

# The Influence of Entrepreneurial Social Responsibility on the Strategic Decision-Making Process

Yanfei Sha

School of Business, Nanjing Normal University, Nanjing 210097, P.R.China.  
Email: shamst@163.com

Received 2013

## ABSTRACT

Entrepreneurs manage enterprise strategic decision. Owing to low quality decision, entrepreneurs bring serious problems to the society. The corporate social responsibility has been rising, and it also has influenced the entrepreneurs' decision environment. This paper refines the deep influence factors of strategic quality and analyzes the influence mechanism of entrepreneurial social responsibility on the strategic decision-making. The results show that high cognition and sense of entrepreneurial social responsibility can enhance the quality of enterprise strategic decision. So enterprise can get understanding and supporting from stakeholders.

**Keywords:** Entrepreneur; Stakeholder; Cognition of Social Responsibility; Sense of Social Responsibility; Strategic Decision-Making

## 1. Putting Forward the Problem

When the resources and environment were loose, the relationship between the enterprise and society was not nervous. The society did not care about or understand that enterprise strategic decisions were influenced by what factors and how to produce. Entrepreneurs could make strategic decision with only natural instinct. Enterprises granted to grab the biggest profits. However, the decision of simplifying and exploitative would produce a series of the decision results, such as lowering product quality, violating consumer and employee rights and interests, and damaging the ecological environment, wasting of social resources and many other decision problems. With the time of economic globalization and tight resources and environment, consciousness of right of consumers, employees, shareholders, community and other enterprise stakeholders have been awakening gradually. Enterprise social responsibility movement has been rising in the global. From the "social responsibility code" to "global agreement" of Multinational company, from SA8000 to ISO26000, Enterprise social responsibility movement has been becoming new environment for entrepreneurs' decision making. It influences and restricts the enterprise strategic decision process. Entrepreneurs own factors are always the endogenous key factors of restricting of quality and the correctness of enterprise strategic decision. In front of the new test and difficulty, entrepreneurs have to think about these questions: enterprise strategic decision

is whether still obey economic goals? Whether need to accept the social responsibility for the test? In many factors of influencing the decision of entrepreneurs, can entrepreneurs' social responsibility factors have much effect? With the strengthening of the enterprise's own strength, the enterprise is to take more social responsibility or still possess? All the questions come down to the point whether and how entrepreneurial social responsibility influences strategic decision.

Existing researches are not better to explain and solve the theory and practical problem whether and how entrepreneurial social responsibility influences strategic decision. Most object of theory of the enterprise ethics decision were general decision makers. They did not distinguish the difference between the decision maker's decision process and the target. And being the abstractness of the normative ethics and thoughts, the ethical standard of decision-making was not operable. However, west scholars had lacked of Chinese situation, ignoring the Chinese traditional culture ethical value and the Chinese mainstream values. Therefore, it is needed to discuss Chinese entrepreneurs' decision-making more frequently in the transition process. Strategic management circles on enterprise strategy decision-making process and the formation mechanism research was still not fully. They were paying more attention to entrepreneurs' (executive team) personality characteristics, neglecting the deep factors of ethics, responsibility, values, and so on, and ignoring the enterprise ethics changing in the environment.

## 2. Literature Review

Strategic management schools most analysed entrepreneurs or executive team personality traits, organization situation in the process of enterprise strategic decision, since entrepreneurs characteristics was dominant and easy to measure. Executives of team members of the age, education level, professional experience and other objective characteristics had an influence on strategic [1], or even influence significantly. However, the research Angle was simpler, ignoring some level factors such as the entrepreneurs individual character, attitude and cognitive [2]. Few studies could step by step from the team characteristics, team behavior characteristic, group decision mode characteristic to the group decision-making performance and performance of organization. The whole complex relationship had inner causal between process, especially the research lacking of group decision mode characteristic [3]. Background data mainly got through the secondhand resource. The researchers had little opportunity to directly observe or visit executives team members on the relationship between the team characteristics and the team behavior. They lacked of the interaction with senior managers lower notable the possibility of discovery value questions [4]. The existing researches ignore the strategic decision-making process, not explaining clearly the characteristics of strategic decision itself how to affect the decision-making process. And these researches are quite limited. In the future, it is necessary to analyze deeper levels of individual character, attitude, and beliefs and other factors. Future research also should pay more attention to the executive team responsible for the strategic decision making on the strategic decision process of efficiency questions. Business leaders whether had imagination, perseverance, and a sense of humor, energy and other personal quality, were important factors to influence enterprises creatively and potentially. Making the non-procedural of decisions depended on the psychological process which people did not so far know about. Future research will attempt to enter the psychological zone to discover.

