# Chapter 6: The Corporation and Internal Stakeholders: Values-Based Moral Leadership, Culture, Strategy, and Self-Regulation

## Overview

**OPENING CASE**

**Two Leaders' Ethical Styles**

*Warren Buffet, Berkshire Hathaway*

Founder and chief executive officer (CEO) of Berkshire Hathaway, Warren Buffett has taken unprecedented steps in recent years to ensure that his messages about investing, ethics, and philanthropy reach an audience that will survive him. He didn't invent the light bulb, but he's had lots of bright ideas. He didn't devise the mass-production assembly line, but his companies have sold masses of goods. And Warren Buffett didn't originate the concept of money, but he has more of it than most-he has been listed as the second most wealthy business person by *Forbes* for several years. So what will be the Omaha investor's legacy? Or, rather, his legacies? Observers say the 83-year-old's ideas and philosophy of business and life will last far beyond his own. "Somebody from this group will learn something that will affect their lives," Buffett told a group of graduate students during a 2005 visit to Omaha.

"Buffett's emphasis on working with ethical people is already influencing business leaders and business schools, a change that could last far into the future," said Bruce Avolio, director of the University of Nebraska-Lincoln's Leadership Institute. "He buys the culture when he invests in an organization," Avolio said, "valuing a business's human condition as much as its financial condition. That's shifting people's thinking, and it has a huge impact. It's a model that's replicable—treating people fairly. Integrity underlies not only Warren Buffett's investments but also his philosophy of life." Keith Darcy, head of the 1,400-member Ethics and Compliance Officers Association in Waltham, Massachusetts, said Buffett has played a hand in "a flight to integrity" by investors, executives, employees, suppliers, and customers, who want to be involved with companies that do business correctly. "It's essential to him to be working with people he trusts," Darcy said. "Without that level of trust, it's not worth doing business. Certainly he has been an exemplar for understanding that when you make investments, character and reputation are everything." In meetings with students, Darcy said, Buffett "speaks from his heart. He certainly is a mythological figure, except he's not a myth, he's real—a man of enormous success who always has believed in investing in companies with inherent value, but in particular the people in those businesses." Darcy believes Buffett will be a role model far into the future. Buffett himself has stated: "I want employees to ask themselves whether they are willing to have any contemplated act appear on the front page of their local paper the next day, to be read by their spouses, children, and friends. . . . If they follow this test, they need not fear my other message to them: Lose money for the firm, and I will be understanding; lose a shred of reputation for the firm, and I will be ruthless."[[1](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=799247511&resumebookmarkid=c655f5c7-4e21-e611-b4fa-005056862d74" \l "ftn.ch6_fn1)]

*Ratan Tata, Former Chairman of the Indian Corporation Tata Group*

Ratan Tata retired on his 75th birthday after leading the Indian corporate conglomerate, the Tata Group. He assumed leadership from his uncle in 1991. The so-called House of Tata owns over 100 companies in 80 countries, including the Taj Group of luxury hotels and the exclusive Tata Nano car. The group's holdings exceed those of Wal-Mart or ExxonMobil. The Tata Group was the first Indian company to obtain $100 billion in revenues, half of which is from abroad. Ratan Tata helped acquire significant European enterprises, including Jaguar Land Rover and Corus, the Anglo-Dutch steelmaker. Under his leadership, this group is now "perceived to represent Indian capitalism at its best, enjoying the goodwill of millions of customers, the loyalty of more than 400,000 employees and the investments of 3.8 million shareholders, while also reinvesting a substantial part of its profits into philanthropic work overseen by a set of trusts."[[2](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=799247511&resumebookmarkid=c655f5c7-4e21-e611-b4fa-005056862d74" \l "ftn.ch6_fn2)] His ethical beliefs are embodied in the company's policies, as stated in the company's Article and Rules for Sustaining CSR, Clause No. 10:

A Tata Company shall be committed to be a good corporate citizen not only in compliance with all relevant laws and regulations but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates with the objective of making them self-reliant. Such social responsibility would comprise, to initiate and support community initiatives in the field of community health and family welfare, water management, vocational training, education and literacy and encourage application of modern scientific and managerial techniques and expertise. This will be reviewed periodically in consonance with national and regional priorities. The company would also not treat these activities as optional ones but would strive to incorporate them as integral part of its business plan. The company would also encourage volunteering amongst its employees and help them to work in the communities. Tata companies are encouraged to develop social accounting systems and to carry out social audit of their operations.[[3](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=799247511&resumebookmarkid=c655f5c7-4e21-e611-b4fa-005056862d74" \l "ftn.ch6_fn3)]

[[1](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=799247511&resumebookmarkid=c655f5c7-4e21-e611-b4fa-005056862d74" \l "ch6_fn1)]Jordon, S. (May 3, 2008). Warren Buffett eager to spread his life's lessons to growing audience. [*Omaha.com*](http://omaha.com/).<http://www.omaha.com/index.php?u_page=1208&u_sid=10325539>, accessed January 7, 2014.

[[2](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=799247511&resumebookmarkid=c655f5c7-4e21-e611-b4fa-005056862d74" \l "ch6_fn2)]Choudhury, C. (2013). Ratan Tata, India's corporate czar, retires with a $500 billion vision. *BloombergView*.<http://www.bloomberg.com/news/2013-01-03/ratan-tata-india-s-corporate-czar-retires-with-a-500-billion-vision.html>, accessed January 7, 2014; Anand, A., Cherian, K. Gautam, A., Majmudar, R., and Raimawala, A. (January 3, 2013). Business vs. ethics: The India tradeoff? [*Wharton@knowledge.com*](http://Wharton@knowledge.com/).<http://knowledge.wharton.upenn.edu/article/business-vs-ethics-the-india-tradeoff/>, accessed January 7, 2014.

[[3](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=799247511&resumebookmarkid=c655f5c7-4e21-e611-b4fa-005056862d74" \l "ch6_fn3)]Srivastava, A., Gayatri, N., Vipul, M., and Pandey, S. (2012). Corporate social responsibility: A case study of TATA Group. *Journal of Business and Management, 3(5)*, 17–27.

**6.5 Corporate Self-Regulation and Ethics Programs: Challenges and Issues**

According to the ethicist Lynn Paine in a *Harvard Business Review*article, a values-based approach in ethics programs should be more effective than a strict, rules-based compliance approach, since a values approach is grounded and motivated in personal self-governance.[[93](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn93)] Employees are more likely to be motivated to "do the right thing" than threatened if they violate laws and rules. A values-based stakeholder management approach assumes that corporations (owners and management) ought to intrinsically value the interests of all stakeholders.[[94](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn94)] In practice, this is not always the case.[[95](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn95)] Later studies suggest that both values-based and compliance ethics programs seem to work effectively together. Without values-based compliance, however, compliance and fear-based programs are less likely to succeed.[[96](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn96)] Responsible self-regulation in companies can enhance entrepreneurship and reduce unnecessary costs of too much bureaucratic control (e.g., it is estimated that the 2002 Sarbanes-Oxley Act costs large public companies $16 million to implement). One study by the Open Compliance Ethics Group (OCEG) found that firms that had had an ethics program for 10 or more years did not have "reputational damage" during the last five years. Ethics programs appear to have some intended effect.[[97](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn97)] Complete your company's "Ethical Weather Report" to identify your point of view regarding how ethical your company is.

[Chapter 4](http://viewer.books24x7.com/assetviewer.aspx?bkid=62385&destid=684#684) discussed in more detail ethics programs that include codes of ethical and legal conduct that are designed to help companies financially and legally. As noted there, the Federal Sentencing Guidelines for Organizations (FSGO) were established in 1984 by Congress—which passed a crime bill that instituted the U.S. Sentencing Commission. This commission, made up of federal judges, was empowered with sentencing those found in violation of the guidelines. In 1987, uniform guidelines were created for sentencing individuals in the federal courts. Some federal judges quit the bench in protest of the strictness of the guidelines and the sentences they were required to hand down. In 1991, the commission shifted the emphasis from individual wrongdoers to organizations that might be found guilty for the illegal actions of their employees. The 1991 revised guidelines threaten fines of up to $290 million to companies found guilty of violating the federal guidelines. However, those fines can be substantially reduced if an organization implements an "effective program to prevent and detect violations of law." Companies that followed the requirements of the FSGO could find relief from lawsuits that resulted from one or more criminally motivated professionals. However, without active, ethical leadership, there is less likely to be a strong culture, open communication, and support from other organizational systems to support ethics programs.

