

**Sustainable Management Future**

## **Executive Summary**

*The report has been conducted in order to examine that how the organizations can sustain the effectiveness of their management in the long run. This report has been divided into two parts. In both the parts two different scenarios have been discussed. In the first scenario the theories deontological ethics and discourse ethics have been discussed and the light on their advantages and drawbacks have also been shed. Moreover, in this part the decision making by the management by keeping in view these two theories have also been discussed. In addition to this, the second part of the report evaluates the reconciliation of business and management ethics and values when the organizations decide to go for internationalization.*

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## **Introduction**

The report has been conducted in order to examine the two given scenarios that are based upon reconciliation of business ethics and values and on the moral theories of Deontology and discourse ethics. The first scenario of the report highlights the issue that a German chemical company known as BASF encountered when it intends to establish its new plant in the vicinity of Beaufort. The issue it faced has been the successful operations of its plant due to the restrictions imposed by one of the Resort hotel operating in the same area. Moreover, in the second scenario it has been highlighted that how the companies reconcile the business ethics and values when they enter new markets.

## **Scenario 1**

### **1.1 Deontology**

In the light of the study of Van Staveren (2007), the term deontology refers to judging the extent to which an action is ethical or unethical. Moreover, it is a Greek word that comes from two separate words that are Deon and logy. The word Deon means duty whereas the word logy means to study. McNaughton and Rawling (2007) stated that, deontology is a sort of theory which suggests that which choices or actions should be taken morally and which should be banned and forbidden. Furthermore, this theory also suggests that irrespective of how profitable and lucrative consequences of particular actions are for the organization, some actions should never be permitted to perform by the organization.

### **1.2 Advantages and Disadvantages of Deontology**

In the study of Ladkin (2006) it is highlighted that the advantages of Deontology are numerous and the foremost advantage of this theory is that it makes the individuals operating in the organizations dependable, reliable and steady. It is because each time an action is performed under deontology is in comparable manner as it is performed before. As a result, the responsibilities and duties of the individual are satisfied. As per Tengland (2010), another benefit of this theory is that the duties and responsibilities of those individuals who follow this deontological ethics is placed between their family members, friends or any other member that are closed to them. Moreover, this theory emphasizes on justice regardless of the benefit that majority of the people could attain if a particular forbidden action has been performed. As per Double (2004), this theory if implemented in the organizations provides the managers with the guidelines about the moral decisions that needs to be made and it also eliminates the time consuming practice of doing calculations about the possible outcomes of the decisions.

Besides the usefulness and fruitfulness of the implementation of theory into the organizations decision making, some studies have still criticized this theory by stating that the deontological ethics do not allow breaching any of the duty in order to put off other several violations that are caused by other members of the organization (Aboodi, Borer and Enoch, 2008). Moreover, the studies of Chatterjee (2008) have also supported the view of the former author by concluding

that the decisions that are made under the Deontological ethics do not take into consideration the complexities that the problem or the situation involves. Furthermore, the decision made by the follower of this theory can sometimes leads to more severe consequences for the organizations. The studies of Volkman (2013) have highlighted that one of drawbacks of this theory is that it does not rank the duties which are to be performed which then leads to the unsolvable problem.

### **1.3 Discourse Ethics**

In accordance with the study of Noland and Phillips (2010), discourse ethics is the theory of ethics, morals and principles that describes that every environment consists of large pool of individuals and therefore there are high chances that the conflicts regarding different moral values will arise between these individuals which then lead to clash and quarrel. Hence, this theory provides a basis for the individuals to develop a moral theory through which the needs and values of every individual will be satisfied while living in the same environment. Meisenbach (2006) stated that discourse ethics is a communication centered moral theory or an argumentative theory that can be either implemented by the organizations or by the group of organizations in order to confront the ethical standards.

