

# Business and Ethics

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## ABSTRACT

Business ethics has become a central component of contemporary corporate governance and sustainable development. The present study explores the relationship between ethical principles and business performance, focusing on the challenges companies face in balancing profitability with social responsibility. The paper provides a conceptual analysis of major ethical approaches, including Kantian ethics and utilitarianism, and examines their applicability in modern business environments. The research adopts a theoretical and analytical approach, integrating established models and indicators such as Corporate Social Responsibility (CSR) frameworks, sustainability indices, and corruption perception measures. Special attention is given to the role of business ethics indicators as tools for evaluating corporate behavior, competitiveness, and long-term sustainability. The findings suggest that while businesses are primarily profit-oriented entities, the integration of ethical frameworks contributes significantly to reputational stability, stakeholder trust, and sustainable growth. The study highlights that ethical practices are increasingly becoming a strategic necessity rather than a voluntary choice. The paper contributes to the existing literature by systematizing key indicators of business ethics and outlining their role in enhancing corporate performance and governance.

**Keywords:** *Business performance, Corporate social responsibility (CSR), ESG, Business ethics indicators, Ethical decision-making, Sustainability, Corruption perception index, Stakeholder theory*

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## INTRODUCTION

In contemporary economic environments, the relationship between ethics and business has become increasingly complex and significant. Traditionally, business has been associated primarily with profit maximization, while ethics has been perceived as a normative framework governing human behavior. This apparent contradiction has led to ongoing debates regarding the compatibility of ethical principles with corporate objectives.



Early perspectives, influenced by classical economic liberalism, suggested that market mechanisms alone – often described through the concept of the “invisible hand” – are sufficient to ensure efficiency and fairness. However, modern economic realities, including globalization, environmental challenges, and increasing stakeholder awareness, have demonstrated that market forces alone are insufficient to regulate corporate behavior effectively. The emergence of stakeholder-oriented approaches has further emphasized that businesses are accountable not only to shareholders but also to a broader group of stakeholders, including employees, customers, and society at large (R. Edward Freeman, 1984).

The growing importance of corporate social responsibility (CSR) has significantly transformed the way companies approach their role in society. According to the well-established CSR framework, businesses are expected to fulfill economic, legal, ethical, and philanthropic responsibilities simultaneously (Archie B. Carroll, 1991). In parallel, the integration of ethical considerations into business strategy has been recognized as a source of competitive advantage, particularly when aligned with social and environmental objectives (Michael E. Porter & Mark R. Kramer, 2006).

In recent years, the concept of sustainability has further expanded the scope of business ethics by linking ethical behavior to long-term corporate performance. Empirical studies have shown that companies adopting sustainable and ethically responsible practices tend to achieve better financial and operational outcomes over time (Robert G. Eccles et al., 2014). This has led to the increasing adoption of environmental, social, and governance (ESG) criteria as key indicators for evaluating corporate behavior and investment decisions.

Despite the expansion of research in the field of business ethics, a key challenge remains: how to effectively measure and evaluate ethical behavior in business practices. While various models and indices have been developed, there is still a need for a more systematic understanding of business ethics indicators and their role in enhancing corporate performance and governance.

### **Research Aim**

The present study aims to explore the theoretical foundations of business ethics, analyze its practical implications, and systematize key indicators used to evaluate ethical behavior in business organizations. Special attention is given to the relationship between ethical frameworks, corporate governance, and long-term sustainability. The main objective of this study is to examine the role of business ethics as a strategic component of modern corporate management and to propose a structured framework for analyzing business ethics indicators. The research seeks to answer the following questions:

1. To what extent can ethical principles be applied in profit-oriented organizations?
2. What are the key indicators used to evaluate business ethics?
3. How do these indicators influence corporate performance and sustainability?

### **LITERATURE REVIEW**

The concept of business ethics has been extensively examined in academic literature, particularly in relation to corporate social responsibility (CSR), stakeholder theory, and sustainable business practices. Over time, the understanding of ethical behavior in business has evolved from a normative perspective toward a more strategic and performance-oriented approach.



One of the foundational contributions to the field is the stakeholder theory, which emphasizes that businesses have responsibilities not only to shareholders but also to a broader range of stakeholders (R. Edward Freeman, 1984). This perspective has significantly influenced modern approaches to corporate governance and ethical decision-making.

