

# Management ethics assignment

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This will be answered as follows: first we will explain the current situations and issues Lynda Corporation is facing in Malaysia and the reactions of the Malaysian Government, then we will discuss the different parties responsible for preventing any collateral harm that may be caused by the company, and finally we will see the potential outcome that Lynda Corporation's chairman has for the future of his company. Throughout this entire essay, we will analyse Lynda Corporation in relation to the management ethics' theories to see if they respect it or not.

Lynda Corporation's current situation: Rare earth metals are a substitute of greenhouse gas emissions and avoid the bad consequences of global warming. They are used for hybrid cars, technological devices such as television or digital music \_ Rare earths consist only on physical and chemical properties which allow the protection of the environment through energy consumption reduction. These metals appear therefore as the perfect organic solution for reducing our energy consumption and preventing the world from global warming.

However, to obtain a sufficient amount of the rare earth metals, they have to be used in a combined way to increase their concentration. This operation requires laboratory experts and creates waste. It releases an element called thorium that has radioactive characteristics. While Lynda Corporation affirms that there is absolutely no risk of any diseases, local population and green representatives protest against this plantation because of the high risk of cancer caused by the long-term exposure to radiation.

Their opinion is reinforced by the big Japanese company Mediumistic Chemicals present in Malaysia in the past years that had a refinery which is now a big waste clean-up site. In fact, the long-term storage of this material rejected by Lynda corporation is still unknown today, and local population is afraid of the water pollution it could lead to, because fish may be harmed and therefore their life style would become worse. For the Malaysian Government though, this rare earth plantation is a great idea. In fact, today China refines and exports 95% of the world's consumption of rare earth metals.

It has a big monopoly about these materials and therefore has the possibility of increasing prices, imposing an embargo on shipments, or even threatens countries ' OFF Malaysia, the country hopes being an alternative solution and forcing China to review TTS prices and its bargaining power over the world. According to Lynda Corporation, the refinery could meet almost twenty per cent of the world's consumption's needs for rare earth materials. This is the reason why Malaysia authorized Lynda Corporation to settle up in Kanata, offering the company 12-year tax free permission.

Malaysia hopes to meet 1% of its national economy thanks to the rare earth metals in the next two years after the beginning of the refinery. However, the ministers concerned by the sector's company monitor the operation very closely and supervise the residue produced by Lynda, asking the Corporation to remove everything out of the country as mentioned in the statement. Who bears the greatest responsibility for preventing any collateral harm that may be caused by Lynda in its mining of rear earth metals in Malaysia? Lynda Corporation is an Australian company settled in Malaysia.

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The first aspect is to know which rules the company has to respect. Do they have to follow the Australian rules or the Malaysian rules? As rules are different in each country regarding the multinational companies, is it important to determine which country appears more morally and ethically right than the other? Being ethical means acting according to oral principles that govern a person's behavior or the conducting of an activity (Oxford Dictionary, 2013) But ethics is not absolute, something that is ethically correct in some place may be ethically wrong in some other place.

This is called cultural relativism. Therefore, it is important for Lynda Corporation to take care about the rules they want or have to follow, to see if it can be related to either the Malaysian ethics or the Australian ethics. In fact, Lynda Corporation has agreed special rules with the Malaysian government, for example regarding to the tax free proposition, so e might think that it follows the Malaysian rules that are more advantageous for the company and that may be reassuring for the local population.

Furthermore, to be able to establish their plantation in Kanata, Lynda Corporation signed a statement with the Malaysian government that act a couple of rules that must be respected, like for example the removing of the waste that should be removed out of the country. When looking more into details, we find out that Lynda Corporation follows the Human Right Approach (Arnold, 2009). This approach emphasizes the importance of the human in a organization. This importance has a priority to the company's interest.

It is an ethical approach in the fact that the respect of human being before productivity is ethical and morally correct. Lynda Corporation has the intention to use as little workers as possible for the company, replacing most of them by automatic machines, to reduce the risks for workers to be exposed to potentially harmful materials (Brasher, 2011). If we take the example of the Chrysler case study in China (Cantors, 2000), we can see that the choice of following the home country's rule or the host country's rule can have many consequences.

