

‘Are Strategists from Mars and Ethicists from Venus?’ – Strategizing as Ethical Reflection

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ABSTRACT. Early strategy scholars have pointed to the importance of reflecting on moral issues within the scope of strategic management. Although strategy content and context have been discussed in relation to ethical reflection, the third aspect, strategy process, has found only little or no attention with regard to ethics. We argue that by emphasizing the process perspective one can understand the related character of strategic management and ethical reflection. We discuss this relatedness along formal, functional, and procedural similarities. Whereas formal aspects refer to the conditions under which both processes occur, functional aspects look at the role that strategy process and ethical reflection fulfill. Procedural aspects account for

similarities in the nature of both processes insofar as the activities that are conducted within each process phase share common characteristics. We claim that ethical reflection can be thought of as an integrative part of strategic management – either explicitly or implicitly.

KEY WORDS: ethical reflection, moral agency, stakeholder, strategy–ethics-link, strategy process

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Early strategy scholars like Barnard (1956), Learned et al. (1969), and Andrews (1971) have already pointed to the general importance of moral issues within the scope of corporate strategy. Over the last 30 years, we have seen an increasing number of scholars working on the ethics–strategy link (Bonini et al., 2006; Dowling, 2004; Frigo, 2003; Hosmer, 1994; Robertson and Crittenden, 2003; Singer, 1994). In more recent years this research arena has been enriched by the discussion on corporate social responsibility (Carroll, 1999) and thus has spurred a more widespread attention to the ethics–strategy link. Interestingly though, most of the research has been on either the context or content of strategies with regard to ethical considerations. Based on Pettigrew’s (1987) widely used distinction between *strategy content* (the discussion of the subject matter of strategizing), *strategy process* (the discussion of strategizing itself), and *strategy context* (the circumstances that influence process and content), our contribution supplements and extends the discussion by emphasizing the so far neglected aspect of the ethics–strategy link.

Both the content-ethics and the context-ethics link are valuable and important, however, the strategy process-related question of whether the processes of ethical reflection and strategic reasoning show similar characteristics at all needs to be

discussed as well. We claim that the strategy process is a so far underrepresented site for ethical reflection given its relevance in directing the future of the firm and hence deserves our attention. Such an examination complements the strategy content discussion of the role of certain moral principles within strategic management (Hosmer, 1994; Robertson and Crittenden, 2003; Singer, 1994) and the strategy context perspective discussing the influence that morally sensitive circumstances of strategy-making have on strategic reasoning (Bonini et al., 2006; Rodgers and Gago, 2004). Our fundamental argument is that the strategy process inevitably entails a way of reflection that is highly commensurable with the ethical reasoning process – no matter whether the strategist explicitly is aware of that or implicitly just follows the same procedures. The central argument stems from the insight that both ethical reflection and the strategy process focus peoples' attention on the preparation and justification of *future* actions by raising the question: *What do we want to achieve?* Whereas strategic reasoning addresses this question with regard to charting out how to achieve corporate objectives (Faulkner and Campbell, 2003), ethical reflection addresses the societal conditions of a good and peaceful life (Crane and Matten, 2007). Accepting this orientation towards the future enables us to characterize the strategy process as an appropriate "locus" for ethical reflection.

The phrase "appropriate locus" underlines our conviction that the strategy process is just *one possible*, but by no means the only locus for ethical reflection within organizations. Higgins and Kelleher (2005), for example, link the role of organizations' human resource management to ethical reflection, and Paine (1994) argues that reflections about an organization's culture inevitably contain an ethical dimension. Consequently one could argue that also other processes within an organization, such as knowledge management or innovation management could be appropriate venues for ethical reflection, even though so far there has been no comprehensive line of research on these subjects. Therefore, we do not suggest that the strategy process is the only locus for ethical reflection within organizations. Yet again, given the relevance of the strategy process for any firm, we emphasize the need to turn our attention to this underrepresented aspect of strategic management and its link to ethics.

