

REVIEW OF THE ROLE OF THE CORPORATE BOARDS IN THE ADOPTION OF ETHICAL BEHAVIOR**¹Ramneek Kaur and ²Pratik Chauhan,**^{1,2} Ph.D Scholars

Punjab Technical University

Jalandhar, INDIA.

ABSTRACT

The board of directors holds the decisive accountability for their company's performance, besides their own accord of acting in ethical way. The board of directors is the top most authority who is supposed to take the call of implementing any policy or programme. The corporate boards are the competent authority to take of the resources of the company. They act in the trust with the shareholders. The increased awareness of corporate responsibility and media preparedness regarding corporate supervisions, their role of taking responsible and decisive conclusions has become a necessity. This has made the evolution and adoption of an ethical programme to be implemented across the policies and procedures of the company.

KEYWORDS: - Board of Directors, Business Ethics, Corporate Compliance, Ethical Decisions

DISCUSSION

The role of independent directors can be leveraged while designing of the ethical programme of the company. Since the independent directors are in the knowledge and experience position to contribute towards the adoption of the ethical behavior in the work force of the company.

The Conference Board Commission on Public Trust and Private Enterprise has recommended the following instances of implementing the ethics by the corporate boards-

- Constitution of a Committee on Ethics by the boards of directors to take care of the ethical behavior of the corporate body;

- Appointment of a Chief Ethics Officer for implementing the accord of the Committee on Ethics;
- Implementation of the ethical measures while evaluating the performance of the employees;
- There should be a representation by the board that all reported breaches of the ethical accord of the Committee have been duly acted upon; and
- There shall be proper disclosure that the ethical programme is active.
- Proper arrangement should be made that all the employees do understand the implications of the ethical programme.

CODE OF CONDUCT AS A MEANS OF IMPLEMENTATION OF THE ETHICAL BEHAVIOR

Code of conduct is known as a standard behavior which is expected by the according organisations of their employees. Code of conduct is a comprehensive statement giving justification to the ethical programme of the corporate boards as adopted and implemented in the company. Codes of ethics are the descriptive statements which ought to be adhered to by the employees of the companies. The code of conduct prescribes the reporting the violations of the code of ethics. It also clarifies as what would be the punitive actions which will be taken by the company in case of non-adherence of the code of conduct. The code of conduct makes it clear as what kind of behavior is acceptable and what unacceptable. Code of ethics helps the code of conduct to be adopted by the people by engaging them for a shared objective and purpose.

STATEMENT OF VALUES

The other set of statements prescribing the benefits of the adoption of the ethical behavior is the statements of values. These are the statements which ask for their adherence in order to bring the mentioned values and benefits to the organisation. The statements of value need to be followed and complied with while

- The Committee on Ethics should have a clear mandate to protect the whistle blowers for the effective implementation of the Code of Ethics. The employees should be aware of the fact that they will not be mal-treated if they report the instance of violations of the ethical programme of the company.
- The ethical training should be arranged for the employees to adopt a responsible and ethical behavior.
- According to the changed social patterns, the code of ethics should also be updated from time to time in order to bring the dynamics in the ethical standing of the company.
- The boards of directors of the company should resolve that it will never make the code of ethics scrapped and irrelevant.
- The auditors and legal consultants should also sign the code of ethics so as to bring an undisputed accord for the Ethical Programme of the company.

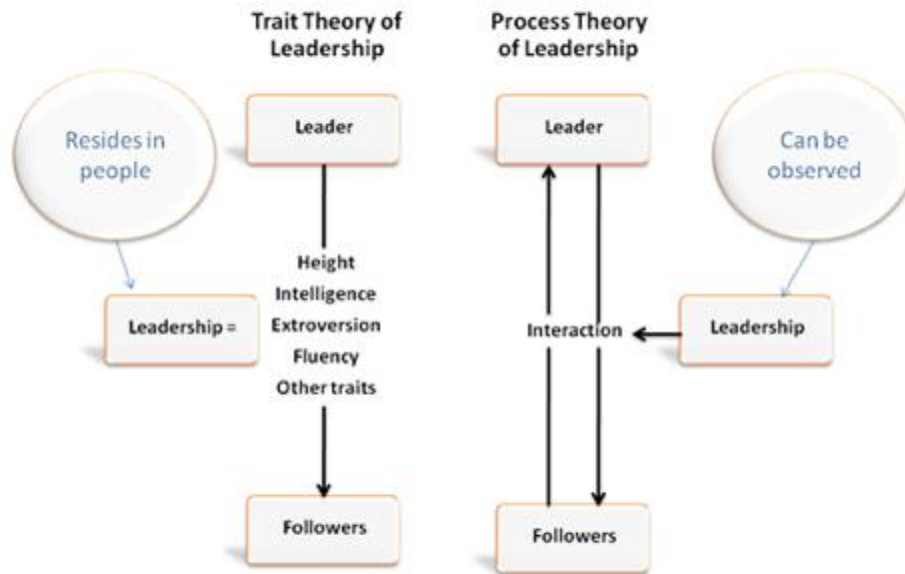
OBSERVED INFLUENCE OF ETHICS PROGRAMME ON EMPLOYEES

The findings have found the below mentioned features of a successful Ethical Programme:

acting in good faith for the proper implementation of the Ethical Programme within the company.

