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THE RELATIONSHIP BETWEEN BUSINESS ETHICS AND ORGANIZATIONS

A study on the role of business ethics in organizations

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ABSTRACT:
Business ethics has become a relevant part of doing business in the current age. The perception of how business should be done has shifted away from a profit driven angle to a more varied viewpoint with a large variety of different factors. As such, organizations have had to accommodate these changes to how they operate.

The aim of this thesis is to understand how this change has been taken into consideration by organizations. By researching the role business ethics have in organizations as well as the effects they have on their business practices, a clearer picture of the relationship between the two can be formed. This research is based on a literature review of relevant literature and empirical findings. The literature review is split into two parts. Firstly, it establishes why ethics are needed in business and suggests a circular model where the stakeholders of an organization give them input on how they should act, organizations create output in line the stakeholders demands, which is then perceived and reacted upon by the stakeholders, thus giving more feedback to the organizations, continuing the loop. Secondly, the effects of business on a practical level are looked at by targeting marketing ethics to limit the scope and ensure cohesive results. The framework constructed from the literature review is cross-referenced with data collected in from semi-structured interviews with managers of various organizations.

The findings of the study suggest that business ethics has been integrated further and further into organizations as time has gone onwards, becoming a factor in almost everything they do. Ethics have found a permanent role in organizations as it is seen as a net positive to pay heed to business ethics while doing business. This being said, ethics shouldn't be considered a central part of what makes up an organization, as the benefits of being ethical do not constitute enough advantages to pull the weight of the whole organization.

KEYWORDS: Business ethics; Organizational ethics; Stakeholders; CSR; Marketing ethics.

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TIIVISTELMÄ:

Yritysetiikasta on tullut olennainen osa tämänhetkistä liiketoimintaa. Käsitys siitä, kuinka liiketoimintaa tulisi harjoittaa on siirtynyt silkasta voitontavoittelusta monipuolisempaan näkökulmaan, johon vaikuttaa monet eettiset tekijät. Organisaatioiden on täytynyt ottaa huomioon nämä muutokset toimintatavoissaan.

Tämän tutkielman tarkoituksena on ymmärtää, miten organisaatiot ovat mukautuneet tähän muutokseen. Tutkimalla yritysetiikan roolia organisaatioissa sekä sen vaikutusta organisaatioiden käytäntöihin, voidaan muodostaa selkeämpi kuva yritys etiikan ja organisaatioiden välisestä suhteesta. Tämä tutkimus perustuu kirjallisuuskatsaukseen ja empiirisiin havaintoihin. Kirjallisuuskatsaus on jaettu kahteen osaan. Ensimmäiseksi selvitetään, miksi etiikkaa ensinnäkin tarvitaan liiketoiminnassa. Tätä kuvaa mallinnus, jossa sidosryhmät vaikuttavat siihen, miten organisaation tulisi toimia. Organisaatiot pyrkivät toimimaan sidosryhmien vaatimusten mukaisesti, minkä sidosryhmät havaitsevat ja reagoivat, antaen palautetta organisaatioille ja muokaten organisaatioiden ulosantia sen mukaisesti. Tämän lisäksi liiketoiminnan vaikutuksia tarkastellaan käytännön tasolla kohdistamalla tutkimus markkinointietiikkaan. Kirjallisuuskatsauksesta muodostettu viitekehys eri organisaatioiden johtajien puolirakenteisista haastatteluista kerättyihin tietoihin.

Tutkimuksen tulokset viittaavat siihen, että yritysetiikka on integroitu yhä pidemmälle organisaatioihin ajan myötä. Siitä on tullut osa melkein kaikkea, mitä organisaatiot tekevät. Etiikka on löytänyt pysyvän roolin organisaatioissa, koska sillä katsotaan olevan positiivisia vaikutuksia liiketoiminnallisiin päämääriin. Tästä huolimatta etiikkaa ei pitäisi pitää keskeisenä osana organisaation päämääriä, sillä eettisyyden vaikutukset eivät ole riittäviä koko organisaation olemassaolon määrittelyyn.

AVAINSANAT: Business ethics; Organizational ethics; Stakeholders; CSR; Marketing ethics.

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1. Introduction

Doing business can be quite an intensive process in the modern world. Companies have to acknowledge the risks and rewards of their respective markets, working towards succeeding in the face increasing competition, lest they be overrun by their adversaries, who can emerge from all over the globalized world. In this spot, where a constant need to succeed and flourish is the standard, it may sometimes be difficult for a company to focus on anything else than their profitability. This focus can lead an organization to disregard factors which could affect their end results negatively. The problem being that these outlying factors are oftentimes directly related to the well-being of others, leading to a situation where an organization directly or indirectly gains from the misfortune of others. This isn't a commendable position to be in from a societal perspective and during the latter end of the 20th century the backlash against these improper business practices has gotten stronger, to the point that organizations have been to put to a position where they must think about how they affect others beyond their own gain (Rodgers & Gago, 2004). As Wiley (1995) put it, organizations have to acknowledge their effects on multiple areas, for those effects will impact the continued success of their business.

At its core, the conflict at which business has found itself at is based on a shift in what is asked from them. For a long period of time, the social responsibility of a business for solely to increase their profits. Friedman (1970) argued that if everyone in the market works towards furthering their own profits, the end result will be a net positive to the society around them. While this may have been true in the 'formative years' of business as we know it today, the playing field at the time was wildly different. It's no longer enough that a company just makes a profit for them to be evaluated as useful to the society, at least not to the point where the actions and inactions which led them there could be disregarded as trivial information (Svensson & Wood, 2008). Organizations are held responsible for not just their actions and the effects they have, but also for why and how they do those actions (Comin et al., 2019).

If making profit isn't enough, then what makes an organization ethical? Some may focus on failures in ethical behaviour by exemplifying unethical practices, determining which organizations take part in such negative processes and assume the ones excluded are ethical. Verbos et al. (2007) suggest otherwise, refusing to think of organizations as ethical just because they aren't strictly unethical. Instead, an organization which intentionally departs from the norms to have a positive impact on the society is seen as an entity which is truly ethical (Verbos et al., 2007). While this kind of mindset is commendable, it begs to question why only those who break norms to be better than others can be ethical? Is the brand of 'ethical' only reserved for the trailblazers breaking boundaries and taking risks, reaping the benefits of public acceptance as they go? Pullen & Rhodes (2014) prefer a less assertive approach. They admit that there is more to ethical behaviour than avoiding the unethical but steer the focus of determining the moral goodness of an organization towards intentions and acting accordingly. An organization may do business in a way that compromises some ethical values, but if they recognize this and plan to avoid such behaviour in the future, they are already moving the right way. This starts a process towards being ethical which is paced by reaching the goals the organization has set for themselves. At this point, organizations should re-evaluate their position in society, understand what society expects of them in future and make plans for the future with new goals, creating a continuous self-regulating cycle of organizational ethics (Svensson & Wood, 2008)

Research problem and research gap

Enderle (2015, p.734) stated that "exploring and conceptualizing international business ethics is a timely and fascinating task in the age of globalization". An important take-away from this is how discovering the effects on business ethics due to a catalyst (globalization) warrants research which may re-conceptualize what the term means as a whole. Following along this line, the aim of this thesis is to re-frame Enderle's (2015) idea; to explore what business ethics are in the information age. This current age of wildly increased amount of information available to both companies and consumers was theorized as a time which would bring up completely new ethical and business issues (De George, 1999). This hypothesis hit the nail on its head as improvements in technology and social media have had profound effects on bringing forth a new era of doing business (Alcácer & Piscitello, 2016). Organizations are required to re-invent themselves by being adaptable, connective and customizable in an age which is continuously becoming a more complex and dynamic environment (Trevor & Kilduff, 2012). A key theme of this current age is how the challenges of doing business ethics are continuously changing. Research on the matter should follow suit by being more of a continuous stream of collective information ready to accept changes on what is right or wrong and reporting on the status quo on a rapid pace. This presents a vast need for continuous research on the matter when the rules of the game may completely change in a relatively short time period. As stated by Marens (2010), in order for business ethics to stay relevant, the field needs to continuously develop new approaches and understand the failures of the past, avoiding complacency through a self-serving recycling of ideas which may have become irrelevant.

Focusing on the business ethics in the current age from an organization’s perspective narrows the paper down to a specific niche. Understanding whether business ethics are perceived as more of an “insurance policy” against corporate liability instead making of a conscious choice to act responsibly (Painter-Morland, 2008) or a possible source of internal and external advantage in a world where short-term profit isn’t the only measure of success (Rank & Contreras, 2021) is a relevant research subject which begs for more research. An ample amount of research has been done on the relationship between business ethics and organizations from various different viewpoints during recent years. The effect of ethics on organizational commitment (Monoshree & Karabi, 2020), role of leaders as an example of ethical conduct in organizations (Moss, Song, Hannah, Wang & Sumanth, 2020), positive relationship between earnest marketing and success (Jerzy & Monika, 2020), business ethics creating intellectual capital (Su, 2014), differences between ideologies and actual CSR practices (Haase & Raufflet, 2017) and link between environment and business ethics (Sheng & Chen, 2010) are just a few picks from the wide catalogue of research done on business ethics in organizations. This being said, there is a gap in exploring the aspirations as to why organizations do what they do to incorporate business ethics into organization from an organization-central perspective. The aim of this thesis is to help fill that gap to create a more cohesive bigger picture of the subject matter.

1.1. Research question

When determining the boundaries of the research problem for this thesis, a reoccurring thought, which later on became a central point of interest for the thesis, was how organizations often felt relatively distant in numerous theories on business ethics. This isn't to say they weren't a relevant part of theories, quite the opposite. Instead, the results and conclusions were rarely focused on the organization, aside from a remark on managerial implications here and there. When it became clear that the thesis would focus on business ethics, it was a natural choice to gravitate towards focusing on organizations and filling a research gap in relevant literature. The research question follows the same suite, as it is the following:

What is the role of business ethics in organizations and how are their business practices affected by it?

To answer this question properly, the concept of business ethics in organizations must be investigated thoroughly. Prioritization of different ethical matters in business, whether ethics are dealt with in a proactive or reactive manner and the differentiation of what is deemed ethical across different organizations are all crucial points of interest for answering the research question. To aid this process the research will utilize research objectives which tackle specific parts of the research problem alongside the research question to better understand the subject matter. The objectives are the following:

1. To learn what factors push organizations to acknowledge business ethics
2. To understand how organizations change their practices due to business ethics
3. To use marketing as a depiction of how organizations actually do business ethics
4. To determine if business ethics affect the market value of an organization

In addition to the research objectives, the research is based on three central themes, which depict different parts and phases of the interaction between organizations and business ethics. The themes are perception of business ethics by organizations, position of business ethics in organizations and effect that business ethics have on organizations (see: Figure 1).

Figure 1, Themes of the research

The scope and delimitations of the research

Framework of business ethics by Ulrich (2008) is split into three distinct levels; micro- (individuals), meso- (organizations), and macro-levels (systems). To limit the scope of this thesis and to ensure its results are concise and coherent, the research will focus on a specific part of this framework: the organization. Choosing to focus on the meso-level of business ethics is based on two points. Firstly, the research problem of understanding business ethics in the information age is best depicted through organizations, as they are the ones who have to change how they operate (Alcácer & Piscitello, 2016). Secondly, the meso-level portrays a collage of the micro-level of business ethics through their actions as it is comprised of individuals from the micro-level (Brass, Butterfield and Skaggs, 1998). Research in this scope can yield results with implications beyond just organizations, raising the value of said research.

The empirical research in this thesis will be based on views of managerial personnel working in various positions in Finland. This means that answers derived from them may differ from another study of a similar theme in a different setting. This could be remedied by increasing the variety and number of interviewees for empirical research, but that wasn't deemed possible nor necessary. Having a common denominator for the data sources makes it easier to relate their answers with each other. As the research is qualitative, there is a certain amount of uncertainty and subjectivity in the results. The data is based on interpretations working towards a holistic understanding of the matter at hand (Eriksson and Kovalainen, 2015), which leaves room for different interpretations of the subject matter.

