

Ethics, Intuition and Cultural Richness in Management Theories

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Abstract

This paper examines how Ghoshal's views (2005) of bad management theories are destroying good management practices. The authors propose a solution through which we may identify the bad management theory at an early stage. The authors posit that the theorist should have intuitive ability which is a pre-requisite to develop an effective theory. As far as intuition is concerned, we cannot test the intuitive ability of any individual, therefore a "think tank" may evaluate a management theory according to ethical and cultural perspective. If a management theory is culturally rich and ethical then it will be universally acceptable. On other hand, if management theory lacks characteristics of being culturally rich or poor ethical values then it should be modified or excluded from the literature. All ethical management theories which may not be culturally rich should be addressed with double hermeneutics according to region.

Keywords: Ethics, Culture, Intuitive, Management Theory, Moral.

Introduction

This paper attempts to develop a solution of Ghoshal's earlier article about how bad management theories are destroying good management practices. In that article, the author stated that bad management theories have had a negative effect on our business culture. It has been the dilemma of the corporate sector that despite of regulatory laws, management theories and other protocols, we are still facing the scandals of insider trading, frauds and misconduct by top management, line and staff managers, officers and clerical staff all over the world.

Ghoshal (2005) describes the process that how bad management theories are destroying the good practices. According to him, there are two main factors which lead to the development of bad management theories. First of all, "The pretense of knowledge" is the concept which was originated by Hayek (1989). This concept defines business as a science that is determined by the economic, social and psychological laws that inevitably shape people's actions. The second phenomenon was given by

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Milton Friedman (2002) “Ideology Based Gloomy Vision” quoted as “liberalism”. It defines negative assumptions that exist in the management theory therefore managers are unable to play a positive role in society, organization, corporate governance in the corporate world. There is a pessimistic view of human nature, on the roles of companies in society, and of the procedures of corporate adaptation and modification. Overall, the process of Ghoshal’s Bad theories destroying Good practice is shown below in Figure1.

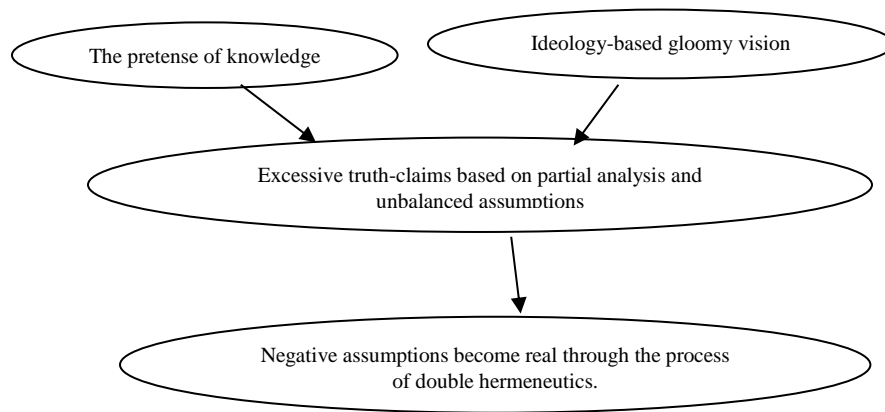


FIGURE 1: The Process of Bad Theories Destroying Good Practice – Ghoshal (2005)

Discrepancies in Different Management Theories:

Douglas et al. (2016) argued that CEOs and Boards of Director have been engaging in creating losses for the societies because of their self-interest motives for the organization. It was concluded by the author to bind the assumptions of self-interest with the norms of fairness and parsimonious reciprocity. Dumtiru et al. (2015) pointed out that there is no policy which control or monitor the managers by shareholders of the company, therefore, probability of conflict of interest increases. On the other hand, the author believed that it is not possible to implement universal policies of controlling in all organizations; therefore, policies should be generated according to the environment in which firms operate.

J. Hall (1998) recommended that the conflict of interest should be addressed and raised by the shareholders by high voting percentage in the Annual General Meeting of the company. The author also proposed this characteristic as the part of Agency Theory to secure the interest of shareholder. In another paper written by Luh Luh Lan (2010), the author redefined the principles of three parties i.e. Board of directors, shareholders and agents. According to the author, if such principal will be implementing with agency theory then conflict of interest will not take place.

Ghoshal (1996) argued that in Transaction Cost Economics theory, there is actually wrong assumption and logic about the organization and market therefore misconception arise. The author recommended that now scholars should focus on organizational economy rather than market economy in order to avoid such misconceptions in future.

