

**Business Ethics and Corporate Governance**  
**Lecture 12**  
**Ethical Decision Making (5)**  
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**Developing Business Ethics: Understanding Corporations as Moral Agents**

- Today, more people see companies not just as organizations that make money but as responsible beings that must act ethically. These companies are accountable for how they behave toward many groups—such as their employees, customers, investors, and suppliers. A company is not just a collection of people working together. Because companies are officially recognized by laws as members of society, they have rights and duties just like individuals do.
- Through laws and court decisions, society expects companies to be responsible for the actions of their workers and for the decisions they make as a whole. When we hear news about things like employee benefits, how much top executives are paid, problems with products, unfair competition, or financial honesty, these stories shape how we think about a company's morals and ethics. These issues show that companies are seen as moral agents, which means they are expected to follow rules and act properly.
- Even though companies must obey laws that tell them what is right or wrong in business, we need to remember that companies are not people. They do not have feelings or personal judgment like humans do. Because companies cannot think about ethical questions by themselves, laws and rules help guide them to act ethically. Individuals who work for companies do have personal values and morals, but when they are employees, their job is to support the company's goals. This means that people have a bigger moral responsibility because they can think and decide what is right or wrong, while companies rely on laws and policies to keep them in check.
- When individuals do something wrong at work, it is often because they feel pressured to meet business goals no matter what. Sometimes they may choose to break rules just to achieve results. A company itself cannot be a person, but we can still think of it as a moral agent because it is made to serve a purpose in society. This means companies have a responsibility to behave ethically and can be held accountable when they do not.
- The responsibility for ethical behavior is shared between the company as an organization and the individuals or teams who work there. If a company has a culture that does not value ethics or does not clearly talk about what is right and wrong, this can make it easier for employees to act unethically. Because of this, companies can be punished if they do wrong, or rewarded if they act responsibly.
- Laws are in place to hold companies responsible for their actions as a whole. Sometimes, bad behavior cannot be traced back to just one person or a small group—

it can be the result of many decisions made over time and supported by the company's culture. This means that companies themselves can be fined or even forced to shut down if they break important laws.

- There are cases where companies receive very large fines and suffer bad public image, making it impossible for them to continue operating. On the other hand, companies that follow ethical rules and show good behavior often receive awards and positive recognition. This shows how important it is for companies to act as responsible members of society.
- One common mistake people make when thinking about business ethics is to believe that a company's ethical culture will develop naturally just because the people in it have good character or because they talk about ethics among themselves. Many believe that if employees are taught to be good people or if companies hire people with strong morals, then the company will become ethical on its own. While it is good to have ethical people, this idea ignores the fact that companies often employ many people from different cultures and backgrounds who will not always agree on what is ethical.
- Ethical problems in business are often complicated and can have no clear right or wrong answer. Because of this, the only way to make sure a company consistently makes good decisions that consider everyone affected—such as employees, customers, suppliers, and the community—is to create clear ethical rules and policies. These policies help guide everyone in the company on how to act responsibly and make fair decisions.

### **Why Do Companies Need Clear Ethical Rules?**

- When a company operates, it faces many difficult choices where the right thing to do may not be obvious. Employees may have different ideas about what is fair or honest. Without clear rules, some might take shortcuts or make decisions that benefit themselves or the company but hurt others.
- For example, in competition, some companies might try to win by using unfair methods. Or they might hide problems with their products to avoid losing money. These actions can damage trust with customers and the public. When companies have clear ethical guidelines, it becomes easier to prevent such behavior.
- Clear ethics policies also help employees know what the company expects from them. Instead of guessing what is right or wrong, everyone has a shared understanding. This reduces confusion and makes it easier to speak up if something wrong happens.

### **The Role of Corporate Culture in Ethics**

- Corporate culture means the shared values, beliefs, and behaviors inside a company. When a company truly cares about ethics, it shows in how people work together, how decisions are made, and how problems are handled.

