



Ethics and Corporate Reputation

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- "An ABC News/Washington Post survey indicated 63% of the public felt that regulation of corporations is necessary to protect the public."
- "Seventy-five percent of those surveyed by ABC, expressed limited confidence in large corporations."

Source: Gary Langer (2002) "Confidence in Business: Was Low and Still Is," www.abcnews.com, Sept. 10.

Corporate Reform... 

- The 2002 Sarbanes-Oxley Act was the most sweeping change in corporate governance and the regulation of accounting practices since the Securities and Exchange Act of 1934.
 - Supported by Republicans & Democrats
 - Provides oversight to restore stakeholder confidence
 - Requires business ethics infrastructure

Stakeholder Relationships

- individuals alone did not cause our current crisis
- the following stakeholders were all involved in supporting a system of unethical conduct
 - board members -regulators
 - top management -politicians
 - attorneys -mass media
 - accounting firms -investors
 - securities analysts -colleges of business



Corporate Governance Best Practices

- **Support to split roles of CEO and Chairman**
 - Chubb Corp. (& others) named a board member as non-executive chairman
- **Outside directors meet alone as often as necessary**
- **Independent internal ombudsman to encourage internal reporting of misconduct**
 - often called ethics officer
- **Formation of an internal audit function of every public company**
- **Support for codes of ethics to improve shareholder relations & auditing practice**

Source: Joann Lublin (2003) "Panel Officers Governance Rules, Wall Street Journal, January 10, p 1.

Predicted Trend in Corporate Governance

- Board responsibility for developing company purpose statements that cover stakeholder interests
- Annual reports will include more non-financial information
- Boards will be required to self-assess
- Board member selection processes will become increasingly formalized
- Boards will need to work more as teams
- Board membership will require more time

How does ethical decision making occur in organizations?

- #1 influencer of ethical/unethical behavior is the influence of significant others & the corporate culture
- business ethics in an organization relates to a corporate culture of values, programs, & leadership
- stakeholders must support organizational ethics initiatives-it's good business
 - stop focusing on the short term!!!



Ethical Compliance

- Controls are used to safeguard corporate assets & resources, protect the reliability of organizational information & ensure compliance with regulations, laws & contracts
 - limit employee or management opportunism
 - ensure that board members have access to timely & quality information
 - the ability to anticipate & remedy organizational risks
 - minimize negative situations
 - uncertainties need to be hedged

An Alternative View

- "A business can't have ethics any more than a building can have ethics. I don't believe the university is a place for that--family & elementary & secondary schools are."
 - Milton Friedman, Nobel Laureate



What are colleges of business doing?

- Developing programs & courses to address business ethics & corporate responsibility
- Leaving ethics education to the liberal arts college (philosophy departments)
- Encouraging faculty to integrate ethics into current curriculum
- Maintaining the status quo



Recommendation for Colleges of Business...

- Take responsibility for educating your faculty and students about corporate responsibility, business ethics & social responsibility
- Both in colleges of business & business top management needs to make sure there are visible & supported programs
 - do not rely upon faculty to individually integrate ethics into their courses