This is even more true if we realize that strategists, after the many corporate scandals (e.g., Enron and Worldcom), operate in a more ethically sensitive environment and thus cannot neglect the ethics–strategy link. Even contrary, today's strategists can benefit from recognizing that strategic processes and ethical reflection share many parallels and consequently cannot be thought of as separate realms. In other words: there is no need to think or act differently whether you are an organizational strategist or a societal ethicist. However, our discussion of the relatedness of ethical reasoning and the strategy process does not assess the moral dimension of certain strategic decisions, but takes a procedural approach by outlining similarities in both processes. A process-related discussion does *not* elaborate whether and with what content a strategy can be referred to as morally upright or which characteristics of the strategy context call for ethical reflection, but explores the resembling nature of the *subject matter* of strategic and ethical reasoning.

Our procedure of argumentation reflects the two objectives of this article: After briefly introducing how we understand ethical reflection and the strategy process, we first show in which ways ethical reflection and the strategy process are related endeavors. Rather than viewing strategic process and ethical reasoning as somewhat distant and different constructs, we illustrate that – whether implicitly or explicitly – strategists follow the same thought processes and activities that are also to be found in ethical reflection which applies to societal norms in general. Second, based on the discussion of this relatedness, we highlight some implications for managerial practice. The implications rest on a different perspective of how strategists should be seen – by others as well as themselves – and thus help to clarify their role within the organization and their impact on it.

Strategy and ethical reflection – a process perspective

Whereas strategy process research addresses the question of how strategies are formulated, implemented, and evaluated; or generally spoken, how strategies are formed over time (Chakravarty and White, 2002; Pettigrew, 1992; Van de Ven, 1992), a process perspective on ethical reflection examines how "ethical"

decisions are made (Ford and Richardson, 1994; Jones, 1991; Spicer et al., 2004; Trevino, 1986). Both processes have been discussed from a variety of perspectives highlighting different phenomena such as the emergent (Mintzberg, 1994) and political (Pettigrew, 1987) nature of strategizing as well as the issue contingent (Ferrell and Gresham, 1985; Jones, 1991) and deliberate (Hosmer, 1994) nature of ethical decisions. For the purpose of this article, we need to identify the *core activities* that are discussed in the different process conceptions. It is only by identifying the activities that actors perform in both processes that we can show their related nature.

Although strategy process scholars largely disagree on how and whether the activities which are performed in the strategy process are connected, they nevertheless stress the importance of a variety of empirically substantiated activities: *strategic visioning*, *strategic analysis*, *strategy formulation*, and *strategy implementation* (Bailey et al., 2000; Eisenhardt and Zbaracki, 1992; Farjoun, 2002; Hofer and Schendel, 1978; Lorange, 1980). Usually, corporations have a rough picture of their current and desired inner and outer context which is reflected by their *strategic vision* that represents a mental image of a future organizational state. On the one hand, visions need to be specific in content to be not regarded as meaningless. On the other hand, visions are not supposed to act as a straitjacket for subsequent activities (Collins and Porras, 1991, 1996). A vision acts as a filter for conducting a *strategic analysis*. By conducting a strategic analysis an organization identifies its internal strengths and weaknesses as well as external opportunities and threats (Andrews, 1971). In other words, strategic analysis is much about collecting information (i.e., by analyzing the structure of a firm's industry; Porter, 1980) that is used in *strategy formulation* to determine and evaluate certain strategic alternatives. Whether and how formulated strategies become operationally effective depends on *strategy implementation* that is typically regarded as another key activity within the strategy process (Moore, 1995; Noble, 1999).