In research fields of enterprise ethical decision making, they focused on two issues: one was the influencing factors of ethical decision making; the other was ethical decision making and behavior choosing process. The gender difference in personal factors of ethical decisions affect was not sure; idealism, obligations concerning philosophical or values had a positive impact on ethical decisions. Relativism, teleology and ethical decision made negative correlation. Education, professional, job satisfaction, work experience, religious and ethical decisions were related, trickery and ethical decision making process were negative correlation. "Rotten apples" school advanced that ethical decision making was a direct result of the decision maker personal characteristics. It de-

pendent on entrepreneurs cognition and moral development level. "Rotten barrel" school emphasized the external environment factors on the influence of the entrepreneurs ethical decision making. Entrepreneurs as a special social group, the ethical decision making and the associated ethical behavior were the main body of the important embodiment, would play an important influence and demonstration in social groups. The relationship orientation, sex, age and individual characteristics, and group norms and traditional culture and other social control variables had influences on entrepreneurs ethical decision making. In the ethical decision making, people had limited moral, including low fame, implicit bias.

The second question answered entrepreneurs in the face of the ethical dilemmas was how to decision and choice behavior [5]. Rest and other people put forward the four phases of model for ethical decision making. They were an ethical dilemma of cognition, for ethical judgment, form the ethical behavior tendency, ethical behavior. However, their model did not consider situation and social variables. Moral general theory of marketing field model, thought that the individual main on basis of means theory and teleology two philosophy standard guided moral judgment. Contingency model and personal-situation interactive model comprehensively considered the the enterprise endowment, cultural tradition and reference group. In order to integrate the theory into enterprise decision activities, western scholars and enterprise put forward and apply some concise and easy decision model, such as ethics check model; the moral decision-making tree model.

Business ethics decision-making theory ignored the moral hazard by non-rational behavior of entrepreneurs as a business-led. It required analysis in-depth of enterprise (especially entrepreneurs) irrational psychological motivations of deviant behavior, and these deviations might be consequences on moral. Future studies will highlight entrepreneurs playing a key role in corporate social responsibility, studying the relationship between the executive team characteristics and corporate social responsibility from the perspective of higher-order theory. Porter and Kramer recommended from the perspective of a broader business and social relations, taking into account the specific corporate strategic [6]. How to join the moral judgment and the moral guidelines and how to influence decision-making needed to study the urgent problem. Part enterprises taking of the social responsibility had the situation of decision-making dilemma. The reason was the uncertain factors in decision-making. These are of great value of the subject for researching what factors really affected ethical decision-making in the context of Chinese culture.

We believe that the ethics of corporate strategic decision-making need to accept the ethics test, but the stra-

tegric decision not only can't be able to stay in the moral reflection level, but also can't be the same as the ethical decision-making of general individual. Strategic decision making was a practical and comprehensive [7], needing to be emphasized the results but also to focus on decision-making process. Compared with business ethics, corporate social responsibility had a clear responsibility to object to the content of the responsibility, the responsibility of the urgency and other characteristics [8]. Corporate social responsibility has become a new environment which corporate strategic decision-making must face. Although the quality of the corporate strategic decision-making is affected by many factors, but mainly depending on the quality of entrepreneurs and its level decision-making, depending on the level of control of strategic decision-making process. Entrepreneurial social responsibility is a deep-seated factors that affect strategic decision-making and it has the potential, long-term, a decisive influence on strategic decision-making process. Thus, it is necessary to combine the theory of strategic management theory and business ethics research, as the object of study of an entrepreneur, into the inner world of entrepreneurs, and to explore its influence mechanism and process awareness and sense of social responsibility on the corporate strategic decision-making.