Corporate social responsibility has also emerged as a central concept in the study of business ethics. The CSR framework developed by Archie B. Carroll (1991) outlines the multidimensional responsibilities of firms, including economic, legal, ethical, and philanthropic aspects. More recent studies have expanded this framework by linking CSR practices to firm performance and competitive advantage. Recent studies have further emphasized the complexity of ethical challenges in contemporary management, highlighting the growing tension between economic objectives and moral responsibilities in organizational decision-making (Kicheva-Kirova, 2025). In addition, contemporary literature emphasizes that business ethics should be understood as an integral part of organizational strategy and decision-making processes rather than as a set of abstract principles (Boatright, 2011).

In this context, the integration of ethical considerations into business strategy has been further developed through the concept of shared value, which suggests that companies can create economic value while simultaneously addressing social issues (Michael E. Porter & Mark R. Kramer, 2006). This approach reflects a shift from reactive compliance to proactive strategic engagement with ethical challenges.

Recent empirical research has also focused on the relationship between sustainability practices and corporate performance. Studies indicate that firms adopting environmental, social, and governance (ESG) principles tend to demonstrate improved financial stability and long-term value creation (Robert G. Eccles et al., 2014). These findings support the argument that ethical behavior is not only a moral obligation but also a strategic necessity.

Furthermore, contemporary research highlights the importance of measurable indicators in assessing business ethics. Various indices, such as sustainability indices and corruption perception indicators, have been developed to evaluate corporate behavior and institutional integrity. However, there is still a lack of a unified framework that integrates these indicators into a comprehensive model for analyzing business ethics.

Based on the reviewed literature, it can be concluded that business ethics has evolved into a multidimensional concept that combines ethical theory, corporate governance, and performance measurement. Nevertheless, the need for systematization of business ethics indicators remains an open research challenge, which this study aims to address.

## **THEORETICAL FOUNDATIONS OF BUSINESS ETHICS**

The theoretical foundations of business ethics are rooted in classical ethical theories, primarily deontological ethics and consequentialism. These approaches provide different perspectives on how ethical behavior should be evaluated in business contexts.

Deontological ethics, most prominently associated with Immanuel Kant, is based on the principle that actions should be guided by universal moral rules and duties. According to this perspective, ethical behavior is determined not by outcomes but by the intention behind actions and their adherence to moral principles. In the context of business, this raises important questions regarding the compatibility of profit-oriented activities with universal ethical standards.



From a Kantian perspective, businesses may face challenges in aligning their primary objective of profit maximization with moral obligations that require impartiality and respect for all stakeholders. This has led to critical discussions in the literature regarding whether corporations, as legal entities, can genuinely act as moral agents or whether ethical responsibility ultimately lies with individuals within the organization. Furthermore, integrative approaches such as the social contracts theory suggest that ethical business behavior is shaped by both universal moral principles and local cultural norms, highlighting the complexity of ethical decision-making in global business environments (Donaldson & Dunfee, 1999).

In contrast, consequentialism, particularly in its utilitarian form, evaluates actions based on their outcomes. Philosophers such as Jeremy Bentham and John Stuart Mill argued that actions are considered ethical if they produce the greatest good for the greatest number of people. In business practice, this approach is often reflected in decisions that aim to maximize overall benefits for stakeholders, even if certain compromises are required.

However, the utilitarian approach has also been criticized for potentially justifying unethical means if they lead to desirable outcomes. In business environments, this may result in practices that prioritize short-term gains over long-term ethical considerations.

In addition, structured analytical tools such as SWOT analysis have been identified as effective instruments for supporting strategic and ethically informed decision-making by systematically evaluating internal and external business factors (Karadzhov, 2025).

Another influential perspective is associated with economic liberalism, particularly the views of Milton Friedman, who argued that the primary responsibility of business is to increase profits within the boundaries of the law. According to this view, ethical considerations are secondary to economic objectives, provided that companies comply with legal requirements.

Despite these theoretical differences, contemporary business environments increasingly require the integration of ethical principles into corporate decision-making. Modern approaches combine elements from different ethical theories, emphasizing the importance of accountability, transparency, and stakeholder engagement. This shift reflects the growing recognition that ethical behavior is essential for maintaining trust, legitimacy, and long-term sustainability in business operations.