Mikko et al. (2016) further demonstrated that Transaction Cost Economics Theory is actually a constructive stakeholder theory which provides the basis for the stakeholders of the company. Ander el (2008) criticized the stakeholder theory and stated that there are unbalanced assumptions regarding motives of managers. Moreover, the ethical and moral view of the theory is missing.

Ghoshal (2005) stated that the main issue in our management theories is the absence of ethical and moral values. Furthermore, Ghoshal (2005) stated that the theorist emphasizes more on negative problems and overlooks positive problems. The purpose of development of theories is being misunderstood by the theorist. Jeffrey (2005). Now, it is the high time that Business schools should challenge such claims rather than simply accept them and deliver in classes.

Problem Statement

The unbalanced assumptions and partial analysis lead to the failure of management theories and systems.

(a) *Unbalanced Assumptions:* For the purpose of development of management theory, the unbalanced assumptions can be defined as the unrealistic or biased assumptions. It is irrelevant that such unbalanced assumptions were generated by the theorists intentionally or unintentionally.

(b) *Partial Analysis:* According to Ghoshal (2005), some management theories are accepted as truth by the author, teachers and business students before complete empirical analysis or application of such management

theories in the business world. The lack of comprehensive empirical analysis before or after implementation of such management theories in the corporate world is the “Partial Analysis”.

Methodology

There are different types of philosophical inquiry methodologies i.e. Logic, Argument and Dialectic, therefore, according to the nature of philosophical inquiry; the methodology of Argument will be incorporated in this study. The methodology of “Argument” can be defined as the author provide arguments or several arguments in order to support the propose solution. Such arguments can also be supported by previous literature findings.

The author formulates the below process for this purpose.

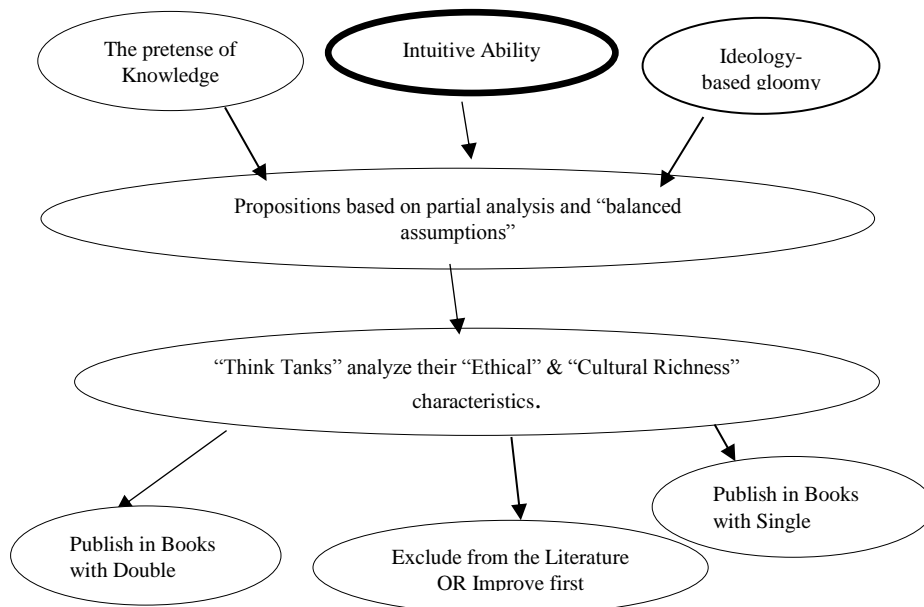


Figure 2: Proposed Roadmap to Develop an Effective Theory for Future Managers.

(1) Intuitive Mindset

In the twenty first century, the most important model which should be incorporated into corporate culture is “Intuition”. Cinla Akinci et al. (2012) explained intuition, not as a mysterious or mystical process, but as a necessary cognitive model for the knowledge worker.

Peter Drucker (1959) analyzed how scientific research techniques joined with business concerns about latest development in technology and

invention, he uncovered how the “intuitive manager” became an idealistic case of ruling in a knowledge economy. With the help of “intuition”, the researcher could easily diagnose the future problem and issues which will lead to develop the valid assumptions while developing a grounded theory in management. Once again, it depends on the ability of the researcher that how one thinks about the current and future dilemmas of the management practices. Cinla Akinici et al. (2012) answer one of the reasons of bad theory development in management by quoting:

“Until the turn of the century, developments of note in intuition research occurred mainly outside the fields of management. Within management research the picture was sometimes confused and contradictory”.

