

Innovative Organizational Structure to Promote Ethical Business Practices

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Abstract: This research discusses the importance of innovative organizational structures in promoting ethical business practices, with a case study of PT Dharma Mandiri Indonesia, a consulting company. The main problem encountered is that many companies ignore ethics in favor of short-term profits, which damages reputation and long-term sustainability. The proposed solution involves designing an organizational structure that is flexible, transparent, and supports business ethics at every level of the company. The research method used a qualitative approach with data collection through in-depth interviews and analysis of internal company documents. Data analysis was conducted using thematic analysis method to identify patterns and key themes related to ethical leadership, communication, ethics training, and monitoring mechanisms. The results showed that PT Dharma Mandiri Indonesia has strong ethical leadership, transparent communication, regular ethics training, and effective oversight mechanisms. The implementation of these elements has helped create an organizational culture that upholds ethical values, increases stakeholder trust, and strengthens the company's reputation. Practical recommendations are provided to strengthen ethical leadership at all levels, increase employee engagement, and refine reporting mechanisms. This research makes a significant contribution to the literature of ethics management and consulting business practices.

Keywords: business ethics; ethical leadership; innovative organizational structure

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Introduction

Development of an innovative organizational structure to promote ethical business practices, with a case study of PT Dharma Mandiri Indonesia, a consulting firm. In the context of modern business, the urgency to address ethical issues is increasing along with the increasing complexity and global competition (Zhang et al., 2019). Many companies are tempted to put ethics aside in pursuit of short-term profits, which can ultimately damage the reputation and long-term sustainability of the company.

The urgency of this issue is reflected in the numerous business scandals that have emerged globally and locally, demonstrating a failure to integrate ethics into organizational structures. Ignored business ethics not only cost companies financially, but also erode the trust of stakeholders, including customers, employees and investors. In Indonesia, such cases are not uncommon, and consulting firms such as PT Dharma Mandiri Indonesia are not exempt from this challenge either. Consultants, as business advisors, have a great responsibility in guiding their clients to run ethical business practices (Aniqoh et al., 2021; Sudarmo, 2020). However, if their own internal structure does not support ethics, then their credibility and effectiveness will also be questioned.

To meet this challenge, a solution is needed that involves designing an organizational structure that not only supports innovation but also places ethics at the core of every business decision and process. An innovative and ethical organizational structure can be defined as a system that allows flexibility, openness, and clear responsibilities at every level of the organization. (Sudarmo et al., 2022; Sunarni et al., 2022). This includes hierarchical arrangements that encourage open and transparent communication, the development of clear and unequivocal ethics policies, and effective oversight mechanisms to ensure compliance with ethical standards.

A literature review on this topic shows that there are several approaches that can be adopted to achieve this goal. Previous research indicates that companies that successfully integrate ethics into their organizational structure tend to perform better in the long run. For example, studies by (Giovanni, 2018; Kusvitaningrum et al., 2021) reveal that companies with strong ethics policies and structures that support the implementation of these policies tend to be more resilient to crises and have higher customer loyalty. In addition, the literature on organizational innovation suggests that flexible and adaptive structures can foster creativity and innovation, which in turn can improve ethical compliance in a more effective way (Bertus et al., 2023; Sunarni, 2023).

The purpose of this study is to explore how PT Dharma Mandiri Indonesia can design and implement an innovative organizational structure to promote ethical business practices. The research aims to identify key elements in an ethics-supportive organizational structure, evaluate the effectiveness of these approaches in the context of a consulting firm, and offer practical recommendations that can be implemented by other companies in the same industry (Erlik et al., 2023; Saha et al., 2020). Through this research, it is expected to find an organizational structure model that is not only innovative but also able to build a strong ethical culture within the company. The implication of this research is that organizational structure innovation can be optimized to promote business ethics. This research can also be a reference for further studies that want to explore the relationship between organizational innovation and ethics in various industrial contexts (Paramarta et al., 2021). For business practitioners, especially consulting firms, this research offers practical guidance on how to design an organizational structure that is able to integrate ethics in every aspect of operations. This will not only enhance the firm's reputation but also build client trust and loyalty.

