

Menadžerske odluke i društvena odgovornost kompanija u internacionalnom biznisu

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Apstrakt: Proces u međunarodnim poslovnim operacijama odlučivanja podrazumeva upotrebu daleko složenije procedure koja uključuje uticaje brojnih faktora, kao što su: politika zemlje domaćina, procene rasta tržišta, strukture kapitala i izvora, kulture, zakona. Pravljenje multinacionalne kompanije se suočava sa pravljenjem složene odluke o raznim međunarodnim aktivnostima svojih kompanija. Različiti uticaji interne i eksterne tačke životne sredine na scenario budućih promena u međunarodnom poslovanju postavljaju nove izazove pred upravljanje kompanijom u procesu donošenja odluka. Sve više izražena homogenizacija menadžmenta u svetu ima uticaj na uspostavljanje novih kriterijuma, pristupa i metoda u procesu donošenja odluka.

Ključne reči: Odlučivanje, međunarodni biznis, menadžment, operacije multinacionalnih kompanija

Managerial Decisions and Social Responsibility of Companies in International Business

Abstract: The decision-making process in the international business operations implies the use of far more complex procedures which involve the influences of numerous factors such as: host country politics, market growth evaluation, capital structure and sources, culture, laws, etc. Management of multinational companies is faced with making complex decisions about various international activities of their companies. Different influences of internal and external environment point at the scenario of future changes in the international business which sets new challenges before company management in the decision-making process. An increasingly conspicuous homogenization of management in the world has an impact on establishing new criteria, approaches and methods in the decision-making process.

Key words: Decision making, international business, management, multinational companies operation

1. Introduction

The decision-making and managing process in International Business Operations implies the application of very complex procedures. The decision-making and managing process in multinational companies includes: goal setting; data collecting, informing and interpreting; option-formulating; planning and programming; decision-making; politics-expressing and politics- applying; decision-observing; decision-validating; decision-modifying; data-saving and data-using.

Figure 1 shows the decision-making phases along with goals and potential obstacles that have been identified for each phase (Nedeljković, 2014).

ASSIGNMENTS	GOALS	OBSTACLES
1. GOAL SETTING	Identification of interests	To agree
2. DATA COLLECTING, INFORMING AND INTERPRETING	Obtaining the correct information, based on which decisions can be made and understood. Transmitting information.	Incomplete, incorrect information; information delay; incorrect information interpretation; too much information
3. OPINION FORMULATING	Choice making	Limiting options; options giving based on favouritism.
4. PLANNING AND PROGRAMMING	Identifying and estimating consequences and using every option.	Favouritism, group opinion.
5. DECISION MAKING	Decision making and choosing the suitable option.	Favouritism, time limit.
6. DECISION EXPRESSING	Effective policy expression	Contraindications; misconceptions; preoccupation for personal image; media distortion
7. DECISION APPLICATION	Clear command and action control.	Expressing the problems; blurry authority lines; changes of situations.
8. DECISION OBSERVING	Informed about the policy and its effect when it is applied.	Lack of feedback; ambiguous relations between cause and effect.
9. DECISION VALIDATING	Validating the intended decision's effects.	Favouritism, group opinion.
10. DECISION MODIFYING	Policy modification in order to achieve the goal.	Insufficient resources, bureaucratic structure.
11. DATA SAVING AND USING	Learning from previous experience to improve subsequent decisions.	Saving data partially or unreliably.

Figure1. Decision-making process in multinational companies

Multinational companies have one clearly defined goal: *profit*. Hence, the first phase in decision-making process in multinational companies, the goal setting, has been clearly set. However, from this point on, the decision-making process in multinational companies is special in every way.

In order to obtain the profit, the multinational company's management should make more efficient decisions, regarding the elections of business practice and strategy that should be followed; and it is the same, regarding the elections of markets and countries suitable for establishing business operations. This requires correct and up to date information. Therefore, it's not surprising that the multinational companies' management dedicates a lot of time, talents and resources to collecting, reporting and interpreting data regarding great number of different factors: market size; consumer preferences; abilities and strategies of real and potential competition; attitudes of host countries' governments and their political orientations towards foreign companies concerning current and future risk; labour costs; capital costs; quality and reliability of a host country's infrastructure and corporative culture. After the collection and analysis of these data, and their preparation for use, the corporation managers can develop different decision options. This means that managers of multinational companies are able to form numerous sets of options for their future business activities.

