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The Renovation Case Study

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## The Renovation Case Study

### **Executive Summary**

Ethics refers to rules of behavior based on ideas regarding what is good and bad in terms of morals. Ethical analysis rests on ethical principles and theories. These are the perspectives from which individuals or groups can obtain guidance in their process of making decisions in difficult situations. Based on the different perspectives, the same decision can be ethical to one individual or group and unethical to another. Often times, businesses face ethical dilemmas. Mr. Owen is facing such a dilemma. He has to choose between making full profits and risk losing future clients or prioritize the guests' interests and risk foregoing a high level of income. This paper carries out an ethical analysis of Mr. Owen's decision in resolving his dilemma by using deontological, utilitarian, and hybrid ethical theories as well as a corporate social responsibility approach. It then proposes what could have been the best option by applying the same theories. It concludes that business owners should carefully consider all stakeholders in making decisions about their business, since the solution might work temporarily but have detrimental effects in the future, if it is unethical (Dolgoft, Lowenberg & Harrington, 2009).

The marketing slogan for Mr. Owen's Beach View Hotel is "*a peaceful and quiet location in the beach.*" He has an obligation to uphold this kind of environment in his hotel so that his guests get what they pay for. The failure to live up to the promise that they give to potential guests in advertisements becomes false advertising, a result of which would be the loss of customers due to their loss of trust. Additionally, the hotel rooms have to be in a good condition to satisfy all clients. For this reason, the facility requires renovations so that guests may stay in comfort; most clients have already lodged complaints about the state of their rooms.

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The problem is that renovating the hotel means closing down the facility in order not to disturb guests. Most customers opt to stay in the hotel because of the location and quietness that it offers. In the event that the facility undergoes renovations, most or all incoming clients might probably cancel their bookings. What is more, the guests that are already residing at the facility might decide to move to different hotels (Redmond, 1998).

The summer season is coming up and the hotel usually experiences an occupancy rate of up to 100% during this season. Mr. Owen wishes to maximize on the season's profits, as it has been his tradition. Should he choose to actualize his wish, then he risks messing with the reputation that the hotel has built among its guests over the years. On the other hand, the fact that a number of clients have already complained about the state of their rooms shows that the renovation operation is inevitable. Choosing to fix the facility means foregoing the season's profits. Mr. Owen will have to notify all customers of the operation. Residing customers might opt to relocate to alternative facilities, and incoming customers might decide to cancel their stay at the hotel on hearing of the renovation (Ridley, 1998).

Should he decide not to alert the clients of the operation, he risks ruining the hotel's reputation. There will be no peace and quietness, and ultimately he will lose guests. Additionally, incoming guests may feel cheated upon their arrival at the facility. They might say that a notification of the operation might have prompted them to make different arrangements. Furthermore, he has an obligation to the staff members to make the work environment favorable for them to perform their duties effectively and to the customers' satisfaction. The fact that employees are the ones who interact with clients on a personal level puts them in a difficult position to provide satisfactory services. Clients will keep voicing their displeasure to them and they will not be in a position to do anything about it. They will not enjoy their job in this way;

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consequently, they will be less motivated to perform their duties, and the performance of the hotel will go down (Robinson & Reeser, 2002).

Ultimately, Mr. Owen decides to go ahead with the renovations informing neither the residing guests nor the incoming clients. He makes this decision to maximize on the summer season's profits and address the clients' concerns for their comfort at the same time. His decision can be either unethical or ethical depending on the various perspectives of ethical theories and principles. The doctrine of ethical egoism stipulates that any act by an individual should serve his or her self-interest. In this case, Mr. Owen's decision to refrain from informing his guests about the operation serves to keep his business running. By so doing, he does not forego the summer season's profits. His decision is ethical looking at it from this perspective, given it is in his self-interest (Hull, 1979).

According to deontological ethics, people ought to act in accordance with their duties and obligations when facing ethical dilemmas. In applying this theory to Mr. Owen's dilemma, he has an obligation to offer his clients exactly what he uses in his advertisements to lure guests to his facility. The failure to live up to the promise translates to false advertising, a factor that damages the reputation of businesses and ultimately leads to the loss of customers including their loyal guests. In this case, he has to maintain peace and quietness in the hotel just like the hotel's slogan reads. Consequently, he has the obligation either to stop sales or to inform both the incoming and existing guests of the impending renovations. By so doing, customers are at liberty either to relocate to other hotels or to put up with any disturbances that may arise from the renovations. The hotel's reputation stays intact, and he does not experience a loss in the market share in the future. Following this perspective, Mr. Owen's decision to carry out the much needed fixing of the roof without informing any of the guests is unethical (Reamer, 1995).

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The ethical theory of utilitarianism postulates that an ethical decision is one, whose results are beneficial to most people. Personal feelings and societal constraints, such as laws, are not the factors to consider when making decisions from this perspective. Based on Mr. Owen's situation, it is apparent that he stands to be the only gainer from his decision. While he is able to maintain his business level and profitability, the guests are not staying in a peaceful and quiet environment as they expect. They do not get value for their money. The staff members do not have a productive work environment either. For these reasons, Mr. Owen's decision is unethical (Wilshere, 1997).