### **3. The Influence Mechanism of Entrepreneurial Social Responsibility on the Corporate Strategic Decision-Making**

We believe that the entrepreneurs are the people who create the enterprises, with decision-making power, and bearing the main risk. Generally it refers to business leaders who have decision-making power. Entrepreneur social responsibility is that the obligations and responsibilities of entrepreneurs as business leaders who have the final decision-making power and have to risk to the corporate stakeholders. It is a sense of responsibility reflected in the body of entrepreneurs. Because entrepreneurs have more opportunities to determine the ethical tone for the enterprise. The values of entrepreneurs can establish an example for other personnel of the enterprise. Strategic decision making is different from the general business decisions. According to Simon's point of view, the business executives is the body of corporate strategic decision-making. And most strategic decision-making is non-procedural decision-making. They have a great relationship between experience and intuition of decision-making body.

In terms of the object, the social responsibility of entrepreneurs have the same object with the corporate strategy decision-making. The responsibility of the object of the entrepreneurial social responsibility is enterprises. Strictly speaking, in the enterprise, entrepreneurs not only do not need to responsibility for the entrepreneurs'

family, but also the entrepreneur's own. They only need to responsible for the enterprise legal person. Entrepreneurs with the final decision are the people who on behalf of the final decision-making and behavior. The object of corporate strategic decision-making is also their overall. Strategic decision-making is neither tactical decision-making nor a single sector decision-making. It is the overall plan of the business strategy on an overall perspective of standing in the enterprise.

In terms of the content, the scope of the content of entrepreneurial social responsibility and strategic decision making are coincide fundamental. The social responsibility of entrepreneurs in terms of the scope, mainly involved the combination of the relationship of the overall corporate stakeholders [9]. These responsibilities include the responsibility of personnel recruitment between enterprises and employees, the responsibility of the investment environment, tax collection between business and government, the responsibility of distribution of corporate profits between corporate and shareholder. Corporate strategic decision-making involves in the enterprise as a whole planning and the direction of long-term planning. In terms of the process, it includes the corporate mission and vision, the planning of the enterprise's overall objectives, corporate strategy program selection and evaluation. In terms of the content, it includes personnel decision-making, product decisions, marketing decisions and investment decisions.

In terms of time, the social responsibility of entrepreneurs and corporate strategic decision all focus on the long term. Short-term social responsibility inputs can not show results, and it may even increase the costs of the enterprise. But for the long term, corporate social responsibility can enhance corporate image and core competencies. Strategic decision making is for a longer period of planning. It does not focus on short-term business gains and losses. The ambitious of entrepreneurs and speculative entrepreneurs many clearly differs on decision-making cycle and bearing the responsibility.

### **4. The Influence of Entrepreneurial Social Responsibility on Strategic Decision-making Process**

The effect to the society will can not be estimated if the enterprise's strategic decision do not take full account of social responsibility. In creating value and wealth for the community, at the same time it is bounded to make impact on the social inevitable. Drucker further stressed that even if it was a positive impact that it should be managed, because this was one responsibility of your [10].

#### **4.1. The Influence of Cognition and Sense of Entrepreneurial Social Responsibility on the Corporate Mission and Vision**

Corporate mission and vision are the first step of the strategic management process and the primary strategic decision-making. The decision of corporate mission and vision caused business direction and path of development. Entrepreneurs decided what strategy should be chosen. Corporate mission and vision are the premise of the business strategy [11]. Only the clear positioning of the corporate mission and vision can the strategic objectives of the enterprise correctly set up. Only establishing can the mission and vision motivate and inspire employees to engage in exciting career.

The core of the corporate mission is to answer the reasons of existence of the business and what demand enterprises should meet, and what needs should be engaged in what Service [12]. The corporate vision is a corporate dream, surreal, dreamlike images. A concept of good corporate vision includes two main components: the core business philosophy and vivid future prospects. The corporate mission or vision are actually a clear indication of the destination direction of the development of enterprises and the business forward. Proposed development of the corporate mission or vision are not a game of words, not to propose an attractive and catchy company slogan. On the contrary, to raise and establish of the mission or vision requires to think strategically of the future of enterprises. They should come up with a viable concept for the future business of the enterprise so that enterprises come to the road which all business managers have made solemn commitment.

