

# Ceos and business professionals

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Several years have passed, since CEOs and business professionals have been trying to produce a single and the most relevant answer regarding the issues regarding ethical and unethical conduct in large and small corporations. The case of Enron seems to have resolved the major ethical uncertainty, and has proved the need to promote sound ethical atmosphere and ethical principles in accounting and financial decision-making; and while firms and healthcare organizations were seeking the means to improve their ethical codes, the Sarbanes-Oxley Act has come as the urgent response to the ethical failures in corporate America.

Nevertheless, healthcare facilities across America remain extremely vulnerable to the major ethical controversies and frequently find it impossible to resolve them in ways that would benefit both them and the patients. In her article, Marriane M. Jennings (2003) writes about the role, which ethics plays in leading business giants to financial failure. She examines the tragic experiences of Enron, WorldCom, Tyco International, FINOVA and HealthSouth Corp.

Jennings (2003) is confident that the three essential factors need to be analyzed, before we are able to evaluate the scope and the consequences of an ethical failure and its impact on financial decision-making in firms: first, the systemic failures which ultimately reach the levels of fraudulent financial reporting; second, the common traits of ethical collapse; and third, the ways these collapses can be prevented in future through ethics and valued-based decision-making (Jennings, 2003).

In each of the recent corporate scandals, the six essential elements had to fail: accountants, auditors, the board, the business analysts, the business

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press, and the investors' minds (Jennings, 2003), but beyond that, Jennings (2003) underlines the four common traits of ethical collapse that lead to fraudulent financial decision-making - pressure to maintain numbers; fear and silence; inexperienced senior management team; and a culture of social responsibility.

As a result of the detailed analysis, readers are offered an insight into the complex (or even complicated) picture of an unethical conduct that starts from below and leads to higher levels of organizational performance, where financial decisions are usually taken. Does that mean that there is not a single chance to improve the situation? Certainly, that does not. The Sarbanes-Oxley Act has been designed to facilitate the development of sound ethical policies in all organizations, including healthcare entities.

Besides the need to set and implement Public Accounting Oversight Bodies, the Act is expected to create "a tone at the top" that promotes ethical conduct and permeates the corporate culture" (Koestenbaum, 2005). In healthcare, where the effectiveness of medical services largely depends on the quality of all accounting procedures, ethics is of particular importance. One of the hospitals I used to work for tended to over rationalize its commitment to profitability.

In other words, the senior management lacked an insight into the major financial decisions that were taken in the hospital. Jennings (2003) confirms that "most failed companies continued their activities rationalizing their conduct with such trite sayings as "that's the way they do it"; in other words, failed organizations tend to take the examples of other fraudulent corporations without being able to learn from them.

I believe that rationalization may be an appropriate approach to accounting, but in hospitals where the lives of patients depend on whether we are able to use our financial resources effectively, over rationalization is not always the best solution. The visible commitment to patients' welfare does not also mean that the hospital's financial reports are accurate; that is why hospitals and healthcare facilities should be particularly responsible towards the ethical standards of their financial conduct.

In this situation, the best the hospital can do is to review the impact of its overrationalized decisions on the quality of financial reporting. Financial reporting should go in line with the moral absolutes, which hospitals and healthcare facilities determine prior to making strategic decisions. These simple ideas will always work to prevent healthcare organizations from major financial failures. Conclusion Ethics is one of the pillars on which high quality medical care rests.

Ethics in accounting and financial decision-making is one of the critical components of quality medical care. Despite the growing healthcare facilities' commitment to ethical conduct, they tend to overrationalize the role of profitability and replace the need for accurate financial reporting with the need to care for patients' welfare. In this situation, and prior to taking strategic decisions, hospitals and healthcare organizations should develop a set of moral absolutes, which will govern them in their striving to promote ethical conduct in accounting and financial decision-making.

## References

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