The company Chrysler was facing an ethical problem back in 1994: firing its employee because of the non-respect of the country's laws (showing religious preferences in a public place), which should be morally wrong in the home country's view because of the freedom of expression; or respecting the Chinese laws in which the business is established. Unlike Lynda Corporation, Chrysler follows more the moral obligations approach (Bowie, 2009) which argues against the cultural relativism but more for the business's stability.

In this approach the ethics should be minimized to really big issues like murder or theft. It shouldn't affect the multinational company during its activity in a foreign country. The approach used in a company having its business in a foreign country has therefore a really big importance in the way of managing and can lead to various consequences. Each of these approaches is neither better nor less good than the other; there is just a need of adaptation at the beginning. To be in agreement with the Malaysian government, Lynda Corporation chose the Human Right approach and subordinated to the host country's decisions.

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We can deduct that Malaysia has a great accessibility in the company's management of mining rare earth metals and must be taken for responsible if there is any collateral harm. However, Malaysia can't be the only party in charge of the entire project. Lynda Corporation is quoted on the Australian Stock Exchange. It has therefore shareholders that want to earn money every time the company makes profit. A shareholder invests in a company to hope receiving more money after a certain time than the money he invested.

In the past few years though, Lynda Corporation's net income decreased, preventing the shareholder from getting their revenue (Bloomberg, 2013). In this situation, the risk is that the price per share decreases because shareholders try to sell them at a low price to get rid of them, thinking that the situation would get even worse later. Therefore the company's equity diminishes and this prevents it to invest into new projects. But the objective of Lynda Corporation is to earn money to be able to give back dividends to their shareholder and to invest into new projects through Research and Development and buy new materials.

This is why Lynda Corporation follows the shareholder theory instead of the stakeholder theory. Also called the narrow view, so Milton Friedman, this theory consists in satisfying the interests of the shareholders through value maximization instead of focusing more on the loss minimization and on stakeholders (Renegade & Smith, 2011). The purpose of this theory is to “use its resources and engage in activities designed to increase its profit so long as it stays within the rules of the game” (Friedman, 1962).

In acting like this, Lynda Corporation focuses only on profit and cost margins, and less on the interests of all the stakeholders, in this case the workers, the environment, the Malaysian population and government... Even if Lynda Corporation respects the rules set between the company and the Malaysian government, it tried to find the best way of earning more money and spending less money on superficial measures. As a matter of fact, the CEO of the company drives his business for his personal advantage before those of his collaborators or his society. It is his own advantage that he has in view but by directing that industry in such a manner as its produce may be of the greatest value, he is led by an invisible hand to promote an end that was no part of his intention. By promoting his own interest he frequently promotes that of society more effectually than when he intends to promote it” (Smith, 1776). This well-known aspect of Smith’s invisible hand Kanata. But it is also the reason why the company has to face a lot of dissatisfaction from the Malaysian local population living near Kanata and facing all environmental and unethical consequences of Lynda’ business.

We can conclude that Malaysia is not the only responsible for any harm caused by the Lynda Corporation’s business, but the company itself plays an important part of the responsibility engaged, choosing to satisfy first its shareholders instead of the stakeholders and acting in an unethical way by doing this. If you were the Chairman of Lynda would you continue operating this mine or close it down? Nicholas Curtis, Lynda Corporation’s chairman, decided to establish its business in Malaysia because of cost reduction purposes.

He explained that it would cost four times more to do exactly the same operations in Australia because of the labor costs and the construction costs (Brasher, 2011). In spite of the Malaysian government's agreement to set up the business in Kanata, many opponents to this project began to gather together to protest against the opening of the plantation. According to a Malaysian doctor specializes in toxicology, Dry. Jubilant A. Tympani, the waste rejected from the processing of the mining plantation is a carcinogen substance. In other words, people living near Kanata are exposed to a high level of health diseases that can lead to death.