1.2 Outline of the study

The study will follow a linear model of research (Figure 2). It starts out with an introduction of why the research is conducted as well as posing a research question. It is followed by a compilation of relevant literature seeking to conceptualize the subject matter, business ethics, providing context for moving further along towards answering the research question. The methodology of the research describes why the research is conducted as it is, disclosing the nature of the paper by categorizing its design, both from a pragmatic and philosophical standpoint. Empirical findings display conducted interviews, including some of its data as well as analyzing said data. This section is the main focus of the research as properly answering the research question hinges on information collected from the representatives of organizations. The final part of the research will be the conclusion, combining the work done in all the previous sections to answer the research question and determine if the research objectives were reached. The implications of the answer to the research question as well as the possibility of further research will also be discussed in this part.

Figure 2, Structure of the research

2. Influence of business ethics on organizations

This chapter is focused around understanding the role and function of ethics in business. It starts out by investigating why ethics have a become a concrete part of doing business, followed by a look into how ethics are implemented by organizations to their actions. The aim is to create a baseline of business ethics as a concept as well as an overview of how organizations can use it in business.

2.1 The need for ethics in business

Starting from the latter half of the 20th century, significant changes have taken place in the social, political and economic parts of the modern culture (Davis, 1960; Bowen, 1953). Business has moved on from a simplistic model of two parties wanting something from each other and trading something of their own to get it. Markets are no longer a result of these transactions happening over and over again, resulting in a free market where everyone gets what they want (Narveson, 2003). As times have changed, so have the rules of doing business. In order to reach the conclusion of a transaction, the relevant parties have to check multiple boxes in order to agree on the terms, making it harder to agree with each other. Furthermore, the transaction may have a power imbalance where one either knows more than the other or they can affect the other's decision in some way to fit their needs. A business transaction isn't fair by default, if left to its own devices (Keep, 2003).

To keep business fair, it should be seen as a part of a bigger picture. By widening the scale of factors considered relevant to business, it becomes possible to identify what practices and beliefs cause unwanted effects in business. This is what business ethics can do by existing in a space between economy, finance, sociology, psychology and philosophy and giving a very different perspective on what the objectives and limitations of doing business should be (Buckley, 2008). While business has been enclosed into a self-serving bubble for a long time, times have begun to change.

Questionable business practices have been put under scrutiny, challenged and argued against due to an increase of general interest in society and capability on understand the shortcoming of commonly accepted business methods (Sørensen, 2002).

A great example of an organization attempting to drive forward their self-interest over general well-being and society rejecting the attempt is the emission scandal of Volkswagen (VW) in 2015. As reported by Hotten (2015) for the BBC, VW had a goal of increasing the sales of their diesel cars and decided to push it forward by marketing their cars as having low emissions. Instead of reporting correct figures or actually lowering the emissions of their cars, they decided to install a 'defeat device' to many of their models. This device was designed to detect when the emissions of the car were being tested and adjust the performance of the car to fit their marketed emission numbers, when in actual use the car would run with higher emissions. When their fraudulent practices were discovered, VW were forced to recall millions of their cars and pay very substantial fines, totaling to tens of billions of dollars of losses for the car manufacturer. Furthermore, the resulting loss of brand integrity and consumers' trust lead to an undefinable amount of lost sales following the widespread coverage of the scandal.

The aim of business ethics isn't just to make sure business is done with due respect towards others while compromising profits alongside no additional benefit. Sometimes organizations can avoid losses by avoiding unethical behaviour or gain profits by becoming a trusted individual in their market (Joyner & Payne, 2002). In this day and age, organizations aren't just economic entities. They are also agents of societal and environmental change, expected to gaze past just their own well-being and accept their effects on the society around them (Svensson & Wood, 2008). To further their point, Svensson and Wood (2008) constructed a model of business ethics (see Figure 3) which depicts business ethics through three major components (expectations, perceptions and evaluations made of the society) and five minor components (society expects; organizational values norms and beliefs; outcomes; society evaluates and reconnection) which act as catalysts on the major components. The model suggests that business ethics are a continuous process with no set end point. Instead, organizations should follow a continuous flow of the society around them and adjust themselves accordingly to fit the changing demands set on them. By investing in time and resources on business ethics, companies can make sure they aren't left behind when society moves forward, thus making sure they keep meeting the evolving demands set on them.

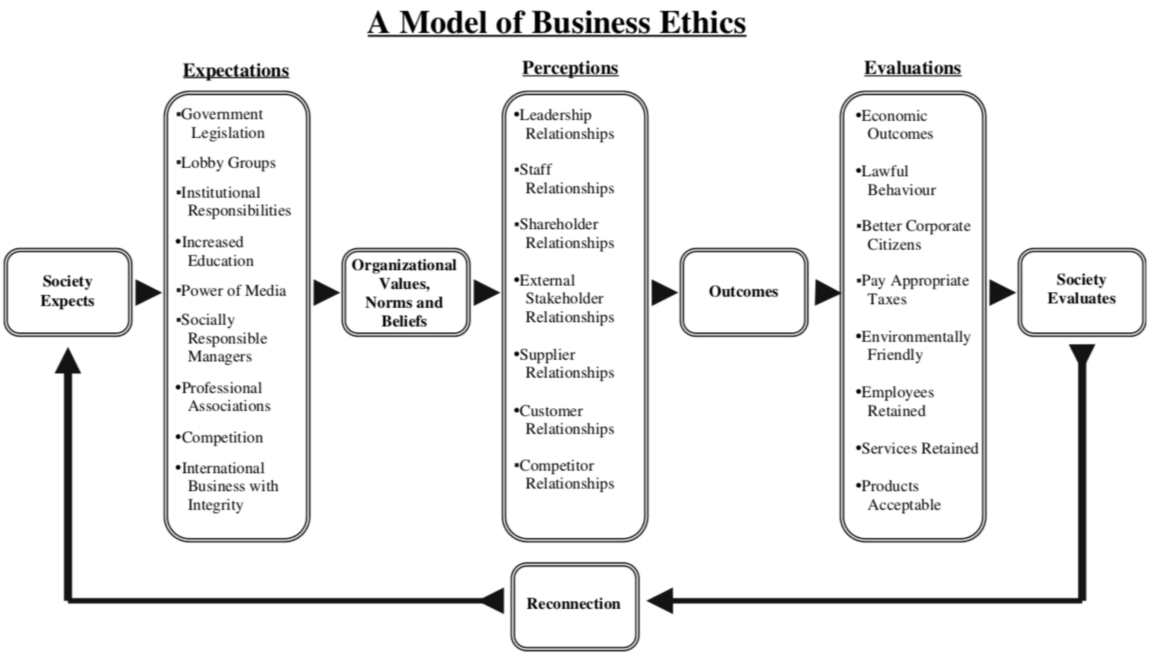

Figure 3, *A Model of Business Ethics* by Svensson & Wood (2008)

2.2. Understanding business ethics

If ethics and business are to be mixed together for the betterment of how companies affect those around them, is it possible to do it in a way which doesn't hinder doing business optimally while ensuring ethical conduct? While this process may seem daunting at first, there are effective ways of shifting the structure of a company to fit the mold of a modern, responsible part of society. Given time and resources, organizations can learn to understand the role and responsibilities they have as some of the most influential social entities on earth (Philips and Freeman, 2003). Of course, there must be a process which gathers and utilizes relevant information properly in order to achieve the wanted results.

While there are multiple ways of completing this task, this paper suggests a simple framework for the “flow of business ethics” in organizations i.e. how relevant information can be gathered by an organization and turned into results which positively affect their business ethics. This framework consists of three parts: firstly, input of information to the organization in the form of **stakeholder theory**, a way of thinking which deviates from the prevalent dogma of maximizing profit to shift focus on understanding the relationships companies have with those around them (Philips and Freeman, 2003). Secondly, the **organization** takes into consideration their place among their stakeholders, figuring out how they could better fulfill their responsibilities. Thirdly, the organization realizes their new goals, depicted by **corporate social responsibility (CSR)**, a concept explaining actions which uphold corporate reputation, acting as an evaluative judgment of a corporation by multiple stakeholder groups (Gottschalk, 2011). This framework also expects a constant re-evaluation of the process, where the output of an organization (CSR) affects the input they get (stakeholders), affecting how their future output.

Figure 4, *Flow between stakeholders and CSR in organizations*

Stakeholder theory

The stakeholder theory is a way of thinking which encourages organizations to take into account not just their **shareholders**, but also their **stakeholders**. In layman's terms, this means organizations should pay heed to not just their owners, but to any group who have a stake or claim on them and their actions (Evan & Freeman, 1988). Analysis done on such wider spectrum will yield results which depict the actual responsibilities of an organization better (Sharplin & Phelps, 1989). Widening of the scope on groups who are relevant to an organization is the greatest strength, as well as the most glaring weakness, of the theory (Philips & Freeman, 2003). There are no set limitations on interpreting who are and aren't relevant to a company as well as how they are relevant, meaning it's subjective to determine the stakeholders of an organization rather than objective (Langtry, 1994). Such dynamic characteristic of the theory means there are various ways of utilizing it, whether it's in the favor of organizations or to their detriment. By looking at the interactions between companies and their stakeholders, it becomes easier to contextualize how actions can have ethical implications and what effects they entail (Kotler, Maon & Vanhamme, 2012). This being said, in order to better understand the merits of the stakeholder theory for business ethics an explanation of what the theory actually means of is in order. Philips and Freeman (2003) explain that from an ideological standpoint, the stakeholder theory combines organizational management and ethics. Instead of thinking of business as just a profit-based action, morals and values are integrated as a central feature of management in the theory. Focus of management is shifted from improving end results to critically examining the actions needed to achieve those results, determining whether or not these steps have been in line with organizational values, the values of the stakeholder as well as ethics in general (Philips and Freeman, 2003).

The term “stakeholder” refers to parties who, in one way or another, have a stake in what an organization is doing. As Freeman (1984: 46) put it, a stakeholder is “any group or individual who can affect or is affected by the achievement of organization’s objectives”. This definition includes groups like customers, suppliers, competitors, shareholders and as many others deemed relevant to an organization’s actions (see Figure 5).

Figure 5, *An example of the stakeholder theory*

A crucial point which has to be remembered is that none of these relationships with stakeholders happen in a vacuum. Instead, they can all affect each other, increasing the complexity of decisions regarding a single stakeholder group (Friedman & Miles, 2006). Furthermore, the groups themselves aren’t homogenous, as there are multiple different people who expect different things from the company within a single group (Fassin, 2008). For example, the term ‘employees’ is a group of people ranging from managers to blue-collar workers. Part of the same group, but quite different viewpoints on what they want from the company. Where a manager of a large, international company will see the positive effects of outsourcing production in search of lower costs, a worker in the soon-to-be-closed factory may not agree on the matter. Stakeholder groups are heterogenous entities which can contain multiple needs and fears under the same banner, which may not agree on organizational matters with themselves, let alone other stakeholders (Fassin, 2008).

These distinct stakeholder groups also demand different ways of interacting with them. Philips and Freeman (2003) discuss about stakeholder fairness, describing how organizations have an obligation of acting in a fair manner towards their stakeholders for their actions to be considered ethical. Fairness in business, based on *A Theory of Justice* by John Rawls (1971), is defined by 1) mutual benefit, 2) justice, 3) benefits that accumulate under set conditions of cooperation, 4) cooperation requires sacrifice or restrictions on participants, 5) possibility of free riders and 6) voluntarily accepting the benefits of cooperative work. When operating with stakeholders, an organization must consider these definitions of fairness and determine whether or not their transactions with stakeholder groups are in line with them (Philips & Freeman, 2003). It is also important for organizations to be vigilant of them being acted on unfairly by stakeholders, specifically those with comparable or higher levels of influence on a matter between them. The notions of mutuality and consent between both parties are a defining feature of fair conduct with stakeholders, meaning that the actions of an organization must appease both the stakeholder as well as themselves (Philips & Freeman, 2003). In addition, shifting between the views of the organizations themselves and their stakeholders has positive benefits. Organizations can accrue more information for making decisions which ensure short-term success through profitable choices as well as long-term stability, ensuring they treat stakeholders fairly, thus avoiding costs of tarnished reputation and possible legal repercussions (May, Cheney & Roper, 2007).

