

Understanding the ethical organization management models commerce essay



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This report mainly focuses on developing an ethical approach to manage organizations. This essay critically identifies and evaluate about ethics and how ethics helps an organization to take good decisions. This report is prepared by referring to various journals, management books, websites and relevant current articles.

Ethics is very important for an organization. This essay will give an idea about what is ethics? And what is unethical? Ethics helps to identify an organization by differentiating from each other. This report mainly relies on discussing about theories, models and paradigms and more concentrating on radical humanist paradigm.

The purpose of this assignment is to provide base for understanding ethical decision making in an organization and providing one real world example managing organization ethically and three real world examples for the organizations disaster by managing the organization unethically.

In this report we critically analysis on business ethical decision making by an individual or group of working people in the organization. Our report focus on individual moral, honesty, frankness and fairness while taking business decision in an organization. Our approach would be by understanding the organizational values and working people ethical training program is necessary for preventing them from engraining any unethical conduct.

Ethics

Ethics in an organization means the business conduct of that organization to run the business more effectively and efficiently. In an organization people are working together with different values and motives. Managing the

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business ethics of an organization more effectively needs to setup common norms and standard and also it need to be communicated and enforced among the working people. Ethical principle provides the base for modern business concept in an organization.

The leadership of the organization and the ethical decision-making are the basic for an ethical organization. Ethical values and principles of an organization guide the working people and corporate from the common business motive of profit and shareholders enhancement. The modern ethical organization follows corporate social responsibility, fair trade, sustainability, globalization taking into consideration ifs negative effects.

Ethical organization management model

The modern ethical management of an organization in the 21st century illustrate by four ' P's as explain as follows for the success for any modern business ventures. (Refer appendix 3) Traditionally the organization main aim is to make profit and methods for achieving it. The modern organization performance, activities and standards are exposed globally and the lenders of the organization are accountable globally.

Purpose of the organization

Purpose of the organization is to making fair profit for the shareholders and in case of public service delivery of cost effective service. Personality of a good ethical organization has to consider people needs and mindset with proper consideration given to the world it operates.

People to whom the organization operate

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People comprise the organization staffs, customers, suppliers, local communities, stakeholders who has interest in the organization.

Planet where the organization operate

Organization should give due consideration for environment, neural recourses, fair-trade and sustainability.

Principles of the organization

Principle of the organization comprises honesty, truth, and integrity.

Principles of the organization has to be matched with other conflicting aims in between purpose of the organization, people to whom it operates and the planet where the organization operate in order to have sustainable organization success.

Need to manage the organization ethically

In the modern environment organization ethics should be actively manage and it is necessary to understand the main ethical value through an organization ethic program. There are five components in organization management ethic program.

Commitment -Leaders and senior management should have commitment to the program.

Assessment -There should be active assessment of organization ethical value and effectiveness.

Codify -Develop a code of ethics and communicate with each other,

Formalize -Formulate ethical structures and systems, ethics training and ethics communication

Integrate -Build an ethical culture and conduct in the organization.

Need to develop ethical leadership in an organization

In the modern world ethics and values are in front of executives, managers and leaders who spend much of their time for developing organizational culture. The leadership of the organization should take responsibility and carryout the business in accordance to the management ethics program. The ethical leadership should take steps the senior management and executives including board of directors to follow and respect organization values. Carryout organization ethics program to achieve ethic program goals. Appointing senior person to coordinate the program and determine the ethics function which needs initiative.

Unethical policies, activities and behaviors in an organization

The following organization activities are not necessarily unlawful which are commonly considered as unethical.

Dishonesty, manipulating the facts and hiding information.

Manipulating and misleading advertisement, positioning and communications

Exploiting peoples feeling.

Fooling and taking advantage of people weakness

Greed and making excessive profit

Anything harming or endangering people

Breaking trust of the organization

Not accepting the blame and paying lot of amounts for the wrong doing

Preventing to notify people any significant changes

Lack of transparency

Harming environment or earth

Preventable waste or excessive consumption

Raiding anyone's privacy

Misusing authority, power and reputation.

More preference giving in appointing family members

Preferential treatment or decision-making based on secret motive or deals

Unfriendliness association with people or group of people

Conflict of interest, disloyalty of trust and breach of confidentiality
information

Neglecting the duty of care of an organization

Fail to prevent wrong report within his authority

Unfairness and unkindness

Marketing ethic issues and stakeholders

The organization activities are affected directly or indirectly by the internal and external stakeholders. Internal stakeholders are includes board of directors, managers, employees, and other functional departments. External stakeholders include consumers, other interest groups, competitors, advertising agencies and regulatory bodies. (Miller and Lewis, 1991).

Stakeholder's ethical values are subject to various business issues such as sales practices, consumers' privileges, environmental and product safety, disclosure of information about the products. (Maignan and Ferrell 2004)

Various stakeholders are possibly exercise pressure on organization to achieve their individual ethical values and norms.(Annexure 1) Hence the organization values and norms are affected by specially by primary stakeholders since they are in good position to influence the organization ethical values.

Paradigm.