Many groups were formed, including even politicians and green defenders; the most famous and powerful being “ Save Malaysia, Stop Lynda”. In five years' time, this group managed to freeze the production of rare earths metals mining, creating a loss into the business' earnings and enabling the price per share to fall down from more than 200% (Save, 2013) For Lynda Corporation, following the shareholder theory of Milton Friedman means that there is no responsibility of avoiding pollution or providing employment (Renegade & Smith, 2011), as it is not a part of the individual's advantage.

Therefore, even if the company had to sign and agree about statements made with the Malaysian government, its aim is not particularly to care about everyone health and safety but more about how to make profit out of the plantation. If I were the chairman of Lynda, I think the first step would consist into changing the approach of the company. By moving from a shareholder theory to a stakeholder theory, the company could gain the population's confidence more easily, allowing a less controversial situation.



In fact, the stakeholder theory, also called wide view, takes care of all responsibilities engaged in the stakeholders. The stakeholders are all the individuals or group of individuals who are affected by the corporation (Freeman, 1984). Furthermore, changing by changing its approach, Lynda Corporation would increase its efficiency by recognizing and managing the interests of its environment. Moreover, in some cases the profit minimization is socially inefficient: one of them endless with pollution (Arrow, 1973), which is Lynda Corporation's most important worry at the moment regarding its position in Malaysia.

At Nicholas Curtis' place, I responsibility, the company would increase the standards of social development, environmental protection and respect of the rights and interests of the stakeholders in the approach of quality and sustainability (Gorier, 2008). Today Lynda Corporation has a lot of unethical and unmoral basis in the way the company is managed. The objective is to enable the company to head towards a more ethical and corporate social responsible management.

One of the major issues the company is facing at the moment is the potential health threat because of the waste created by the concentration of the different rare earths metals in the plantation. Therefore, the chairman's mission is to find an agreement between the Malaysian government, the local population and the workers so that every party finds its benefit. As the waste is discharged in an area that is near a fishing area (Brasher, 2011), Lynda Corporation should provide the local population with materials that enable them to go fishing in another area.

This solution would be advantageous for both parties and even if it is an immediate cost for Lynda Corporation, the manifestations against the plantation would stop and the processing of the rare earths mining could be done successfully. As a consequence, the price per share for Lynda Corporation may increase again, satisfying also the shareholders who invested in this project. This shows that the stakeholder theory is not in opposition with the shareholder theory but by using one, it can also be beneficial for the other.

Moreover, acting ethically means also respecting the environment and the working conditions. Even though the Ministry of International Trade and Industry in Malaysia offered the possibility for Lynda Corporation not to pay taxes for the 12 following years, the company should give financial advantages to the host country. By now, the few numbers of employees hired for the project and the environmental issues it creates are only negative aspects of the establishment of Lynda Corporation.

As a matter of fact, Lynda should either pay some taxes to the government to cover the negative effects it created, or hire more local people, helping the country to reduce their unemployment rate and rumoring the younger generation to work for the industry (Papua, 2012). As a consequence, closing down the Lynda Corporation's plantation would not be the best idea for neither the company nor the Malaysian Government. Indeed, it allows Malaysia to reduce unemployment, to increase its economy and to resist against the Chinese monopoly in the rare earth metals sector.

For Lynda Corporation, now that all the investment and construction has been down, it would be a huge loss to close it before the investment could be profitable. But the chairman of Lynda Corporation has to set up rules of goodwill, ethics and social responsibility to fit the Malaysian government's desires and the local population's demands. To conclude, Lynda Corporation has faced many problems since his settlement in Malaysia in 2008. For more than five years, the processing of its plantation could not be efficient because of the population's manifestation and the Malaysian government's requirements.

The company's focus on profit minimization has caused many negative reactions in the society environment. Even though Lynda Corporation management is the biggest reason of the population's dissatisfaction. The Malaysian government carries also the responsibility of helping the company by reducing the axes it owes and helping the industry because of the economy growth it generates. Lynda Corporation has to do improvement in the attention it currently pays to the environment and its stakeholders.