Corporate social responsibility

By determining what is required of them after reviewing relevant information from their stakeholders, organizations will then shift their actions to fit their responsibilities. This changes their output from a purely profit-driven point-of-view to a more socially responsible one. These changes and their effects are found under the term **corporate social responsibility (CSR).** At its core, CSR is a stakeholder-oriented concept where the CSR objectives of an organization are the direct result of answering the potentially conflicting demands of their stakeholders (Lindgreen & Swaen, 2010). This means that the characteristics of CSR aren't defined beyond any similarities that stakeholders may have between each other. Crowther and Rayman-Bacchus (2004) point out that depending on the field a business is working on, the effects they can have on the society around them can differ wildly, in both scope and meaning. The social responsibility of an oil company is closely knit together with environmental issues and tangible responsibilities while a developer of a social media platform can simultaneously affect all corners of the world, with less defined responsibilities. As such, CSR can't be defined as a constant to be shoehorned into the use of any company in some default form. It's dependent on the conduct and behavior of companies and those associated with them (Gottschalk, 2011). At its best, adopting and using CSR can be taken for granted, while at its worst, it can become a threatening concept to company and government alike (Jayasuriya, 2006).

Due to its dynamic characteristics, CSR isn't defined as a constant. Instead, it appears in different forms across different organizations with various configurations. While these configurations are definitely unique in detail, there are enough similarities across the board for them to be categorized for ease of understanding. Gottschalk (2011) categorizes CSR through stages of maturity, where the form of CSR is defined by how long it has been a part of an organization's processes, leading to CSR becoming more and more defined. This then helps to determine how well CSR integrated within an organization.

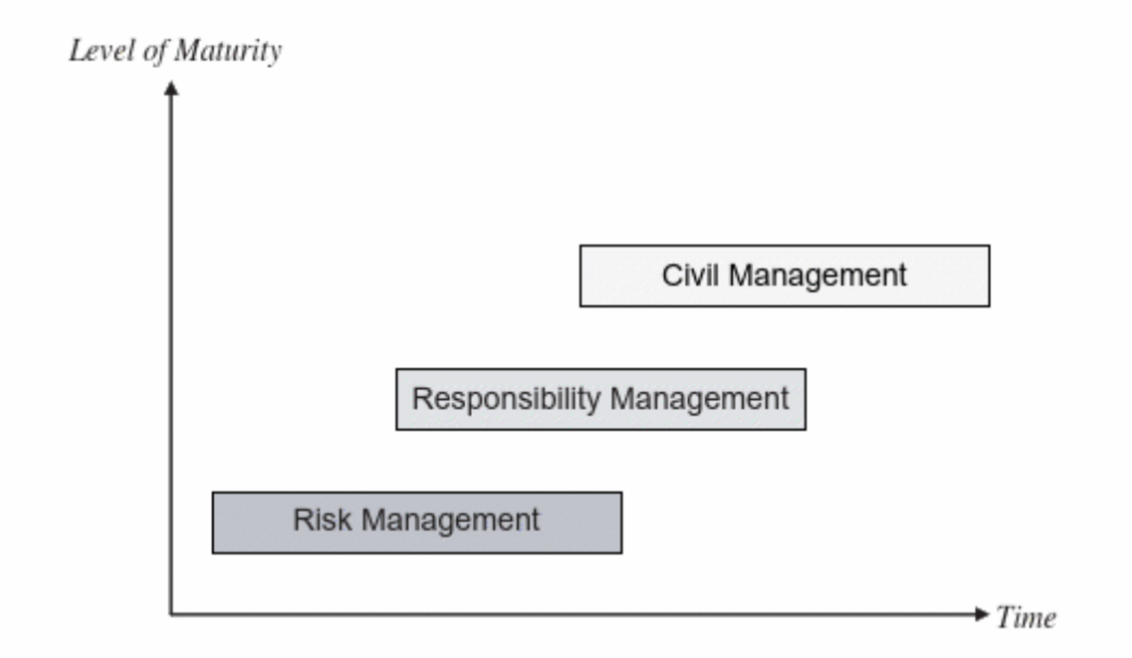

Figure 6, *Stages of maturity in CSR (Gottschalk, 2011, p.113)*

By surveying how organizations' use of CSR matures over time, the growth processes of CSR can be categorized due to some predictable patterns which are reproduced across various organizations. Gottschalk's (2011) stage model is based on this characteristic, where maturity in CSR divided into three stages affected by time and level of maturity as shown in figure 6. The stages are defined as 1) sequential, 2) having a hierarchical progression which is difficult to reverse and 3) involving multiple different organizational structures and activities. The level of maturity depicted by the stages represent a specific type disposition towards CSR within an organization, supporting linear progress across the following stages:

1st stage, Risk management

- corporate social responsibility is a tool to protect the inherent value of reputation
- organizations have begun to develop systems for managing CSR

2nd stage, Responsibility management

- Organizations shift their processes and mechanisms to reflect social and environmental responsibilities
- Brings change to organizational structure by affecting structure of authority and introducing CSR departments

3rd stage, Civil management

- Organizations focus on citizenship as a civil corporation
- Integration of social issues as a responsibility, transforming business models accordingly
- Depth and coverage of this change drives social innovation, leading to benefits for both the organizations as well as the communities they operate in

The process of moving through these stages introduces CSR to different parts of organizations and integrates it into exceeding amounts of processes, leading to an environment where organizations reflect the social structure of their surroundings in their own actions by taking responsibility of their influence on those around them. (Gottschalk, 2011)

While understanding how CSR is implemented into organizations is important, it’s equally important to know how the inclusion of CSR practices affect the value of an organization. As the corporate, social and environmental responsibilities of have become more apparent, organizations have begun to look for strategic capital from complying to these responsibilities (Brammer, Millington & Rayton, 2007). To better understand CSR ‘s effects on business, John Peters (2004) refers to the work of Philip Crosby (1997) who stated that *quality is free.* What Crosby meant by this statement is that the costs of quality assurance will always be lower than the costs of getting caught doing business in a poor manner. Whether it’s due to loss of customers due to a malfunctioning product, sanctions from governments by breaking local laws or internal conflict caused by poor working conditions, low quality business isn’t profitable. Peters (2004) furthers this point by encouraging a wider interpretation of what is cost of quality (CoQ). From a narrow viewpoint, quality isn’t considered free. Instead, cost of upkeeping quality is considered effective only until the point where it meets the cost of fixing defective products and services. From this point onwards, further investment in quality is considered a poor investment, as it overshoots its relevant need. But this is only a representation of the narrow view on CoQ, whereas a wider approach which takes into consideration marketing disciplines paints a wholly different picture where a loss isn't just a single defective product or service, with a set cost to fix it. Instead it's loss brand reputation, loss of customer trust, loss of potential revenue, where the cost of fixing it far exceeds the previous, narrower viewpoint, with sometimes irreversible effects on business. (Peters, 2004) While Crosby's (1997) efforts were focused on the qualities of what companies make, Peters (2004) argues that the same mentality can be applied to the quality of the social responsibilities of an organization.

In practice, socially responsible business is done in a loop which regulates the actions of organizations through repetition of similar actions which are adjusted accordingly to fit the needs of the society. Key parts of this process are the initial scanning of stakeholders, determining their needs and importance in relation to each other, and adjusting CSR objectives by measuring how well they fit the demands of the stakeholders. Organizations must recognize the changed power dynamic in making successful business decisions, how they need to respect the complex needs of different stakeholders and build relationships with mutual benefits with relevant stakeholders (Maak, 2007). It's also imperative to remember that this model isn't the only possible answer to how an organization may introduce business ethics to their existing business model. The model (see Figure X) is based on fitting theories (Sharplin & Phelps, 1989; Philips & Freeman, 2003; Lindgreen & Swaen, 2010; Gottschalk, 2011) to help organizations find their footing in the modern setting of business ethics.

3. Organizations' use of business ethics

Overview of key theories in the field business ethics and an introductory model showcasing how they affect organizations are important parts of the understanding the research problem of this thesis, but they fail to answer the research question on their own. They don't approach the organizational point of view close enough to understand how ethics affect the decisions made by organizations. As such, the scope of the literature review will be tightened in this section to focus specifically on organizations' aspirations regarding business ethics. To achieve this goal, marketing ethics of organizations is chosen as a premise. As to why focus specifically on the ethics of marketing, Dunfee, Smith & Ross (1999) point out how the evaluation of ethical issues is especially important in marketing. Marketing is commonly the cause of unethical behaviour, or it at least acts as the instrument which conveys ethical problems of an organization to a wider audience (Tzalikis & Fritzsche, 1989). This characteristic makes it a perfect direction to focus on, as gathering both relevant literature and empirical data on marketing ethics of organizations is widely available. Marketing ethics will be used as a tool to better understand the opportunities and threats organizations face when faced with ethical dilemmas in business.

3.1. Marketing as an outlet of business ethics

"Everything is marketing and marketing is everything" was the notion of McKenna (1991) regarding the role of marketing in business. Furthering the point, Moorman and Rust (1999) state how marketing is continually becoming less of a function and more of a set of values and processes which encompasses all functions in business. The marketing efforts of a business play a central role in portraying their internal and external values, while affecting how others perceive them in the market. As such, it is no surprise that businesses invest copious amounts of resources to ensuring that their marketing fits their needs. All in all, it is a responsibility to the company themselves to make sure that they do marketing in a manner which properly furthers their primary agenda of increasing their profits. This being said, marketing bears responsibilities beyond businesses themselves. At its core, marketing is a function which manages connections between a business and their customer (Moorman and Rust, 1999). Marketing conveys information of a product to the customer, who then process the information to make an opinion of the product. Herein lies the nature of a business' responsibility in marketing, as their choice of what they choose to tell and how they do it dictates how their customer will then perceive their product.

The scale of this responsibility has become a complex concept as business has moved from a neatly packaged, localized phenomena with clear rules and regulations to an international stage of a globalized world, with multinational enterprises and dismantled trade barriers, making marketing a very potent and influential way of connecting with people (Rajshekhar & La Toya, 2018). As an increasing number of companies scamper to foreign markets chasing growth, they encounter different cultures, values, norms, rules, regulations and behaviors (Alsmadi & Alnawas, 2012). In conjunction, the marketing of said companies will continuously expand to a provide for a larger audience with differing preferences, ways of life and reactions to the provided marketing content. This increases the difficulty of creating content which can simultaneously respect the localized setting of a marketing endeavor as well as reach the goals of a specific marketing campaign while in line with the inherent vision of the marketed product and/or service. A key issue of marketing in the midst of all this is gaining the trust of the consumer which has been described by Leonidou et al. (2013) to partially hinge on ethical considerations regarding a firm's marketing. This is explained by marketing being more exposed to external effects than other functions of an enterprise, which leaves it open to some of the biggest ethical challenges a firm can face (Murphy et al., 2005). This has brought up interest in the usefulness of ethical marketing, if marketing should be characterized by ethical values to appease the consumer and if following ethical values in marketing could increase profits.

Linking together marketing and ethics is a tricky subject matter. Marketing is an action, where the main purpose of a marketing professional is to maximize the number of potential buyers transitioning to actual buyers and profit as much as possible doing that. The temptation to further said agenda by advertising in a misleading manner, selling harmful and unsafe products or specifically aiming for gullible customers for profit, among many other morally unsound marketing practices, are matters which have driven debates over the morality of marketing in general for decades (Schlegelmilch & Öberseder, 2009). This temptation to take advantage of a customer brings about issues of ethical significance, where the boundaries of good and bad become blurred in pursuit of unscrupulous profits. Marketing is also open to the same principle of stakeholders as previously mentioned with ethics and leadership. Marketing is done in the open and isn't a two-way connection between a business and their customer. Instead, there are multiple parties with a stake in the marketing of a business. Marketing professionals must accept that their work is observed by a large variety of actors, who all have a different stake in what they do and how they do it. As Murphy (2005) states, when compared to other business functions marketing is exceedingly prone to external environmental forces which bring ethical challenges to the forefront.

As marketing is susceptible to the effects of ethics as an external factor, the notion of marketing ethics has seen a rise in interest, referring to the extent of a company's marketing policies and practices being defined by responsibility, trustworthiness and transparency, establishing a mood of fairness and righteousness among stakeholders (Murphy, 2005). Especial interest is held by the customers of a business, as their aspirations to deal with a business can be greatly affected by a business's moral standing, wanting to avoid those with questionable values. Consumer views of the matter are imperative for the marketing efforts of a business. Leonidou et al. (2013) believe there to be four major reasons which cause the consumers' attention to ethics of marketing to have such importance. Firstly, consumers are a key actor of marketing exchange processes, so understanding their perception and response to ethical situations will help in planning marketing. Secondly, moving from traditional transaction-based exchanges to building relationships with the customer raises the importance of understanding ethics in managing customer relationships. Thirdly, the attentiveness of consumers on the corporate social practices of businesses’ and any moral mishaps means the managerial cluster of a business must pay heed to how they approach ethics. Lastly, consumers’ negative reactions unethical marketing practices can seriously damage a business’ reputation as well as their brand image.

