

Strengthening Moral Values and Legal Compliance in Corporate Managerial Decision-Making Practices

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ABSTRACT

Business ethics and legal obligations are two key foundations of responsible corporate management practices. This study aims to examine how moral principles and legal requirements can be harmonized in the managerial decision-making process. Using a literature study approach, this research analyzes various theories and practices that integrate ethics with formal regulations in organizational governance. The results show that the success of such alignment is influenced by factors such as ethical leadership, internal control systems, an operational code of conduct, and an organizational culture that supports transparency and accountability. The study also emphasizes the importance of ethics training and safe reporting mechanisms as instruments supporting organizational integrity. The alignment of moral values and the rule of law is proven to not only prevent violations, but also improve the quality of corporate relationships with stakeholders. Therefore, the integration of these two dimensions should be part of the structural and functional design of modern corporate management. The results of this study are expected to make a conceptual contribution to the development of a value-based managerial system and legal legitimacy.

INTRODUCTION

Modern companies operate in a landscape marked by increasingly high social expectations for ethical and responsible managerial practices (Carroll, 2015). Amid the tide of globalization and increased public transparency, attention to corporate governance that upholds moral and legal values has become crucial. The demand for operational integrity is no longer just a matter of reputation, but has become a parameter for the sustainability of the business itself. Achieving such sustainability requires not only ethical commitment but also the development of quality human resources who understand and internalize these values in their daily roles (Darmawan et al., 2020; Sinambela et al., 2022). In this situation, business ethics is not merely a system of normative values, but rather the foundation that determines the direction of company policies and practices (Sievers, 2021).

In the managerial realm, the implementation of ethical principles is often faced with complex and dilemmas decisions (Saleem, 2022). Decisions oriented towards short-term profits can result in

violations of the principle of justice or neglect of stakeholder rights. This condition illustrates how managerial success is not only assessed by financial achievements but also by its consistency in upholding ethical values and legal compliance. Thus, the alignment between legal responsibilities and ethical policies becomes an unavoidable demand in corporate governance (Kourtesopoulou, 2022).

The failure of companies to consistently apply ethical and legal principles often leads to a crisis of trust (Health, 2014). When a company's integrity is questioned, the consequences are not only legal sanctions but also disruptions to internal stability and vulnerability to market pressures. In this case, management is required not only to understand the substance of law and moral principles theoretically but also to have the sensitivity to integrate them into every aspect of decision-making. Managerial behavior in utilizing accounting information for strategic decision-making is one example of how ethical considerations must be embedded in technical processes (Gardi & Darmawan, 2022). The need for clarity in ethical direction and legal validity has

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become an inseparable part of contemporary managerial processes (Hanemaayer, 2022).

Academic studies on the relationship between business ethics and legal responsibility in corporate management are part of the effort to systematically understand this dynamic. Research in this field can reveal the interaction between legal norms and moral values, as well as identify the structural and cultural conditions that influence their application. This includes examining how value-based management can be effectively implemented in organizations facing cultural diversity (Hariani & Mardikaningsih, 2021). Such an approach is necessary to answer crucial questions about the ethical boundaries in business and how the law can be an instrument that not only regulates but also strengthens corporate legitimacy and accountability.

One of the main issues that arises is the inconsistency between the company's internal ethical policies and the externally applicable legal framework. Companies often draft behavior guidelines that are idealistic in nature but lack a strong legal foundation for their implementation. According to Carroll (1991), many companies position ethics as an additional component in managerial policies, rather than as a main framework that integrates with legal compliance. As a result, the integration between the two dimensions is partial and often leads to ambiguity in its implementation. This challenge is particularly evident in startup companies, where the authority of directors and their legal responsibilities in corporate management require clear articulation (Nugroho et al., 2024).

The next issue relates to the weakness of the internal control and supervision system regarding the implementation of ethical principles. According to Treviño and Nelson (1999), without a structured and accountable ethical audit system, moral values tend to become slogans without real implementation. This opens up the possibility of deviations in decision-making based on power, rather than justice. Internal audit obligations are not only procedural in nature, but also serve as an instrument of corporate legal accountability in preventing serious violations such as corruption (Fajarudin et al., 2024). Professionalism in management can only be achieved through continuous development of self-competence and effective supervision (Sinambela et al., 2020). When business practices deviate from ethics but do not explicitly violate the law, ethical dilemmas become a gray area that is difficult to correct.

Moreover, there is still a gap between the normative legal framework and the pragmatic dynamics of business. As Boatright (2000) revealed, the law often lags behind in responding to new developments in the business world, particularly in the aspects of digital, environmental, and sustainability. This lag makes the law seem reactive, whereas managerial challenges demand quick and ethical responses in situations that have not yet been legally defined. Sustainable human resource development presents challenges and opportunities that require a proactive ethical and legal framework (Oluwatoyin & Mardikaningsih, 2024).