In the modern business environment strategy-setting in the business organization is vital for its survival. The organization should consider crucial roll in the organization by setting ethical strategy. The organization has to take into note whether the organization is doing the right thing. In order implement ethical strategy for an organization we should bring different paradigm into the risk debate.

Functionalist paradigm

This paradigm has been the primary one for organizational studies. This approach is mainly rely on human affairs and believes by hypothesis testing. It deeply rooted in sociological factors. Through Functionalist paradigm can understand and measure via science. It is influence by idealist and Marxist and assumes there are external rules and regulations to secure the external world. (Ardalan, 2003, p. 202)

This functionalist paradigm basically explain about classical management theory, sysytem theory and contigency theory. it makes assumption how organisation is always in control mange people in a proper way.(morgan, 2006: morgan, 1980)

Radical Humanism – a crucial approach for a ethical organization

This approach has been emerged from the radical humanist paradigm (Morgan 1995, Burrell 2000) This approach argues dehumanization of the employee and the workplace. Individuals generally seen as machines and work as a technical process (Robbins and Barnwell 2006 pp 21-22) In the humanist approach that focus on placing human first rather than the organization.

The basic assumptions of this paradigm are according to Morgan (1995),

- Ideological traps: – Tunnel vision is based on our previous experience becoming the blueprint for interpreting our current experience (we often let myths and our past experience becomes our reality). We are unable to interpret reality without prejudice.

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- Power dimension: – The right to define reality or the right of some to have power over others – overt use of power. Power is also used in a subtle or covert way (soft domination) and its use and abuse is often unquestioned. Eg. How is power distributed in organisations? We discuss empowerment and participation but we rarely see this happening in organisations.
- Ethical dimension: – Organisations need to act in an ethical manner. How do the actions of managers and organisations impact on employees and society?
- People first – Work is the problem

Organizational ethical decision making

In organization marketing ethical activities we should understand how people make ethical decisions. (Refer appendix 3) explains how the ethical decisions are taken in the normal organizational environment. The outcome of the decisions is evaluated by the internal and external stakeholders. The roll of the individual and values has the great impact on any business decision making. Determining ethical decision is the primary factor in an organization (Ferrell 2005)

Ethical decision making – Ryanair

The current CEO Mr. Michael O’Leary took the ethical business decision to operate the Ryanair airline as budget airline business model in the European market. It was very success taking such decision in the past and now most successful airline in the European market and most of the airline travelers

prefer to travel by Ryanair. The following are the benefit by taking such decision

Low cost-low frills concept

94% of the booking through Internet reduced operating cost

All Boeing 737-800 aircraft reduce training and maintenance cost

Environmentally friendly Boeing 737-800 aircraft

Customer satisfaction – Low cost and high service performance

Unethical decision making – Enron, Daewoo, Toyota

Many cooperate failures over the past decade are due to fraud and financial manipulation.

Enron: The Enron disaster is exhalent example for organizational unethical decision making. On May 25, 2006 US Huston jury found guilty the Enron CEO Mr Ken Lay and Mr Jeff Skilling for hiding financial status of the organization in 2000 and 2001 The group executives manipulate their earnings by illegal inside trading went on to liquidation. Due to the organization failure many investors lost their money and many employees lost their job. The group failed due to unethical and illegal business decision.

Daewoo: Kim Woo Choong founder of Daewoo Group found guilty and convicted 10 years in prison and forfeited US \$ 22 billion. after the business failure in South Korea. The group has grown with debt-funded acquisitions.

The Asian financial crisis exposed the group weakness and the total group went into bankruptcy in 1999.

The following are some of the points for the failure of the organization by operating unethically.

Dishonesty and manipulating the facts and hiding information.

Manipulating and misleading the investors

Breaking the trust of the organization

Lack of transparency

Misusing the authority and power

Neglecting duty of care of the organization

Unfairness towards investors and employees

Fail to prevent wrong report within his authority

The ethical problem to operate the business organization is not only due to financial misinterpretation and manipulation. Toyota's recent troubles have been an example of a company's failure to understand the ethics of the customer relationship. Turning a blind eye to ethical consideration can undermine the wider economy and in time, cause irreparable damage.

Toyota: The organization recall millions of vehicles sold to customers with suspected defects as on the specific engineering problem on the breaking

systems. The following are the some of the examples that the organization's ethical responsibility failure.

Breaking the trust of the organization

Neglecting duty of care of the organization

Anything harming or endangering customers

Unfairness towards customers and investors

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Conclusion

In modern organization ethics play a major role in taking effective decision making. Because for the success of an organization mainly rely on ethics. This report mainly focuses on theories, models and paradigms which helped to a proper decision in an organization.

In this report I explained about functionalist paradigm and radical humanist paradigm. Functionalist focus only on organizational behavior through hypothesis testing but radical humanist paradigm explained about the current approach of an organization and their impact on society. According to paradigms which are not an easy task it heavily teaches about ethics to the people.

In this report I explained about ethical approach and how it controls in making an effective decision making in an organization and describing about

what are the unethical approaches which rely on taking ineffective decision making.

At last, to conclude my report, I would say organizations have started to focus on ethics. However, they did not lose the focus on organizational structure. Also there are many differences between paradigms in managing ethics.