In addition to consumers, there are multiple actors who are directly or indirectly in contact with the marketing of a business and have varying levels of interest in it. Specific parts of a business also have their respective stakeholders, parties with interest in what that specific part of the business does (Freeman et al., 2010). The marketing professionals of businesses have to aware of who their marketing efforts affect and how those parties react to what they do. Payne and Pressley (2013) believe that the stakeholders of marketing processes aren’t limited to customers and shareholders, greatly broadening the amount of relevant parties by stating that even actors who aren’t and never will be customers of a business can be intensively interested on the actions of a business and willing to act accordingly if they determine those actions to be unethical. Reading an ethical dilemma be quite difficult at times with multiple different parties having variable levels of interest towards a firm’s marketing. On top of being observant of ethics as a whole, the actors of a specific situation have individual values and differing on ethical norms, making it difficult to find moral middle ground (Williams & Aitken, 2011).

Marketing professionals work in a challenging setting where a multitude of different stakeholders show interest in how they do marketing and then being expected to act according to the ethical standards of those external actors. Based on the situation, one could assume that ethics are a hindrance to the goals of marketing professionals and offer only negatives for their work. While it is true that the consideration of ethics increases the workload of marketing professionals as well as intensifying the complexity of marketing as a whole, ethics offer a unique opportunity for firms open to incorporating it to their practices. Leonidou et al. (2013) state that by using marketing ethics as a unique tool in building trust-based customer relationships and improving performance in the market, firms can build crucial advantages in a time of economic recession and intense competition.

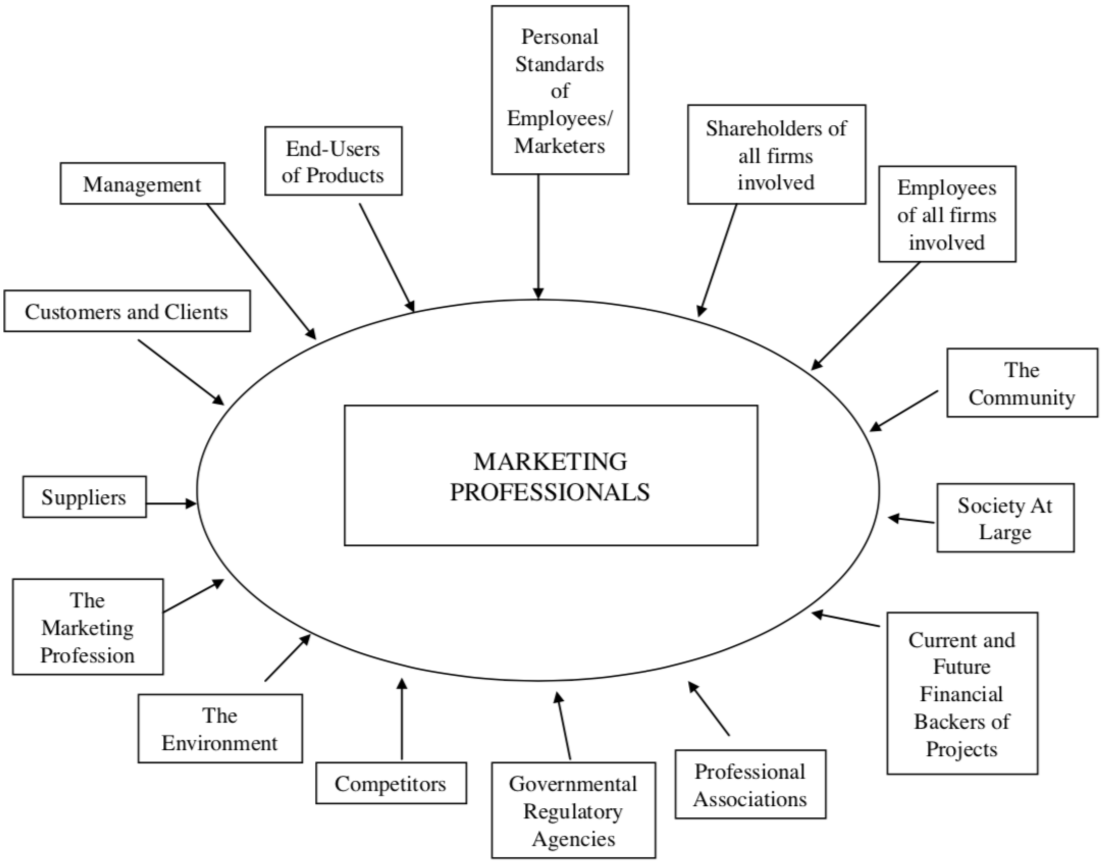

Figure 7, *Stakeholders of marketing professionals*, *Payne and Pressley (2013)*

3.1.1. Establishing boundaries for marketing ethics

Discussion surrounding marketing ethics has been ongoing for long enough that there are some generally accepted lines of thought, which can be utilized in understanding ethical dilemmas while doing marketing. In order to utilize this knowledge properly, a set of boundaries will be constructed based on three established frameworks which provide different ways of understanding how marketing and ethics co-exist and affect each other. Aristotelian (Aristotle, 1984) values, Kantian (Kant, 1969) analyses and a more recent service-dominant logic from Vargo & Lusch (2004). All the suggested approaches are duty-based, where an action is either morally correct or incorrect based on the action itself.

Aristotle (1984) and his seven virtues of courage, self-control, generosity, magnificence, magnanimity, sociability and justice. These values can be directly connected to business practices, including the act of marketing in a broader aspect. Starting out, courage as a value requires businesses to have a capability to regulate fear and have reasonable responses to threatening situations instead of emotional outbursts. Self-control represents the opposite virtue, requiring restraint in situations when presented with opportunities promising pleasure. This can be asked of both the business, to avoid activities which encourage unreasonable and poorly targeted pursuit of pleasure, and the customer, who is asked to regulate their desire to indulge their unsuitable and irresponsible habits. In a consumption-based society, both involved parties are prone to over-satisfy their needs. (Payne & Pressley, 2013)

Generosity refers to the concept of attaining wealth settling the needs of both the business and the customer. Aiming for a median in transactions between the two parties, where the business looks to sell their product at an optimal price and the customer wants to satisfy their need of a product or a service. Looking to satisfy both parties in an amicable manner is expected of a generous business. Magnificence on the other refers to a different kind of generous behavior; being ready to use large sums for a satisfying need in a right manner, but not necessarily in a monetary way. The virtue expects businesses to be a part of their communities, to give some part of themselves to help those around them. Magnanimity, closely related to the two previous virtues, expects a more of a spiritual generosity, to value and respect those around them, to trust and be trusted by customers and other stakeholders alike. (Payne & Pressley, 2013)

The virtue of sociability expects pleasant and professional conduct when dealing with others. Business dealings, like marketing, should always respect the customer in this way, no matter what. Justice then looks to ensure a proper allocation of resources, in its most simplistic form. Businesses should take into consideration what they are selling and to whom, looking to act in good-taste and ensure a certain degree of justice is reached. All-in-all, as Bragues (2006) states, Aristotelian virtues expect proper valuing of things at their real worth in all exchanges as well as showing proper respect and restraint when dealing with others. This mindset is quite straightforward and can be expected of both people and business alike.

The second code of ethics chosen for this framework is the Kantian analysis (Kant, 1969) which is based on three pivotal questions and expects them all to be answered positively for an observed instance to be considered moral. Firstly, is the action universally consistent, secondly, is there respect towards the person acted upon as inherently valuable and thirdly, is the inherent freedom of the person acted upon respected (Kant, 1969). If any of these questions is not met with a firm, positive answer, there is reason to expect that the case at hand isn’t morally sound. The questions themselves are built around the idea of impacting a person with some action and projecting their possible reaction to it from different angles, looking to end up with reactions which have positive end results from the viewpoint of said person. In a simplified sense, the Kantian analysis states that an individual should act upon others as they would want others to act upon themselves (Payne & Pressley, 2013). This mindset can also be utilized in the relationship between a business and their target audience in marketing, as the relevant party for the analysis is the individuals who make up the target audience. The third and final part of the marketing ethics framework for the thesis will be the service-dominant logic introduced by Vargo and Lusch in 2004 and further studied by academics like Williams and Aitken (2011). While the concept of service-dominant marketing isn’t inherently related to ethics, it has implicit value on the construction of a framework for marketing ethics. The simplified premise of the service-dominant logic is that every exchange done in business is inherently a service and no matter that case, the fundamental basis of every exchange is a service with goods being distribution mechanisms for services (Vargo & Lusch, 2004). Understanding the current form of exchange and how it revolves around services between companies and customers is imperative in understanding what kind of ethical repercussions marketing can and will have. The interaction between the two parties is more comprehensive than a customer buying something they value from a business and ending there. Instead, from a service-dominant view, the customer is co-producer of the product, as businesses recognize the need to customize products to match the values of their possible customers in order to better ft their needs (Vargo & Lusch, 2004).

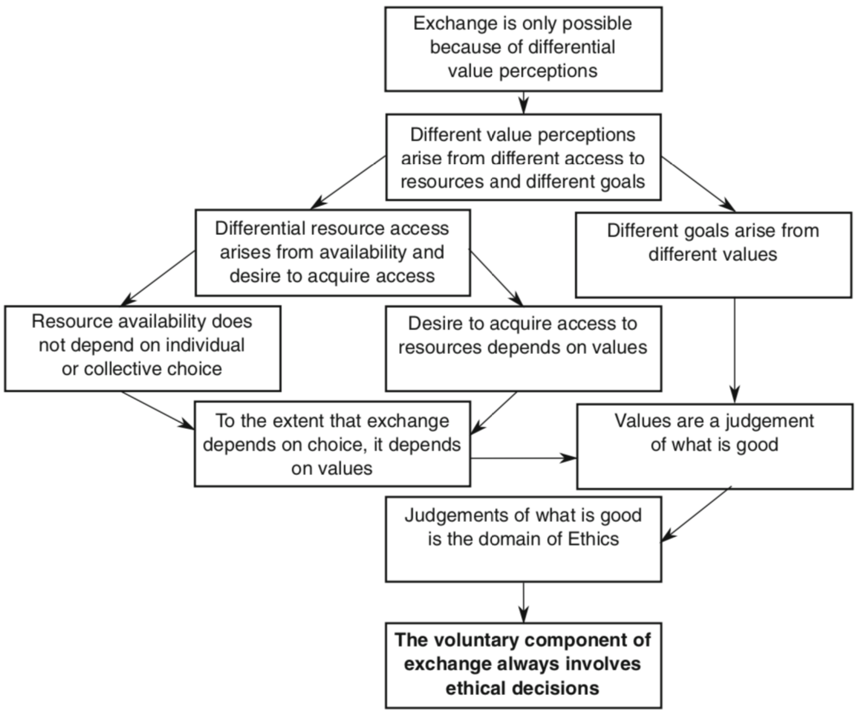

Figure 8, Summary of how ethical decisions are involved in exchange, Williams & Aitken (2011)

Williams and Aitken (2011) delve deeper into how the service-dominant mindset of exchange effects marketing ethics by deconstructing how an exchange itself is related to the perceived value of a commodity, how said value must be perceived differently by the parties involved and what affects the perception of value of a commodity. The chart (see Figure 8) by Williams and Aitken (2011) determines how the voluntarily different perceptions of valuing a product in an exchange involve ethical decisions. Especially the notions of “values are a judgement of what is good” and “judgements of what is good is the domain of ethics” act as lynchpins in linking together the value evaluation of a product by a potential customer and their ethical framework, how they perceive good and bad in a more general sense (Williams & Aitken, 2011). In order to understand the difference in perception of value between a business and their potential customers, they must understand the moral mindset of the potential customer as it controls the voluntary component of an exchange, holding the key to whether or not they will perceive value in the exchange.