## METHODOLOGY

This study adopts a qualitative and conceptual research approach aimed at analyzing the role of business ethics in contemporary corporate environments. The research is based on the systematic review and synthesis of existing theoretical frameworks, academic literature, and international practices related to business ethics, corporate social responsibility (CSR), and sustainability.

The methodological approach combines elements of theoretical analysis and comparative evaluation. Classical ethical theories, including deontological ethics and consequentialism, are examined alongside modern concepts such as stakeholder theory and ESG frameworks. This allows for a comprehensive understanding of the evolution of business ethics from normative principles to strategic management tools.

In addition, the study applies a comparative analysis of key business ethics indicators. These include sustainability indices, corporate social responsibility metrics, and corruption-related indicators used in international practice. The analysis is based on secondary data derived from academic publications, institutional reports, and globally recognized measurement frameworks. Furthermore, a



conceptual framework is developed to systematize business ethics indicators into distinct categories. This framework aims to provide a structured approach for evaluating ethical behavior in business organizations and to identify the relationships between ethical practices, corporate governance, and long-term sustainability.

The application of comprehensive analytical frameworks such as PESTEL analysis further enhances the evaluation of external environmental factors influencing ethical business behavior and strategic decision-making (Karadzhov & Patarchanova, 2025).

### **Limitations of the Study**

The limitations of the study are related to its conceptual nature and reliance on secondary data. Future research may expand the analysis by incorporating empirical data and quantitative methods to validate the proposed framework.

Despite these limitations, the conceptual approach provides valuable insights into the role of business ethics indicators and contributes to the development of a more integrated analytical perspective in the field.

## **BUSINESS ETHICS INDICATORS AND MEASUREMENT FRAMEWORK**

The evaluation of business ethics has increasingly relied on the development and application of measurable indicators. In contemporary business environments, ethical behavior is no longer assessed solely through normative judgments but is supported by structured frameworks and performance metrics.

Business ethics indicators serve as tools for assessing corporate behavior, governance quality, and social responsibility. These indicators are typically integrated into broader analytical models that combine financial, social, and environmental dimensions of performance.

One of the widely recognized approaches is the use of sustainability indices, such as the Dow Jones Sustainability Index (DJSI), which evaluates companies based on economic, environmental, and social criteria. These indices are grounded in the concept of the “triple bottom line,” which emphasizes the balanced consideration of profit, people, and the planet. Companies that perform well across these dimensions are considered more sustainable and ethically responsible.

Similarly, the FTSE4Good Index provides a framework for assessing companies based on their adherence to environmental, social, and governance (ESG) standards. It excludes industries associated with significant ethical concerns, such as tobacco production and weapons manufacturing, and evaluates firms based on criteria related to human rights, environmental impact, and anti-corruption practices. International institutional frameworks, such as those developed by the OECD, also play a key role in defining standards for corporate governance, transparency, and ethical conduct in business practices (OECD, 2015).

In addition to sustainability indices, corruption-related indicators play a significant role in the assessment of business ethics. The Corruption Perceptions Index (CPI), developed by Transparency International, measures perceived levels of public sector corruption and provides a comparative perspective across countries. High levels of corruption are associated with increased business risks, reduced investment attractiveness, and weakened institutional trust.

Corporate social responsibility (CSR) metrics also contribute to the evaluation of business ethics. These metrics assess the extent to which companies engage in socially responsible activities,



including environmental protection, employee welfare, and community development. CSR reporting has become a standard practice for many organizations, enhancing transparency and accountability.

Furthermore, internal governance indicators are essential for understanding ethical behavior within organizations. These include compliance systems, ethical codes, internal audit mechanisms, and performance evaluation tools. Effective corporate governance structures contribute to the prevention of unethical practices and support long-term organizational sustainability.

### **Proposed Framework for Business Ethics Evaluation**

Based on the analysis of existing models and indicators, this study proposes a structured framework for evaluating business ethics, consisting of three main dimensions:

#### **Internal Ethical Governance**

This dimension includes internal organizational mechanisms that regulate ethical behavior, such as corporate governance structures, codes of ethics, compliance systems, and employee-related practices. These elements ensure that ethical principles are embedded within the organization's operational processes.