Attention to the integration of ethical values and legal rules in management cannot be overlooked because business processes always involve human relationships and decision-making that have wide-ranging impacts. In the realm of corporate financial management, ethical principles must guide investment decisions and risk assessment to ensure fairness and accountability (Putra & Arifin, 2023). In this condition, management is required to be reflective about every action taken and how it is judged both morally and legally. Thus, business practices become more responsible, not just pursuing profit alone.

This study is important to provide direction for the development of managerial standards based on the balance between ethical values and legal obligations. The business world that only prioritizes formal compliance risks neglecting the essence of social responsibility. Encouraging employee engagement in sustainability initiatives has become a strategic approach to improve organizational performance while achieving broader social goals (Hariani & Mardikaningsih, 2024). On the other hand, an ethical approach not supported by legal legitimacy can lose its enforcement power. Building sustainability policies that are relevant to local cultural values is essential for ensuring both ethical resonance and practical effectiveness (Mardikaningsih & Darmawan, 2023). Therefore, the synergy between these two elements becomes crucial for creating sustainable and credible governance.

This study aims to analyze the relationship between business ethics principles and legal responsibilities in the managerial decision-making process. Through a literature review, this research seeks to explain the extent to which ethical values and legal compliance can align and reinforce each other in corporate management. This study is expected to contribute to theoretical understanding and provide a reflective basis for

the development of management standards based on integrity and legal legitimacy.

RESEARCH METHOD

This research employs a descriptive-qualitative literature study approach, focusing on the exploration of ideas and the synthesis of theories developed in the fields of business ethics and legal responsibility. The literature review was chosen because this method allows researchers to trace the frameworks of thought established by previous experts, while also evaluating the alignment between theoretical norms and managerial practices. According to Punch (2005), this approach allows for an understanding of the interrelation of ideas and structures in a systematic, critical, and in-depth manner through the analysis of academically recognized written works. The literature reviewed in this study includes books, scientific journal articles, and policy reports relevant to business ethics principles and the application of law in corporate governance.

Data collection was carried out through a literature selection process based on thematic relevance criteria and academic reputation. The literature used is analyzed using thematic content analysis techniques, where each source is examined based on the structure of ideas, arguments, and evidence presented. This approach aligns with Neuman (2006) explanation, which states that literature studies not only aim to map existing knowledge but also to develop a more directed conceptual understanding of a specific issue. Through this process, data is systematically analyzed to identify key principles in the management of ethics and law within the company, as well as to evaluate how these principles can be interactively applied in managerial practices.

RESULT AND DISCUSSION

In the fast-moving business world, decision-makers face various pressures that require directional accuracy, not just procedural accuracy. Every strategic decision impacts the sustainability of the organization, not only from a financial aspect but also from the perspective of social relations and normative responsibilities. Strengthening innovative human resources is key to addressing these pressures (Abdulah et al., 2021). In this situation, the presence of moral guidelines becomes an important compass to ensure that policy directions do not deviate from the broader collective expectations. Therefore, the company must have a value framework that serves as a

foundation before carrying out its legal functions. This value framework needs to be distributed across all key factors of the organization in order to achieve corporate effectiveness (Darmawan, 2024).

Decisions made by management are not always within a space fully governed by written law. In many cases, legal rules are unable to detail all the possibilities that arise in business relations (Macaulay, 2018). This is the time for moral principles to take their place as a counterbalance to something that is procedurally legal but may not necessarily be socially acceptable. In that space, business ethics thrive, offering guidance when legal norms are insufficient or too narrow in providing direction for appropriate actions.

In the midst of a competitive landscape, the temptation to ignore moral values in pursuit of short-term efficiency is growing stronger (Heath, 2014). However, without ethical guidelines, decisions become vulnerable to interest biases that undermine the integrity of the organization. Ethics is not just about individual attitudes, but rather a collective framework that influences the way of thinking, acting, and evaluating the outcomes of managerial decisions. Situational leadership is necessary to maintain consistency in ethical values amid organizational change (Mardikaningsih & Darmawan, 2022). Companies that do not have value guidelines risk neglecting aspects that cannot be measured in numbers, yet are crucial for the sustainability of social relations.

In decision making practice, the tension between legal compliance and ethical considerations often creates dilemmas (Bainnes & Taylor, 2011). It is not uncommon for decisions that are legally justifiable to actually provoke resistance from the public because they are perceived as insensitive to public values. At this point, the question that arises is no longer "is it permissible," but rather "should it be done." That difference becomes the core of the reflective process that every organizational leader must possess. Strong psychological capital helps leaders deal with such dilemmas more wisely (Hariani & Putra, 2024).