Similar to the strategy process, the process of ethical reflection consists of several core activities which have been empirically investigated: *the justification of norms*, *an ethical situation analysis*, *the creation of situational rules of action*, and finally *the resulting moral behavior* (Ford and Richardson, 1994; Jones, 1991; Spicer et al., 2004;

Trevino, 1986). The process of ethical reflection starts with a *justification of norms* by applying existing moral principles to verify the “worthiness of recognition” of norms (Habermas, 2001). Ethical conflicts are reflected during justification and, by applying abstract moral principles to the conflict situation, either new norms are developed or existing norms tested (Rest, 1986; Trevino, 1986). Due to the “empty” (i.e., non-contextualized) nature of justified norms, their further concretization by means of an *ethical situation analysis* is needed. Situation analysis is much about becoming aware of individual (e.g., values and attitudes) and organizational (e.g., culture and existing rewards) factors and applying those to the justified norms (Ferrell and Gresham, 1985). The situation analysis materializes justified norms and brings about the *creation of situational rules of action* for a specific context. The creation of situation specific rules is about the establishment of a moral intent to act upon contextualized norms (Jones, 1991). A factual recognition of these rules is necessary to come up with legitimate *situation-specific moral behavior*. Although situational rules of action are context-specific, they provide no obligation to take action since compliance depends on the moral consciousness of individuals (Kohlberg and Turiel, 1973) who face the freedom of choice among alternatives.

The relatedness of strategizing and ethical reflection

We examine the related nature of the processes of strategizing and ethical reflection by discussing similarities along formal, functional, and procedural lines. *Formal aspects* refer to the conditions under which both processes occur; they stand for similarities in the circumstances that shape both processes. *Functional aspects* look at the role that the strategy process and ethical reflection fulfill; they are based on the expectations people have when they form strategies or reflect on moral issues. Last, *procedural aspects* account for similarities in the nature of both processes by showing in how far their activities share common characteristics. This is not to say that procedural aspects discuss in how far the outcome of the two processes are comparable, but touch upon similarities that relate to the nature of the needed activities. By discussing formal, functional and pro-

cedural aspects we explain the link between the strategy process and ethical reflection.

Exploring formal similarities

The strategy process and the process of ethical reflection occur under specific conditions that share at least three similarities. First, both processes are based on an *orientation toward actions*. Strategizing aims at securing the continued existence of organizations, while ethical reflection seeks the peaceful coexistence of all beings. The normative character of both processes reflects this action orientation. Strategy formation is normative by e.g., asking *What business shall we be in?* According to this perspective, strategy matches market opportunities, available resources and competences, as well as personal values and aspirations. Similarly, ethical reflection is normative because the moral principles, which are necessary for the justification of norms, aim at answering the question *What ought we to do?* As a consequence, the outcome of both processes is bottom-line strategic/moral behavior and not just blunt wishes or preferences.

Second, both processes are influenced by *individual and environmental factors*. These factors shape the conditions under which strategy making and ethical reflection occur. On the one hand, strategy formation is all about dealing with environmental influences. Since corporations are part of society and the wider national and international economic system, strategy formation needs to consider environmental circumstances as a constraint. Dominant societal norms, often communicated by stakeholder groups, influence not only strategic decisions but also the way strategies are formulated and implemented (Rasche and Esser, 2006). On the other hand, the influence of individual factors on strategy making becomes obvious when we consider the personal and cultural heritage of strategists. Schneider and DeMeyer (1991), for instance, find that individuals' interpretation and responsiveness to strategic issues depends significantly on the strategist's national culture and personal background.

The environment also influences ethical reflection since established moral systems act as a constraint. Moral systems are bound to cultural and religious traditions which in turn influence, for instance, the

perceived moral intensity of an issue (Jones, 1991). Ethical reflection, thus, is not only issue contingent but also determined by the wider environmental circumstances (i.e., the characteristics of the underlying moral system). Much like strategy making, ethical reflection is also influenced by the individual characteristics of decision makers. Kohlberg's (1969) theory of cognitive moral development shows that there are different levels of reasoning that individuals can apply to moral issues. According to Kohlberg, most individuals make ethical decisions regarding what they perceive others to believe and, in consequence, recognize and judge moral issues according to what is expected from them by others. Few people make truly autonomous decisions based on universal moral principles.