The three established theories chosen for the framework (see Figure 9) act as a part of a cohesive package of understanding ethics’ role in marketing. Aristotle’s (1984) seven virtues describe the different components of what is needed to consider an individual or an organization morally sound. The virtues as a whole are an epitome of the what it means to be good in a general sense, presenting a clear view of what to strive towards when pursuing ethical conduct. Kant’s (1969) analysis is exactly that; an analysis of whether or not an action ethical or not, a tool for determining the moral standing of a decision. It’s imperative for a marketing process to be able to determine the ethical standing of possible actions with a simple and agile analysis, which doesn’t impede the process as a whole. Instead, it saves time and effort in the future by being able to evade unseemly actions beforehand. The service-dominant logic by Vargo and Lusch (2004) and especially the analysis of said logic’s ethical side by Williams and Atken (2011) provide reasoning as to why ethics even matter in marketing or business as a whole. By providing a connection from an exchange between business and customer to the customer’s ethics, the need for understanding said ethics is apparent in developing the services of businesses to better fit the needs of customers, thus increasing the perceived value of the customer. Altogether, the three theories construct a framework which helps explain the existence, research and usage of marketing ethics in organizations.

Figure 9, Framework of marketing ethics

3.1.2 Unethical marketing

Marketing is a crucial part of the market in creating connections between companies and customers. The selective flow of information from companies specified to fit the needs of the customer can help both parties to find each other easier in order to hasten their mutual transaction, thus increasing the effectiveness of the market. This being said, as the flow of information is directed from the company to the consumer, there is an appeal of designing marketing to be exploitative of the consumer. Increasing the performance of a marketing campaign by taking advantage of the unbalanced power dynamic between the relevant parties can seem like a viable strategy in short-term, but how does it change the relationship between companies and consumers?

In their study of consumer skepticism, Obermiller and Spangenberg (1998) state how ease of access to information about products and services of businesses in a free market is both a blessing and a curse. By allowing businesses to market and compete with each other freely, they do optimize their marketing efforts to best convey information about themselves to the customer, but sometimes can cross the line of truthfulness while looking to present themselves in a better light than their competitors. Excessive usage of exaggerated claims about a product in tandem with consumers coming to terms that the product did not meet the expectations set by the marketing. This creates a divide between the business and customer, where the customers cannot trust the business as they normally would, placing doubt on the legitimacy of information from a source known to be prone to deception. In the end, the misuse of the freedom provided by a free market by unscrupulous marketing erodes the efficiency of the whole market.

Darke and Ritchie (2007) continue this line of thought, stating that firms should not only be concerned with the truthfulness of their own marketing, but pay attention to the marketing of all organizations they are in contact with. The deceptive marketing practices employed by those organizations can bleed over to negatively affect the response to the marketing of a business which has never dabbled in deception themselves, reducing the effectiveness of their marketing without any of their own fault. They also believe that there’s no way to immunize oneself to this affect, as the general effect of consumers becoming desensitized to marketing as a result of being deceived makes them less responsive to all marketing, regardless of whether its sources have been deceitful in the past or not. As such, marketing professionals should have a strong interest in avoiding deceptive marketing practices by avoiding loss of their own consumers trust as well as weakening the credibility of marketing as a whole.

Even if deceptive marketing is to be considered as a fruitless endeavor, identifying it in order to avoid it can be a challenging undertaking in itself. As there are no clear boundaries to determine whether or not marketing content is considered deceptive. Instead, the classification of what is or isn’t deceptive is largely a case-by-case process, sometimes resulting in clear appraisals while resulting in a mess in others. For example, often times specific attention is required when marketing to groups susceptible to deception, such as children and the elderly. Additionally, cases where the deceit regards vital information on a larger scale naturally draw decisive conclusion as upon discovery their effects have a considerable magnitude. Outside of these clear-cut cases, marketing deception can be quite subtle, up to the point where it's hard to even classify it as deceitful. Wible (2011) examined the phenomenon of generally truthful marketing practices which on face value do not lie to the consumer, but still deceive almost everyone. His studies focused on cases where the contents of marketing were completely truthful, but due to the context and the way they were used, these marketing campaigns would deceive consumers into doing irrational purchases. For example, in a case chosen by behavioral economist Dan Ariely (2009), an advertisement by *The Economist* was given to supposedly smart and rational MIT students. The ad presented them with three options, $84 for an online subscription, $125 for a printed subscription and $125 for both of the previous options combined. 84% of the students chose the combo, 16% chose the online version and no one chose the printed version. The second part of the test was given to a new group of similar MIT students, but this time the option to get a printed subscription was removed, as no one had chosen to take that in the previous test. The removal of the seemingly irrelevant choice affected the choices done by the students greatly, with 64% choosing the online version and only 32% choosing the combo. Ariely (2009) described this as a decoy tactic, where consumers may irrationally choose to take an offer simply because they seem to benefit so greatly from it (getting the online subscription for "free" when buying the combo instead of just the printed version), even if they would never have had a use for the perceived benefits of the offer. Even though the campaign by *The Economist* was not inherently deceitful, the choice of different subscription models and clever pricing tactics led the 1st test group, and possibly actual customers, to spending more than they would have if they had made their choice rationally. Cases like this undermine the general notion where consumers are expected to generally act rationally and make purchases with the most benefits at the lowest costs. Wible (2011) states that consumers will from time to time act irrationally due to a draw to hedonistic pleasures, where the act of simply buying something on sale or getting it free outweighs the reasoning as to whether or not the purchase was acceptable. In these cases, are the companies to blame for acknowledging and utilizing this behavior or does the shame lie with the consumer, unable to control their desire to spend while knowingly acting against their better judgement?

3.2. Depicting the effects of deceptive marketing

To better understand how ethics can affect the market value, especially through marketing, an example on how dismissing business ethics in marketing has a negative effect is in order. Tipton et al. (2009) explored the effects of regulatory deceptive marketing on firm value, uncovering how continuous use of marketing practices which aim to mislead the customer to portray the marketed product in a better light had a net-negative effect on the value of businesses. To better understand deceptive marketing, it should be divided into two different categories, omission-based and commission-based (Wiles et al., 2010) Omission refers to leaving out certain details intentionally, details which would often be considered negative, in order to elevate the status of the marketed subject. Commission then refers to marketing containing some information which is objectively untrue, aiming to lie directly to their consumer for monetary gain. While both of these ways of deceptively marketing amount to lying to stakeholders in order to present a business and their brand in a better light, they garner different responses when proven to be deceitful. Commission-based deception garners a more direct response, where the mishap is believed to be a fault of the business themselves, whereas omission-based deception is more easily seen as an industrywide issue (Wiles et al., 2010). This being said, Wiles et al. (2010) mention that repetitive omission-based deception has a quirk among investors, where high-reputation (high-equity) firms can bank on their prestige in the market, giving them a higher resistance against losing stock value among investors when caught on omission-based deception, while low-reputation (low-equity) firms do not enjoy the same resilience and will have their stock easily damaged be continuous omission-based deceptions. Commission-based deceptions on the other hand do not have this attribute as the straightforward nature of the lie is so apparent that investors and other stockholders cannot preserve their perceived value of the stock of the perpetrator, no matter the reputation of the company.

While the reaction of investors towards deceptive marketing is affected by the type of deception as well as the reputation of the offending company, is the reaction in general large enough for businesses to care about the repercussions? If the projected gains of committing to creating an intentionally deceptive marketing campaign exceed the losses, could it be considered an appropriate business decision? Wiles et al. (2010) conducted an empirical study on the effects of deceptive marketing in the pharmaceutical market by following violations of FDA's (Federal Drug Administration) guidelines on correct marketing. When the FDA's guidelines are infringed, a letter will be issued to the offending party, which will have its contents in the open to the public. By following this trail and focusing of infringements which were considered unsound marketing by the FDA, Wiles et al. (2010) could examine financial market responses to deceptive marketing through a constant, the FDA's marketing guideline, looking to uncover results which normalized the effect of ethics on marketing to a measurable constant. The findings of said study point out that an FDA ad violation led to an average of 0.91% decrease in firm value. In the median of the companies during that time under FDA regulations, this would translate to a loss of around $86 million dollars, with some of the biggest pharmaceuticals, like Phizer, risking losses up to $1 billion (Tipton et al., 2009). Tipton et al. (2009) whose study of regulatory marketing deception was also focused on pharmaceuticals breaking FDA regulations, discovered an additional negative connection between deceptive marketing and the offending firms. Through excessive use of deceptive marketing practices, a company's general marketing communication and other products can also be negatively affected, as consumers become suspicious of the firm as a whole due to their deception (Tipton et al., 2009). This kind of loss in value is harder to measure but can still be quite disadvantageous to a business. If too many customers lose faith in their services and choose to abandon them, the cost and time investment of acquiring new customers will be quite significant (Leonidou et al., 2013).

3.3 Establishing a theoretical framework

While business ethics has always been a part of business, never has it been as pronounced and visible as it is now. This increase in relevancy can be attributed to changes in the structure of society and flow of information. Places of power have become more transparent, the relationship between company and consumer goes two ways instead of one and the amount of competition in all markets has increased dramatically. There are numerous possibilities for ethical conflict in business, requiring organizations to respond in one way or another. To better understand what organizations face in these situations and how they react to them, a framework has been constructed based on the theories explored in the literature review. This framework consists of six research propositions. These propositions are split into two sections based on the structure of literature review, which itself is a similarly split in two-parts.

Business ethics have become increasingly relevant to organizations with time (proposition 1). There is a stark contrast between what business ethics was perceived to be during the 20th century compared to now. The theories researching business ethics have become increasingly intricate, organizations have allocated more resources to upkeeping ethical business practices and society has grown to expect a higher ethical standard in business. The placement of organizations in society has also changed as time has gone forward, leading them to a position of influence over a great number of people. Due to such a shift in power, **organizations have been introduced to a social responsibility beyond profitability (proposition 2).** The expectations set on doing business have expanded beyond producing a product which meets a need in the market. Society expects organizations to pay heed on the effects they have on others while working towards their goals, taking into consideration their various stakeholders.

To accomplish this goal and maintain a good societal standing, **organizations moderate themselves based on set values (proposition 3).** These values are decided on by organizations themselves based on how they believe society expects them to behave. There are no set perimeters for what these values should be, but at the same time having a lacking or misguided set of values may garner disapproval towards an organization.

The increased relevance of business ethics has molded common practices in the market, guiding organizations to follow along in hopes of securing a better market position. By studying the process of how a specific part of business (marketing) has been affected, it became clear that business and ethics are something cannot be separated from each other. As such, it's quite natural that business ethics have clear effects on how organizations. First and foremost, **business ethics have become a source of competitive advantage and disadvantage (proposition 4)**, leading organizations to pay far more attention to how ethical they are perceived as. In an effort to reap the benefits of advancements in their business ethics sector, organizations do not shy away from showcasing their ethical standards to their stakeholders when they've made improvements in that field to make sure they benefit from it. Being evaluated on ethics does have its downside as well, with unethical behaviour being shunned. Immoral acts which have been hidden purposefully to better the image on an organization have especially negative effects, as organizations lose trust of their stakeholders when the deception is revealed. Organizations have to carefully choose their actions, as **business practices can be used to gauge the ethical standing of an organization (proposition 5).** With ethics being capable of affecting how an organization is perceived, it is no surprise that it has profound effects on their baseline profitability. The chosen values of an organization can affect consumers choice to buy their services, ethically sound internal policies help ensure employees motivation, investors may not invest in an organization which has been found guilty of unethical behaviour and many other factors related to ethics can all affect the profits of an organization. As such, **the market value of organizations is affected by business ethics. (proposition 6.)**

As a whole, the six propositions gathered from the literature review establish a framework (see Figure 10), which encapsulates different ways looking of at the research problem and answering the research question. The aim of this framework is to chop the subject matter into manageable slices, which will then be re-evaluated in the conclusion of this thesis after empirical findings have been analyzed. These individual analyses will be used to answer the research question with as much detail as possible.

Figure 10, Framework of theoretical propositions

4. Methodology

The goal of this thesis is to better understand the relationship between business and ethics from the viewpoint of organizations. To complete this goal, there is a definite need for empirical data from organizations to better understand their views on the matter at hand. Furthermore, the data collection method chosen is qualitative. The reasoning for the qualitative approach instead of a quantitative approach is rooted in the nature of ethics as an intangible concept. While the data provided by a quantitative research would have wide coverage and could provide some valuable insight to broader effects of business ethics, it would fail to provide the deeper insight of select individuals needed to properly answer the research questions. If the research is to be continued further after this thesis, a quantitative analysis may be necessary to widen the horizon of the research. Still, in this phase the research will be based on qualitative sources for empirical data in order to better understand the subject matter through the organizations.

