Ethical Theory

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Organizations are duty-bound to incorporate ethics as part of their operations in their internal and external environment. In the current business scenario, an organization's every action is monitored by various players including its customers, governmental agencies, the mass media, customer protection groups, public, and so on. These players particularly monitor whether an organization is functioning in an ethical manner. If an organization functions in an unethical way, it can be criticized and even punished. When that happens, an organization's market share, image, and profits can deteriorate leading to its failure. So, with ethics being a critical component of an organization's successful functioning, experts have formulated various theoretical perspectives regarding it. One of such ethics-based theoretical perspectives is the stakeholder theory. Laura P. Hartman, Joseph DesJardins, and Chris MacDonald focus on this theory in their book titled *Business Ethics: Decision Making for Personal Integrity & Social Responsibility.* So, the focus would be on the stakeholder theory featured in the second chapter of the book, its related theoretical perspectives, and the ways this theory would relate to ethical decisions in an organization or at workplace.

The stakeholder theory states that the purpose of any organization is to create value and benefits for all its stakeholders. So, according to Hartman, DesJardins, and MacDonald (2014), focusing on all stakeholders without avoiding anyone brings in the ethical component. An organization can be ethical and successful if it involves and fulfills the goals and necessities of all its stakeholders including its owners, shareholders, employees, customers, governmental bodies, activists groups, even competitors, and others. "To be ethical is to follow the business as well as the cultural goals of the corporation, its owners, its employees, and its customers" (Hartman, DesJardins & MacDonald, 2014, p.71). This is in contrast to the shareholder theory, which states that only owners or stockholders are crucial for an organization, so their interests have to be given prominence. This is in line with the earlier perspective of the “Managerial Model” because that model “has put ‘shareholders’ at the center of the firm as the most important group for managers to worry about” (Hartman, DesJardins & MacDonald, 2014, p.75). In the case of the stakeholder theory, apart from the normative or legitimate stakeholders like owners, employees, and others, even the derivative stakeholders, such as competitors, governmental agencies, activist groups, and others, are also considered because they “may exert either a beneficial or harmful influence on it” (Philips, 2004). This implies that according to the stakeholder theory, all stakeholders are involved and taken care thereby facilitating an organization to functioning ethically.

The authors further opine that according to the stakeholder theory, all stakeholders have to be treated and rewarded equally irrespective of the fact that certain stakeholders might contribute more than others to an organization. So, when all stakeholders are treated equally without any biases, workplaces are said to be functioning ethically. At the same time, the authors point out that there can be occasions when certain key stakeholders, like leaders and managers, function in an unethical manner in contrast to the stakeholder theory. “Opportunistic managers can more easily act in their own self-interest by claiming that the action actually benefits some stakeholder group or other” (Hartman, DesJardins & MacDonald, 2014, p.86). The authors provide real-life examples of debacles at Enron and WorldCom to back the above point.

They further state that as there are possibilities of various stakeholders with common interests grouping among themselves, there can be conflicts of interests. This scenario makes it difficult to apply the stakeholder theory in organizations during certain occasions. However, the authors provide a counter or problem-managing perspective to the above scenario by optimizing the role of the organization. That is, the stakeholder theory suggests that each group has to perform without conflicts so that they can be seen as having a stake in the continued existence and successful functioning of the organization. “Stakeholder theory, therefore, does not advocate the service of two masters. Rather, managers serve the interest of one master—the organization" (Hartman, DesJardins & MacDonald, 2014, p.87). When organizational goals and success is placed at the forefront, conflicts can minimize in the workplace and importantly ethical decisions can be continuously taken.

Based on the above analysis of the theories in the reading, particularly the stakeholder theory, its related perspectives, and its applications in organizations, it is possible to state that it can relate to ethical decisions at workplaces. As the stakeholder theory stipulates that all stakeholders have to be involved and given benefits without any biases, ethical decisions would normally happen. However, the stakeholder theory might come under threat in certain occasions, such as opportunistic behavior by leaders and managers, grouping of stakeholders, conflicts of interests among groups, and so on. Even in those cases, the stakeholder theory can help in coming up with ethical decisions. As discussed above, the theory can facilitate all stakeholders to focus on organizational goals and contribute their part for the accomplishment of those goals. So, it is obvious that theoretical perspectives including the stakeholder theory can imbue ethics in organizational functioning thereby showering profits and success to an organization.

Business' Ethical Duties in Relation to Living Beings other than Humans

There is a common and at the same time ethical viewpoint that all living beings other than humans including animals and plants have to be respected and treated with care and dignity. Because of this perspective, organizations have to act in an ethical manner when aspects of environment, particularly animals and plants, are involved as part of their functioning. An organization's functioning can have impacts on animals and plants, when they operate in their habitat, when they expand and destroy their habitat, when they experimentally test products using them, and so on. Considering these situations, organizations need to follow certain strong ethical guidelines, so it can carry on with their operations without harming animals and plants. Animals feel pain as they have the central nervous system. On the other hand, plants are also scientifically shown to experience pain. Because of this perspective, organizations, as part of ethical responsibility, have to come up with business decisions that avoid or even minimize pain for the animals and plants. In addition, animals have the cognitive capacity to possess and lead a conscious life of their own. This view implies to the organizations that they have an ethical duty "not to treat these animals as mere objects and means to their own ends" (Hartman, DesJardins & MacDonald, 2014, p.483). In addition, plants have also shown an "interest in remaining alive", so they deserve moral consideration from businesses for organizations' own ethical sake (Velasquez, 2001, p.213). Because of these criteria, many organizations, such as McDonalds, Whole Foods, and others have already initiated ethical actions to aptly treat and care animals and plants. It is obvious from the discussion that animals and plants have rights, so organizations have direct ethical duties to living beings other than humans.

References

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