(2) Ethics

One of the arguments, which Ghoshal (2005) has addressed in his paper, was ethics and moral values, which he felt were absent in management theories or excluded by the researchers. Therefore, managers and employees choose “opportunistic behavior” which will hurt the organization structure and performance.

To reconcile the gap of ethics, the “think tank” should take another step towards the analysis of ethical perceptions in the provided theory before delivering to their students. It is now the most important and crucial pre-requisite to evaluate every theory according to ethics and morality framework. If it fits, then go with it otherwise just drop it before it reaches the learning platform. If we fail to do so, then it will work as a “slow poison” for the global economy. In the end, we will see more future “Enrons” or may be another global financial crisis. Domenec Mele (2007) wrote about the symposium in which the theme was about the more comprehensive integration of ethics into management held in IESE Business School in May, 2006. He demonstrated the performance of task force that “on the premise that the crisis in business ethics not only is a challenge for companies but also an opportunity to strengthen management education”.

(i) How to evaluate the ethics in Management Theory?

Now the question is what should be the evaluation criteria of gauging the ethical existence in the proposed theory’. So far, we do not have any full-fledged ethical evaluation system through which we can judge the existence or absence of ethical substance in the literature. In this study, the author has proposed an ethical framework which should be

followed by the theorists and Business schools to examine the ethical perception of the thesis. The standard of the ethical framework is to spread happiness to greater numbers rather than individuals within moral ethical limitations. Table 1 illustrates the ethical requirement for a theory as below:

Table 4 Ethical Requirement for the Theorists

Non-Consequentialism		Consequentialism		
Deontology (Kant)	Virtue (Aristotle)	Utilitarianism (Jeremy Bentham and John Stuart Mill)	Egoism (Sidgwick, Henry)	Hedonism (Aristippus)
-	✓	✓	-	?

Table 4 illustrates the most important theories of ethics. It is an attempt to understand and design the ethical pre-requisite for any management theory which will play a valuable role for the whole economy. The researcher has tried to include such ethical perceptions which emphasize on pluralism rather than individualism. In Non-Consequentialism, there are two main theories i.e. Deontology by Kant and Aristotle’s Virtue. In Consequentialism, three most important theories are selected i.e. Utilitarianism, Egoism and Hedonism.

(a) Deontology

Kant (1964) defined deontology as the check whether the individual is consistent in his duties or not. It totally ignored the consequences of certain act, which must be fulfilled by that individual. According to our point of view, the existence of deontology in any theory should not be mandatory as it is very rare that one has to perform some act forcibly which will lead towards damage.

(b) Virtue

Aristotle has defined the eighteen virtues in his book that enable an individual to perform his function effectively and efficiently within moral values. If management theory is proposed by the theorist, then “think tank” must test the intrinsic and extrinsic virtues within the context. If such virtues are available, then definitely the consequences will be favorable. In management theory literature, for the improvement of management practices, the virtue ethics defined by Aristotle should be

mandatory as it will be helpful to integrate the ethical and morality aspects with management practices.

(c) Utilitarianism

Utilitarianism was originated by Jeremy Bentham and John Stuart Mill (1789), It identifies the good with pleasure, so were hedonists about value. For the management theories, the consequences matter as it affects the internal and external business environment which sometimes may lead to a global crisis. It is the requirement of today's corporate world to implement such practices which will result in aggregate benefit rather than a small minority. If virtue and utilitarianism exist, then the issue of ethics and morality in management would be largely resolved.

(d) Egoism

Sidgwick (1907) claims that each soul possesses only one ultimate aim: its own benefit. Normative forms of egoism make claims about what any individual should do rather than what they are actually doing. Ethical egoism claims an action to be morally right if it maximizes one's self-interest. Rational egoism claims that for the purpose of maximizing self-interest, the act must be rational. According to management theory, the literature that emphasizes selfishness will be dangerous rather than any propositions that engaged beyond the self-interest. The ethical theory of egoism will definitely hurt the management practices therefore I would recommend that if any management theory is based on "individualism" or "self-interest" then it should be avoided.

(e) Hedonism

Jeremy Bentham (1789) asserted both psychological and ethical hedonism as "***Nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do***". In Hedonism, there is a lack of justification for measuring of intrinsic happiness and sadness which requires serious attention of philosophers to assert the phenomenon. In management theories, the existence of hedonism is unanswerable as we do not know where the shareholder will spend his profit? Whether he might live a rational life and increase his standard of living with an increase in purchasing power or he may waste his money in bars, indulge in gambling, etc. The integration of hedonism in management theories can't be answered until we could calculate the intrinsic happiness or sadness of the society.