Third, strategy formation and ethical reflection are particularly influenced by *changing environmental conditions* and thus follow a similar process style by sharing the necessity to frequently question existing premises. This also shows the necessity for both processes to follow the same temporal dimensions: they are based simultaneously on the past, present, and future. The above-described integration in their respective context shows their reference to the past. At the same time their orientation toward actions is based in the present with the desired future being the guideline. Since in every phase of the strategy and ethical reflection process there is the need to question existing premises, both processes are of a cyclical nature where each step can be performed repeatedly and even simultaneously. This allows for flexible, context-related, and situation-adequate decision making without having to go through the whole process each time an environmental change occurs. Hence, both processes lead to a recurring coverage of the subject matter (i.e., strategic and ethical decisions) and, as a consequence, more context-sensitive judgments.

Exploring functional similarities

Functional similarities refer to the role that the strategy process and ethical reflection fulfill. First, we regard the *integrating character* of strategy formation and ethical reflection as a functional similarity. Integration of corporate activities is necessary since organizations in general are characterized by a multitude of mutually dependent decisions and interlocked behavior. A

disregard of these interdependencies results in considerable efficiency losses and an inconsistent corporate appearance toward internal and external stakeholders. The formation of a strategy tries to prevent such negative effects by setting a common frame of reference for decisions and actions. As Smircich and Stubbart (1985, p. 724) remark: “The task of strategic management [...] is organization making – to create and maintain systems of shared meaning and facilitate organized action.” To what extent strategies integrate diverse organizational activities depends on the degree of acceptance of strategic decisions which becomes obvious in the implementation phase when goals are translated into operative tasks. The success of integration tends to increase the more interests are considered while looking for a consensus in the formulation phase.

A similar way of reasoning applies to ethical reflection that aims at examining the social acceptance of decisions preceding actions. Actions of individuals within a society affect each other whether through direct, conscious exchange relations (e.g., contracts) or through indirect and even unintentional impact (e.g., external effects). If individual values correspond with each other, their integration into a common pattern of actions supports the creation of a collective moral system and *vice versa*. By fostering this integrating character, strategy formation and ethical reflection cultivate the sustenance of a common corporate and social identity.

A second functional similarity can be seen as a result of the integrating character and concerns the *certainty-enhancing nature* of strategic and ethical reasoning. If we look at institutional and individual decisions from an isolated point of view, we need to acknowledge that most decision situations are based on uncertainty. Uncertainty can even be seen as a structural necessity for all kinds of decisions because if choices were not uncertain, decision makers would only face a computational exercise yet no “real” decision. Strategy making and ethical reflection reduce uncertainty by providing an aggregated and more comprehensive view on formerly isolated decisions and actions. This aggregated perspective is a result of the complexity-reducing nature of strategy making and ethical reflection and thus enhances certainty for social actors and the corporation as a whole.

Strategies are necessary because corporations always possess more alternatives than can be cognitively or

practically realized. For action to occur, there needs to be a reduction of complexity by pre-selecting possibilities through decisions. Strategy making reduces environmental complexity (and thus enhances certainty) because it focuses a corporation on certain available alternatives that are to be found in the environment (e.g., ‘We serve a low cost segment in a market.’). Of course, the non-chosen alternatives remain in some sense possible but are not regarded as important by an organization. As a result, strategy formation reduces environmental complexity and thus helps to develop an aggregated perspective regarding future decisions which, in consequence, reduces uncertainty.

Ethical reflection lowers uncertainty in a similar manner. Like strategic reasoning, ethical reflection reduces environmental societal complexity by focusing on certain potentially available alternatives and reduces the number of sanction-free options of action. Out of the sheer inconceivable number of theoretically possible actions, ethical reflection cuts this number to a more “manageable” figure since it signifies the options which are socially acceptable and desirable. Whether the individual or group actually take any of these options is a whole different matter, in any case the societal complexity has been reduced.

Exploring procedural similarities

Procedural aspects discuss in how far the activities within the strategy process and ethical reflection share common characteristics. We argue that there is a noteworthy interrelation between the activities by looking at their procedural purpose (i.e., ‘What is it that the activities try to accomplish?’). We thus show how these activities in both processes – though dealing with different subject matters – fulfill the same procedural purposes.