**Ethical Insight 6.3: Ethical Climate of Your Organization**

*Step 1:* Complete the following questionnaire using the organization employing you now or in the recent past. Record the number beside each item from the scale that realistically reflects your experience with and understanding of the organization.

0 = Completely False, 1 = Mostly False, 2 = Somewhat False, 3 = Somewhat True, 4 = Mostly True, 5 = Completely True

\_\_\_\_\_\_\_ 1. In this organization, people can, and often do, follow their own principles and belief systems.

\_\_\_\_\_\_\_ 2. Employees and professionals are expected to do what it takes to achieve the organization's goals and interests.

\_\_\_\_\_\_\_ 3. Individuals and groups generally protect and advance each other's interests.

\_\_\_\_\_\_\_ 4. Dutifully following the organization's rules and decisions are strongly expected.

\_\_\_\_\_\_\_ 5. Everyone protects themselves over others' interests in this organization.

\_\_\_\_\_\_\_ 6. The law, rules, and regulations are first and foremost with authority here.

\_\_\_\_\_\_\_ 7. People are strictly expected to stay within the organization's authoritative rules.

\_\_\_\_\_\_\_ 8. Efficiency is oftentimes more important than effectiveness in this organization.

\_\_\_\_\_\_\_ 9. People are considerate to and for others in this organization.

\_\_\_\_\_\_\_10. Professional ethical codes and principles are very important in this organization.

\_\_\_\_\_\_\_11. People in this organization are rewarded for promoting the interests of customers and stakeholders.

*Step 2:* Add your responses to 1, 3, 6, 9, 10, and 11. Write the sum after "Subtotal 1" below. Now reverse the scores on questions 2, 4, 5, 7, and 8 (5 = 0, 4 = 1, 3 = 2, 2 = 3, 1 = 4, 0 = 5). Add these reverse scores (i.e., number value) and write the sum after "Subtotal 2" below. Now add Subtotal 1 with Subtotal 2 for your overall score. The total score ranges between 0 and 55. The higher the score, the more the organization supports ethical behavior.

Subtotal 1\_\_\_\_\_\_\_ + Subtotal 2\_\_\_\_\_\_\_ = Overall Score\_\_\_\_\_\_\_

*Step 3:* Write a statement describing your organization's ethics. Explain why the organization is as you describe it. How does/did the ethical climate affect you, your attitudes, energy, motivation, and ethical orientation?

*Step 4:* What would you say to the leaders and staff of this organization, if you could, regarding the culture, policies, procedures, and ethical environment? What recommendations would you offer to change the climate and culture of the organization?

*Source:* Reprinted from Cullen, J. B., Victor, B., and Stephens, C. (Autumn 1989). An ethical weather report: Assessing the organization's ethical climate. *Organizational Dynamics, 18*, 50–62, with permission from Elsevier.

**Organizations and Leaders as Moral Agents**

Since corporations are charted as citizens of states and nations, they also share the same rights and obligations as citizens. Corporations are not, however, individuals; they are moral agents that must follow laws, rules, and regulations of their local and national settings. When corporations violate such laws, they are also subject to penalties and fines, and can even have their right to exist taken away, depending on judicial findings in criminal acts (as was the case with Arthur Andersen). The role of leaders as moral agents has not been emphasized enough as one of the key ingredients in building and sustaining ethics programs. Organizational leaders who lack strong moral character and convictions, even if they are brilliant strategists and execute excellently, leave their firms vulnerable to illegal and unethical acts, as Enron clearly showed.