The reason of business to exist only can find from outside the enterprise or society. The relationship between enterprises and society determines the value of the existence of the enterprise. The enterprise's survival and development can leave without the support of the community in a moment. It can be said that enterprise have social attribute, not only have the economic attributes. Entrepreneurs' social responsibility awareness refers to the entrepreneur's own degree of awareness and understanding of corporate social responsibility, reflecting the level of awareness of social responsibility of entrepreneurs. Entrepreneur of high social responsibility awareness, may see society as a complementary indivisible whole, rather than numerous independent sets of individuals. Entrepreneurs' sense of social responsibility refers to the entrepreneurs concern ethical and obligations of stakeholders in the psychological and feel, reflecting the feelings of social responsibility of the entrepreneur. Entrepreneurial social responsibility was an important aspect of entrepreneurship. Characteristics of entrepreneurial spirit was the key factor of influence and determine corporate behavior. A high sense of social responsibility of entrepreneurs will actively seek good decision-making and behavior; and not only will treat stakeholders with respect and sympathy, but also generate guilt and remorse

with own irresponsible decision-making and behavior. A entrepreneur with good cognitive and emotional to society will deal and coordinate with high social responsibility awareness and sense between enterprises and society, thinking the existing reason and value of the enterprise from the social point of view. He will think profound of the influence of decision-making and behavior on various stakeholders, and properly handling the relationship with stakeholders, striving for getting the understanding and support from stakeholders.

#### **4.2. The Influence of Cognition and Sense of Entrepreneurial Social Responsibility on the Corporate Strategic Objectives**

After establishing the corporate mission and vision, the next stage of the strategic enterprise management is based on the corporate mission and vision to develop business goals and to develop strategies to achieve business goals. Corporate strategic objectives are the corporate strategy and constitute the basic content, and are the pursuit of long-term results of the enterprise to achieve its mission and vision process. It reflects in the direction of the business activities during a given period and the level to be achieved. It can be either qualitative or quantitative, such as competitive position, the level of performance, speeding of development and so on. Unlike the corporate mission and vision, strategic objectives have a number of specific characteristics and the time limit, usually 3-5 years or longer.

Entrepreneurs' social responsibility awareness is not just abstract concepts, it has substantial content. With the extent and level of understanding of the different stakeholders, entrepreneurs decide the degree of development relationship between entrepreneurs and stakeholders. A high social responsibility awareness of entrepreneurs would do well to determine the life cycle of the enterprise and according to its own strength and development appropriately. They will undertake the necessary social responsibility, neither because of living in the early growth stages to bear some social responsibility nor because refusing to fulfill some social responsibility in maturity. Different elements of social responsibility and social responsibility phase determine the set of corporate strategic objectives. The corporate strategic objectives focus on the strength of enterprises and enterprise life cycle is not only consistent with the logic of their own development, but also to cater to the interests of stakeholders aspirations. Similarly, entrepreneurial social responsibility is not just an abstract concept, it also has substantive content. The degree of emotions to the different stakeholders determines to put into degrees of emotions. A high sense of social responsibility of entrepreneurs may set relatively high challenging strategic objectives because of their enthusiasm and preferences and to meet

their social responsibility though reaching strategic objectives.

### 4.3. The Impact of Standards of Corporate Social Responsibility on Corporate Strategic Decision-Making Process

In 1999, the "global agreement" plan proposed by Kofi Annan, former UN Secretary-General and it was officially launched at United Nations Headquarters in July 2000. "Global agreement" expressly advocated the enterprise through the exemplary behavior of its voluntary observance of human rights, labor standards and environmental aspects of the nine basic principles. Social Accountability International in 1997 and headquartered in the United States initiated the development of SA8000 Social Accountability International standard which standardized for third-party certification as the world's first social responsibility management system standards, and established SA8000 Social Accountability Standard certification system. November 1, 2010, the International Organization for Standardization published ISO 26000 (Social Responsibility Guide standard) to encourage the organization of the world to improve their sustainable development. Domestic corporate social responsibility standards originated in China Textile Industry Association CSC9000T, 2006. In 2010, drafted under the auspices of the food and pharmaceutical industry in Guangdong Province and Guangdong Food Industry Association, the social responsibility standard was carried out.

After confirming corporate mission, vision and business goals, corporate strategic decision-making process will enter the selection, evaluation and implementation phases of the program of corporate strategy. At this stage, the entrepreneurs choose which standards of social responsibility to restricting the quality of strategic decision-making. Corporate social responsibility have become important environmental constraints of corporate strategic decision-making, in large part because of corporate social responsibility standards promulgated by the international and domestic organizations. Different standard system has a different binding, different cognition and sense of social responsibility of entrepreneurs decided entrepreneurs to choose what constraints the standard of liability.

