

1. Rank stakeholders in priority order

2. Consolidate the list of stakeholders

3. Weight each stakeholder by their potential impact on the corporation

4. Construct measurements for CSR indicators

5. Research stakeholders regarding their CSR expectations

6. Rank CSR Indicators for each Stakeholder

7. Identify the most stringent CSR requirements from each stakeholder group

8. Identify the most stringent CSR from all stakeholder groups

9. Evaluate individual suppliers for CSR compliance

10. Evaluate the corporation and competitors for CSR compliance

11. Compare the corporation and competitors by doing a SMART analysis

12. Create Strategic CSR measurements to monitor compliance and trends

The proposed process facilitates planning locally and summing to the big picture. Thus eliminating the possibility of meeting the local requirements for one stakeholder group and not another. This process will maximize corporate benefit and minimize corporate risk of the appearance of compliancy by one stakeholder group and not by another.

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