The philosophical position of the research is mostly in line with social constructionism. Burr (1995) describes social constructionism with four general assumptions. First, it does not accept taken-for-granted knowledge at face value, instead preferring to be critical towards it and opening it to discussion. Second, acknowledging that classifications of things around us are born from social interaction of certain people, in certain times and in certain places. Third, social processes and communication sustain knowledge. Fourth, social actions and knowledge are closely connected. These four points correlate with the nature of the research in studying business ethics and how it should be focused around the social aspects of empirical data, avoiding generalizations at face value.

4.1. Quality and credibility

The quality and credibility of qualitative research are defined by the **reliability** and **viability** of the research (Birks, 2014). Research should be **reliable** in the sense that the research methods are chosen correctly, executed well and no foul-play is present (Seale, Gobo, Gubrium & Silverman, 2004: 378). The reliability of this thesis is based on choosing the correct theories to dissect the research problem and recognizing the combination of these concepts from other works (for example in Sharplin & Phelps, 1989; Philips & Freeman, 2003; Lindgreen & Swaen, 2010; Vargo & Lusch, 2004; Leonidou et al. 2013). Another source of proving reliability would be repeating the research with another, similar set and get similar results. In this case, repetition of the empirical research isn't seen as plausible nor necessary, as the reliability of the research is based on following peer-reviewed methods. Research should also be **viable** in the sense that the method of collecting and processing data is applicable for measuring the research problem (Seale et al., 2004: 378). This has been achieved by ensuring that the data collected is from separate, credible sources and the claims made by these sources have been checked. In addition, the theoretical framework compiled from the literature was built based on peer-reviewed sources. Thus, the data and the results derived from that data are viable for furthering research in the relevant field.

4.2. Establishing the research

The empirical research conducted for this thesis is based on semi-structured interviews covering how business ethics is viewed by organizations. As the aim of the thesis is to better understand how business ethics affect organizations, the interviewees are all in either upper- or middle-level management positions of their organizations. This choice of interviewees was done in order to ensure they have a viewpoint on their own organization from where they could properly answer questions regarding the effects of business ethics on an organizational level. The interview includes both personal and organizational questions regarding business ethics, in order to better understand how the interviewees view business ethics as a whole. Additionally, a hypothetical case of deceptive marketing practices by the New York Times (NYT) is a part of the interview (appendix 2), to act as a catalyst for gauging the interviewees views on the matter. By giving them something tangible and less theoretical, the interviewees can acclimate themselves to the issue at hand a bit easier. The case itself is purely fictional, but it is based on an actual test conducted by Ariely (2009) with two groups of MIT students.

The process of doing the interviews started with contacting suitable individuals and organizations, twenty-five (25) in total. Of these twenty-five, twelve (12) contacted back with either interest in the project or informing their dis-interest. Finally, eight (8) parties agreed to take part in the interviews, ranging from various different industries (medical, industrial equipment, cultural, university, etc.). The organizations' sizes varied between small companies with under 25 regular employees and large entities with thousands of employees. All of the organizations operate in Finland and all of them except one, had some business activities reaching beyond Finnish borders, ranging from sporadic projects here and there to operating in other countries full-time. Many of the interviewees would also answer some questions based on their experiences in previous work positions in other organizations, if they felt it had more relevance.

The interviews were conducted during November and December of 2020. All of them were done via either Zoom or phone, as face-to-face meetings were not feasible during that time (Covid-19). All of the interviewees received the questions of the semi-structured interview beforehand in order to let them prepare properly for the interview. The interviews lasted from 30 to 60 minutes, depending on the interviewees' schedules and the broadness of their answers. All of the interviews were conducted in Finnish. The demography of the eight respondents was split to five men and three women. The interviewees ages ranged from 40 to 70. The following image (Figure 11) depicts the position of the interviewees in their respective companies as well as their organization's field. In order to ensure the interviewees could talk more freely about the subject matter, all of them will stay anonymous and their organizations will not be mentioned by name. All the interviewees also agreed to that their interview could be recorded for the uses of this thesis.

Figure 11, The interviewees of the semi-structured interview

5. Empirical findings

In order to further the understanding of how business ethics actually effect organizations and recognize the realities of the research problem, empirical research on the matter is needed. Multiple individuals were interviewed about how they perceive business ethics, how it affects both them and their organization and whether or not they perceive it as an integral part of doing business properly.

This interview was built around collecting information which would help fill out holes left by the literature review on the nature of business ethics in organizations. Experience based information on the matter, which couldn't be found from theories, was a priority when coming up with questions for the interview (appendix 1), which was done in a semi-structured form consisting of fourteen questions with one of the questions consisting of an example case (appendix 2). The data collected will be displayed and discussed on alongside the research objectives of the thesis. This is done to ensure the analysis of the data is directed properly towards the research problem and improve the readability of the data. A summary of the major points from the data will be compiled and then cross-referenced with the literature review to reach a conclusion for the thesis.

5.1. Organizations' perception of business ethics

The starting point of this thesis was to understand the basics of the research problem, how organizations perceive business ethics and how they link it to themselves. While literature suggests certain models and practices, it was imperative to gather data starting from the very basics of the subject matter. Regarding what the term 'business ethics' itself means to organizations, Person E described it quite well, summarizing the general notions on the matter.

> *"I immediately segmented this concept (business ethics). [...] There are* ***three*** *sections in how I understand it:* ***external*** *factors [...] like laws, regulations and expectations. [...] Then there are* ***internal*** *decisions, internal instructions, operating models and their values, as to what doing things is actually based on. Then there are, for personal well-being and being able to look at yourself in the mirror, your own values,* ***personal*** *principles and whether they are in conflict or on the same wavelength as your employer."* – Person E

A point of contention was the level of importance business ethics hold to organizations. While no one denied that it is important, there were significant differences in how important it is perceived to be organizations. Some organizations have adopted ethical conduct as a central characteristic of themselves.

> *"I think it's so integral, that I couldn't even think of working for an organization which has an ethical code that I couldn't personally agree with. [...] I see it as a central, if not the centermost, characteristic that I look for in my employer."* – Person C

> *"It (business ethics) should be baseline and a prerequisite for doing business. It always isn't like that, but we constantly strive for ethically sound conduct. [...] It's an ongoing process of daily decisions where you must determine whether or not they are ethical"* – Person B

Others are a bit more reserved, acknowledging the effect of business ethics and noting how the topic has definitely risen in agency during the 21st century. Still, they don't necessarily share the enthusiasm of other organizations. The interviewees from such organizations depict it as more of a "work-in-progress" type of situation. The process of integrating business ethics into their business practices is at a point where it's definitely a good inclusion but hasn't reached the point of noticeable relevance as it has in other organizations. Reasoning for this can be attributed to industry specific characteristics which either hinder the process or don’t consider new business ethics practices to be an issue which needs to be solved quickly. For example, older industries with little-to-no B2C practices and older, hierarchical management models will neither feel the immediate effect of sticking to older business models nor will there be a rapid change in leadership to bring in a new standpoint.

> *“It (business ethics) is a topic which has been emphasized during the previous years. This wasn’t talked about as much, in my opinion, let’s say five or ten years ago. It’s [an] upcoming [thing], a part of good management habits and it has even become a part of investor relations.”* – Person G

> *“There has been some light pointed towards these matters, let’s say during these last two decades, which is a good thing. It has straightened things up considerably. In my thirty plus years in business, business ethics have gone forward, it has remarkably evolved. [...] Its agenda has definitely advanced and many things are better than on the masculine 80s, 70s, 60s [...] where business ethics as we know it didn’t really exist.”* – Person H

While there are disagreements on the importance of the matter, no one outright dismissed the effect ethics have on business. Organizations have begun to set themselves clear perimeters which determine what they expect from themselves and their employees. It’s valid to assume that organizations have been put to a position where they must at least acknowledge the existence of ethics as a part of business. Efforts to accommodate ethics to business are set in stone through established values and communicated internally as well as externally to ensure desired results.

> *“It (business ethics) has to guide the whole organization, it makes no sense for it to guide just the management or a single individual.”* – Person G

"[Business ethics] is necessary, a compliancy matter, like many other things. It's compliance in the way that just like we have to as individuals, citizens abide by the rules of our society, [...] a company has to, as a matter of fact, comply to various ethical codes, not just their own internal one." – Person H

"The world has changed; it's multicultural and rules of the game have become more inclusive. [...] Because of this, we have publicized our ethical codes. [...] All of our ethical principles have been written down as a series of publications. They are value based, established not only on the university's own values, but also making them capable of enduring the changing world." – Person D

The acknowledgement of business ethics by organizations has brought changes to their way of doing things. This development splits into two general areas of influence: the individual, including all the employees of an organization, and the organization itself as a whole. Determining the differences between these two areas became a focal point of discussion. Starting off, the individuals are seen to gain quite a lot from the inclusion of business ethics. They gain security, information, leverage and can make their voice heard unlike before. The only major negative brought up is how the individual's responsibility grows alongside these benefits.

Definitely positive. [...] All our business activity aims for complete transparency with all the information made available, which is fantastic. Only caveat being that people might not even know what information has been made available." – Person E

"They (effects of business ethics) are clearly a positive from managements standpoint, for both management and staff. [...] They are a guideline and sometimes even act as a support for making an uncomfortable decision." – Person G

> *"It has a definitive effect on my work, [...] because we're in the healthcare industry and as we've seen, healthcare companies' ethics and, let's say, high standards in everything they do are an inevitable condition for anyone to want to do anything with them" – Person C*

Moving on, organizations have quite a lot in similar with how the individual is affected, but with some key differences. In general, organizations are expected to follow the same rules of society as the individuals who live in it. It is rarely defined in the needs of stakeholders whether they want something from the whole organization or just certain individuals. Often times, this distinction isn't made. While the catalysts in business ethics are the same, differences are found in the effects between individual's ethics and organization's ethics. Unlike the individual who reap wholly positive benefits, organizations experience a mix of positive and negative effects. While it is seen necessary and positive that organizations have to consider the ethical implications of their actions, the restrictive nature of business ethics was definitely apparent. Organizational ethics isn't simple. It can restrict employees, it isn't necessarily clear what is asked of a company beyond the bare minimum, the pressure to do things the 'right way' can build up and it takes a different kind of eye to succeed in fitting in with the image of an ethically sound organization in the modern world.

> *"Every one of us has to be completely committed to the company's set ethical code and if this isn't the case there are immediate repercussions. – You can't work for us if you don't want to follow those rules and the ethical code which we have." – Person C*

> *"I see that ethics consists of charters that companies declare these days on their websites where there are certain principles – they are partially self-imposed and partially based on [external] decrees. [...] In practice, a company has to abide by some minimum decree, but then they can voluntarily go further in and define the matter in deeper sense."* – Person H

> *"In my opinion, business is strongly headed towards a direction, where success will not be easy, if these things (business ethics) are not in order. – There are of course many kinds of pressures: pressure about sustainability, pressure about work force management, pressure about information security. There are various pressures you must take into account, if a company wants to maintain their prerequisites for doing business."* – Person C

All in all, the general perception of business ethics bears similarities in organizations across different industries and sizes. It is noticeable and has become a part of organizational culture. The finer details are quite varied. Organizations perceive the reason for complying with these changes differently, some feeling forced to do it while others gladly accept the change.

5.2. Effect of business ethics on organizations' practices

Business ethics have become an undeniable part of doing business, more so in the 21st century. Rarely can business be done without there being some sort of internal or external questions which must be answered to ensure business is done with morals in mind. This has pushed business ethics to becoming increasingly integrated into organizations. The transitional period many organizations are currently in isn't trouble-free. Taking the traditional goals of an organization and merging them with ethics can often lead to compromises, which can clash with views both inside and outside the organization.

> *"Like in all communities, you oftentimes have to make compromises in organizations. [...] Sometimes you have to leave certain subjects with less focus. This can bring about substantial disagreements between a person and the organization they are working for." – Person B*

Introducing business ethics to an organization's culture is a case-by-case process. The effects of this process are far from a constant across different organizations. Looking at the gathered data, some of the organizations consider business ethics the foundation of their organizational cultures.