- A strong ethical culture encourages honesty, fairness, and respect. It supports employees when they report unethical behavior and rewards those who act with integrity. When ethics is part of the company's culture, employees feel proud and motivated to do the right thing.
- However, if the culture ignores ethics or focuses only on making money, unethical behavior can spread. Employees may feel pressure to meet targets by any means, even if it means breaking rules. This is why leaders must set an example and clearly communicate the importance of ethics.

### **The Importance of Accountability**

- Being accountable means taking responsibility for your actions. Companies must be accountable not only to their owners but also to their workers, customers, and society. When a company fails to be accountable, it risks losing trust and damaging its reputation.
- Accountability is enforced through laws and regulations, but also by public opinion. Customers and the public can punish companies by choosing not to buy from them or by speaking out against their behavior. On the other hand, companies that behave responsibly earn loyalty and support.

### **Examples of Unethical and Illegal Actions**

- Imagine these situations and decide whether each one is just unethical (wrong but not against the law) or illegal (against the law):
  - You want to skip work to go to a baseball game, so you pretend to have symptoms to get a doctor's note. This makes your insurance company pay for the doctor's visit.
  - While at a coffee shop, you talk with someone who works for a competing company and you discuss future prices of products. Then, you tell your supervisor what you heard.
  - You get fired from your job, but before leaving, you take a secret list of client contacts that you made for the company.
  - Your parents give you money to help buy your first home, but when you fill out the mortgage application, you say it was a gift instead of a loan.
  - Your manager asks you to record sales from the next quarter in this quarter's report so that targets are met, and you agree.
- At first, you might think some of these are only unethical, not illegal. But actually, all of these actions break laws. Why is this so confusing? Because the rules and laws around business are very complex and many people do not know every detail. For example, there are thousands of laws just related to making and selling a simple hamburger!

- Because it is hard for people to know all the laws that affect their work, companies create ethics programs. These programs help workers understand what may be illegal or unethical in their jobs. They also help people become more aware and careful when making decisions.

### **The Importance of Trust in Business**

- In recent years, many scandals involving bad ethics have made people lose trust in business leaders. When trust goes down, it hurts the whole company and even the whole economy. To fix this, businesses must work hard to restore trust by acting fairly and honestly.
- One important plan suggests ways businesses can regain public trust. It says companies need to think carefully about how they create value—not just money value but also ethical value. This means businesses must balance making profits with doing what is right and fair for people.

### **Encouraging Ethical Behavior in Companies**

- One way to improve ethics is by understanding how people make decisions. Sometimes, people act badly because of personal greed or pressure from their job. This is called the “bad apple” problem — when an individual chooses to behave unethically no matter what.
- Companies can reduce this by carefully hiring and firing people. They look for workers with strong morals and remove those who cause trouble. This way, the company becomes better because it has fewer bad actors.
- However, there is also the “bad barrel” problem. Sometimes the whole company environment encourages bad behavior, even if most workers are good people. If a company rewards results without caring how they are achieved, employees might cheat or lie to meet goals. In these cases, the company’s culture must change to support ethical behavior.

### **Building a Strong Ethics Program**

- Many companies create formal ethics programs to help guide workers. These programs usually include:
  - A written code of conduct that explains expected behaviors.
  - An ethics officer who watches over the program and answers questions.
  - Training for employees about ethics and laws.
  - Rules for monitoring and enforcing ethical behavior.
  - Regular reviews and updates of the program.
- When these elements are in place, employees better understand what is right and wrong at work. Without a program, employees usually just copy what they see their coworkers and bosses doing. This can be dangerous if the leaders don’t act ethically.

### **Challenges in Different Regions**

- In some places, companies face more ethical problems because they don't have strong rules or policies. For example, in certain areas, many businesses don't have clear guidelines on what managers should do. This can lead to confusion and poor decisions.
- Without strong leadership and clear ethics policies, employees may act in ways that hurt the company and society. That's why creating and maintaining ethics programs is so important.