The strategic decision-making process corporate mission, vision and goals established and has operability characteristics. It should make throughout the corporate social responsibility standards. For different standards, man can have different strategic programs. The choice of corporate social responsibility standards limits the list of strategic programs and entrepreneurs refuse to offer or does not meet the standards of corporate social responsibility program. In the standards of social responsibility, based on traditional economic decision-making criteria,

it is undoubtedly conducive for entrepreneurs to screen in line with the interests of stakeholders in the program[13]. Neither economic criteria priority nor social responsibility standards, all gives priority to the optimization of strategic decision-making. Into the strategic evaluation stage, the evaluation is based on standards, inspection and evaluation of different strategic decision-making[14]. The program subjects to the standard of corporate social responsibility from satisfied decision-making. The strategy implementation stage and the standard of corporate social responsibility have become the controlling standard to urge the implementation of the program of supervision and to correct the variety of deviations.

## 5. Conclusion

In management practices of Chinese enterprises, the frequency of corporate strategic mistakes is reminded that the quality of our strategic decision-making should be improved. Arbitrary system, the expansion of complex and speculation and so on are the root cause of failure of the Chinese entrepreneurs decision-making. The root causes in fact were directly or indirectly related with cognition and sense of entrepreneurs social responsibility. The scandal exposed in Enron, WorldCom and many other enterprises in their commercial activities directly or indirectly had relationship with the ethical decision-making of entrepreneurs. "Sanlu", "Huang Guangyu" events, and other hot issues told us that it was a core issue to strengthen strategic decision quality of Chinese enterprises. Strategic CSR should reflect the aspirations of the theorists, as well as the common view of the visionary entrepreneurs.

## REFERENCES

- [1] Hambrick, D.C., P.A. Mason, "Upper Echelons: The organization as a reflection of its top managers. *Academy of Management Review*", Vol. 9, No.2, pp:193-206, 1984
- [2] Carpenter M A, Fredrickson JW, "Top management teams, global strategic posture, and the moderating role of uncertainty", *Academy of Management Journal*, Vol. 44, No. 2, pp: 533- 546, 2001.
- [3] Pitcher P, Smith A D, "Top management team heterogeneity: Personality, power, and proxies", *Organization Science*, Vol. 5, No. 12, pp: 1- 18, 2001
- [4] Jacob M. Rose, "Corporate Directors and Social Responsibility: Ethics versus Shareholder Value", *Journal of Business Ethics* Vol. 77, No.5, pp:319-331, 2007
- [5] Gartner, W.B, "Who is an entrepreneur? is a wrong question", *American Journal of Small Business*, Vol. 12, No.4, pp:11-32, 1998
- [6] Porter, M E, and Kramer, M R., "Strategy society: The link between competitive advantage and corporate social

- responsibility”, Harvard Business Review, Vol. 3, No.12, pp: 78-92,2006
- [7] Glunk,U.,M.G.Heijltjes,R.Olie, “Design characteristics and functioning of top management teams in Europe”, European Management Journal, Vol. 19, No.3, pp:291-300,2001
- [8] Jacob M. Rose, “ Corporate Directors and Social Responsibility: Ethics versus Shareholder Value”, Journal of Business Ethics Vol. 73, No.3, pp: 319-331,2007
- [9] Peter. Drucker,Innovation and Entrepreneurship, Machinery Industry Press, 2007 (01)
- [10] MIAO Li, "Study on the Relationship between Corporate Social Responsibility and Organizational Commitment", AISS: Advances in Information Sciences and Service Sciences, Vol. 4, No. 21, pp. 339 ~ 346, 2012
- [11] ZHAO Juan, Hu Lan-lan, "Study on the Application of Multiple Attribute Decision System Based on Intuitionist Fuzzy Set Theory", AISS: Advances in Information Sciences and Service Sciences, Vol. 4, No. 20, pp. 206 ~ 214, 2012
- [12] Yangle Zheng, Qi Xu, Akyene Tetteh, "Analysis on Optimal Ordering Decision Considering Strategic Customers of Dual-Channel Supply Chain", JCIT: Journal of Convergence Information
- [13] Drayton, William, “The citizen sector: Becoming as entrepreneurial and competitive as business”, California Management Review, Vol. 44, No.7, pp: 120- 132,2000
- [14] Andrews,K,The Concept of Corporate Strategy, Homewood, IL:Irwin,1971,PP.18-46