Strategic visioning & norm justification

Strategic visions not only address the general purpose of doing business, but consider what a company *should do* and thus contain a normative dimension that shapes the attitude of organizational members toward stakeholders (Collins and Porras, 1991). By asking *What do we want to achieve?* visions enhance companies’ social reputation and legitimize future operations. By this the procedure of strategic

visioning shows parallels to the process of norm justification as part of ethical reflection. Whereas justified ethical norms give a general justification for human actions, strategic visions do the same for corporate activities. A well-developed strategic vision avoids or settles conflicts in norms because it provides an overarching point of identification and forms the normative basis of strategic management; visions are thus the basic percept about what is important to an organization. To the same extent, ethically reflected norms set the ground for a peaceful co-existence of different stakeholder groups. Since the majority of an organization's members supposedly share a set of norms (Paine, 1994), they foster the creation of a common corporate ethos. Corporate norms are thus institutionalized results of ethical reasoning that explain actions.

To put it in a nutshell, strategic visioning and the justification of norms within the process of ethical reflection are related insofar as both activities aim to justify either a corporation's future activities or those of society as a whole and thus form a normative ground on which to settle conflicts. Strategic visioning is often infused by ethical reflection because the "guiding norms" that a strategic vision offers have to be ethically reflected. Collins and Porras (1991, p. 35) list questions like 'how business should be conducted,' 'the corporations view of humanity,' and 'its role in society' as the pillars of a strategic vision. Hence, both activities share a similar purpose: to offer justified, guiding norms that are supposed to act as an identifying ground for an organization's future.

Strategic analysis & ethical analysis

A strategic vision and justified ethical norms by themselves are of little help. To come to a rational decision, ethical reflection and strategy formation need to consider the contextual conditions of decision making situations since a strategic vision and general justified ethical norms are "empty" frameworks that need to be "filled" with contextualized meaning. Strategic analysis focuses on the internal and external context and assesses a firm's status quo as well as its desired future states. Likewise, ethical analysis looks at existing norms and values in a society and their potential need of change.

The study of organization and environment in strategic analysis and of societal norms and values in ethical reflection impact the perception (i.e., mental

models) of the individual and the organization. Here the close relation of strategic and ethical analysis becomes apparent: The primary task is to learn about stakeholder interests to determine the "worthiness of recognition" of the currently held strategic vision. Hence, strategic analysis entails ethical analysis insofar as the assessment of moral *and* strategic issues is based on an inclusion of external and internal stakeholder interests (Gilbert and Rasche, 2007). In other words, strategic analysis (e.g., as a Porterian industry analysis) enables a corporation to learn about the legitimate – or illegitimate – interests of its stakeholders and thus helps decision makers to explore situations in which justified moral norms need to be applied. Understood in this way, strategic analysis helps managers to gain an understanding of the context in which ethical decisions are necessary.

Strategy formulation & ethical rules of action

We can contrast the formulation of a strategy with the fixation of ethical rules of action. Both activities aim at developing a *context-specific notion* of formerly generalized rules (i.e., a strategic vision and justified ethical norms). Whereas a strategic analysis gathers the necessary information to contextualize these general rules, strategy formulation "applies" this knowledge in order to come up with strategic decisions that are designed for a particular business context. Likewise, ethical rules of action are about the establishment of a moral intent to act upon contextualized norms (Jones, 1991). Strategies, like ethical rules of action, are always developed for a specific context, e.g., a particular business unit and/or an entire set of interrelated business units. Similar to ethical rules of action that are developed for a particular context case after case, formulated corporate as well as business strategies are contextualized notions that provide meaning for specific organizational settings.

Moreover, the application of strategic and ethical rules to a specific context requires considering *others'* way of reasoning by showing empathy. This is because by putting themselves in the place of others who are affected by their doing, organizational members have a chance to explore the consequences of their actions in a particular context. Strategy formation and ethical reflection show, however, different motivations for such empathy. Strategies are designed to cope with complex and dynamic market conditions to create a sustainable competitive

advantage. Empathy, here, is a means to create adequate economic performance in the marketplace by trying to cope with the double contingent nature that characterizes every strategic decision, whereas empathy within ethical reflection aims at reflecting moral values in the sense of stakeholder value.