#### **External Social Responsibility and Sustainability**

This dimension focuses on the organization's impact on society and the environment. It includes CSR initiatives, environmental management practices, stakeholder engagement, and sustainability strategies. Companies that actively address social and environmental challenges are more likely to build trust and long-term value.

#### **Institutional and Market Integrity**

This dimension reflects the external environment in which the company operates, including regulatory compliance, exposure to corruption, and transparency standards. Indicators such as the Corruption Perceptions Index (CPI) and ESG ratings are relevant in this context, as they provide insights into the broader ethical ecosystem.

These three dimensions are interconnected and collectively determine the ethical profile of a business organization. The proposed framework contributes to the systematization of business ethics indicators and provides a practical tool for analyzing corporate behavior in a comprehensive and structured manner.

As illustrated in Figure 1, business ethics can be conceptualized as a multidimensional construct composed of three interrelated dimensions: internal ethical governance, external social responsibility and sustainability, and institutional and market integrity. Each of these dimensions encompasses a set of specific components that collectively define the ethical profile and long-term performance of business organizations.

The first dimension, **internal ethical governance**, refers to the internal structures and mechanisms that regulate ethical behavior within the organization. It includes corporate governance systems, clearly defined codes of ethics, compliance procedures, internal audit practices, and human resource policies aimed at promoting fairness, accountability, and transparency. These elements ensure that ethical principles are embedded in daily operations and decision-making processes, reducing the likelihood of unethical behavior and enhancing organizational integrity.



Fig. 1. Conceptual Framework for Evaluating Business Ethics through Governance, Sustainability, and Market Integrity Dimensions

The second dimension, **external social responsibility and sustainability**, reflects the organization's broader impact on society and the natural environment. It includes corporate social responsibility (CSR) initiatives, environmental management practices, stakeholder engagement strategies, and long-term sustainability policies. Within this dimension, companies are evaluated based on their ability to balance economic objectives with social and environmental considerations, thereby contributing to sustainable development and strengthening their legitimacy in the eyes of stakeholders.

The third dimension, **institutional and market integrity**, captures the external conditions that influence ethical business conduct. It encompasses regulatory compliance, transparency standards, exposure to corruption, and alignment with environmental, social, and governance (ESG) criteria. Indicators such as the Corruption Perceptions Index (CPI) and ESG ratings are particularly relevant in this context, as they provide measurable insights into the ethical environment in which companies operate and their ability to maintain trust in competitive markets.

These three dimensions are not independent but dynamically interconnected. Strong internal governance supports responsible external behavior, while transparent and well-regulated market environments reinforce ethical decision-making within organizations. As a result, business ethics should be understood not as a static set of principles, but as an integrated system of practices, indicators, and institutional conditions that collectively shape corporate behavior and sustainability.

## DISCUSSION

The findings of this study confirm that business ethics has evolved from a purely normative concept into a strategic component of modern corporate management. The analysis of theoretical frameworks and business ethics indicators demonstrates that ethical behavior is increasingly

embedded in organizational structures and performance evaluation systems, rather than being treated as an external or optional consideration.

The integration of stakeholder-oriented approaches (R. Edward Freeman, 1984) and corporate social responsibility models (Archie B. Carroll, 1991) highlights a shift from shareholder-centric to stakeholder-inclusive business practices. This transformation is further reinforced by the concept of shared value (Michael E. Porter & Mark R. Kramer, 2006), which positions ethical engagement as a driver of competitive advantage rather than a constraint on profitability.

The results also support the growing body of empirical evidence suggesting that sustainability and ethical practices contribute positively to corporate performance. As indicated by Robert G. Eccles et al. (2014), companies that integrate environmental, social, and governance (ESG) principles into their strategies tend to achieve greater financial stability and long-term value creation. This finding aligns with the argument that ethical behavior is increasingly becoming a strategic necessity in contemporary business environments.

