Management decision making: can it be ethical?

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It is important to realise that an organisation's decisions, which relate to its mission, activities, performance inevitably and directly impact on its stakeholders. The main challenge is to determine, understand as well as seek to resolve the complexity of making management decisions in an ethical manner. The real driving force ahead is the way in which stakeholder values and expectations are gleaned, communicated and utilised in corporate strategy as well as accepted by the wider society. In the contemporary business environment, as Marchica (2004) states, what is needed is an accountable organisation that reclaims integrity and restores trust.

Successful long-term thinking necessitates the provision of efficient business processes whilst using key technologies in order to create wealth and ensure a better quality of life, firstly for those working within the organisation and, secondly, for society at large. In the 'new' economy, Hagan and Moon (2001) stress that business models must incorporate accountability, which would involve a broader ethical dimension with which businesses must grapple. This view must be embraced because, as Stainer (2004) indicates, the consequent impact could be a greater risk of ethical conflict that can damage an organisation both reputationally and economically.

Today, the bottom line is changing through increasing the emphasis on generating a more enlightened approach, based on 'unambiguous' ethics, as well on sustainable development and corporate social responsibility [CSR]. The importance of the latter has been highlighted through recognition by governments. In the UK, the CSR Academy, funded by the Department of Trade & Industry, was set up to help individuals and organisations develop and integrate CSR learning and skills through a competency framework for managers; its characteristics are six-fold: understanding society, building capacity, questioning 'business as usual', stakeholder relations, strategic view and harnessing diversity. On the international arena, as communicated by McIntosh et al. (2003), the United Nations Global Compact seeks to align businesses to help strengthen 'capitalism with a human face'.

How to be financially successful in a highly competitive 'battlefield', while at the same time balancing ethical and environmental responsibilities, is a fundamental issue facing every business. This situation is being acutely magnified because of the rapid pace of change through technological advancement, the globalisation syndrome, the rise in corporate scandals, the societal perception of unethical behaviour by organisations as well as the growing public distrust of corporate activity. As organisations do not work in isolation and play a part in communities, there is the definite urgency for them to find appropriate ways of improving their decision making. This should be underpinned through frameworks and procedures that allow logical and relevant measurement and analysis. Creelman (1996) propounds that the key is to discover how human, organisational and customer intellectual assets can be balanced so that they can combine to create value. As such, a business ought to strive to inspire enthusiasm and commitment in order to make a positive societal difference.

All the actions of any organisation are, explicitly or implicitly, the result of decisions. There are no simple rules in dealing with decision making in the business environment and, yet, it is an activity that lies at the heart of management. Though decisions give the perception of being decisive, they are often taken under constraints such as time pressure and incomplete information. That is why ethical behaviour has, recently, become a key determinant of civil society's perception of business. It should not be seen as a 'veneer' but must be inculcated in the organisation's structure by building effective inclusive systems and creating a moral corporate culture. It would appear that the duty of any organisation is to behave honestly and with integrity, with ethics becoming more of a fundamental purpose rather than just an 'add-on' phenomenon. Turning good intentions into successful outcomes ought to be the focus for the decision maker, which is to establish and develop an efficient decision-taking capability as well as attempt to foresee consequent impacts upon stakeholders.

Ethical problems in business are as old as business itself. Theories and schools of thought, according to Boatright (2000), form a basis for beliefs about moral obligations, rights and justice. However, it must be understood that there is much disagreement between them in their content and in the results of their application. Differences should not lead the decision maker to despair of resolving business ethical issues or to conclude that one resolution is as good as, or better than, another. In practical business situations, it is the underlying knowledge and wisdom that may enrich the thought process and, hence, improve decision making. Hence, do ethics have a place in the business world? Emphatically, yes.

When resolving an issue or dilemma, this becomes a process of identifying, analysing, exploring alternatives, selecting one through powerful and complete arguments for what is to be considered as the 'correct judgement'. It is only then that implementation and evaluation of results are to be carried out. Monks and Minow (2001) believe that ethical decision making requires, at a minimum, the capacity to use moral reasoning as well as control not only overt corporate acts but also the structure of policies and rules. On the other hand, being aware of judgemental heuristics – generally inherent in individual behaviour through background and experience – with their potential bias, can help aid decision-making competence. Yet, managers are rarely alert to the fact that they naturally utilise such mechanisms in their thought processes and need to 'consciously' employ them in their deliberations.

Ethical decisions may be easy when the facts are clear and choices are perceived as 'right' or 'wrong'; however, it is a different story when the situation is controversial and complex, such as being clouded by ambiguity, multiple points of view and conflicting responsibilities. As President Lyndon Johnson said: "Doing the right thing is easy, it's knowing what the right thing is that is the difficult part". In the moral decision-making maze, the 'bottom line' is to accept responsibility and respect stakeholders; with regard to the latter, it is crucial to know who they are, understand them and carefully listen to them; in other words, keep one's mind open or at least ajar. Kaptein and Wempe (2002) claim that stakeholder dialogue forms an important component of any corporation's integrity and reputation. Moreover, Holden et al. (2001) propose that, if society gives a business the licence to operate, then reputation and its management are all about ensuring that such a licence will be renewed.

By behaving in an ethical manner, organisations would add inclusive 'value' whilst simultaneously minimising risk. With discreet moral leadership, business ought to provide a system by which to disseminate an inherent ethical culture. Both individual characteristics and organisational contexts are vital keys for the understanding of ethics-related attitudes and behaviours. Practical approaches can assist the decision maker to get to grips with complexity and give access to unexpected questions and means of changing situations through the capacity of using moral deduction in decision making. This is especially true when outcomes affect society at large. Exemplary corporate conduct can be guided and achieved, at all levels, through commitment, flexibility, dialogue and communication, as well as linking performance to responsibility.

It must be remembered that whenever questions arise, such as 'is it fair?' or 'is it right?', the decision maker is entering a minefield of ethical dilemmas. As Ruskin (2000) affirms: "what we think or what we believe is, in the end, of little consequence. The only thing of consequence is what we do". This reasoning confirms that management decisions and consequent actions, structured on stakeholder values, efficaciously designed, measured and monitored, are the cardinal ingredients to advances in business performance. Not only has a shift in ethics occurred and value-based management become essential, there is also a definite synergy between business excellence and good ethical practice. Integrity and trust will inevitably drive forward such an agenda.

Ethical deliberations of what should or should not be done are millennia old. What is new and manifest is that managers are trying to contribute to the debate, which itself may not provide final answers but will enhance greater consciousness. With vision, if management decision makers are to be the leaders of advancement, they will need to provide the means to realise effective strategies, which are based on sound moral principles, welded to inclusive values. Yet, one must ask the question: where does responsibility end? In response, Simms (2004) underlines that individual responsibility, whether that of the manager or consumer, must not be forgotten in the rush to blame big businesses for society's ills. According to Stainer (1999), it should be apparent that if an organisation's accountability is to the wide society then, surely, society's responsibility must be to morality. Businesses that wish to thrive in the next decade and beyond must look for new perspectives.

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