

# How to reform corporate ethics in american business today assignment

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The memorandum clearly highlights why the proposed policies are considered an appropriate pathway to reforms and some of the recommendations are provided to the president on how to improve the overall corporate governance. 2. 0 Introduction The modern corporate governance constitutes the stockholders, employees, suppliers and the community in which it conducts its operations. Since the asses, the corporate world has been accused of its failures to fulfill its mandated responsibilities. It is not until the start of the last century, that the business community was set free to organize its legal relations in any manner it chooses.

The presence AT Increased Institutionally towards ten Ana AT ten Tinny century gave rise to labor unions, which led to increased concentration of economic power into the hands of huge trusts, and robber barons that resulted in increased injuries in the workplace-giving rise to the demand of consumer protection and product accountability (“ The Legal Environment of Business,” n. D. ). 3. 0 Overview According to Klein, Brat, Chip, & Goldman (2012), building and communicating a corporate identity must be a conjunction between the organizational leaders and the respective employees.

The influence that leaders have on ethical practices greatly affects the kind of authentic leadership that addresses awareness of moral values and business perspectives. In most cases, corporate leaders attempt to implement corporate measures that they expect from their various stakeholders on the required code of conduct and behavior. It must be noted that ethical identity cannot be achieved by only stating and executing

against the required ethical values and principles in a mere corporate mission statement.

Rather, corporations are identified as being either more or less ethical by constantly evaluating the level to which they inform to social responsibility and responsiveness. To this extent the ethical dimension of any corporate ethical identity (ICE) may be termed as the rule of behavior, communication, and values that represents the organizational ethical dimensions and beliefs which includes the ethical values, behavior and communication (Klein, Brat, Chip & Goldman, 2012). 4. Task The main task of this memorandum is to identify the major issues that involve the board of directors, shareholders and modern Chief Executive Officer (CEO) in corporate governance. In addition, the task includes the identification of suitable commendations that need to be implemented to increase the effectiveness of corporate governance in the post-Enron era. 5. 0 Corporate Governance Issues According to Hoffman & Rowe (2007), the major concern of corporate governance is on the board of directors, the respective independent directors and the board's committee.

Judicial investigations into some of the corporate scandals have revealed that insufficient ethical mistakes of senior management borne by the board of directors have continued to be a rule of the game in the business world. Even though news media have continued to put much of the focus on the defaults of high- ordered executives, the crucial governing authority of any corporation will always remain on the corporate board of directors (Hoffman & Rowe, 2007).

The major concern of the corporate governance is mandated to the board of directors whose role is to perform the monitoring function. The board of directors is accountable for carrying out the legitimate functions of the corporation. For this reason, it becomes critical for any company to have a board, which is composed of people with outstanding attachments to their name. They need to comprise a team of people with some prestige attached to their name. For instance, the board members need to be people with good know-how and experience in the business.

Their engagements in business need to demonstrate a level of confidence to both the expertise and stock purchasers (Yahoo, 2010). However, there have been consistent failures of this board to carry out their duties for all practical purposes, in regards to effective management of the corporation. More often than not, their failures have been reported regarding ten alerts approach AT alerting power to ten CEO causing ten corporation to indulge in dangerous accounting practices.

In addition, questionable practices have been carried out by these same directors, to the detriment of shareholders, employees, and business associates, making corporations absorb unnecessary losses. The major contributing factor to these failures of good governance is poor attention to the ethical and expected compliance function as stipulated by the corporation. Frequent disconnections in the board of governance and more especially in the ethics of officers have resulted in poor performance of the ethical inquiry, which is an essential component of sound corporate governance (Rabin, 2002).

These ethic officers have become unreliable personalities to senior management. The fact that these officers are delegated duties by the management, have to report necessary issues to these same management, and worse off can be fired by the same management has consequently resulted into a conflict of interest. In most circumstances, these ethic officers do not have the power, status and authority regarding their corporation that requires doing their jobs effectively.

In addition, the kind of relationship that exists between these ethic officers and their board of directors does not effectively include authoritative teamwork thereby negatively affecting not only the ethics but also the governance process as a whole (Hoffman & Rowe, 2007). To improve the performance of the board of directors it is recommended that the following be implemented: a) Devising a leader of the board of directors who ought not to be the chief executive officer who is the senior most personnel in the corporation. b) Execution of independent board members that have no other related relationship with the corporation. c) The board needs to be expansive for delegating responsibilities to independent board members through organized committees such as the audit committee that looks into financial reporting of the corporation and giving these directors the social responsibility of choosing the appropriate CEO (Yahoo, 2010). The management needs to be questioned and monitored closely by the directors.