Strategy implementation & ethical actions

Appropriate actions for strategy implementation depend largely on measures that were defined in the formulation phase. However, if we consider that a *shared* understanding of implementation efforts is necessary to provide a common direction during the implementation phase (Noble, 1999), we can appreciate the integrating character of strategy formation and ethical reflection once again. As already mentioned, strategy formation and ethical reflection provide a common frame of reference for actions which can, but does not have to, lead to a shared understanding of strategy and ethical norms. This shared understanding is useful during implementation since it allows organizational members to coordinate their behavior. Total integration, though, can also be an obstacle as individual attitudes are suppressed when organizations are dominated by one scheme (Weick, 1979, p. 156). Such domination seems unlikely to occur when acknowledging the incremental character of strategy formation and ethical reflection. Schemes, then, are only temporally valid as the strategy evolves in small steps that are reassessed by management (Quinn, 1978).

Moreover, the implementation of a strategy and the development of situation-specific ethical actions show further similarities since both phases relate to practical action situations (Habermas, 2001). Since strategic actions tie formulation and implementation together, there is a strong need to reflect whether actions are consistent and show appropriate reference to the overall strategic vision or the justified norms, respectively. Conflicting actions often lead to an inconsistent appearance toward stakeholders and put the legitimization and acceptance of corporate activities at risk. The moral scope of activities is determined at this point since the *ability* of organizational and/or societal members to accept responsibility can only be assessed in practice by judging their actions, whereas the general *willingness* to reflect on moral issues is not necessarily bound to any appropriate actions.

Strategy implementation and ethical actions show yet another similarity, if we consider that implementation is about embedding *intended* contextualized strategic visions and ethical norms in the organization. Of course, both strategic and ethical intent are not always fulfilled *in praxi*. Instead of aiming at being implemented as intended, organizational members often appreciate them for giving direction and destiny (Hamel and Prahalad, 1989). Whereas some scholars, such as Mintzberg (1994), see the tension between the current reality and the desired intent in a rather skeptical way, we like to highlight that even unfulfilled strategic and ethical intents serve a common purpose: they create energy for change by centering the organization's ability to create new futures. That is why Senge et al. (2004) understand intents in general as "crystallizing"; they uncover a tension between what was desired and is achieved and thus, if used in the right way, can also enable change. This is, once again, where strategizing and ethical reflection meet, in creating energy to continuously transform the organization and society, respectively.

Managerial implications – 'down to earth!'

Based on the discussion of formal, functional, and procedural similarities, we can address our underlying question: 'Are strategists from Mars and ethicists from Venus?' We think that both species do not live on different planets but share a common existence on earth. Particularly, this brings about three major implications.

First, since strategy making and ethical reflection are related and sometimes even intertwined processes, it is appropriate to claim that every strategist at least implicitly is also an ethics manager. Although most large corporations have formalized ethics departments nowadays, which usually handle everyday ethical problems (e.g., discrimination), the more general organization-wide norms that guide the solution of these problems are often fixated within the strategy process. Operative ethics management and strategy formation are supplementary processes. On the one hand, operative ethics management needs to rely on general norms which are often developed and reflected while strategies are worked out. On the other hand, the process of

strategizing also depends on the input given by operative ethics management because ethical norms that set the frame for everyday actions need to be improved and changed according to newly arising bottom-line problems. Thus, ethics management should not be exclusively perceived as the task of setting up a compliance system together with the supporting infrastructure (e.g., compliance officer). Rather, ethics management is also, and maybe most of all, “done” within strategic management. This insight seems particularly relevant for SMEs which sometimes do not have any formal compliance programs. In an organizational context that is dominated by the values of the owner and largely influenced by close, and often informal, relationships between management and workers ethics management always already is an integrative part of a firm’s strategic management.