RECOMMENDED ETHICAL PRACTICES BY THE CORPORATE BOARDS

- There should be a responsibility discharge amongst the employees and supervisors as well to depict that all the members of the organisation do care about the Ethical Programme of the company.
- The top management and the lower levels of the company should be consistent that there shall be contentment amongst the people that the Ethical Programme is doing good or otherwise.
- Ethical programme also demands for the fairness in dealing with the employees and their sub-groups.
- The openness in the decision making process should also be integrated in order to ensure the best practices in the corporate ethical programme's success.
- The compliance behavior posed by the employees should be value additive and value generator.
- The ethical programme should ensure that the employee behavior and the impact of that should conform to the general expectation of the corporate responsibility in all its processes related to the management.



The figure given above specifies the relation between the interaction processes of leaders and followers from amongst employee groups. The process of interaction is of most importance when there is need of establishing an ethical programme for the observance by the corporate units.

The interaction of the resident traits and observed traits results in the ethical behavior which is largely dependent on the adopted and desired ethical programme. The success of the

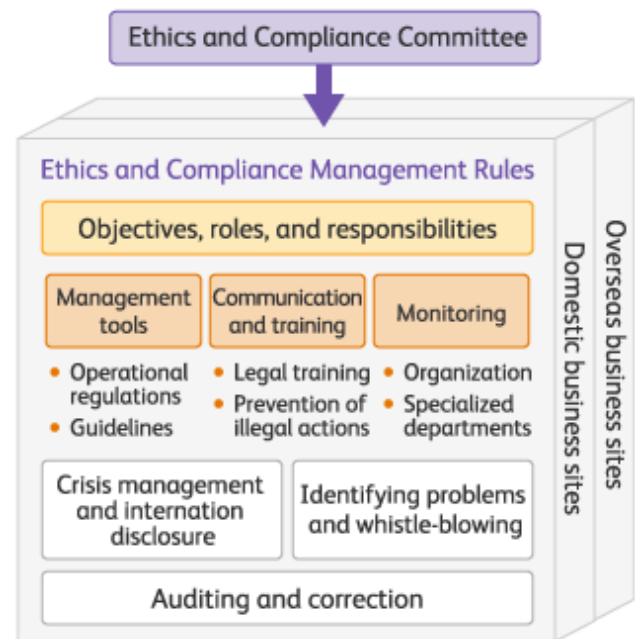
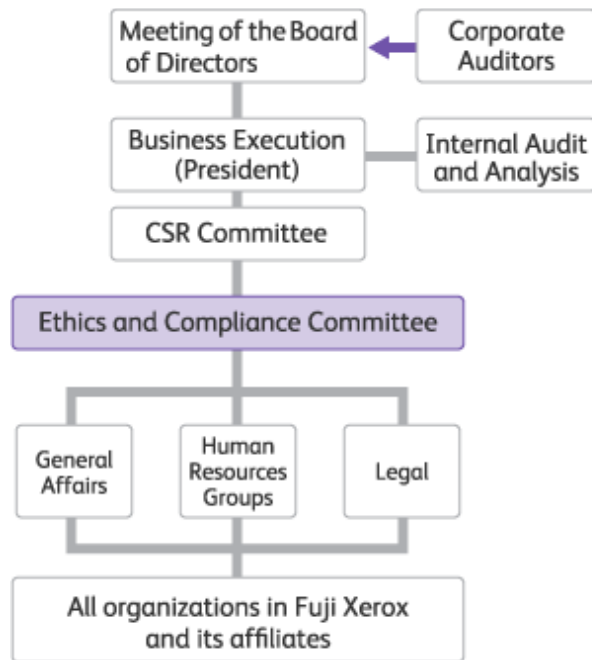
BOARD’S PARTICIPATION PRACTICES IN THE CORPORATE ETHICAL BEHAVIOR

At the top, the policy framers should also be actively participating in the adoption of the corporate ethical programme. Various studies have shown that when the corporate boards are serious in adhering to the ethical programme, there is found an increased adoption of the same amongst the employees and their sub-groups.

ethical programme, there should be the interaction between the personality and behavioral traits. The role of the corporate boards has the imperative ingredient for the success of the ethical programme of any company. As the corporate boards are the final decision taking authorities which supervise the organizational behavior of the employees, they are critically responsible for the implementing the corporate ethical programme through the organization.