### **Ethics Codes Alone Are Not Enough**

- It is important to know that just having a written code of ethics is not enough to solve all problems. Many companies that have faced ethical scandals actually had formal ethics programs. The problem is that leaders did not truly live by those codes or make them a part of the company's everyday culture.
- For example, some company executives acted very differently from the ethical standards they promised. They spent large amounts of money on themselves even when the company was struggling, or gave big bonuses when they should have been cutting costs. These actions hurt the company's reputation and trust with employees and the public.
- Leadership plays a critical role in making ethics programs work. If top managers do not support ethical behavior or break the rules themselves, the whole program will fail. Ethics cannot be something pushed down only to lower-level employees while executives ignore the standards.
- Leaders must show a strong commitment to ethics by setting examples and supporting ethical decisions. They should provide a clear vision of how important ethics is to the company's success.
- Because the public now expects higher ethical standards, companies must do more than just follow the law. They need to build systems and plans that support ethical decision-making at all levels.
- Some rules about ethics come from government regulations, but companies should be willing to exceed these minimums. A strong ethics program helps create a healthy workplace, protects the company's reputation, and builds trust with customers and other stakeholders.

### **Understanding the Importance of Ethics Programs in Organizations**

- In today's world, ethical issues have become one of the most important concerns for organizations. Managers and employees often face tough decisions, and these decisions are usually made in groups. In these groups, people have different values, face competition, and deal with office politics. All of these factors can create chances

for unethical behavior. Many employees have reported seeing actions that could harm the trust people have in their companies if those actions were to be known. For example, in industries like banking and finance, more than half of the workers have noticed unethical conduct that could seriously damage public confidence.

- Because of these risks, companies need to have strong ethics programs to help employees understand the right way to act. People come from different backgrounds—some learn good behavior at home, others from school or previous jobs. This means not everyone automatically knows how to behave correctly when they start a new job. Ethics programs help by teaching everyone the company's values and rules about what is acceptable behavior. These programs often include training that explains how to handle difficult ethical situations at work. Such training can be done in classrooms or online, making it easier for employees to recognize and deal with ethical problems.
- Research shows that companies with ethics programs that have been in place for a long time are less likely to have damage to their reputation. Those companies that have faced ethical problems in the past tend to work harder to improve their programs. This shows how important ethics programs are for protecting a company's good name over time.

### **How Ethics Programs Help Prevent Legal Issues**

- Ethics programs are not just about doing the right thing—they also help companies avoid breaking laws. Some workplaces create cultures where unethical behavior is more likely because management does not take ethics seriously or the company does not follow the law properly. When employees break the law in these environments, the company may face heavy penalties and lose public trust.
- To prevent these problems, companies are encouraged to examine the areas where they are most at risk of unethical or illegal behavior. They then create customized programs that focus on these risks. These programs must meet specific standards to be effective. If a company has such a program and an employee still breaks the law, the company may receive lighter penalties or even avoid punishment altogether.
- Surveys reveal that many employees feel their companies do not punish unethical actions properly and that they sometimes feel pressured to do whatever it takes to meet business targets. This shows the need for strong ethics programs that are supported by all levels of management.
- There is a balance between reward and punishment in these programs. Companies that actively prevent unethical behavior and follow the rules may be rewarded by the legal system if problems arise. On the other hand, companies that ignore misconduct may face fines or other penalties. Sometimes, companies are even placed on probation, where outside experts monitor their behavior closely to ensure they follow the law.

## **The Role of Corporate Governance and Laws in Ethics Programs**

- Laws passed in recent years have added more requirements for how companies manage ethics and governance. For example, some regulations require companies to have financial oversight boards and codes of conduct for top financial officers. Public companies often have to file their ethics codes with regulators or explain why they do not have one.
- These rules are designed to stop fraud and other illegal activities by ensuring that leaders in companies are held responsible for maintaining ethical behavior. They also encourage companies to create and enforce strong ethics programs that become part of the company culture.