Understanding transcendent core values provides both direction and boundaries for managerial actions (Kishore & Nair, 2013). By having a strong ethical foundation, the company not only focuses on the end result but also on the means to achieve it. Legal procedures will be more effective when supported by consistent moral will. In this case, social judgment of a decision is often more important than its formal legality, especially when it concerns long-term reputation and legitimacy.

Therefore, integrity in decision-making is not a matter of chance, but rather an accumulation of clear principles and steadfast morals that are consciously formed. As emphasized by Hosmer, the quality of a decision-maker lies not only in their ability to read legal texts but also in their ability to translate public values into concrete actions. In the managerial realm, the courage to unite legality and moral legitimacy is at the core of responsible leadership (Voegtlin, 2016). Sustainable innovation and consistent product quality require a strong ethical commitment (Eddine & Fared, 2024).

The application of ethical principles in managerial decisions requires clarity of fundamental values that serve as the foundation for the company (Woiceshyn, 2011). Business ethics serves as a moral guide to assess whether an action can be socially justified, even if it does not violate legal provisions. In practice, decision-making often faces a dilemma between strict adherence to the law and the flexibility of more contextual ethical values. According to Hosmer (2004), managerial integrity is formed when decision-makers have the ability to formulate actions that are acceptable to the broader society while also being lawful according to applicable legal provisions. Bureaucratic efficiency and improved employee performance must be balanced with ethical and legal compliance (Jannah & Mardikaningsih, 2023).

The balance between ethical norms and legal provisions is often not achieved due to differing orientations. The law is prescriptive and explicitly regulates prohibited or permitted behavior, while ethics is reflective and often undocumented in written rules (Ellermann, 2014). Crane and Matten (2007) explain that this complexity creates gray areas in decision-making, where an action may be legally permissible but morally questionable. Therefore, management requires a deep understanding of both aspects to avoid falling into procedural compliance that neglects the dimension of social justice. The legal implications of a policy, as outlined in the Job Creation Law, demonstrate how the concept and responsibilities of business entities continue to evolve and require ethical adjustments (Hardyansah et al., 2023).

To align ethical principles with legal obligations, companies must have a transparent and value-based managerial system. This process demands the integration of formal structures such as company policies and regulations with the values believed by all stakeholders. Treviño and Brown (2004) assert that organizations capable of uniting these two components tend to be more adaptive and

stable in facing pressures from both the business and regulatory environments. Transparency becomes an important instrument to ensure that every decision is based on accurate, verifiable information and considers the broad social impact (Albu & Flyverbom, 2019). Adequate work facilities and management information systems also support ethical productivity (Putra et al., 2022).

One of the approaches considered effective in harmonizing ethics and law is the implementation of an internally binding code of ethics. The code of ethics is not merely a normative symbol, but must be designed as an operational instrument with clear consequences for its violations. According to Kaptein and Wempe (2002), the success of a code of ethics depends on the consistency of its implementation, regular ethics training, and the establishment of an organizational climate that fosters accountability. In corporate management, the code of ethics serves as a tool that bridges the gap between commercial interests and the social-legal obligations inherent in business activities.

Legal responsibilities can be effectively carried out if ethics have been ingrained into the organizational structure (Brammer et al., 2012). The law will be easier to enforce if the work environment supports ethical behavior, and it is that ethical behavior that strengthens the legitimacy of the law. According to Paine (2003), organizations that incorporate ethics into their operational decision-making systems are more likely to avoid legal violations because they are accustomed to considering the moral impact of every action. Thus, the establishment of an ethical work culture also serves as a preventive measure against potential legal risks.

The function of internal oversight also plays an important role in aligning these two elements. The internal audit unit, ethics committee, or governance oversight board do not merely function to ensure administrative compliance, but also evaluate the ethical quality of the decisions made. According to Verschoor (2006), effective oversight not only looks at the results but also at the decision-making process and the underlying value considerations. In such a supervisory structure, violations of moral principles are considered as serious as violations of formal laws. Change management must be aligned with legal compliance so that organizational transformation remains under control (Darmawan et al., 2024).

The process of training and ethics education within the company needs to be designed systematically and sustainably (Baumgartner & Winter, 2014). This training not only provides

knowledge about legal norms but also encourages value reflection on the actions to be taken. Weaver and Treviño (2001) show that companies that provide regular ethics training have employees who are more sensitive to social issues and more cautious in making decisions that impact external parties. Thus, training is not only a tool for behavior formation but also a mechanism for moral control that supports legal compliance.

Additionally, internal reporting mechanisms or whistleblowing systems can strengthen the alignment of ethics and law. When employees are provided with a safe channel to report potential violations without fear of retaliation, organizations will respond to issues more quickly before they escalate into legal crises (Greve et al., 2010). Miceli et al. (2008) state that legally protected reporting systems significantly contribute to strengthening transparent and fair governance. This mechanism also creates space for ethical practices to develop participatively.

