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The Importance of Ethics in Finance



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The importance of ethics in finance is well understood, at least in a general sense. Often, however, ethics are practiced in a rote, nonreflective way. Business leaders in the financial sector must move beyond simple compliance and rule-based consideration. Ethics in finance demands adherence to the highest standards.

The consequences of unethical behavior are clear, from loss of reputation and trust to monetary penalty and criminal prosecution. Effective leaders attend to an inner moral compass which helps minimize the temptation toward unethical behavior.

Still, good people make bad decisions. Ethical leadership goes beyond good intentions and knowing the rules. The pressures of a fast-moving, complex marketplace can lead us into reactive decision-making and possibly unethical behavior. Without a planned framework of integrity at the core of any business decision, ethics risk compromise.

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The Practical Importance of Ethics in Finance

Trust predicates success in business and leadership. Without it, both eventually fail. Businesses large and small must earn a social license to operate within the communities they serve and inhabit. Leaders build coalitions in service of a mission. After that trust is earned, it must be maintained.

For financial professionals, the structure of their ethics is built on a culture of integrity. We see solid leadership cultivating such a culture when a company:

- Maintains high consumer confidence and a good reputation with clients
- Understands its social license to operate and promotes social responsibility
- Enjoys a positive corporate culture and a dedicated, motivated, and ethical workforce
- Minimizes financial risk
- Avoids legal issues

The importance of ethics in finance suggests a systems approach incorporating elements such as a code of conduct and standardized methods of ethics checks.

Principles and Standards

The [Institute of Management Accountants](#) outlines basic principles and standards for ethics in finance and business, an industry framework for ethical professional practice.

Principles:

- Honesty
- Fairness
- Objectivity
- Responsibility

Standards:

- Competence
- Confidentiality
- Integrity
- Credibility

These industry standards are the common ground upon which business professionals, leaders, and organizations build their ethical code of conduct and culture of integrity.

Beyond Compliance—Building a Culture of Integrity

The online [Total Integrity Management: Leadership for Finance Professionals](#) certificate program is designed for mid-level managers who understand the importance of ethics in finance. Their appreciation for a solid foundation of ethical professional standards leads them beyond basic ad hoc compliance toward planned adoption. The program is led by full-time business law and ethics professor [Dr. Timothy L. Fort](#). Dr. Fort holds the Eveleigh Chair in Business Ethics at the Kelley School of Business.

The 12-week program consists of four courses, each three weeks long:

- **Ethical Decision-Making Models and the Financial Industry:** Study threshold cases framing ways companies react to legal and ethical issues. Learn a seven-step decision-making model and examine an ethics case.
- **Continued Vignettes in the Financial Services Industry:** Dive deeper into cases and vignettes dealing with legal and ethical issues in the financial sector.
- **CEO Perspectives, Within and Outside of the Financial Services Industry:** Examine a survey of

CEOs from across the US and Europe on their beliefs and perspectives on factors, virtues, and traits that lead to an ethical culture. Study examples of both exemplary and problematic corporate behavior. Get to know through a variety of examples what a culture of ethics looks and feels like.

- **Impact of Ethical Business Conduct:** New research shows that, when practiced at a wide scale, ethical business standards reduce violence in the world. In this class, students have opportunities to work directly with Dr. Fort and advance their own thought leadership in this area.

Students of the online program come away with a qualitative recognition of the importance of ethics. They understand the “paradox of sincerity”—that pursuing ethics for its own sake is its biggest payoff.

Graduates add to their toolbox a decision-making model toward ethical behavior. They have the confidence and competence to lead others.

Most importantly, they understand the strategic and social value of creating a culture of integrity.

A sense of ethics is more than complying with rules. It is a way of thinking built on a culture of integrity guiding every aspect of finance and business. **Become a leader in ethics with the Total Integrity Management: Leadership for Finance Professionals** certificate program from the top-ranked Kelley School of Business.

December 3rd, 2020

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