### **1.4 Advantages and Disadvantages of Discourse Ethics**

It is stated by Fisher and Lovell (2009) that the foremost advantage of this moral theory is that it permits the individuals who are affected by the issue or the duty to attempt to speak up about the matter. However, the theory also suggests that the chat on the issue between the individuals should be sensible, rational and civil and the objective of that chat must also to reach at a peaceful and consensual decision. Moreover, it has also been stated by Meisenbach and Feldner (2009), that through this theory the individuals can easily and peacefully make arguments regarding the adverse consequences of several actions they have encountered which are performed by another party or group of individuals. This theory also facilitates the managers in a particular organization to make efficient and effective decisions by first identifying the issue and its causes and then finding possible solutions to resolve it that will be beneficial for both the organizations as well as for the individuals who are affected by the issue. Cukier, Ngwenyama, Bauer and Middleton (2009) stated that, with the help of this theory the organization can sustain

its public image and the company's reputation by permitting the affected individuals to bring the issue on the management desk and then finalize upon the decision with mutual consent.

However, Gray (2010) has contradicted with the usefulness of the discourse ethics implementation in the organizations by concluding that if the Discourse ethics is followed by the managers in a particular organization then they need to start again the whole process of action that they intend to accomplish and that has caused the issue for other individuals. As a result, this practice of following the discourse ethics will not only enhance the cost of the organization but it also increases the time duration that has been decided for successful completion of the action. Moreover, the studies of Schicktanz, Schweda and Wynne (2012) have also supported this point by concluding that discourse ethics somehow allows other individual, that are not part of the organization, to intervene in the strategic decision making of the organization thereby causes the management to lose their control over the organization.

### **1.5 Using Deontology and Discourse Ethics in Management Decision Making**

If the management of BASF follows the deontological ethics then according to Gilabert (2005), the company should not establish its new plant in the vicinity of South Carolina, Beaufort. It has been concluded because the action that the company aims to conduct is somehow ethical but the consequences of such actions will be severe for other individuals dwelling in that environment. The action of company to establish a new plant is ethical and beneficial in the sense that through it the per capita income of the people in that area will be improved which overall improves the economic growth of the country. Moreover, founding of new plant will also result in new jobs will lead to the increased employment rate in the country. The company has also promised that it will not contribute in the enhancement of the pollution by dumping the waste materials into the nearby oceans which is also considered as ethical on the company's end. In the light of the study of Demenchonok (2005), the followers of Deontological ethics are also not allowed to perform the duty or an obligation the consequences for which are beneficial for them but it can harm or are against other individuals in the environment. The company when going for deontology should not install its new plant in Beaufort. It is because, this plant will generate handsome amount of profits and revenues for the management but it also cause adverse affects to the tourism industry operating in that country.

It can also be highlighted in the case that Hilton Head operating as the largest resort and the attraction of the tourist in the city of Beaufort has been greatly affected by the establishment of the new plant in that area. The resort has been affected merely by the air and water pollution that the plant has caused which has ceased the visit of vacationers every year to the resort. Hence, by keeping in view the deontology approach and the study of Yetim (2006), it can be said that BASF should not establish its plant in that area as in the short run it is profitable for the company but in the long run it can create severe problems and issues both for the company and for Hilton resort.

By following the approach of Discourse ethics, it has been concluded that the management at BASF must go for their new plant by allowing the workers at the Hilton resort to bring up their issues and problems they are facing regarding the new plant. Through this approach, the management of BASF should also attempt to convince the management of the resort about the positive consequences they could achieve if the plant has been operated successfully. With the implementation of this approach, the managers of BASF Company should also resolve the conflicts by stating to the hotel that this plant would result in the betterment of the overall economy which will also be profitable for Hilton Resort.