This has led to the success of the corporate ethical practices and allied programmes.

The impending role of the board of directors of the corporate units across the corporate horizons is to promote the ethical behavior as a supplementary coherence with other supervisory roles. The below given figure goes onto specify the desired role of the boards’ accord to the corporate ethical programme.



Above is a reference meant figure showing the desired set up of the Ethics and compliance committee of the board of directors of a corporate body. It is shown that the ethics and compliance rules describe the model guidelines for the adoption and adherence by the employee group through the organization. The shown characteristics also include the crisis management and response by the Ethics and Compliance Committee of the board of directors. The corporate boards across the world have adopted the above suggested model for the compliance of the ethical programme. The

ethical behavior has gain momentum in the corporate corridors across the nations.

This can further be clarified by the following figure: -

The figure shows various tasks to be done by the board of directors of a corporate unit. If we look at the close scenario, we will find that in performing any task the board of directors needs the ethical practices to adopt and act upon. The ethical behavior can only serve the corporate boards in performing their above mentioned tasks. The same has been shown by various studies conducted by OECD in recent time.

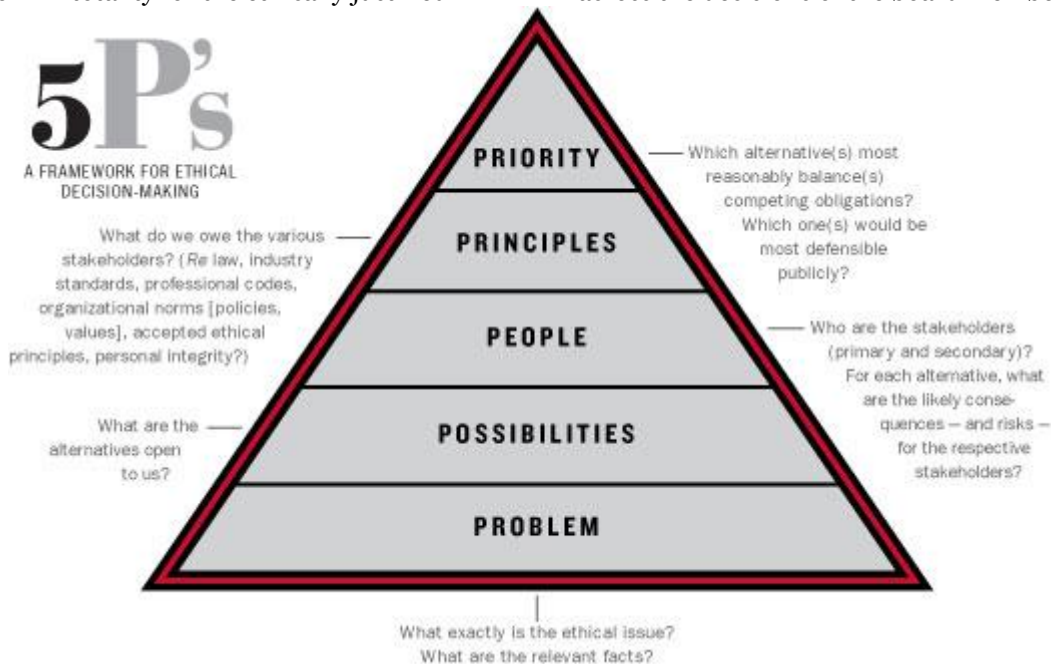
Role of the board



THE REVIEW OF THE CONTRIBUTION OF 5P'S FRAMEWORK FOR ETHICAL DECISION MAKING

The corporate boards have adopted the 5P's framework in totality for the ethically justified

actions and behavior. The framework has been adopted to conclude that the priority, principles, people, possibilities and problems has to be identified by the corporate boards in order to give a posture of ethical responsible behavior across the decisions of the board members.



The framework has recommended that the corporate boards should measure their own activities along with their possibilities and impacts of their processes on the end result of the corporate effectiveness.

CONCLUSION

The corporate boards have the ultimate role of adoption and implementing the ethical programme in their respective corporate houses. They need to be prepared enough to make their organizations ethical determined and responsible towards the social standing of their organization. The paper has critically discussed the role of the ethics and compliance committees of the board of directors. Whatever the circumstances are there, it has been recommended that if the boards want their employees to adopt and adhere to the ethical programme, it becomes necessary for the board members in the first place to be ready for the voluntary and with determination adoption of their ethical programme.

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