Management of multinational companies has to make complex decisions about their companies' different international activities. After presenting the options to their companies in different countries or regions, where the business is taken, the decision-makers of multinational companies determine the way to "measure" and predict the factors that are out of their control, but that can significantly influence the decision-making process. These factors can include: host country policies; estimation of the market growth; capital structure; labour laws, and other.

After the decision of applying certain business strategy has been made, the management of multinational company explains and elaborates their decision to owners, shareholders and to other participants (lower levels of managers, employees, and the host country government).

Managers of multinational companies may also find certain obstacles in their decision-directing. Very often, management of multinational companies needs to ask first for the approval from government or from other legal authorities of the host country, in order to conduct their decisions or company's operations. Depending on government's policy of a state, management of multinational companies can find some obstacles in conducting their operations. As opposed to that, multinational companies may have strong economic influence on government's decision-making, and sometimes that gives them power to influence their policy as well.

Management of multinational companies supervises administration, evaluation and modification of their decisions. The purpose of these procedures is to increase the effect of the final results through changes and corrections that have been made.

Saving and using data is essentially important for management of multinational companies, especially in the area of planning and predicting the future business policies and strategies. Inadequate saving and data using may affect the company's profitability. With different data banks within those multinational companies, the "institutional memory" of managers, the source of saving and using data can be significant.

2. The Influence of Social Responsibility on Decision-Making Process in International Business

Social responsibility could be formally explained as responsibility of a company's management in optimal choice of decision that should contribute to the welfare and interests of society and of the very organization.

Even though this definition may seem simple, social responsibility can be a difficult concept to understand, because different people have different beliefs when it comes to realization of actions that promote welfare of society. Social responsibility covers great number of issues, and many of them are ambiguous regarding the concepts of what is right and what is wrong. For example, if a bank deposits money, from some fund that has been entrusted to the management, in the account with low interest rate on 90-day, and makes profit out of it, could that be considered unethical? Also, is it socially responsible that a smaller corporation goes bankrupt because of a bigger one? Or let us think about companies like *Manville Corporation*, *Eastern Airlines*, or *Texaco*, all of which are oil companies that went bankrupt, which is completely legal, in order to avoid rising financial obligations towards the suppliers, the labour unions, or the competition. All of these examples contain moral, legal and economical preoccupations, which is why it is not easy to define socially responsible behaviour. One of the reasons why it is complicated to understand the concept of social responsibility is that managers have to answer the question: *Towards whom are they really responsible in their decision-making process?*

Any group, inside and outside an organization, can have interest within that organization. Figure 2 shows the groups with interest in some organization that deals with automobile production (Mercado, Welford, Prescott, 2010). Investors and stakeholders, employees, buyers and suppliers are considered to have the main interest in some organization, and they are essential for its survival. These types of interests are satisfied by management's efficiency, that is, by the use of resources to make profit. The employees expect to be paid, and the consumers are interested in decisions that consider quality, safety and availability of the goods. When a group with main interests in organization becomes seriously unsatisfied, the organization's capability and its development are threatened.

Other important groups, with interests within some organization, are government and social community. Most of the corporations exist only under legal founding acts and with permissions for foundation; and they function within security laws and within demands considering the conservation of environment and other laws and regulations inside a government sector. Social community also includes local government, natural and physical surroundings and quality of life. Special interest groups, within an organization, can include trade associations, committees for political activities, professional societies and members of consumer movements. Socially responsible organizations take into consideration the effects of their activities on all interest groups within organization.

