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Ethics in Financial Responsibilities

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Ethics in Financial Responsibilities

Question 1

I think that executive compensation in its various parts is unethical. In an organization, all employees work towards the prosperity of that organization. Therefore, when the stakeholders do not check executive compensation, it can attract public anger, media scrutiny and unethical behaviors. This is why; Harris & Bromiley (2007) describe executive compensation as providing the CEOs incentive to cheat. Moreover, they give clarity concerning executive compensation to be the breeding ground for the undesirable and unethical factors through executive misconducts in the organization. Similarly, Balnaves-James (2015) agrees that there are many ethical issues surrounding executive compensation because CEOs and other senior employees of an organization work to the stakeholders' best interest of stakeholders and so; excessive executive compensation is unethical for it goes against the fiduciary duty that emanates from the stakeholders.

To revise the executive compensation, I will use metrics as the basis of incentive compensation. This is to prevent the issuance of incentives to the top organization leadership without tying such bonuses to the specific metrics. So, the use of metrics will properly bring out a criterion in which such benefits are given out to prevent ambiguity that results in unethical behaviors in the organization by the top organization leadership. As observed by Drucker (2018) agrees that to achieve this purpose, stakeholders must involve the use of specific then measurable and attainable, relevant as well as time-bound known as SMART criteria to end any possible malicious and unethical activity in an organization.

The government has a role to play in the executive compensation issue. Federal laws require various federal agencies to regulate executive compensation in organizations to help stop

any forms of unethical activities within those organizations. Moreover, the primary methods of determining ways of regulating executive compensation, including taxation and disclosure, aim to make the whole process just, fair, and ethical.

Question 2

The Sarbanes-Oxley Act is just right. This is because it protects the investors by reducing the unethical behaviors of some rogue company leaders who forge the company documents to attract investors (Chu & Hsu, 2018). Additionally, the strict requirement of the Sarbanes-Oxley Act that all companies and corporations disclose the true financial situation to their investors helps protect such unsuspecting investors from accounting fraud. Therefore, by all indications, the act is just right as it brings sanity and ethics in the business sector.

The federal government, through Sarbanes-Oxley Act, offers to all parties involved a friendly environment in which they can compare notes and agree on the best way forward as far as their business cooperation is concerned. However, the act strictly requires those in the companies' accounting departments to ensure that they adhere to law by being accountable and transparent in their dealings to protect investors' rights. Truly, doing business can be very dubious if not protected by strict laws and regulations (Chu & Hsu, 2018). So, the strictness that is seen through the Sarbanes-Oxley Act is just right because nobody deserves to lose lifetime savings to some con artists who sit in the accounting departments of companies to reap off these savings from investors.

References

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