Ethical leadership is a crucial element in building harmony between moral values and legal rules. A leader who can consistently demonstrate exemplary behavior will foster an organizational culture that respects the law while upholding humanitarian values. Brown, Treviño, and Harrison (2005) found that ethical leadership positively impacts employee trust, involvement in decision-making, and sensitivity to legal risks. Therefore, the role of top management is not only to determine the direction of the business, but also to determine the integrity-based work ethic.

In a complex organization, differing interpretations of rules and principles can lead to normative conflicts. Companies need to have deliberative procedures that allow for open discussions about ethical dilemmas, without neglecting legal aspects (Felicetti, 2018). According to Rest (2004), the process of moral reasoning in workgroups encourages employees to think multidimensionally and consider the value aspects in every action. By accommodating ethical discussion forums, companies can encourage the conscious and continuous internalization of legal values. The protection of workers' rights and employment contracts in the era of flexible working requires fair legal certainty (Nugraha et al., 2024).

Relations with external stakeholders also need to be based on transparency and clarity of legal and ethical commitments. Business partners, consumers, regulators, and the general public have expectations for honest and responsible managerial practices (Homburg et al., 2013). Donaldson and

Dunfee (1999) proposed an integrative model that combines moral contracts with legal obligations within the framework of the relationship between organizations and the public. In this model, management is not only required to meet formal standards but also to maintain trust as the company's social capital.

Pressure from the market and public opinion also shapes the direction of the company's ethical and legal policies. Reputation is no longer just a symbol of prestige, but has become a measure of compliance with the collective norms that exist within society (Saak, 2012). According to Fombrun and Shanley (1990), companies that consistently apply legal and moral values will have a strong image and a competitive advantage. In this case, decisions that consider both dimensions simultaneously create sustainable reputational advantages. Disclosure of beneficial ownership in private companies has legal implications for anti-money laundering systems (Setyastomo et al., 2024).

The application of the principle of distributive justice in the company's internal policies also reflects the unification of legal and ethical values (Ferrell & Ferrell, 2008). Justice in the provision of incentives, performance evaluations, and resource allocation not only strengthens loyalty but also reflects a moral legitimacy that aligns with legal obligations. Greenberg (2002) shows that perceptions of justice have a significant impact on employee compliance and engagement in maintaining organizational integrity. In multicultural societies, dispute resolution through traditional mediation shows that legal pluralism can coexist with locally recognized values of justice (Futriyah et al., 2023).

In high-risk decision-making processes, companies need an evaluation model that includes simultaneous legal and moral analysis. This model will help managers understand the long-term impact of the decisions made and avoid potential legal or social conflicts. Jones (1991) developed a moral decision-making framework that integrates aspects of legal awareness with ethical intentions, which is considered to enhance the quality of managerial considerations in dilemmas. The responsibility of directors and commissioners in corporate insolvency reflects legal and ethical accountability (Saputra et al., 2024).

Finally, the alignment between law and ethics is not a mechanical process completed in a single policy, but rather a continuously evolving journey in line with changes in the business environment. Continuous evaluation of policies, systems, and organizational behavior is needed to maintain

harmony between the two. As stated by Wood (2002), commitment to organizational integrity is the result of consistent interactions between values, rules, and consciously chosen actions.

CONCLUSION

This study shows that the alignment between business ethics principles and legal obligations in managerial decision-making is a necessity in responsible corporate governance. Moral values cannot stand alone without legal legitimacy, just as legal rules will not be fully effective if they are not internalized through ethical awareness. In practice, company management needs to integrate moral reflection and normative compliance into every decision made, supported by an organizational structure that promotes transparency, justice, and accountability. When those two pillars operate synergistically, the company not only avoids legal risks but also builds trust among stakeholders.

The findings of this study show that aligning ethical values and legal rules is not merely a normative issue, but a strategic foundation in

shaping the quality of sustainable management. The implications are very broad, ranging from the improvement of leadership quality, strengthening internal oversight systems, the formation of a reflective organizational culture, to the expansion of stakeholder participation in the decision-making process. By prioritizing ethical and legal approaches simultaneously, the company is able to create internal stability while also enhancing its competitiveness in the external arena.

Based on the description, it is recommended that the company reorganize its internal policy framework to focus on the integration of moral principles and legal obligations. This step can be initiated through the updating of the code of ethics, the refinement of the violation reporting system, and the strengthening of transformative ethics training programs. Additionally, it is important for top management to set an example in upholding integrity as a core value. These efforts will strengthen the organization's legitimacy and expand its positive impact on the wider community.

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