

# [Ethics very legalistic in the sense that codes,](https://assignbuster.com/ethics-very-legalistic-in-the-sense-that-codes/)

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Ethics and its Roles inCorporate Governance IntroductionIn this paper we will study the role of ethics in thecontext of corporate governance system. The corporate governance is defined asa structure and process that guide companies into achieving the necessary highstandards of corporate behaviour. On the other hand, Fisher (2004) defines theethics as a means of doing the right thing. The nature of the corporategovernance is very legalistic in the sense that codes, guidelines andregulations are put in place to oversee corporate governance.

compliance, themoral aspect is argued by many to be absent or limited. provide an overview ofcorporate governance outside the scope of financial performance. This researchpaper aims to establish a basis for the further exploration of corporategovernance from a behavioural perspective by moving research agendas toward awider scope in the examination of corporate governance issues. We will studythe role of ethics in the context of corporate governance system. The corporategovernance is defined as a structure and process that guide companies intoachieving the necessary high standards of corporate behaviour. On the otherhand, Fisher (2004) defines the ethics as a means of doing the right thing.

Thenature of the corporate governance is very legalistic in the sense that codes, guidelines and regulations are put in place to oversee corporate governance. moral aspect is argued by many to be absent or limited. In this paper we willexplore the experts’ perceptions of the role of ethics in the context ofcorporate governance also we will provide an overview of corporate governanceoutside the scope of financial performance. This research paper aims toestablish a basis for the further exploration of corporate governance from abehavioural perspective by moving research agendas toward a wider scope in theexamination of corporate governance issues.

We will study the role of ethics inthe context of corporate governance system. The corporate governance is definedas a structure and process that guide companies into achieving the necessaryhigh standards of corporate behaviour. On the other hand, Fisher (2004) definesthe ethics as a means of doing the right thing. The nature of the corporategovernance is very legalistic in the sense that codes, guidelines andregulations are put in place to oversee corporate governance. Corporategovernance is constructed by focusing on legal processes and structures toensure compliance, the moral aspect is argued by many to be absent or limited. This research paper aims to establish a basis for the further exploration ofcorporate governance from a behavioural perspective by moving research agendastoward a wider scope in the examination of corporate governance issues.

Literature ReviewCorporate governance theoretical developments focused uponeconomics, emphasising the financial benefits of corporate governance. AgencyTheory emphasizes financial benefits as the ultimate focus of corporateobjective. Later other theories came into the picture like governance theoriesfocussing on maximizing the wealth as the objective of corporations. AgencyTheory emphasizes financial benefits as the ultimate focus of corporateobjective. Later other theories came into the picture like governance theoriesfocussing on maximizing the wealth as the objective of corporations. Theframework of corporate governance is understood as a system of structures andprocesses to achieve economic gain i.

e., financial benefit. There are severalindicators to evaluate corporate governance compliance such as board structure, audit, board of directors, CEO duality, role of individual investors, ownershipstructure and role of audit committee. The framework of corporate governance isunderstood as a system of structures and processes to achieve economic gaini. e., financial benefit. There are several indicators to evaluate corporategovernance compliance such as board structure, audit, board of directors, CEOduality, role of individual investors, ownership structure and role of auditcommittee. The phenomenon of corporate governance tells us that high level ofcompliance does not necessarily reflect good governance like Enron, forexample, provides a good case.

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The qualitative study identifies issues withoutbeing constrained by predetermined categories, while contributing to the depthand detail of the enquiry. The study is best suited for in-depth exploration ofideas relating to ethics and corporate governance. With keeping in mind, therequirements for qualitative enquiry, selection of experts and the datacollection processes were designed. Data credibility is supported by thethorough selection of respondents, comparing responses between samples, use ofmultiple techniques (interviews and documents), rigour in analysis process, useof quotations, linked words to emergent theory, member check and peer check. Wevalidated our research by thorough research design employed by otherresearchers. The qualitative study identifies issues without being constrainedby predetermined categories, while contributing to the depth and detail of theenquiry. The study is best suited for in-depth exploration of ideas relating toethics and corporate governance.

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We validated our research bythorough research design employed by other researchers. The major validationwas in making sense of the association between ethics and corporate governancewhere ethics and its role in relation to corporate governance was deliberatedin three perspectives. Therefore, the research findings give an understandingand meaning of the role of ethics in corporate governance from the socialreality context.

Finding and DiscussionAfter analysing the data, we understand that expertsperceive ethics in business playing a crucial role in today’s world and theyhighlighted that ethics should be made a priority in governance. Perception ofthe experts on ethics is the moral obligation that guides corporate behaviour. “ Ethicsis described as a conduct of doing the right thing and able to generate aspectsof corporate moral obligations”. According to the view of experts, ethics isthe foundation on which the obligation of doing the right thing and achievementtowards wealth maximization are carried out in an accountable, transparent andresponsible manner and that supports the long-term sustainability ofcorporations.

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There are three main themes thatattest to the worldview related to the role of ethics in corporate governance. Figure below depicts the perceptions of the experts related to this ethics andcorporate governance. The first theme indicates that corporate governance is a bigcode of ethics. A code of ethics is neither rules nor regulations; rather it isa guideline perceived to be represented by the structure and process anddesigned to assist corporations in resolving issues arising out of grey areas.