No change should be made regarding the manner in which the board is responsible for the employees and the shareholders. This however does not imply that the board becomes less responsible for how the customers and

business partners need to be treated. In so doing the long-term value of the shareholders, investment will be increased (Hoffman & Rowe, 2007). 5. 2 Shareholders To protect the interests of shareholders in corporate business the certain measures need to be considered: 5. 2. Implementation of Independent Auditors from Management The work of auditors is to review the financial situation of the corporation on the behalf of shareholders. Lack of independent auditors from the management increases the risk and fraud in the production of financial information. This can only be compromised in situations where the management is capable of seceding whether the auditing firm acquires profitable consulting work such as advice on tax scheduling besides auditing work (“ Update on corporate governance... ,” n. D. ). 5. 2. Setting up Effective Accounting Rules With effective accounting rules put in place, shareholders stand in a good position to monitor what the management does to ensure that the financial position of the corporation is correctly reflected in the financial statements (“ Update on Required way to Deal With corporate Failure In the view of solving this issue of corporate failure, the Serbians-Solely Act squires that violation of records associated with any federal investigation or liquidation proceeding should be subjected to severe penalties.

The penalties may involve a fine or Jail term of 20 years to however deliberately destroys, alters or violates document that defines the ethic regulations of an organization with the intention of hindering an investigation. The penalty application differs in accordance to the guidelines of the violated section (“ Serbians-Solely Act Overview,” n. D. ).

Some of the sections dealt with in the policy included : Section 302: Corporate Responsibility for Financial Reports The requirements of this section are that Chief Financial Officers (CFOs) and COOs are subjected to penalties regarding their firm's or organizations financial records and accounting. This is considered an important section of the policy because of the top relationship that the CFOs and COOs link to their organizations.

This section plays a very important role of ensuring that the entire businesses of an organization are carried out in the required manner ("Sarbanes-Oxley Act Overview," n. D. ). Section 103: Auditing, Quality Control and Independence Standard and Rules Companies are required under this section to prepare and maintain audit work papers for an approximate period of not less than 7 years inclusive of relevant information to any audit report prepared (" Sarbanes-Oxley Act Overview," n. . ). Section 105: Investigations and Disciplinary Proceedings Under this section the board is required to produce audit work papers and related documentations used in the acquisition of their registered public accounting firm to be inspected for clarification of the accuracy contained thereof in the information presented (" Sarbanes-Oxley Act Overview," n. D. ).

Section 404: Management Assessment of Internal Controls sufficiency of the organizations' internal control pertaining financial reporting Considering the fact that all internal business decisions and relevant data are prepared and kept in corporate electronic systems, ensuring that this data cannot be interfered with becomes a critical responsibility of the financial reporting system. With the SOX policy, all corporate email messaging are subject to

the same required rules and no organization is treated in favor of the other (“ Serbians-Solely Act Overview,” n. D. ).

**Section 409: Real-time Issuer Disclosures** With the SOX policy, all companies are required to present accurate time closures related to any proceeding that may negatively affect their stock price or economic performance within a span of 48 hours (“ Serbians-Solely Act Overview,” n. D. ).

**Section 802: Criminal Penalties for Altering Documents** This section describes the penalties in terms of fines of up to \$ 1, 000, 000 in addition to the prison term to any person that consciously alters, destroys or even mutilates related records or documentations that alters an investigation.

This section particularly responds to the destructions experienced by businesses and their relevant accounting firms in particular Enron and Anderson (“ Serbians-Solely Act Overview,” n. D. ).

**9. 0 Conclusion** The aftermath of Enron in the United States led to the introduction of Serbians-Solely Act, which defined the fundamental governance of American companies. This policy is not only restricted to unlace states rather it applies to all corporate organizations that aims at reducing ethical down fall of organizations.

The same case also applies to the California State Teachers’ Retirement System (Callers). If all corporate organizations conform to the above-mentioned policies, then automatically future corporate ethical failures shall be minimized to a larger extend.

**0. 0 Recommendations** It is recommended that the majority of the board members are independent from management.



The respective directors need to positively impact on the board by bringing in a range of relevant skills to the management.