(3) Culture Diversion Effects

Geert Hofstede (1993) stated that Management scientists, writers and theorists are human. They grew up in a specific society in a certain period, and their ideas cannot help but reflect the constraints of their environment. According to us, the argument is very clear and concrete because there are a number of theories which are well practiced in one society but not in the other one due to demographical representation, work environment, business structure, cultural norms, diversification etc. The needed argument is that management theory should be culturally rich and diversified. If not, then constraint it to that specific region only otherwise it will be one of the major drawbacks for global managers. I would shun such theories which are not culturally rich and diversified because the managers of multinationals will move in different directions if they come in from different regions. It should be the pre-requisite for all Business schools to evaluate all theories as “culturally rich” before allowing them on the teaching pedagogy.

(i) How to examine the cultural effect in Management Theory?

This is the million-dollar question which was answered by Geert Hofstede (1993). He stated that there are five dimensions which define the management and social culture of specific country. The five dimensions are power distance, individualism, masculinity, uncertainty avoidance and students’ values. He further demonstrated that the first four dimensions described forty-nine percent of the variance while remaining fifty-one percent variance remain specific to individual countries. We would personally prefer the first four dimensions to check the cultural effect of any management theory because students’ values’ is itself very broad phenomenon and due to increase in acquiring partial qualification from home country and remaining from abroad, one could not gauge their values effectively.

(a) Power Distance

Geert Hofstede (1993) defined the power distance as the “degree of inequality” among people who consider the population as normal. The degree of inequality may differ from country to country. In Europe & North America, it may be almost identical but it has greater variation in other regions like the Middle East, South Asia, etc. If the origin of any management theory is Europe, then it is the duty of “think tank” to evaluate the impact of power distance on such theory. It would be helpful

to understand its applicability and universality. Moreover, the theory having different power distance phenomenon should be delivered with such information.

(b) Individualism

It is the degree to which people of a country prefer to act individually rather than as a team. The countries where individualism is more prominent may discourage collectivism.

(c) Masculinity

It is the degree to which tough values like assertiveness, performance, success and attention are associated with the role of men, whereas maintaining warm service relationship, care, services and solidarity are associated with the role of women, with tough societies.

(d) Uncertainty Avoidance

It is the degree to which people in a country prefer structured or unstructured situations. Structured situations can be defined as the system, where the rules and mode of behaviors are clear. They are written and sometimes not written, but traditional norms.

(4) Business Schools Should Be Funded by The Industry

Lastly, Business schools should be funded by the Industry and the corporate world because Business schools will be looking for effective managers not for themselves, but for the corporate world, therefore, it should be the responsibility of industry and corporate world to seriously think about the dilemma of the flood of ineffective managers due to bad management theories.

Conclusion

Number of philosophers, theorists and critical analyst have been embedded the thought of an effective process to develop a productive management theory for the global world from number of years but still we do not possess any dominant criteria of evaluating and formatting the proposed management theories. This is the reason of poor management practices as Ghoshal (2005) argued in his article. In this paper, I have tried the two ways, check process, which will enable the theorists themselves and the “think tank” to check the “universality” of the proposed management theory. Globally, we have different foods, cultures, norms,

traditions, languages, even behaviors so why not theories? Now, it is the right time to discriminate the management theories according to their cultural and ethical background rather than to impose it globally because it may fail in some regions due to lack of “cultural richness” and “ethical” pre-requisites of that society.

How the two check works in the proposed model? First, Intuitive mindset- everyone needs to be sharp, critical thinker and the master of the six sense if they want to be the theorists. If anyone has intuitive ability, then the theorist most probably gauges and forecasts the future events and economic transactions. It will enable them to develop balanced assumptions rather than unbalanced assumptions. The loopholes of the combination of “The pretense of knowledge” & “The ideology based Gloomy Vision” will be minimized by the induction of intuitive skills.

The most crucial step toward the betterment of corporate world is to fund the “Business schools” by the corporate world to save them in future from ineffective managers. It could empower the Business school to perform as an active think tank as they will have more funds to spend on researchers to conclude the theory’s characteristics. We have already faced so many issues, crisis and discrepancies in the business that’s why it is the final time for everyone to create an impact otherwise it will be too late. The author has also opened the door for future researchers and critical analyst to provide their judgment in accordance to build an effective system which will postmortem the theory before it will worsen the performance of our managers.

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