**Ethics Codes**

Ethics codes are value statements that define an organization. Leaders' values again play a significant role in shaping the values of the organizations in which they serve. Six core values that researchers have found desirable in such codes include (1) trustworthiness, (2) respect, (3) responsibility, (4) fairness, (5) caring and (6) citizenship.[[98](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn98)] Johnson & Johnson's Credo ([Figure 6.3](http://viewer.books24x7.com/assetviewer.aspx?bkid=62385&destid=1292#1292)) isan outstanding example. Raytheon, Fidelity, Honda, and other firms in the FoE list in this chapter have ethics and codes of conduct that are noteworthy. Major purposes of ethics codes include:[[99](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn99)]

* To state corporate leaders' dominant values and beliefs, which are the foundation of the corporate culture.
* To define the moral identity of the company inside and outside the firm.
* To set the moral tone of the work environment.
* To provide a more stable, permanent set of guidelines for right and wrong actions.
* To control erratic and autocratic power or whims of employees.
* To serve business interests (because unethical practices invite outside government, law enforcement, and media intervention).
* To provide an instructional and motivational basis for training employees regarding ethical guidelines and for integrating ethics into operational policies, procedures, and problems.
* To constitute a legitimate source of support for professionals who face improper demands on their skills or well-being.
* To offer a basis for adjudicating disputes among professionals inside the firm and between those inside and outside the firm.
* To provide an added means of socializing professionals, not only in specialized knowledge, but also in beliefs and practices the company values or rejects.

**Codes of Conduct**

An organization's code of conduct is only as credible as the CEO's and leaders' personal and professional codes of conduct. Leaders must "walk the walk" as well as "talk the talk." "An organization's code of conduct, alternatively referred to as 'code of ethics' or 'code of business standards,' is the stated commitment of the behavioral expectations that an organization holds for its employees and agents. Such codes are now commonplace for most corporations and are increasingly shared not only with employees, but also with customers and the public at large. To be successful, a code must be believable by all stakeholders to which it applies. A corporation's leaders must show commitment to communication and fairly enforcing codes of conduct for such documents to be effective. However, how the code is written and what it contains are also important elements regarding whether it has the power to influence not only perceptions, but actions."[[100](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn100)]

One survey of U.S. corporate ethics codes found that the most important topics were general statements about ethics and philosophy; conflicts of interest; compliance with applicable laws; political contributions; payments to government officials or political parties; inside information; gifts, favors, and entertainment; false entries in books and records; and customer and supplier relations.[[101](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn101)] Notable firms go further in detailing corporate obligations. The examples of Johnson & Johnson and BorgWarner ([Figures 6.3](http://viewer.books24x7.com/assetviewer.aspx?bkid=62385&destid=1292#1292) and[6.4](http://viewer.books24x7.com/assetviewer.aspx?bkid=62385&destid=1300#1300)) define their obligations to various stakeholders. Other exemplary codes include those of General Electric, KMPG, PricewaterhouseCoopers, Boeing, General Mills, GTE, Hewlett-Packard, McDonnell Douglas, Xerox, Norton, Chemical Bank, Champion International, Mattel, Hershey's, Ford Motor Company, the Coca-Cola Company, American Express, UPS, and IKEA.

Examples of items in a code of conduct include the following list:[[102](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn102)]

* Financial Integrity & Assurance
* Ethical Principles
* Intellectual Property
* Information Security
* Workplace Violence
* Insider Trading
* Illegal Business Practices
* OSHA (Occupational Safety and Health Administration) guidelines
* Legal & Effective E-mail
* Anti-Money Laundering
* Conflicts of Interest
* Health & Safety
* Harassment
* Record Keeping & Destruction
* Gifts & Gratuities
* Antitrust
* Diversity

Companies looking to buy (acquirers) other companies (targets) perform preacquisition due diligence on the management, finance, technology, services and products, legality, and ethics of the targets. That is, companies looking to purchase other companies need to perform analyses to discover if the targets are telling the truth about their products, finances, and legal records. "Where does one start in uncovering the ethical vulnerability of a target?" The following basic questions are suggested as a starting point:[[103](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn103)]

1. Does the target have a written code of conduct or code of ethics?
2. Does the company provide ethics training or ethics awareness-building programs for management and company employees?
3. Are avenues, such as an ethics office or hotline, available for employees to ask questions about ethical issues?