## **Values-Based vs. Compliance-Based Ethics Programs**

- Ethics programs can be designed in two main ways: compliance-based or values-based. Both aim to control employee behavior and create predictability, but they work differently.
- A compliance-based program focuses on following specific rules. It tells employees exactly what they can and cannot do, and what will happen if they break the rules. This type of program uses legal language and is more about avoiding punishment. It sets clear boundaries and helps employees understand the penalties for not following the rules.
- A values-based program, on the other hand, aims to build a culture based on shared ideals like honesty, responsibility, and fairness. While it still has rules and penalties, the main goal is to encourage employees to act with integrity because they believe it is the right thing to do. This approach helps employees develop a stronger sense of ethical reasoning and accountability.
- Research shows that both types of programs have benefits. Compliance programs help employees understand the rules and make decisions easier by providing clear guidelines. Values programs increase employees' awareness of ethical issues and encourage them to speak up if something is wrong. They also help create a workplace where employees are more likely to make good decisions on their own.
- In the long run, programs based on shared values tend to be better because they build a deeper commitment to ethics among employees. However, many companies find success by combining both approaches to create a balanced ethics program.

## **Why Strong Ethics Programs Are Essential for Companies**

- To summarize, ethics programs are critical for helping companies prevent both ethical problems and legal violations. They provide employees with guidance on how to act in complicated situations, especially when different values and pressures are at play.

- For an ethics program to work, it must be supported by top management and woven into the company's culture. If leaders ignore ethics or behave badly themselves, the program will fail. Employees will notice and may also act unethically if they see no consequences for such behavior.
- Companies with strong ethics programs often see fewer legal problems and enjoy better reputations. These programs require ongoing effort, including training, monitoring, and updating policies to handle new challenges.
- As ethical expectations continue to grow among the public and regulators, companies must do more than just meet the minimum legal requirements. They need to build ethics programs that not only prevent wrongdoing but also promote a culture where ethical behavior is part of everyday decisions.

### **Building Organizational Ethics Programs**

- When organizations begin to develop ethics programs, one of the first steps they take is creating a code of conduct. A code of conduct is a formal document that explains what a company expects from its employees in terms of behavior and ethics. These documents usually come in three main types: a code of ethics, a code of conduct, and a statement of values. Each type has a slightly different purpose but together, they guide employees toward making the right decisions.
- A code of ethics is the broadest and most detailed type. It includes general principles and ideals that form the foundation of ethical behavior within the company. This code often includes instructions for how employees should report violations, what disciplinary actions will be taken for breaking the rules, and how the company ensures fairness during investigations of misconduct. These codes tend to inspire employees to act with integrity, emphasizing the company's deeper ethical values.
- A code of conduct is usually more specific. It lists what kinds of behavior are acceptable or unacceptable. This type of code is more like a rulebook, focusing on clear dos and don'ts. It is often straightforward and does not leave much room for debate about what actions are right or wrong. Its primary goal is to help employees understand the company's expectations and avoid behaviors that could harm the organization.
- The last type, a statement of values, is designed to communicate the company's core beliefs not only to employees but also to customers, investors, and other groups connected to the organization. This statement reflects what the company stands for and what it hopes to achieve in a broad, inspiring way. Although it is different from a code of ethics or conduct, people sometimes use these terms interchangeably.

## **Common Problems with Ethics Codes**

- Even though many companies develop codes of ethics or conduct, these codes often fail to make a real difference. Several common reasons explain why these documents do not work as intended:
  - The code is not promoted or explained to employees, so many do not even read it.
  - The code is hard to find or not easily accessible when employees need it.
  - The code is written in complex legal language that is difficult for regular employees to understand.
  - The code is too vague and does not give clear guidance on what behavior is expected.
  - Top management rarely talks about or refers to the code, so employees see it as unimportant.
- When these problems occur, the code becomes just a piece of paper instead of a useful tool to guide behavior. To be effective, an ethics code must be clear, easy to understand, and supported by leaders who live by its principles.

## **Developing a Strong and Effective Code of Ethics**

- Creating a meaningful code of ethics requires involvement from the top leaders of the company. The people in charge need to show that they are committed to the values and rules that shape the company's ethical culture. These leaders, along with legal experts, should work together to identify areas where the company is most at risk for unethical behavior. This helps the code address the real challenges employees might face every day.
- A good code of ethics covers a wide range of situations. It might include guidelines for internal operations, how employees should conduct sales presentations, or how financial information should be shared honestly. Research suggests that effective codes often focus on about six key values or principles that serve as a foundation for ethical behavior.
- These six important values usually include:
  - Trustworthiness: Being honest and reliable in all actions.
  - Respect: Treating others with dignity and fairness.
  - Responsibility: Taking ownership of one's actions and their consequences.
  - Fairness: Making decisions that are just and unbiased.
  - Caring: Showing concern for the well-being of others.
  - Citizenship: Acting in ways that support the community and environment.
- However, simply listing these values is not enough. Employees need concrete examples and training on how to apply these values in their work. Without ongoing education and the visible support of leadership, these values will not become a part of everyday company culture.