## **Scenario 4**

### **2.1 Reconciliation of Business Ethics and Values in Different Countries**

According to Waldman et al, (2006), when the companies decide to expand their business operations in other foreign countries and to go for internationalization the major issue that these companies encountered incorporates the challenges of values and ethics that have been followed and implemented in the business operations of that country. Therefore, in order to successfully and profitably conduct their business operations it becomes mandatory for the companies to reconcile their ethics and values with those of the foreign countries values, believes, norms and ethics. As per Ferrell and Fraedrich (2014) also, it has been stated that there are numerous issues regarding the ethics and values that needs to be take into considerations when expanding businesses across the borders of the home country. The author furthermore stated that the companies must also look after the morals and principles regarding the marketing management as well as the human resource management. They should also consider that the type of product that their company manufactures must also abide by the values followed by the residents of that particular country. By considering the importance of the studies of the former two authors it has been concluded by Sims and Felton Jr (2006) that the ethics and values can be reconciled by developing inter cultural managers within the organizations. This inter-cultural manager, as per the author will have skills and capabilities to operate in a variety of different cultures and provides the organization with the information regarding the values and norms followed in a particular foreign country.

The studies of Van der Wal, De Graaf and Lasthuizen (2008) have highlighted that the role and duty of the inter cultural manager is not only confined to give management information about the values followed in different cultures but these managers are also responsible to develop an effective communication network that will facilitate in bring the people following different ethics and values close to each other. The reconciling of the values and ethics can be better understood with the example of banking sector (Murray, Sinclair, Power and Gray, 2006). Furthermore, the convention banking system that runs on the principles of manmade rules is although successful and profitable till present but the banking system was against the Islamic laws and regulations and the values that are followed by the residents of Muslim countries. The author furthermore

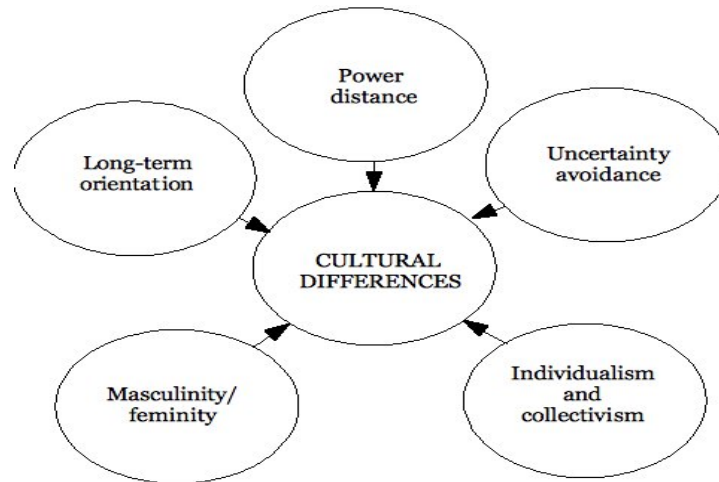
stated that in order to reconcile with the values and norms of the Muslim countries an Islamic banking system was also introduced that is based upon the same principles of conventional banks but the way of conducting banking operations are in the light of the Shariah compliance.

In the light of the study of Lo and Sheu (2007), another good example of reconciling of the values and ethics related to the financial sector is of the insurance companies. In many Muslim countries the trend of insurance was almost negligible due to the forbidden of any profit generated on money in Islam. Therefore in order to expand the business of insurance companies worldwide, many of the insurance companies have reconciled their values and ethics with the values and ethics of the Muslim countries by introducing Islamic insurance companies that also operates under the Shariah compliance.

Example stated by Kimber and Lipton (2005) also highlights that the reconciliation of the ethics and values by KFC and McDonalds when they go for internationalization. As per this author, when KFC entered into the market of Malaysia it altered its business operations by avoiding selling of products that contains pork and contains only Halal meat in its products. Similarly when McDonalds entered the market of India it modified its business operations to almost selling of vegetarian products. Gupta (2014) stated that these two food chains have altered their business operations because in order to get penetrated into these markets, they must have to reconcile with the business ethics and values followed in these two countries.