**Problems with Ethics and Conduct Codes**

The problems with corporate ethics codes in general are the following:[[104](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn104)]

1. Most codes are too vague to be meaningful; that is, the codes do not inform employees about how to prioritize conflicting interests of distributors, customers, and the company. What does being a "good citizen" really mean in practice?
2. Codes do not prioritize beliefs, values, and norms. Should profit always supersede concern for customers or employees?
3. Codes are not enforced in firms.
4. Not all employees are informed of codes.
5. Codes do not relate to employee's actual work and ethical "gray" areas.
6. Top-level leaders in organizations usually do not show interest or involvement in the programs.
7. Codes do not inspire or motivate employees to follow law, rules, and procedures.
8. Codes that are used internationally have sections that are irrelevant or incomplete to other country personnel's experiences and specific areas of concern.

Ethics codes are a necessary but insufficient means of assisting or influencing professionals with managing moral conduct in companies. One study showed that companies that had corporate ethics codes had "less wrongdoing and higher levels of employee commitment."[[105](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn105)] However, the authors explain that "formal ethical codes are one component of a milieu that encourages and supports high standards of ethical behavior; that is, these organizations have formal and informal mechanisms to ensure that ethical conduct becomes 'a way of life.' "Also, employee behavior was not as influenced by the ethics codes because the codes "are not part of the organizational environment." Part of the message here may also be that implementing several organizationally supported and integrated values-based stakeholder management and ethics programs has a better chance of meeting intended goals than does reliance on brochures and printed documents.

**Ombuds and Peer-Review Programs**

Ombuds and peer review programs are additional methods that corporations use to manage the legal and moral aspects of potentially problematic activities in the workplace. The ombuds approach provides employees with a means of having their grievances heard, reviewed, and resolved. Originating in Sweden, this concept was first tried at Xerox in 1972 and later at General Electric and Boeing. Ombuds individuals are third parties inside the corporation to whom employees can take their grievances. At Xerox, employees are encouraged to solve their problems through the chain of command before seeking out the ombudsperson. However, if that process fails, the employee can go to the ombudsperson, who acts as an intermediary. The ombuds individuals, with the employee's approval, can go to the employee's manager to discuss the grievance. The ombudsperson can continue through the chain of command, all the way to the president of the corporation, if the problem has not been satisfactorily resolved for the employee. Ombudspersons have no power themselves to solve disputes or override managers' decisions. Complaints usually center on salary disputes, job performance appraisals, layoffs, benefits, and job mobility. At General Electric, ombudspersons report that they handle 150 cases every year.

The International Ombudsman Program recently stated on its web site, "The legislative and corporate governance environment has changed in recent years. It is more critical than ever for companies to have a complete system for identifying and resolving ethics problems. Such a system works best if it combines formal channels such as hotlines and compliance policies with the informal channel of an ombuds office, which remains independent of the company's management structure."[[106](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn106)]

An example of an effective ombuds program is that of the International Franchise Association (IFA). Its board of directors adopted a comprehensive self-regulation program that has a clearly and strongly stated ethics code; an investor awareness and education program; a franchise education compliance and training program; a code enforcement mechanism; and an ombudsperson program, which is described as follows: "The ombudsperson program is designed to enable franchisors and franchisees to identify disputes early and to assist them in taking preventative measures . . . facilitating dispute resolution . . . recommending non-legal methods and approaches to resolving disputes, encouraging [both parties] to work together to resolve disputes, providing confidentiality throughout the process, and providing objective and unbiased advice and guidance to all the participants."[[107](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn107)]

A problem with the ombuds approach is that managers may feel their authority is threatened. Employees who seek out ombudspersons also might worry about their managers retaliating against them from fear or spite. Confidentiality also has to be observed on the part of ombudspersons. The ombudsperson is as effective as the support of the program by stakeholders allows him or her to be. An ombudsperson's success is measured by the trust, confidence, and confidentiality he or she can create and sustain with the stakeholders. Finally, the ombudsperson's effectiveness depends on the acceptance by managers and employees of the solutions adopted to resolve problems. Ombuds programs, for example, have been successful at IBM, Xerox, General Electric, the U.S. Department of Education, Boeing, The World Bank, and several major U.S. newspaper organizations.

Peer review programs have been used by more than 100 large companies to enable employees to express and solve grievances, thus relieving stress that could lead to immoral activities. Employees initially use the chain of command whenever a problem exists. If the supervisors or executives do not resolve the problem, the employee can request a peer review panel to help find a solution. Two randomly selected workers in the same job classification are chosen for the panel along with an executive from another work unit. The selection must be reviewed in reference to company policy. Peer review programs work when top management supports such due process procedures and when these mechanisms are perceived as long-term, permanent programs.