### **The Importance of Communication and Enforcement**

- A code of conduct or ethics will not solve all ethical problems by itself. But when properly communicated and enforced, it becomes a powerful tool to help employees handle difficult situations. Many companies have codes, but if they are hidden away on websites or in manuals without active discussion, they have little impact.
- For a code to be effective, employees must know exactly what is expected of them and understand the consequences if they violate the rules. Regular communication, training sessions, and reminders from managers help reinforce the importance of ethical behavior. This consistent attention reduces opportunities for unethical conduct and improves decision-making across the organization.
- For example, some professional groups set very strict ethical rules. They require members to avoid bribery, fraud, and corruption completely in their work. While not every company's code will be this detailed, all codes should provide enough guidance to help employees make choices that protect the company's values and reputation.

### **Ethics Programs Are for Every Company, Big or Small**

- It is a common misconception that only large companies need ethics programs. In reality, companies of all sizes benefit from having clear rules and values that guide employee behavior. Even smaller companies face ethical challenges, and they must be prepared to handle them.
- Effective ethics programs include more than just codes of conduct. They offer training, tools, and ongoing support to help employees understand and follow the rules. When ethics are integrated into all aspects of business—from daily decisions to long-term planning—the company is more likely to succeed and maintain a good reputation.
- In summary, codes of ethics and conduct are essential parts of an organization's ethics program. When well-designed, clearly communicated, and supported by leadership, these codes help create an environment where employees can confidently make ethical decisions. This protects the company from risks and builds trust with customers, investors, and the public.

### **The Role of Ethics Officers in Organizational Ethics Programs**

- For any organization to have a strong ethics program, it needs leaders who are dedicated to following legal and ethical standards. These leaders, often called ethics officers, have the important job of managing the company's ethics and legal compliance efforts. Their role is to make sure the company acts in the right way and follows all the necessary rules.
- Ethics officers usually have many responsibilities. One of their first tasks is to understand what the company needs in terms of ethics and what risks it faces. This means they study the company carefully to find areas where unethical behavior could

happen. After this, they help create or update the company's code of conduct or ethics. This code is a set of guidelines that tells employees how to behave and what is expected of them.

- Besides developing these codes, ethics officers also run training programs. These trainings teach employees about ethical behavior and the rules they must follow. It helps employees understand why ethics are important and how to handle difficult situations in the workplace.
- Ethics officers also set up confidential ways for employees to ask questions or report concerns about ethics without fear of punishment. This kind of service is very important because it encourages workers to speak up if they see something wrong.
- Making sure the company follows government laws and regulations is another key responsibility. Ethics officers monitor the company's actions closely and sometimes perform audits to check if everything is done correctly. If there are any problems or violations of the code, ethics officers take action to fix them.
- Lastly, ethics officers regularly review and update the ethics code to keep it relevant as the company and laws change. This ongoing process helps maintain a strong ethical culture within the organization.

### **The Importance of Ethics Officers for Reducing Misconduct**

- Studies show that organizations with comprehensive ethics programs that include dedicated ethics officers tend to have much less unethical behavior. Some reports suggest that having a good ethics program can reduce cases of misconduct by as much as 75 percent. However, only a small number of companies have ethics programs that are considered fully developed and effective.
- When companies face scandals or public controversies, it hurts their reputation and makes the public trust them less. Because of this, many organizations now hire special officers who focus on compliance—making sure the company obeys all laws and ethical rules—and ethics management.
- These officers come from many different professional backgrounds. Often, they are promoted from other roles within the company rather than coming in with formal ethics training. Common backgrounds include law, finance, and human resource management.