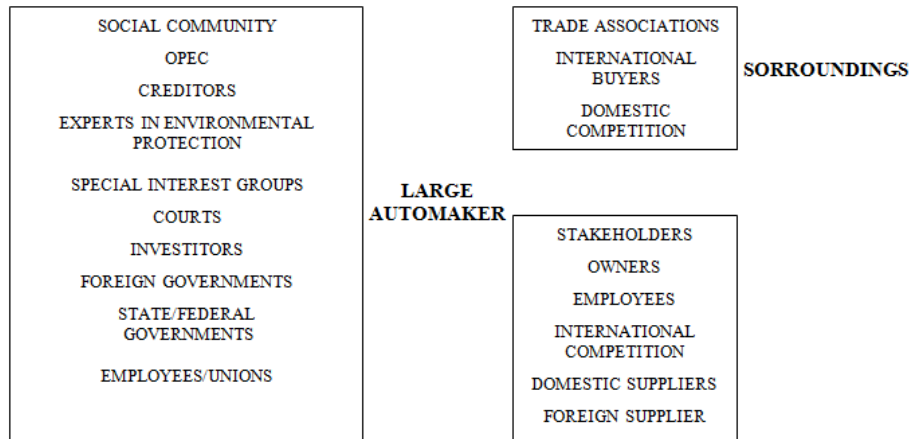


Figure 2. Groups with interest in car manufacturing company

Sometimes, the management of companies may confront and deal with those that also have some kind of interest in the company; but the management can also make decisions that would help in solving these conflicts. For example, the company *Fina Inc.* was founded as an oil refinery in Port Arthur, the state of Texas, in 1937. During the years, grounds with attractive ranch-style houses were sprouting in the shadow of this factory. Because of the noise and the unpleasant smell, the owners of the houses became unsatisfied with the fact that the factory is located in the middle of their zone. The residents expected from the company to buy their houses at the highest price of the market. In several occasions, *Fina Inc.* tried to demonstrate its good will, trying to resolve these issues; and in the end the company agreed to buy the houses because the owners had the legitimate right of ownership. The management of companies, such as *Fina Inc.*, act in socially responsible manner, by helping those with interest in their companies.

Criteria for Ethical Decision-Making

Most ethical dilemmas include conflicts between needs of a part and a whole; between an individual versus organization or organization versus society as a whole. For example, should a company introduce a mandatory drug and alcohol testing of its employees? This can actually contribute to a company, but reduce employees' individual freedom. Or, should a company export the products which do not satisfy the standards of the Ministry of Agriculture and Health into other countries that have lower standards? (It will bring profit to that particular company, but it could also potentially harm numerous citizens around the world.) Sometimes ethical decisions involve conflicts between two groups. For example, should the potential local health issues, provoked by corporate waste material, be more important than jobs provided by that corporation, as the biggest employer in the city?

Managers deal with these kinds of difficult ethical choices, and in order to make the optimal decision, they tend to use normative approaches based on norms and values. Four of these approaches are relevant for managers, and they are: *utilitarian approach*, *individualism approach*, *moral-rights approach*, *justice approach* (Weiss, 2012)

Utilitarian Approach

According to *utilitarian approach*, supported by Jeremy Bentham and John Stuart Mill, the moral decision is the one that produces the greatest good for the greatest number of people. In line with this approach, it is expected that the one who makes decisions, should think over the effect of each alternative decision for all that are interested and to choose the one that causes the most positive effect on the greatest number of people. Considering the fact that the real calculation of these problems can be very complex, their simplification is allowed. For example, a simple economical equation could be used for cost and profit calculations in dollars. Therefore, company management can make a decision that concerns only those that are directly affected by it, and not those that are indirectly affected. When *General Motors* chose to continue the operations in its factory in Arlington, in the state of Texas, and to close the one in the state of Michigan, the management justified this decision with claim that the one in Texas, generally, is more profitable for the corporation. Utilitarian ethics is cited as the basis for the recent trend among companies to monitor personal habits of their employees regarding alcohol and tobacco consumption at work during the working time; and in some cases, after the working time, as well, because that kind of behaviour affects the entire workplace.

Individualism Approach

The individualism approach contends a decision to be moral when it enhances the individual's best long-term interests. The most important is the individualistic self-management, and the exterior influences that limit self-orientation which should be strictly monitored. Individuals see the long-term possibilities that are the best for them, as criteria of a decision quality.

Considering the fact that individualism is sometimes misinterpreted to support immediate self-gain, it is not popular in the highly organized and group oriented society of today.

Moral-Rights Approach

The moral-rights approach states that human beings have fundamental rights and liberties that cannot be taken away by an individual's decision. Therefore, an ethically correct decision is the one that best maintains the rights of those affected by it.