> *"It is in the center of it. If we aren't trustworthy, honest and transparent with our actions, that's the end of our organization. Everyone assumes that we follow these rules to a T. Unfortunately, when cases unavoidably do come up where there are problems, [...] they end up as big headlines." – Person C*

> *"I believe that organizational behaviour is number one. There can't be external and internal behaviour. There has to be transparency inside the organization as well." – Person F*

Other organizations place the importance business ethics somewhere in-between. It has relative importance depending on the case. Ethical conduct is to be strived for while doing business while recognizing that it can't be the first thing an organization has in mind while doing business.

> *"I believe it's effect has grown during the last decade. Views have shifted away from seeing things as simple tools which produce certain things with the one and same method and that's all. In my opinion, its [influence] has increased overall. Ways to observe and to notice things, to include various stakeholders, viewpoints. This [behaviour] has definitely increased in our organization." – Person E*

> *"It is something in between. We had started a program for values in work and a part of that was business ethics. It began as 'top-down' through externally learned mantras, but we were on the right track to including it as one of the pillars (of OC). – Person G*

Moving on beyond how ethics become a part of organizations, it is imperative to define responsibility. When ethics are a part of organizations and how they do business, who bears responsibility for it? An organization, while a legal entity, can't be held responsible for its actions. Instead, an individual or a group within the organization is accredited with the authority and burden of making the final call on the actions of an organization. This then makes them responsible for any repercussions it may have. In some organizations, this responsibility falls directly to the top of an organization

> *"It's my duty communicate it [business ethics] to either the whole organization or to unit leaders, who then pass the message forward." – Person A*

> *"Ultimately the ones responsible, like for all things, are the CEO and the executive committee. Secondarily, the owners and the board of directors. – Person H*

Other organizations have spread out the responsibility. It's still directly tied to the upper management as they are the ones with the final say, but the responsibility should still disperse among all who are involved. No one is exempt from their actions, even if those actions were in some way or another a result of following orders. It is also perceived as quite difficult to fairly distribute such split responsibility, as you can't quantify it like many other factors in an organization.

> *"That's a difficult question, really difficult, in the sense that decisions which are done together bind all the relevant parties. What influences were in the background, what things led to making an organizational level decision are left unknown to outsiders and future generations. Only the decision made by the organization is left visible." – Person B*

"We have a compliancy function, which is also partially responsible for this. [...] So, we have a (regional) Compliancy Head, who locally takes care that we all continually and regularly educate ourselves on these matters, we have these different kinds of refreshers. Of course, if some rule changes then that is re-educated. Changes or no changes, we have an annual refresher on all of our instructions, so that these things don't get forgotten." – Person C

"Leaders have substantial responsibilities, on how you react and will react in the future, especially as a civil servant you have a greater responsibility. [...] But at least I try to state, that everyone has a responsibility, that an employee can't outsource themselves from their responsibility." – Person E

"First of all, it's [on] management, but also every individual. Management facilitates it, but in the last hand it's also the individual's responsibility." – Person G

A few organizations believe that responsibility is an all-encompassing, inclusive matter, where everyone is responsible for what they do and shouldn't be able to push their responsibilities to someone else in the organization. This model is apparent in institutions which give higher levels of independency to its employees and thus expect them to carry the responsibility for it.

"It has been made very inclusive, because here at the university there's an unbelievably, let's say, aggressive community in the sense that when a strategy is being made no one wants it to be done by 'someone' in management. Instead, people want to be a part of it and so it has been made into quite the inclusive process." – Person D

> *"Everyone has responsibility. There isn't the sort of a spirit that management decides these things. The difficult questions, if some employee tells about them, they are brought up to everyone." – Person F*

Even if an organization does their best to conduct themselves ethically, there are always bound to be some mishaps along the way. Organizations respond to these situations in different ways, ranging between proactive and reactive solutions. Upon closer inspection, it became apparent that larger organizations trust proactive models they have put in place and the control it has on their employees, while reactive methods become increasingly relevant in smaller organizations. The larger organizations trust proactive methods like education and ethical codes due to the sheer size of their employee base, where case-by-case action isn't feasible. Still, when needed, they will react to ethical transgressions.

> *"Some things are better to be controlled than to hope for their best. Surely, with such a central matter, it's better to make sure that the organization demands [their employees] to regularly study these things – if there are violations the organizations can state that they happen regardless of the organization doing their best as an organization." – Person C*

> *"I'd say the process is part both. We do expansive amounts of proactive work, talk a lot, have training and discussions as well as offer inclusion. A lot of work is being done from many angles. But on the other hand, things that happen in everyday life are of course also reactive." – Person E*

> *"It's definitely proactive, but of course as a normal leadership procedure we have a whistleblower-channel is use. […] Still, almost all of it was preventive, enlightening, guiding and engaging, instead of slapping people on their wrists." – Person G*

Smaller organizations shift towards more reactive methods, where trust is in a key role. As there are fewer people employed and they have a wider range of responsibilities, the ethical stand of the organization is made clear to employees and they are expected to follow it in their work. Unethical conduct is dealt case-by-case as there is enough resources to do it and it can be quite deadly to smaller organizations if left without attention.

> *"Unfortunately for a smaller company, it's quite reactive. Of course, we have an introductory manual, accountability processes and we take ecological responsibility, economical responsibility as well as social responsibility. [...] But as the business is based on day-to-day life, we can't be ready for everything. As things change, you have to have sort of resilience for it. [...] Ethics is done, not just talked about." – Person F*

> *"Supervising the process is impossible. You have to make your principles clear and trust that people follow along with those principles." – Person A*

No matter this size of the organization, an important characteristic of business ethics is that its inclusion to the repertoire of organizations is relatively new, at least to the extent that is being seen at this point in time. It has also been introduced to different fields and industries through different avenues and on a varying pace. Does this mean the strategic implications of the matter are wildly different across various organizations? According to the data, the differences are more related to scale of how important business ethics is, rather than why it is important in the first place. Organizations have included ethics as a part of their strategies due to outward pressure from stakeholders, forcing them to respect the varying needs and pleads they may have, sometimes compromising short-term profits to achieve this. This isn't to say that this phenomenon is having a strictly negative effect on organizations. The realignment of goals towards a wider array of needs is where some organizations find success by devoting themselves to understanding their stakeholders and pushing themselves above their competition.

> *"Organizations, companies and brands don't do anything which they don't seem to profit from in the market. So, the current need for brands to seek purpose and protect the earth, whales, or whatever... It comes from consumers being quite well-aware and the world being quite transparent." – Person A*

> *"One of our strategical pillars is building trust in the society. I'd see that building this trust doesn't only include talking about ethics and what ethical business should be, but specifically executing things like that. – If we succeed in being a bit ahead of our competition, for example, in transparency, data and information based pricing and other things in the field which have lot to develop on. [...] We can gain advantages from it in the business sense." – Person C*

> *"From managements point of view, we think that the company gains value from high ethical standards. [...] The trickier question is how to measure it. We had a yearly employee satisfaction survey, which examined this among other things. [...] Looking at the bigger picture (from the survey), you could see what direction the business was taking." – Person G*

As organizations have become increasingly involved with ethics, so have the ways of leading others. Some organizations have experienced changes through organizational restructuring and additional tools to fit the needs of current times, a well-coordinated effort where leaders have to both follow the ethical codes of their organization themselves and enforce similar behaviour from their employees. The larger the organization, the more apparent the need for tools built for the situation became.

> *"Our CEO's message is that if your weighing between having 100% compliance of our ethical codes and chasing short-term profits by making compromises, you*

don't make those compromises. We will compromise our profits instead of our ethical procedures." – Person C

"It isn't just a glued-on mantra, instead it's something that comes from the inside. Even in cases where I don't personally think like that, I recognize my role as a leader. If I act in a certain way, it's probable that my organization will adapt the correct ethical or moral standards." – Person G

"No strategy is actualized by just being red out loud. [...] It's application and implementation are a bigger job in the midst of all this hassle. [...] We have multiple internal tools. For example, if there has been an accident or they've been targeted by uncalled behaviour, employees can immediately fill out a report [on it]. [...] It's their responsibility to feed it into the system so it leaves a mark and the issue starts moving forward. So that we avoid getting to a point of 'yeah, we've talked about this, nice, check that box and move on' and instead start a process which can be observed." – Person E

In other cases, the importance is on setting rules in place, communicating them clearly and having faith in individuals acting accordingly. Building trust between leaders and those working with them is an integral part of this style. Leaders need trust their employees to follow the organizations ethical framework, without intervening in what they say and how they say it. This strategy is favored by leaders in smaller organizations where leaders know their coworkers well enough to trust them in this manner.

"We bring it up quite openly, that these things matter to us. Still, as people are all different, every person has their own way of saying things. I won't go and correct what our architect has said in some matter, because I think it's them, they are in the situation as a person – as long as they stay within the framework of our goals, they can do it in their own way." – Person F

5.3. Marketing as a depiction of business ethics

The literature review utilizes marketing as a way of examining the part business ethics play in the actions of organizations. To support the claims of the theoretical review, a part of the empirical research was dedicated for the same purpose. Examining what characteristics marketing needs to have for it to be considered ethical was the central question. A fitting starting point to this examination was to first better understand what the term ‘marketing ethics’ means to organizations.

> *“Marketing ethics is, from my opinion, not leading astray, appreciating the target audience by giving them factual information, taking into consideration many societal and environmental factors and a lot of other small things.” – Person B*

> *“For me, personally, it’s based on provable facts or making it clear that it’s mental image -marketing. If you’re specifically talking about the characteristics of a product [...] it has to be based on truth.” – Person C*

> *“For me, it should be truthful, non-exclusive, by this I mean not leaving something untold. I also have to know who is doing the marketing and whether it’s even about marketing or is it some hidden article. [...] It also should be visible who it’s marketed to.” – Person E*

Beyond terminology, the nature of marketing itself and whether it can be ethical at all is a point of contention. As the aim of marketing is to affect someone to buy something, even if they weren’t going to prior to being marketed, it is hard to say if it’s ethical. This being said, at this point and time with how commonplace marketing is, it would be very difficult to be a competitive organization in almost any field without marketing, as target audiences would have a hard time of even knowing about the existence of such an organization when bombarded by a copious amount of marketing. While this is the case, it doesn't excuse the fact that marketing holds considerable power which can be used wrongly if left unchecked. To combat this, most if not all marketing is regulated by some sort of rules, based in either legal systems or industry standards through self-regulation.

> *"Marketing is a surprisingly controlled industry; freedom of speech does not concern marketing. [...] International basic rules of marketing, as well as laws and decrees specify quite clearly what you can do. [...] A professionally acting marketing organization will strive to operate ethically." –Person A*

> *"The objective of marketing is to create attention on essentially over-competed and saturated markets about how a product or service is more interesting, better or cheaper. In a situation where we're all the targets of an uncontrollably large barrage of commercial messages – you, me, every person and organization alike – marketing has to get awareness before anything else. [...] If you're the target of marketing, it's a complete waste of money if you don't become aware of it." – Person H*

> *"Marketing ethics... Many say that marketing in itself is unethical, creating unnecessary needs and such. But I've been doing it for so long [...] I think it's controlled by multiple factors. There are the rules of marketing, not using children in marketing when you shouldn't and so on, but marketing has always been prone to peer-based (surveillance). They are quick to oppose, either the audience or colleagues, if you do something unethical. [...] Because it's so visible, you can't get away with doing something immoral." – Person D*

> *"Getting attention isn't easy when messages are commercial. Sometimes you need to use techniques which are either based on using large sums of money or high attention value, which in marketing can often be pursued through*

provocation. Then we go to a territory where were dealing with ethical codes, where you can break marketing ethics.” – Person H

On the topic of marketing ethics, instead of thinking how marketing is affected by ethics, what sort of an effect do ethics have when they are used as a central part of marketing content? A general consensus is that it isn’t necessary to include it in marketing, but it can offer a competitive advantage. Especially in industries where ethics aren’t that clear cut, such as manufacturing clothing and building cars, ensuring products and services are ethically sourced can be quite beneficial.