### **Ethics and Compliance Officers**

- The position of ethics officer is still quite new in many companies, and the role itself is not always clearly defined. Even though companies may want to save money during tough financial times, experts say that economic uncertainty actually makes it more important to invest in ethics and compliance programs. This is because times of economic trouble often lead to more unethical actions and wrongdoing, both by individuals and within organizations.

- In many companies, ethics officers report directly to the top leader of the company. However, it is less common for these officers to report straight to the company's board of directors, which is the group responsible for overseeing the entire organization. Some ethics officers do have access to the board, but usually, they work closely with the chief executive officer.
- Unexpected problems in business operations can disrupt a company's work and cause losses. In one survey, more than 30 percent of financial leaders said their companies faced unexpected issues in the past year. The role of ethics and compliance officers includes watching over business procedures and reviewing how things are working. Their oversight helps catch potential problems before they get out of control, preventing surprises that could harm the company.
- By carefully monitoring how the company follows its ethical rules and legal requirements, ethics officers can stop unethical behavior early. They help maintain trust within the company and with outside partners, customers, and regulators.
- The success of an ethics program depends a lot on support from senior leaders. Ethics officers must work closely with top managers and legal experts to build an environment where ethics are a priority. When company leaders take ethics seriously and set a good example, employees are more likely to follow suit.
- Having clear ethics programs managed by knowledgeable officers also improves communication within the company. Employees know where to turn with questions or concerns and feel safer raising ethical issues. This transparency encourages a culture where ethical behavior is the norm.

### **Building a Strong Ethics Program Through Training and Communication**

- A key part of developing an effective ethics program is setting up a training and communication system. This system helps employees learn about the ethical standards that their company expects them to follow. Studies have shown that businesses with strong ethical cultures and structured ethics programs are much less likely to face employee misconduct compared to companies with weak or no ethics systems. Training makes a big difference because it helps workers understand the rules, laws, and values they are supposed to follow.
- Ethics training also introduces employees to the resources and support systems available when they face ethical questions or problems. These programs are designed to give workers the confidence to ask difficult questions and to make the right choices. Many businesses now include ethics training as part of their employee development programs. These trainings are often integrated into different parts of the work experience, including employee orientation, meetings, technical workshops, internal messages, newsletters, and even company websites.
- One of the best ways to teach ethics is through regular training that is connected to everyday tasks. This allows ethical issues to be discussed in real-life situations, not

just as abstract ideas. Training that happens frequently—through workshops or on-the-job sessions—can help reinforce how to make ethical decisions during daily activities.

### **How Ethics Training Influences Workplace Behavior**

- Ethics training doesn't just teach rules—it also influences the work environment. An organization's culture, the behavior of coworkers and supervisors, and the opportunities people have to act unethically all play a role in ethical decision-making. When employees fully understand the company's values, policies, and systems, they are more likely to make ethical choices and avoid harmful behavior. Strong rules and consistent enforcement make it harder for unethical actions to take place.
- Properly designed ethics training helps employees become more aware of moral issues and increases their ability to handle difficult situations. It gives them the tools and confidence to make the right decisions. For ethics training to be truly effective, it must be built on a clear foundation. This includes having a written code of ethics, a system for reporting concerns, participation from all departments, and a clear message from leadership that ethics is a top priority.
- It's also important that the training reflects the unique nature of the organization—such as its size, culture, leadership style, and workforce. Good training helps employees understand the difference between personal and professional ethics. Instead of focusing on personal opinions, ethics programs should teach structured approaches to solving ethical issues. This helps employees rely on informed decision-making rather than emotions.

### **Key Goals and Tools for Effective Ethics Training**

- The main goals of ethics training are to help employees understand what ethical issues look like, show them how to identify and report problems, and inform them about the rules they need to follow. It also introduces them to the people they can turn to when they need help. A strong ethics system ensures that ethical behavior is supported throughout the company. This includes publishing clear policies on matters like expense reporting, gift acceptance, use of company resources, and conflicts of interest.
- Interactive learning is another important part of a successful ethics program. Many organizations use “hands-on” methods that require employees to work through real or imaginary ethical problems. These activities help workers understand how to respond to difficult situations in the right way.
- Some companies use training games or team-based exercises to teach ethics. In these exercises, employees work together to solve moral dilemmas. This allows them to see different points of view and understand how their choices affect others in the organization.