The moral rights that should be taken into consideration in decision-making process are:

1. The right of free consent: individuals should be treated only how they themselves consent to be treated;
2. The right to privacy: individuals can choose how to behave outside their working place and working hours; and they monitor the information from their private lives;
3. The right to free conscience: individuals may refuse order that violates their moral and religious norms;
4. The right to freedom of speech: individuals may criticise constructively other people's ethics and legality of actions;
5. The right to life and security: individuals have right to life without threatening or damaging their health and security.

To make an ethical decision, managers need to avoid interfering with the fundamental rights of others. Therefore, a decision to eavesdrop employees violates the right to privacy. The right of free speech would support "whistle-blowers" who call attention to illegal or inappropriate actions within a company.

Justice Approach

The justice approach affirms that ethical decision must be based on standards of equity, fairness and impartiality. Three types of "justice" are significant for manager's decisions:

- Distributive justice requires that different treatment of individuals should not be based on arbitrary characteristics. Individuals that are similar regarding what is relevant for some decision should be treated similarly. Therefore, men and women should not receive different salaries if their work is the same. However, those who differ essentially, such are the differences between work qualifications or the responsibilities of a work position could be treated differently and proportionally to differences in qualifications and responsibilities. This difference should be clear towards organizational goals and assignments;
- Procedural justice states that regulations should be applied "fairly". Also, regulations should be clearly stated and consistently and impartially enforced;
- Compensatory justice considers that individuals should be compensated for the cost of their injuries by the party responsible. Furthermore, individuals should not be held responsible for matters over which they have no control.

The justice approach is the closest to opinion that is basically in the domain of law, because according to it, the justice is applied through rules and regulations. This theory does not require complicated "calculations", as it is the case with the utilitarian approach; nor does it justify personal interest, like the individualism approach does. The managers are expected to define the attributes by which unequal treatment of the employees is acceptable. It is very difficult to answer the questions like: How to compensate discrimination from the past towards employees, members of minorities? However, this approach actually justifies what ethical behavior tends to correct; which is, honest behavior towards rules and insisting on differences that are relevant for different working places, and which would be the basis for different salaries and promotion possibilities. Most of the laws in domain of the management personnel are based on the justice approach.

The challenge of applying these ethical approaches is illustrated in decisions that should be made by the companies in tobacco industry.

Types of Management's Decisions as Response to Specific Social Demands

How should a corporation, confronted with specific social request, act? If someone, for example local government, has interest within a company, and they present some kind of request to a company, what corporate actions can be possibly taken? Management experts have developed action-answer scale and it is used by management of companies when there is a decision to be made, regarding some significant social issue. These obstructive, defensive, adapting and proactive actions are illustrated in Figure 3 (Calori de Woot, 2003).

Obstructive Actions: Companies that accept these actions reject any responsibility for decision that has been made, claiming that the evidence about their wrong doing lead to wrong conclusions and set up different kinds of obstacles in order to delay the investigation. During the years of discovering the *Watergate scandal*, that kind of obstruction was called *stonewalling*.

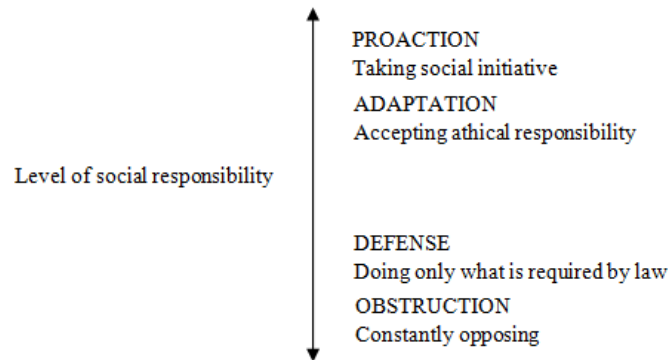


Figure 3. Types of Management Decisions

Defensive Actions: It means that a company is willing to take responsibility for decisions that have been made, which may also include some mistakes and carrying out some actions. A company cuts its losses by defending itself, but it doesn't act obstructively. It is general belief, among defensive mangers, that "these things happen and they are nobody's fault". For example, the *Goodyear* accepted the defensive strategy by deciding to continue working in their factories in South Africa.