A second implication deals with the skills that are usually ascribed to “strategists” and “ethics officers.” If, as discussed above, strategists really are confronted with ethical questions because both processes are closely related, practitioners and scholars need to be prepared to rethink the required skills for doing the work of strategizing. Those skills that are usually listed when characterizing strategists – ‘fresh thinking and challenging assumptions’ (Hunsicker, 1980), ‘be linguistically skilled’ (Samra-Fredricks, 2003), and ‘strong leadership and the ability to make choices’ (Porter, 1996) – need to be supplemented by an acknowledgment of a strategists ‘moral competence’ and ‘ability to realize and reflect on ethical situations’. If strategy and ethics are related endeavors because of similarities in both processes, we should not hesitate to more clearly demand moral competence from those who are in charge of or reflect on strategic decisions.

The task of ethics officers also needs to be reassessed. Too often we find a rather narrow description of ethics officers’ tasks, including, for example, the review of the firm’s approach toward ethics, the setting of priorities, and the administration of various instruments (e.g., hotlines). While all these tasks are necessary and valuable, ethics officers should also be sensitive to include strategic issues into their reflections. What the firm stands for and where it is planning to go (a) influences the nature and scale of ethical problems and (b) can be influenced by feedback regarding stakeholders’ expectations. Ethics

officers influence strategy formation as much as strategy formation is influencing their work.

Third, and last, strategizing needs to be given more credit for acting as a locus to define and articulate an organization’s identity which shapes the capacity to act in a morally upright way. Firms that have a strong identity and are able to reflect on and discover their own process of identity production are strengthened in the capacity to act morally. Driver (2006), for instance, remarks that organizations, which understand themselves as “ethical,” are more likely to succeed in creating bottom-line actions. Our analysis uncovers “where” organizations construct their identity through active engagement with their inner and outer context by showing that the strategy process is one important locus which employees use to discuss the current state of the organization and its environment and thus form the organizational self image and ethical capacity. For a strong “ethical” identity to be constructed employees need to be given the freedom to communicate and share ideas. Senior managers who accept this link between strategizing, identity and ethical reflection enable employees to be free for their possibilities instead of communicating the strategic intent in a pre-packaged way and only articulate the boundaries and norms of the conversations that are consequently “filled” by the active engagement of employees.

Conclusions and outlook

We summarize the basic argument of this essay as follows: *the strategy process represents an ‘appropriate locus’ for ethical reflection within corporations.* Relatedness here is not to be understood as the parallel development of two independent processes. This article shows that relatedness needs to be understood as an overlapping of ethical questions with strategizing activities. Strategy formation can thus be interpreted as ethical reflection on the corporate level. Or put differently: ethical reflection provides a frame of reference which is an integrative part of strategy-related decision processes; often, strategists and ethicists think and act in much similar ways.

As for future research, we suggest various ways ahead. First, further conceptual research needs to acknowledge the mutually enhancing nature of both processes by simultaneously discussing ethical and strategic questions. Strategy scholars cannot think of

strategy as a “values free” concept. While developing further theoretical frameworks, measures of strategic performance need to account for the moral dimension by including the degree of stakeholder satisfaction as an important and timely concept. Second, with regard to empirical research we think that situated and in-depth qualitative analyses can teach us more about the ethical dimension of strategizing than large-scale database research. In fact, we find the recent “practice turn” in strategy (Whittington, 1996) most useful for empirically investigating strategy formation and ethical reflection as consisting of a variety of situated and enacted activities (i.e., practices). These activities can be qualitatively researched and compared according to the arguments presented in this article.

Finally, we acknowledge that due to their different levels of analysis, ethical reflection, although included in strategy formation, is much more broadly defined. Ethical reflection addresses all categories of human behavior by justifying norms for a “good” social life, whereas strategic reasoning is a part of the search for a sustainable future by aligning the prospective activities of corporations. Nevertheless, when considering the related nature of both processes, strategy research can move beyond its “economic straitjacket.”

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