A key contribution of this study lies in the systematization of business ethics indicators into a structured framework consisting of three interrelated dimensions: internal ethical governance, external social responsibility and sustainability, and institutional and market integrity. This framework provides a more comprehensive perspective on how ethical behavior can be evaluated and managed within organizations. Unlike fragmented approaches that focus on isolated indicators, the proposed model emphasizes the interconnected nature of ethical practices and their cumulative impact on organizational performance.

An additional important aspect of the proposed framework is its potential applicability across different industries and institutional contexts. While the relative importance of specific indicators may vary depending on sectoral characteristics and regulatory environments, the three-dimensional structure of internal governance, external responsibility, and institutional integrity provides a flexible and adaptable model. This enhances the practical relevance of the framework and supports its use as a tool for comparative analysis and strategic evaluation in diverse business settings.

This trend is also supported by recent research on digitalization and innovation, which demonstrates that the integration of technology and sustainability considerations further strengthens the role of ethical decision-making in contemporary business environments (Lile et al., 2025).

At the same time, the analysis reveals several challenges associated with the implementation and measurement of business ethics. One of the main difficulties lies in the potential gap between formal compliance and actual ethical behavior. Organizations may adopt codes of ethics and CSR policies without fully integrating them into their operational culture. Additionally, the reliance on external indicators, such as ESG ratings and corruption indices, may not always accurately reflect internal ethical practices.

From a practical perspective, the findings suggest that businesses should move beyond symbolic adoption of ethical standards and focus on their effective implementation. This includes strengthening internal governance mechanisms, enhancing transparency, and actively engaging with stakeholders. For policymakers and institutions, the results underline the importance of creating regulatory environments that promote accountability and reduce opportunities for unethical behavior.

Finally, the study highlights the need for further research in the field of business ethics, particularly in relation to empirical validation of conceptual models and the development of more precise measurement tools. Future studies may explore the application of quantitative methods and



case-based analyses to assess the effectiveness of business ethics frameworks in different economic and cultural contexts.

## MANAGERIAL IMPLICATIONS

The findings of this study have several important implications for business practitioners and organizational leaders. First, companies should integrate ethical considerations directly into their strategic planning processes rather than treating them as separate or secondary activities. This includes the development of internal governance mechanisms such as clear codes of ethics, compliance systems, and performance evaluation criteria that incorporate ethical indicators.

Second, organizations should adopt a proactive approach to corporate social responsibility and sustainability. Instead of focusing solely on regulatory compliance, businesses should actively engage with stakeholders and invest in long-term social and environmental initiatives that enhance corporate reputation and trust.

Third, the use of structured analytical tools and measurable indicators, including ESG metrics and sustainability indices, can support more informed decision-making and improve transparency. Managers should utilize these tools not only for reporting purposes but also as part of internal strategic analysis.

Finally, companies operating in environments with higher levels of institutional risk should place greater emphasis on transparency, anti-corruption measures, and accountability. Strengthening these aspects can significantly reduce operational risks and improve long-term business performance.

## CONCLUSION

This study examined the role of business ethics as a fundamental component of contemporary corporate governance and sustainable development. The analysis demonstrated that ethical principles are no longer perceived solely as normative guidelines but have evolved into strategic instruments that influence business performance, stakeholder relationships, and long-term organizational success.

The findings confirm that the integration of ethical frameworks, including corporate social responsibility (CSR) and environmental, social, and governance (ESG) criteria, contributes to enhanced transparency, reduced reputational risks, and improved competitiveness. In this context, business ethics should be understood as a necessary condition for sustainable growth rather than a voluntary or supplementary practice.

A key contribution of the study is the proposed framework for evaluating business ethics, which organizes relevant indicators into three interconnected dimensions: internal ethical governance, external social responsibility and sustainability, and institutional and market integrity. This framework provides a structured approach for analyzing ethical behavior and offers practical value for both researchers and practitioners.

At the same time, the study acknowledges that the effective implementation of ethical principles remains a significant challenge. The gap between formal adoption of ethical standards and their practical application continues to be a critical issue for many organizations. Therefore, future efforts should focus on strengthening the alignment between ethical policies and organizational culture.

Future research may further develop the proposed framework through empirical validation, comparative studies across industries, and the integration of quantitative measurement techniques.



Such efforts would contribute to a deeper understanding of how business ethics can be effectively operationalized in diverse economic and institutional contexts.

### ***Declaration by Authors***

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