The hybrid ethical theory has a combination of different ethical theories to create an outcome that is necessary or desirable to individuals or groups. Probabilism stems from the hybrid ethical theory. It asserts that should individuals or groups be uncertain about which decision is the right one to perform from a range of decisions, then any of the decisions is acceptable, if there is a good chance that it is the right one even if another decision seems to stand a better chance. Following this view, the General Manager's decision is ethical. The reason is that his decision to go ahead with the renovations without notifying existing, incoming, or potential residents to the facility might be a selfish decision, but ultimately the rooms get fixed and guests enjoy their stay in comfort and satisfaction. This decision is right, because he adheres to the requests of customers and fixes the roof. However, a better decision exists, whereby he could conduct the renovations after notifying all guests of the potential disturbance that might arise from the work. By so doing, he does not force guests to put up with the noise, given that it might be difficult to find accommodation elsewhere during the summer season when there are many visitors to the beach (Hill, 2009).

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In approaching his dilemma from a corporate social responsibility (CSR) approach, Mr. Owen makes an ethical decision indeed. CSR requires that decision-making considers the welfare of the community as well as that of the business. The choice to carry out the renovations ensures that the community members get value for their money in terms of the reputation of the hotel out in the market. Additionally, the choice to keep business running by not alerting guests of the impending renovations ensures that the hotel keeps maximizing on the season's profits. In this light, the decision is ethical (Congress, 1999).

Based on the above-mentioned theories as guidelines for ethical decision-making, my decision would slightly differ from the owner's decision. While Mr. Owen chooses to go ahead with the renovation without informing any of his guests, I would initiate renovation plans after letting all guests know. I would also make sure to include the dinner credit in my notification to tempt my guests to stay despite the disturbance. It would be the best way to go about this dilemma in my opinion. The deontological approach stipulates that duty and obligation should influence decision making in any given situation. In this case, a hotel owner has a duty to protect his or her business and ensure that it is profitable (Allen & Friedman, 2010).

For this reason, the decision to conduct renovations without closing down the facility or turning away some guests is for the best interest of the company. On the other hand, the hotel owner also has a duty to ensure that his guests get value for their money. The owner has to see to it that the facility is at its best state for maximum customer satisfaction. It is the only way to attract new customers and keep the present ones coming back. What is more, the owner has to uphold the reputation of his business by maintaining the trust of his customers on the market. The way to do this is by avoiding cheating clients into staying at the facility. Loyal customers

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may indeed choose to stay despite the disturbances brought on by renovations; however, all guests ought to be free to make an informed decision (Allen & Friedman, 2010).

It is worth noting that it is not always that any decision tends to the needs of all stakeholders. It might only address the concerns of the majority of people. In this instance, carrying out renovations with the knowledge of the customers of the operation is beneficial to both the clients and the members of staff. If residing clients are aware of the renovation in the hotel, then they will not be constantly lodging complaints to the employees who are the ones they interact with guests most. Some clients can be quite hard to handle particularly when they feel cheated/betrayed. Such guests can make it very difficult for the workers to be comfortable carrying out their tasks. This would not be fair to the employees, as it is not their fault that the guests are not aware of the operation; the decision came from the owner (Kupperman, 2010).

The hybrid theory perspective shows that there exists a chance of a better decision than the one that Mr. Owen made. In implementing my choice of handling the situation, there is the opportunity to address every stakeholder's concern. The owner ensures that his or her source of revenue remains up and running, such that there is no loss of customers in the event that the guests opt to stay at the facility despite the ongoing renovations. This is a better choice than indulging in self-interest by cheating the clients to stay on. Despite the fact that Mr. Owen decides to notify the guests of the ongoing renovations upon their arrival, it might be too late to change the places of residence given the high number of guests during the summer season. The guests who may have opted to seek accommodation elsewhere will not have a pleasant stay. Consequently, the hotel's image may be tainted and some guests may opt to cut ties with the hotel in the future. It is better to miss an opportunity now than lose customers in the future (Penslar, 1995).

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My decision would be the best option, as it is an act of corporate social responsibility. It adheres both to the business aspect of the hotel and the welfare of the guests and clients. In applying this approach, business decisions have to adhere to ethical standards, whereby businesses have to have fair competition for the market share while seeking to maximize their profits. Keeping the hotel open during the summer season is an act of maximizing profits. Informing guests of renovation operations ensures that the guests who choose to stay at the facility do so voluntarily. Such an act enhances the level of trust from the customers to the facility and improves the business' image rating. Consequently, the hotel will attract more guests in the future and foster customer loyalty (Wilshere, 1997).

The dinner credit might be a source of redemption for Mr. Owen for now, but some guests may still feel that the hotel owner ought to have informed them of the operation. It could ruin hotel's reputation and lead to losing some clients to the competitors. It is best to let clients make informed decisions (Hill, 2009).

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