Theoretical Basis

Stakeholder Theory provides a compelling theoretical foundation for analyzing how innovative organizational structures can foster ethical business practices. Originally developed by R. Edward Freeman, the theory shifts the traditional focus of business from shareholder-centric models toward a broader, more inclusive approach that considers the interests of all stakeholders involved in or affected by the organization. These stakeholders include not only investors and owners, but also employees, customers, suppliers, communities, regulators, and the environment. The fundamental premise of Stakeholder Theory is that organizations have a moral obligation to manage relationships with these diverse groups ethically and responsibly. In this context, the structure of an organization plays a critical role in determining how decisions are made, how transparency is ensured, and how accountability is maintained—factors that directly influence ethical outcomes.

Innovative organizational structures—such as flat hierarchies, decentralized decision-making systems, cross-functional teams, and network-based governance—can significantly enhance the organization’s ability to uphold ethical practices in alignment with stakeholder interests. Traditional top-down, hierarchical models often concentrate power among a small group of executives, which can lead to decisions that prioritize profitability over ethical considerations. In contrast, innovative structures promote inclusivity, openness, and collaborative governance, thereby enabling broader stakeholder input and more balanced decision-making. For example, a decentralized structure can empower employees at all levels to voice concerns about unethical behavior without fear of retaliation, while cross-functional teams can help integrate ethical perspectives from different departments and functions. These structural innovations create a culture of shared responsibility and ethical awareness, aligning organizational goals with stakeholder well-being. Stakeholder Theory also emphasizes the long-term sustainability of ethical behavior. It argues that businesses which consider and address the needs of all stakeholders are more likely to build trust, maintain legitimacy, and ensure enduring success. Innovative organizational structures serve as the operational framework through which these stakeholder-focused strategies can be implemented effectively. By embedding stakeholder engagement mechanisms into the structure—such as ethics committees, stakeholder advisory boards, and feedback loops—organizations institutionalize ethical behavior rather than treating it as a peripheral concern. Furthermore, digital innovations such as transparent reporting platforms and AI-driven compliance systems can be integrated into the organizational design to monitor ethical performance and support real-time decision-making. These innovations not only enhance efficiency but also reinforce accountability and ethical integrity.

Another key contribution of Stakeholder Theory to this research lies in its normative dimension. The theory does not merely describe how firms operate but advocates for how they should operate. It challenges the notion that business ethics is a secondary concern and instead places ethical responsibility at the core of strategic and structural decision-making. This normative stance provides a strong theoretical justification for organizational redesign aimed at promoting ethics. It aligns with modern demands from society, regulators, and even investors, who increasingly value corporate social responsibility, environmental sustainability, and ethical governance. Thus, adopting an innovative organizational structure inspired by stakeholder principles is not just a managerial choice—it is a strategic and ethical imperative.

Method

The research method in this study uses a qualitative approach with a case study at PT

Dharma Mandiri Indonesia. The qualitative approach was chosen because it allows in-depth exploration of the internal dynamics of the company and provides a more holistic insight into how organizational structure affects business ethics practices. This research consists of several main stages, namely data collection, data analysis, and interpretation of results (Ibrahim et al., 2023; Oktaviana et al., 2022; Tando et al., 2021).

Data was collected through in-depth interviews and document analysis. Interviews were conducted with company management and employees to explore their perceptions and experiences regarding ethical policies and practices. Document analysis involved reviewing ethics policies, codes of conduct, SOPs, and internal audit and training reports. The collected data were analyzed using thematic analysis method, starting from interview transcription, coding, to theme grouping. Interpretation of the results was done by relating the findings to existing literature, evaluating the effectiveness of the organizational structure in promoting business ethics. For validation, data triangulation and member checking were conducted to ensure the validity and reliability of the findings. The results were then used to provide practical recommendations for PT Dharma Mandiri Indonesia and other consulting firms.

Result and Discussion

In this discussion, the research results are further analyzed to understand how the innovative organizational structure at PT Dharma Mandiri Indonesia can promote ethical business practices.

Ethical Leadership

Ethical leadership at PT Dharma Mandiri Indonesia has created an organizational culture that upholds ethical values. Top management who actively advocate for business ethics set a strong example for employees. This study supports the literature stating that ethical leadership is one of the main factors influencing ethical behavior in organizations (Kuenzi et al., 2020). With leadership that demonstrates commitment to ethics, employees feel more compelled to follow suit.

Transparent Communication

Transparent communication ensures that employees understand the ethical policies and procedures that must be followed. It also builds trust between management and employees, which is an important element in creating an ethical work environment. (Bocken & Geradts, 2020). PT Dharma Mandiri Indonesia has successfully implemented open and honest communication, which helps to eliminate ambiguity regarding ethical expectations and minimize potential violations.