According to the experts, grey area are the cases of conflicting interestsfaced by the corporate members. Also, “ complying with corporate governancerequirement is an act of ethics”. Requirement of the corporate governancecontain values related to the key concerns of business ethics. The analysis of data gives the insightful relationshipbetween ethics and corporate governance. There are three main themes thatattest to the worldview related to the role of ethics in corporate governance. Figure below depicts the perceptions of the experts related to this ethics andcorporate governance. A code of ethics is neither rules nor regulations; ratherit is a guideline perceived to be represented by the structure and process anddesigned to assist corporations in resolving issues arising out of grey areas.

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The second theme gives the different perspective andindicates that ethics is part and parcel, or a subset, of corporate governance.” Inclusivity refers to the rules, principles, self-regulation and guidelinesinherent in a good corporate governance system”. In other words, ethics isdefined as the subset of corporate governance system and is implicitly includedin it.

The issue of governance is not just a set of rules but also a control ofconduct. The control of conduct is good behaviour which is linked to ethics. Ethicscan be used to motivate corporations and corporate citizens to act in anethical manner. Such principles guide corporations towards good behaviour. Theissue of governance is not just a set of rules but also a control of conduct. The control of conduct is good behaviour which is linked to ethics. Ethics canbe used to motivate corporations and corporate citizens to act in an ethicalmanner. The control of conduct is good behaviour which is linked to ethics.

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The issue ofgovernance is not just a set of rules but also a control of conduct. Thecontrol of conduct is good behaviour which is linked to ethics. Ethics can beused to motivate corporations and corporate citizens to act in an ethicalmanner. Such principles guide corporations towards good behaviour. Voluntaryrequirements indicate that it is not just a set of rules, but also providesguidance that corporations can follow voluntarily. An opposing view is suggested by third theme that indicatesthat ethics are not merely part of corporate governance; rather, ethics isaffiliated with the corporate governance system. In other words, ethics existwithin every individual, therefore, the creation of a good governance systemrests on the individual’s ethical conduct.

According to the experts, ethics isnot externally integrated into a governance system, rather it is the valuespossessed by the individual that steer the governance system. Therefore, we canfind a relationship between the individual and any system which is designed tolead towards good governance practices. The governance system would not workwithout any ethical individuals. The study highlighted here is linked with theutilitarian principles, where the concept of greatest good for the greatestnumber of people is the basis for the evaluation of rightful acts.

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When one practicesethical behaviour, it means one would do best in governance practices. As perthe above themes mentioned, the emphasis is on the inclusion of mandatory andvoluntary requirements which are a part of the ethical practices considered asinclusive governance. The mandatory and voluntary requirements in the structureand process of governance are part of the ethical measures that guidecorporations towards being accountable and transparent and which denoted the ethicalideology inclusivity in corporate governance practices. Corporations describethese ethical measures as either explicit or implicit. The best practicesfollowed in regards to corporate governance include “ ethical elements, such ascompliance with laws and payments of taxes; not making inappropriate paymentsor receipts; avoidance of conflicts of interest; maintaining theconfidentiality of privileged information; refusing gifts; equal opportunities; and charitable donations” which are explicitly visible in the corporate governancepractices. Some of the moral responsibilities which are emphasized in the studyincludes creating jobs; generating tax revenue; rendering goods and services toconsumers; providing secure retirement for employees; ensuring a maximum degreeof transparency; and internal and external accountability. However, the study indicatesthat there is still much to be done to support ethics in corporate governancepractices as a means to enhance good governance practices.

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Such findingsindicate the worldview of the social reality of ethics in the Malaysiancontext. Essentially, the three perspectives contribute to the understanding ofethics in governing corporations. The findings introduce academia to a newperspective of corporate governance issues. The three perspectives that emergedfrom the findings contribute to the need to revise and re-evaluate the presentcorporate governance structure. Perhaps more structure and process should beincluded to integrate ethics in the corporate governance model.

For academics, these findings provide an answer to the question of ‘ what is the role of ethicsin the Malaysian corporate governance perspective?’ Much of the major researchin corporate governance has been undertaken to investigate the relationshipbetween corporate governance and firm performance, which relates to thestructure of the corporate governance aspects. This research considers thesocial aspects of corporate governance where the scope of corporate governanceresearch is extended to include the behavioural aspects of governance, ratherthan simply the structure aspects. This paper aims to establish a foundationfor the further exploration of corporate governance from a behaviouralperspective, thus, moving research agendas towards a wider scope of examiningthe corporate governance issue. Such a move will have the potential to providefeedback to, and guidance for, practitioners, regulators and educators. The threeperspectives that emerged indicate a different spectrum in the understanding ofcorporate governance. Such a new paradigm of governance aspects introducesresearchers to new governance aspects. In sum, the general perception is that ethics should be’allowed’ to guide corporate moral obligations.

Furthermore, ethics in thecontext of corporate governance, as perceived by some of the experts, iscrucial to educate corporations and their citizens concerning a self-reliantgovernance system. The findings of this study have contributed to corporategovernance from the behavioural perspective. Because the respondents wereexperts, to what extent their views on ethics and their role in corporategovernance resonate with the professional and practitioners’ views needs to beascertained in the future, as the motive between practitioners andprofessionals may differ.