- Another powerful tool is behavioral simulation. In this type of training, employees are placed in a fictional situation with limited information and are asked to make decisions as if they were facing real workplace problems. This helps them think through short-term, medium-term, and long-term consequences of their actions. These simulations are valuable because they mirror real business challenges and help people practice making ethical decisions when they don't have all the facts. The goal is to build skills and increase awareness of how ethics relates to legal, social, and organizational concerns.

### **The Role of Leadership and Evaluation in Ethics Programs**

- Leadership has a big impact on whether ethics programs succeed. Top executives must make sure that their ethical expectations are communicated to everyone, especially to department heads in areas like sales, production, and finance. These managers are the ones who influence daily operations and employee behavior.
- One of the hardest parts of ethics training is helping employees recognize areas of risk in their job. They also need to know who to contact if they are uncertain about what to do. Ethics training should not just be about knowing the rules but also about building values and giving people the chance to learn how to apply them.
- However, training alone is not enough. If a company only offers ethics training because it is required by law or because competitors are doing it, the program will not be effective. In fact, some major corporate scandals happened even in companies that had ethics programs. This shows that simply having a program is not enough; what matters is how it is used and supported within the company.
- Some problems happened in the past because certain executives believed they could act unethically without being caught. They felt supported by outside advisors and thought their actions would go unnoticed. This points to the importance of true commitment to ethics at every level—not just on paper.
- Another issue is that many companies do not measure whether their ethics training is working. Surveys have shown that more than half of ethics officers do not check how effective their programs are. Also, many organizations don't include ethics as part of performance evaluations. This can send a message that ethical behavior is not important.
- For ethics training to make a real difference, employees need to understand its purpose. They must see how it connects to the company's values and goals. Most importantly, they need to see how they play a role in maintaining ethical standards in their daily work.

### **Ways to Monitor Ethical Behavior**

- There are several methods a company can use to observe how employees behave when faced with ethical situations. One helpful tool is the use of role-playing exercises

during training. For example, in training sessions for sales teams or managers, companies can create fake but realistic situations that involve ethical problems. Employees are asked to act out what they would do. These sessions are sometimes recorded so that both the employees and their supervisors can review the choices made and discuss whether they were appropriate. This kind of training helps people learn how to respond correctly when a real ethical challenge comes up.

- Surveys and questionnaires can also be used to find out how employees feel about the ethical climate in their workplace. These surveys might ask employees about their perceptions of ethics in their team, their bosses, and the company as a whole. They might also ask about specific actions that are considered ethical or unethical in their industry. If the results of these surveys show that employees are seeing more unethical behavior than before, the company may need to make changes—especially in how it delivers ethics training.

### **Using Internal Reporting Systems**

- One of the best ways to track ethical behavior is by giving employees a way to report problems or concerns. Many companies have set up special phone lines, often called “ethics hotlines,” where employees can report wrongdoing or ask for advice. These hotlines are usually open all the time—day and night, including weekends—because people often think about ethical problems during quiet moments when they are not working.
- To make employees feel comfortable, these systems often allow people to report anonymously, without giving their name. Even though there is a small risk that someone might misuse the system to make a false report or get back at a coworker, many employees use these hotlines properly. A good reporting system acts like a safety net, helping to catch problems early and making it easier to respond quickly to unethical actions.

### **Technology and Ethics Case Management**

- As technology improves, more companies are using special software to manage ethics cases. These programs let companies keep track of employee complaints, reports of misconduct, and concerns about behavior. The software helps organize information about what happened, what actions were taken, and what outcomes followed. This organized system makes it easier to investigate problems, avoid legal trouble, and learn from past mistakes.
- Although only a small percentage of companies currently use this kind of software, its use is growing. Before choosing a system, a company should look at its current needs and plan for the future. Choosing the right tool can make a big difference in how effectively ethical issues are managed.