Ethics Training

Regular and comprehensive ethics training at PT Dharma Mandiri Indonesia serves to internalize ethical values in employees. The training not only provides knowledge of ethical policies but also equips employees with the skills to deal with ethical dilemmas they may encounter. According to (Giovanni & Wiliantara, 2022), effective ethics training can improve employees' ability to make ethical decisions and decrease the incidence of unethical behavior.

Monitoring and Reporting Mechanism

Effective monitoring and reporting mechanisms are crucial components of an ethical organizational structure. PT Dharma Mandiri Indonesia has implemented a system that allows employees to report ethical violations without fear of retribution. This is in accordance with the findings of the literature which shows that the existence of a safe and confidential

reporting mechanism can improve the detection and prevention of ethical violations (Nazir et al., 2019).

There are several solutions and tips that can be done in providing recommendations for the results of this study, namely While top leadership has demonstrated a commitment to ethics, it is important to strengthen ethical leadership at all levels of management. This can be done through training and leadership development programs that focus on ethics. Encouraging employee involvement in the development and implementation of ethics policies can increase ownership and commitment to the company's ethical values. Continuously evaluate and refine reporting mechanisms to ensure their effectiveness. This includes conducting employee satisfaction surveys related to existing reporting channels. Adopt more innovative approaches in ethics training, such as the use of simulations and interactive case studies, to make training more engaging and relevant to employees.

The results of this study show that PT Dharma Mandiri Indonesia has some structural elements that support ethics, but there is still room for improvement. For example, ethical leadership at the top level is visible, but needs to be improved at the middle management and operational levels. In addition, communication regarding ethics policies needs to be more transparent and socialized more effectively to all employees. Monitoring and reporting mechanisms also need to be strengthened to ensure that the ethics policy is consistently followed. In the discussion, it is outlined that the implementation of elements such as ethical leadership, transparent communication, and ethics training can improve the effectiveness of organizational structures in promoting ethical business practices. Strong ethical leadership will set an example for employees and encourage an organizational culture that upholds ethical values. Transparent communication ensures that all employees understand and comply with established ethics policies. Ongoing ethics training will help employees develop the necessary skills and knowledge to deal with ethical dilemmas in their daily work.

Conclusion

In conclusion, this research shows that an innovative and ethical organizational structure can be an effective solution to overcome ethical challenges in the consulting business. PT Dharma Mandiri Indonesia can serve as an example of how these principles can be implemented successfully, and this research makes a significant contribution to the ethics management literature. The findings and recommendations of this study are expected to serve as a reference for other consulting firms to adopt similar approaches, thus creating a more ethical and sustainable business environment.

Theoretically, this research contributes to the expansion of Stakeholder Theory by linking it to organizational design and structural innovation as key mechanisms for promoting ethical business practices. While Stakeholder Theory traditionally emphasizes the importance of balancing stakeholder interests, this study deepens the discourse by demonstrating how innovative organizational structures—such as flat hierarchies, decentralized authority, and participatory governance—can operationalize stakeholder-oriented ethics within the daily functions of an organization. The research offers a conceptual framework that connects ethical outcomes to specific structural features, thus bridging a gap between abstract ethical principles and concrete organizational systems. Moreover, it enriches the theoretical understanding of how internal organizational dynamics influence ethical behavior, moving beyond individual-level ethics to a systemic, structure-based perspective that reflects the complexity of modern business environments.

Practically, the study offers actionable insights for business leaders, organizational designers, and policy-makers seeking to embed ethics into the core of business operations. It

provides practical guidance on how to design or adapt organizational structures that promote transparency, accountability, and inclusive decision-making—factors critical to fostering an ethical workplace culture. For example, the findings may help organizations implement ethical review boards, employee feedback systems, or cross-functional ethics teams that support ongoing ethical reflection and action. These structural innovations can also enhance organizational agility in addressing ethical dilemmas, ensuring that ethical considerations are integrated into strategic planning and daily operations. Additionally, the research provides a valuable reference for policy-makers and regulators who aim to encourage ethical business conduct through governance reforms and corporate responsibility frameworks. Overall, the study equips organizations with both the theoretical rationale and practical tools needed to create ethical, stakeholder-focused environments in increasingly complex and globalized markets.

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