Adapting Actions: It means that a company accepts social responsibility for its decisions and actions, even though it may only act that way because of the external pressure. Companies that accept this kind of agreement normally try to take economic, legal and ethical responsibilities. If some external forces make the pressure, the managers agree to suspend the suspicious activities. For example, the decision of the *Exxon Company* to clean the oil spill that was released in Prince William Sound was made in order to adapt the company to ethical standards, which was mostly urged by public protests.

Proactive Actions: This means that companies take the lead in social issues. They seek to recognize social interests and to respond to them without any persuasion or external pressure of those that have some kind of interest in their companies. The example for proactive actions is given by the *Potlatch Corporation*. This company produces cardboard milk cartons and the company management came up with idea to print it with photos of missing children. The company reported that a few days later, the *Alta-Dena Dairy* from Los Angeles put the cardboard milk cartons in food stores and one of the missing little boys was brought back home. One more example of the proactive response is the corporate philanthropy. Many companies, including Miller Brewing, Coca-Cola and Westinghouse give great donations to universities, to the organization *United Way* and to other charities in order to improve the welfare of society. Obstruction usually occurs in companies that have actions based only on economic considerations. Therefore, defensive organizations are willing to work in legal frames; while, adapting organizations respond to ethical pressures; and proactive organizations use discreet responsibilities to improve the welfare of society.

According to the words of an expert on the topic of ethics in business "Management is responsible for creating and sustaining the conditions in which people will behave correctly". Therefore, there are more methods that could be applied in managing and improving the ethics of a company: ethical leadership, code of ethics and ethical structures.

Ethical Leadership

The Business Roundtable, the association of top managers from 250 big American corporations, edited the report about the consequences of decisions that have been made, ethical policy and practices in companies like *Boeing*, *Chemical Bank*, *General Mills*, *GTE*, *Xerox*, *Johnson & Johnson* and *Hewlett-Packard*. The report concluded that top management has the crucial role. General Director and Board of directors should base their decisions on ethical principles. They constantly need to demonstrate leadership in renewing organization's ethical values (by highlighting those principles in speeches, directives, company's publications and especially by demonstrating it with their actions). Therefore, top managers use their own behaviour to regulate the behaviour and working atmosphere inside the organization.

Code of Ethics

A code of ethics is a formal statement of the company's values concerning ethics and social issues; hence, it informs the employees what the company stands for. Codes of ethics tend to exist in two types: *principle-based statements* and *policy-based statements*.

Principle-based statements are designed to affect corporate culture. They define fundamental values and contain general language of company's responsibilities, quality of products and the way of treating the employees. General statements of principle are often called *corporate credos*. The examples of corporate credo are GTE's *Vision and Values*, Johnson & Johnson's *The Credo* and Hewlett-Packard's *The HP Way*.

Policy-based statements usually outline the procedures that are used in decision-making process in specific ethical situations. These situations include solving conflict problems; solving conflict of interests; observance of laws; giving information and giving equal job opportunities. The examples of these statements are Boeing's *Business Conduct Guidelines*, Chemical Bank's *Code of Ethics*, GTE's *Code of Business Ethics* and *Anti-Trust and Conflict of Interest Guidelines* and Norton's *Norton Policy on Business Ethics*.

Ethical Structures

Ethical Structures represent the various systems, positions and programs that a company can undertake to implement ethical behaviour in decision-making. There is an ethics committee that contains a group of executives appointed to oversee company ethics. This committee arbitrates in cases of questionable ethical issues. Ethical committee assumes responsibility for disciplining those who made some mistake, which is important when an organization needs to affect behaviour of the employees directly. For example, Motorola has *Ethics Compliance Committee* for interpreting, clarifying and communicating the company's code of ethics and for solving the cases suspected to contain code violations.

Many of currently best companies realize that their success can be measured in various ways, many of which do not appear in financial reports. However, the relationship between the ethics and corporate social responsibility towards its financial performance is management's and management students' concern, which provokes a harsh debate. Many studies deal with issue whether the emphasized ethics and social responsibility increase or reduce the financial performance. For example, James Burke made a list of companies that are known for their high ethical standard. The list included companies like: *J & J*, *Xerox* and *Eastman Kodak*. From 1950 to 1990, Burke discovered that the market values of the companies from his list were growing at a rate of 11,3 % a year. The ethics and social responsibility, and their joint influence on decision-making process are very popular topics and increasing number of research papers deals with them.

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