Peer review programs have received positive reviews and have had good results, particularly in the health care and accounting industries. More than 50% of the U.S. state boards of accountancy require certified public accountants to participate in a peer review program to obtain a license to practice.[[108](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn108)] Congress has mandated the use of the Medicare Peer Review Organization since 1982.[[109](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn109)]In England, peer review accreditation programs have evolved as external voluntary mechanisms that also provide organizational development of health care providers.[[110](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ftn.ch6_fn110)] Ombudsperson and peer review programs serve as popular mechanisms not only for solving disputes among stakeholders, but also for integrating the interests of diverse stakeholders.

We conclude this chapter by presenting a "Readiness Checklist" organizations can use to determine whether or not their executives and professionals use a values-based stakeholder management approach to create and sustain integrity in the organization. If not, they may review their vision, mission, values statements as well as their ethics and codes of conduct. You may consider applying the checklist to your organization or institution.

**Is the Organization Ready to Implement a Values-Based Stakeholder Approach? A Readiness Checklist**

A values-based stakeholder readiness checklist can inform and educate (even interest and mobilize) top-level leaders to evaluate the ethics of their business practices and relationships. The following readiness checklist is an example that can be modified and used as a preliminary questionnaire for this purpose:

1. Do the top leaders believe that key stakeholder and stockholder relationship building is important to the company's financial and bottom-line success?
2. What percentage of the CEO's activities is spent in building new and sustaining existing relationships with key stakeholders?
3. Can employees identify the organization's key stakeholders?
4. What percentage of employee activities is spent in building productive stakeholder relationships?
5. Do the organization's vision, mission, and value statements identify stakeholder collaboration and service? If so, do leaders and employees "walk the talk" of these statements?
6. Does the corporate culture value and support participation and open and shared decision making and collaboration across structures and functions?
7. Does the corporate culture treat its employees fairly, openly, and with trust and respect? Are policies employee-friendly? Are training programs on diversity, ethics, and professional development available and used by employees?
8. Is there collaboration and open communication across the organization? Are openness, collaboration, and innovation rewarded?
9. Is there a defined process for employees to report complaints and illegal or unethical company practices without risking their jobs or facing retribution?
10. Does the strategy of the company encourage or discourage stakeholder respect and fair treatment? Is the strategy oriented toward the long or short term?
11. Does the structure of the company facilitate or hinder information sharing and shared problem solving?
12. Are the systems aligned along a common purpose or are they separate and isolated?
13. Do senior managers and employees know what customers want, and does the organization meet customer needs and expectations?

If answers to these questions are mostly affirmative, the internal organization most likely reflects ethical leadership, culture, and practices. If responses are mostly negative, legal and ethical problems may be imminent.

[[93](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn93)]Paine, Lynn Sharp. (March—April 1994). Managing for organizational integrity. *Harvard Business Review*, 106–117.

[[94](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn94)]Donaldson, T., and Preston, L. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review, 20*, 65–91.

[[95](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn95)]Ansoff, H. (1965). *Corporate strategy*, 38. New York: McGraw-Hill; Boatright, J. (1999). *Ethics and the conduct of business* (3rd ed.). Upper Saddle River, NJ: Prentice Hall.

[[96](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn96)]Weaver, G., Trevino, L., and Cochran, P. (February 1999). Corporate ethics practices in the mid-1990s: An empirical study of the Fortune 1000. *Journal of Business Ethics, 18(3)*, 283–294.

[[97](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn97)]How am I doing? (Fall 2005). *Business Ethics*, 11.

[[98](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn98)]Schartz, M. (2002). A code of ethics for corporate code of ethics.*Journal of Business Ethics, 41*, 37.

[[99](http://viewer.books24x7.com/assetviewer.aspx?bookid=62385&chunkid=956446174" \l "ch6_fn99)]Brooks, L. (1989). Corporate codes of ethics. *Journal of Business Ethics, 8*, 117–129; Bowie, N., and Duska, R. (1990). *Business ethics* (2nd ed.). Upper Saddle River, NJ: Prentice Hall.

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