## **Taking Action and Holding People Accountable**

- Sometimes, a company may find that despite all its efforts, the ethical culture is not improving. In that case, it must act quickly to understand the cause and fix the problem. This might mean enforcing current rules more strictly or creating even higher standards. A big part of improving ethics is rewarding those who follow the rules and taking action against those who do not.
- Employees who behave ethically should be recognized. This recognition can take many forms—such as a thank-you in a meeting, a bonus, a promotion, or a public award. These rewards show everyone that doing the right thing is noticed and appreciated.
- On the other hand, when someone breaks the rules or acts unethically, there must be clear consequences. These could include a warning, suspension, loss of pay, transfer, or even dismissal. If the company fails to punish unethical behavior, it sends a message that the rules don't matter. Over time, this weakens the ethical culture and can lead to more problems.
- Surveys show that many employees who witness bad behavior choose not to report it. One reason is that they believe reporting will not make any difference. Others are afraid of being punished or treated badly for speaking up. To fix this, companies need to prove that they take ethics seriously, respond to reports fairly, and protect those who report problems from retaliation.

## **Ethics Officers and Disciplinary Actions**

- A strong ethics program also needs someone responsible for making sure discipline is handled fairly. This is often the job of the ethics officer. This person works closely with senior leadership to deal with ethical violations. They help decide what should happen when someone breaks the rules, and they make sure the response is appropriate based on the seriousness of the situation.
- Many companies now include ethical behavior as part of their performance evaluations. During reviews, employees may even be asked to sign a form that confirms they've read and understood the company's code of conduct. This keeps ethics top of mind and reminds everyone that it's an important part of the job.
- If serious misconduct is discovered, especially if it involves the law or external regulations, the company might have to report the incident to government authorities. Doing this shows the company is acting responsibly and can reduce penalties if any legal action is taken.

## **The Importance of a Strong Ethical Culture**

- In the long run, the goal of an ethics program is to build a strong culture where doing the right thing is normal and expected. This benefits everyone—employees,

customers, and the community. When ethics are deeply rooted in a company's everyday operations, people trust the business more, and relationships improve.

- But if a company creates an ethics program and does not take it seriously—if it fails to enforce its own rules or allows bad behavior to go unpunished—then the program becomes meaningless. It may look good on paper, but it will not change anything. That's why consistent enforcement and honest action are essential.
- In summary, maintaining ethical standards requires constant attention. Companies must actively monitor behavior, give employees ways to speak up, respond to issues quickly and fairly, and reward those who do the right thing. Only then can an ethics program truly support the company's values and improve the workplace for everyone.

### **Continuous Improvement of the Ethics Program**

- Making sure an ethics program continues to improve over time is very similar to improving any other part of a business. It involves planning, using available resources, and working within limits to reach the organization's goals. In this case, the goal is to help employees make better ethical decisions. To do this, a company must turn its ethics strategy into real actions that can be tracked and improved. As companies grow, their ethics programs usually become more developed. This is not only because larger businesses have more resources, but also because they face more pressure from stakeholders and carry greater responsibilities.
- A company's ability to follow through on its ethics goals depends on how well it organizes people, time, and tools to support ethical actions. Rather than simply expecting workers to follow orders, businesses should build a culture where people are committed to doing the right thing together. Supporting open discussion, listening to different viewpoints, and giving employees the power to make decisions helps connect company leadership with the workforce.
- If a company realizes that it is falling short in ethics, leaders may need to make changes to how decisions are made. In some cases, a company might need to shift from a system where many people have the freedom to make choices (decentralization) to one where key decisions are made by top management (centralization). This helps ensure that important actions reflect the company's ethical values. Central control can reduce the risk of poor decisions made at lower levels. After regaining ethical control, leadership can work on improving the company's culture by rewarding good behavior and addressing unethical actions firmly.
- However, in some businesses, giving more decision-making power to lower-level managers may actually lead to better ethical outcomes. This is especially true when those managers understand local issues, cultural norms, and customer needs better than top executives. Whether a company chooses to centralize or decentralize ethical decision-making, the most important thing is to give authority to the right people so that ethical behavior can grow across the entire organization.