

### **Abstract**

This paper looks at corporate bankruptcies experienced in the United States during 2002. Events are summarised in sufficient detail to identify the weaknesses in corporate governance and social responsibility. Particular emphasis is put on Enron and WorldCom on account of the dramatic impact of these two collapses on American popular and political opinion. However the main focus is on those business activities which are legal but unethical rather than those which constitute fraud and are demonstrably illegal.

Thereafter the paper examines the regulatory responses; notably the Sarbanes-Oxley Act. There is also reference to the views of some informed academic observers. Then, the author attempts to itemise and categorise the various issues which scandal exposed. The author suggests the various elements of corporate governance weakness can be categorised as technical, regulatory or cultural. This leads into discussion of how best to raise standards of corporate responsibility in each of these categories. Regulatory action offers improvement in the first two categories but not in the third.

The last category embraces the broad, ill-defined, ethical needs like social responsibility. Regulation are not well suited to the management of these open-ended issues and, worse, formal rules can distract managers from the real, ethical issues, by forcing them to concentrate on the requirements of technical compliance. The author attempts to think through the implications and suggests there can be no full solution to such ethical problems. These, by their nature, ultimately depend on individual honesty.

**Keywords:** corporate social responsibility; corporate governance; business ethics.