## **2.2 Hofstede Model of Culture**

In accordance with the study of Lipshaw (2005), the better understanding of how businesses reconcile their values and ethics when they expand into other market can also be better examined with the help of a model proposed by Hofstede. As per this model, there are absolutely different values and ethics that are followed in different cultures and societies.



**Figure 1: Hofstede Cultural Dimension Model.**

(Source: Hofstede and McCrae, 2004).

It has been argued by Boynton (2006) that the first dimension of this model is of the power distance. This dimensions of the model aware the organizations about the extent of the unequal distribution of the power that the society members of that particular country are willing to accept. Moreover, the high power distance means that managers do not allow their subordinate to take part in the decision making process by providing their feedback, whereas low power distance is opposite to it. In accordance with Szmigin, Carrigan and McEachern (2009), it has been stated that the example of reconciliation of the business and management ethics and values under the power distance dimension can be better understood with the example of Tesco. Furthermore, the retail store in its home market UK follows the low distance power by keeping in view the organization values executed in that country where subordinates view their managers as peers. However, the same retail store when entered the market of Morocco have executed the high power distance. It is because the organizations operating in the vicinity of Morocco believes in the autocratic style and they believe that the employees are unable to make strategic decisions of the company. Therefore, in order to reconcile and successfully conducting its business operations in Morocco, Tesco has gone for high power distance.

In accordance with Ng, Lee and Soutar (2007), the second dimension of this model is of the uncertainty avoidance. As per this dimension the organizations come to know that which countries follow the values and ethics of high uncertainty avoidance and which follows low.

Williams and Zinkin (2008) furthermore explained this dimension through the example of liquor companies when they entered any market that operates into the Muslim countries. As per the author, these liquor companies do not have to follow any strict rules and regulation or do not have to take permission to sell alcohol in the countries such as India, UK, USA and Italy. It is because the business organizations in these countries follow the values of low uncertainty avoidance. However, the similar companies when entered the market of Korea or Mexico, they have to execute the high uncertainty avoidance. The example stated by these authors clearly highlights the reconciliation of the business values and reconciliation when the companies move from low uncertainty avoidance to the high uncertainty avoidance.

The studies of Kanungo (2006) have explained another dimension of this model in detail that is the dimension of Masculinity versus Famininity. This dimension gives the organizations awareness about the extent of gender equality followed in the business organizations in foreign countries. According to the studies of Hwang et al (2009), the example of reconciliation of business ethics and values related to this dimension can be better understood with the example of Tesco. Moreover, Tesco in order to successfully operate in the market of Morocco has given most of the power of management decision to the males however the involvement of the female in the management decision making is negligible. Tesco had adopted this high Masculinity versus Famininity because of the management ethics that are followed in Morocco. Venaik and Brewer (2010) supported the example stated by this author by concluding that in contrast to Morocco, Tesco in its home market have followed the low Masculinity versus Famininity by considering the management ethics of UK of giving equal importance to female in the management decision making.

Likewise, the dimension of Collectivism versus individualism can also be better understood with the example of Tesco as stated by the studies of (Gbadamosi, 2004). In the vicinity of UK, Tesco goes towards high individualism by keeping in view the management and business ethics of motivating employees by giving them a voice in the management decisions. Although quite the opposite, in the Vicinity of Morocco the same store emphasize high collectivism by considering their business ethics, believes and norms. Moreover, it has also been stated by the author that if Tesco fails to reconcile with the values and ethics that have been followed in morocco then the company will be unable to generate profits in that country.

## **Conclusion**

The conclusion of this report highlights that besides the drawbacks of deontology and discourse ethics the organizations must adopt and implement these two theories when they intent to expand their business operations in other areas. It has also been concluded throughout the first scenario of the report that the implementation of these two approaches will also prevent the managers from any future uncertainties that might emerge due to the negative influence of the business operations on the individuals in the external environment. In addition to this, it has also been concluded from the second scenario of this report that the prosperity of the business organizations in foreign countries also depends upon the effective reconciliation of the business ethics and values followed in the foreign countries.

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