“It should be, and it is. I see that this kind of business ethics has commercial value and if I believe in this, I of course believe that we should spread this message and communicate it as then customers will believe in it as well. It also has a different direction, towards investors. If there are two listed companies with identical results, but one of them has higher business ethics code, I believe the funds of investors will flow into the one with sturdier ethical base. And when I think about it like this, it has an effect on marketing.” – Person G

“Generally, it depends. I don’t pay attention to ethics if I’m buying, let’s say, a night in a hotel. […] The bigger the related questions are, buying work force for example, the more I’m interested in knowing that the work is being done ethically. […] The way things are produced affects the price point you’re ready to accept.” – Person C

This being said, if an organization does make ethics a main point of their brand, it has to be stand on solid ground. Trying to build a façade of ethical conduct through marketing will often times bite the marketer back, as target audiences are quick to dismiss those who try to deceive them. Even if the mishaps are corrected at a later time, it will take considerable amounts of resources to regain lost trust.

> *"You can, if you take a stand where you're the 'goodies' and they're the 'baddies' and it's factual. If you try to become an actor who's raising the industry standard for consumers, or something else. But I don't think you can base it (marketing) completely on ethics, because your competitors will catch up quickly. You can also end up, as we say in marketing slang, a 'vampire'. It's when you try to seem commendable, but someone points out how you have this and that going wrong behind your back." – Person D*

> *"It does, [...] as long as I feel like it's not something glued-on. Something that I can't stand, and I feel like many consumers don't, is trying to whitewash, which easily turns against itself." – Person G*

A feature which can often times determine the ethicality of marketing is how factual it is. While truthful marketing may not make the whole process is ethical, purposefully deceitful marketing practices will make the process hard to defend. It can be difficult to determine is what is to be considered deceitful marketing, so where do you draw the line between right and wrong? Conclusion drawn from the data is that there's a definite grey area in between the clear outliers of total honesty and outright lies, where you can't always be sure of how things are. The context and contents of marketing greatly impact what is considered truthful. This view will of course shift if a marketing case is proven to be a bold-faced lie of an organization, but it is very difficult for consumers to discern this when first coming into contact with a piece of marketing. This effect is pushed further forward in fields which aren't based on general knowledge i.e. new technology, niche product and services, industries with heavy amounts of industry specific lingo and jargon, etc. A specialist of a field will understand totally different meanings from marketing compared to someone showing initial interest in the area. Organizations which aim to leverage such points of information instability by aiming their marketing to those who cannot understand it are considered morally dubious, if not completely unethical. The problem is how it's very difficult to prove such motivation outside of fringe cases like marketing to children, furthering the notion that every possible case of unethical marketing should be considered as its own case, while possibly drawing some guidance from previous cases.

> *"It is in a grey area; ethical and moral concepts change all the time with the society. [...] Someone grows up [figuratively] in a barrel and someone grows up in front of six pc monitors, they can't have the same concept of [the world]. The border is definitely unsettled, but maybe it should be adapted to, when in doubt, choose the safe option." – Person A*

> *"When you talk about facts, the facts have to be authentic. When you don't talk about facts and build mental images, it's to be made clear to the consumer or client that is the case, so that these two things don't get mixed up." – Person C*

> *"It's definitely a line drawn in the sand; you can't make clear cut rules. Technology is constantly driving marketing forward; AI and robotics allow new ways of doing it. To be completely transparent and avoid all misbehaviors in marketing seems impossible in this world. There a lot of things which cross over ethical line. There isn't a court or a regulative party who could handle this with enough speed and flexibility." – Person H*

> *"I'd say it's in a grey area. [.... It's difficult to make generalizations as to what is the limit. [...] The answer can depend on the industry, the country or some other thing like that." – Person G*

> *"There are so many ways of being unethical (in marketing). [...] Some types of bundling, [...] sales with huge margins, [...] extremely limited quantities for sale product, they easily approach the borderline. The internet is full of downright scams, which are strongly on the side of unethical. [...] Let's say there's a Ville-Mikko and multiple companies are fighting for your soul, someone has to win it.*

You can't be expected to research all the 35 options in a category you might be interested in." – Person H

To create additional discourse on the subject matter, the interviewees were given a hypothetical case on NYT marketing practices (appendix 2). The idea behind this case was to determine how the interviewees would categorize marketing behaviour and who is responsible for being influenced by such content, the marketer or the consumer? This provided interesting responses with mixed feedback. It was either hard to determine if it's ethical or not (persons A, B, D, E and F), or it's clearly ethically sound conduct (persons C, G and H). The reasoning given by the former group as to why it was hard to consider the case unethical centered around the fact that there were no lies involved. The deception, if it can be called that, was hidden in the overabundance of information which led group 1 to choose a different option than group 2. The latter saw no foul in the case, specifically because information was made clearly available to the consumer and it was their responsibility to utilize it for their own good.

"Giving out too much information, whether there's a purpose of misleading consumers or to influence the end result towards a desired outcome… It's a bit difficult to say, I can't really take a stand on it (ethics). My principle, regardless of that example, is that it is not unethical, if both parties have the same information available and they make their decision based on it. If that decision is being influenced by such tactics or techniques, it's getting close to the limit (of unethical). – Person B

"It's about reading comprehension and how much time you take for it. […] In the end, it's about selling the same thing in two packages. You need reading comprehension to realize that." – Person E

> *"In my opinion it's in no way unethical. [...] It's a normal, typical procedure; you have press machines of different ages which need to be depreciated, [...] you have fixed costs which are based on the physical paper. [...] If you move straight from physical to digital, you have old assets and a business model originally based on a physical paper, everyone can't do that transition. You have a tactical need to upkeep a physical paper. [...] I don't think that's deceptive, the amount of information. It's just a way of making it seem more cost-effective, the 100-dollar price point." – Person H*

Placing responsibility for choices made due to marketing turned out to be an intriguing topic. Interviewees like persons C and H were quite adamant on pushing responsibility to the consumer for their own actions.

> *"A consumer can't expect companies to be responsible if their buying behaviour is foolish. In the end, everyone can invest their funds how they want. [...] A marketer can't be held responsible for some consumers being irrational." – Person C*

> *"I don't think that's unethical because the choice is simple to make that a person who is competent should be capable of determining that matter by themselves." – Person H*

Some were in the middle ground, like person G, suggesting that it depends where responsibilities should lie based on the specifics of a case, while agreeing that this particular case wasn't necessarily unethical.

> *"Not an easy question. In a way, it's the company's responsibility,* ***if*** *we believe there are responsible companies. Then it's the responsibility of a responsible company. This being said, it's also the company's responsibility to shareholders to create profit and possibly guide that decision. I would like to say that both*

the company and the individual are responsible. In this particular case, I couldn't see it as ethically unsustainable. There are examples which are way worse." – Person G

Others had a 'customer first' point of view. Marketers should assume some sort of moral high ground, understanding that their actions may lead consumers astray and making sure that their marketing practices avoid those situations.

"I would hope that the marketer would have some sort of, how would I say it, ethical values. Because there's a dilemma of people for whom 50 dollars may be a large sum of money, but they feel like 'I'm saving here, I'll order it'. So, there may be a lot of groups [...] who think they are saving, while they could use it on something more sensible." – Person E

"My opinion is pretty plain and simple, because we always think about things from the customers point-of-view. We make it as simple as possible and try to make it fit the rhythm of their lives in the best possible way. We don't build anything which would force them to choose more, so that we gain more. It just isn't feasible. [...] Previously, people would think like this, [...] how do ***we*** *gain the most. It doesn't work like this in our day and time, which is a good thing. [...] The relationship (between company and customer) evolves if there is trust and if it works." – Person F*

Discussion around this case homed in on how difficult it can be to determine whether marketing, or even the whole business model behind it, is ethical or not. Even though the views and wishes of stakeholders should be taken into consideration, organizations should also remember their own best interests. An organization which blindly follows every demand set on them by their stakeholders will find themselves falling behind to their competitors with better business practices. Ethically attentive organizations need to make sure they are competitive in their field for their moral aspirations to have any effect on the market.

5.4. Business ethics and market value

Determining the significance of business ethics to organizations can be difficult, as it tends to be hard to pinpoint tangible effects it has on doing business. To combat this area of uncertainty, the relationship between business ethics and market value is brought up to closer examination. As market value is one of, if not the most important factor to the success of an organization, any relevancy between business ethics and market value will help establish the value of ethical business practices. All of the organizations' representatives taking part in this research agreed that business ethics do have an effect on their respective market value. Beyond this general view, their opinions differed on how and why it has an effect. There are different levels of importance attributed to what sort of a part ethics play as a part of an organization's market value. This effect grew dependent on how closely organizations work with consumers instead of businesses as their customers. Additionally, if the organizations products or services directly or indirectly affect the health of consumers (medical field, safety, etc.), a pressure of negative repercussion upon ethical misconduct is a reality which organizations must accept.

> *"Complete effect. We couldn't do our job, we couldn't enter any city's most valuable areas to (do business), if we didn't share the same values as the local public sector. We wouldn't get funding if we couldn't show our sustainability goals and that we pursue them. In any case, we could get shot down right away, if we had some sort of fraudulent system at play. […] Our value is higher when we have a position like this. […] We get support because we are trusted to do this work in an honest way." – Person F*

A factor growing in influence is how investors are becoming more interested in the ethical standpoint of companies. To ensure they would remain as lucrative options for investors, companies then follow the interests of investors, paying more attention to their ethics. This enforces the idea that organizations have to value the opinions of their stakeholders. Furthermore, if the investors, who bear a higher amount of influence on organizations due to them controlling money, share motives with other stakeholder groups with less inherent influence, organizations have a greater motivation to keep up tabs on all of their stakeholder groups, not just the ones they benefit from the most. The effectiveness of such a trickle-down process of introducing business ethics to listed companies is seen as quite effective. By connecting ethics to source of financing, organizations are forced to pay attention.

> *"On a general level, it's interesting that great investors of the world have recognized these extensive and tricky questions. Right now, investors are the ones who see that things like sustainable growth and such have a broad effect on the market value and will continue to have in the future. When it comes from there, when big actors think like this, it trickles down." – Person D*

> *"In no way have we reached the limit (of ethics rising in importance). It will have a larger role. Which way it's derivative points towards, I don't know about that. Even though we've advanced far during the last five or ten years, it will definitely be emphasized further. Like I said, large institutional investors have already acknowledged this many years ago and maybe individual investors will also come after them." – Person G*

Regarding how business ethics affect market value, most of the interviewees stated that they have observed a neutral effect in their organizations. Business ethics can either positively affect the market value of an organization when they gain competitive advantages from it or end up as a negative when unethical behaviour is punished with official or unofficial means. The effects on market value are very dependent on the specifics of a case and how an organization decides to portray themselves in a situation.

> *“There isn’t any sort of black-and-white truth here. When trying to appease a customer base, you have to know them and their values, having insight on what makes them choose between different brands.” – Person A*

> *“If brand value is measurable, it has a definite effect. What the value of a company is comprised of, if they have own land, factories, machines, they are material things. But if the value of a company is linked to immaterial things, then ethics certainly has an effect.” – Person B*

> *“I believe so, as you quickly associate it with a company’s brand. Nonetheless, there are still some companies with ‘hard’ market value, where even if you don’t know too much about their ethics, they will just keep on rolling forward.” – Person E*

> *“Case-by-case, it can affect it by a lot. You have a few companies who are experienced as better than others, this has always been and always will be the case. They may gain a premium from being connected to such a mental image and being capable of turning it to competitive advantage. It isn’t a replicable strategy, in the way that it would affect the value creation of a whole sector. Sometimes it can be connected to misinformation, you can have a practice which is momentarily seen as better, when it really isn’t and that affects market value.” – Person H*

An interesting viewpoint presented by representatives of larger organizations (namely persons C and H) is that many of the positive effects of BE are caused by not being affected by the negatives of not following along to rules and regulations accordingly. As the demands of stakeholders increase and get more complex, complying to their demands while staying profitable can be a source or competitive advantage in comparison to others who choose one or the other. Being able to mix the two in a larger organization takes considerable skill and resources.

> *“Like I previously mentioned, the demands are increasing from multiple directions. There are questions about information security, sustainable growth, environmental responsibility, fair treatment of employees. There are many traps which a company can run into and the negatives can come from many types of failures.” – Person C*

> *“If a company turns out to be a crook, confidently pushing the limits, sometimes breaking them and manages it with juridical means, it affects them negatively. Sometimes markets punish unethically behaving companies. This being said, Volkswagen and others have recovered phenomenally well from their emission scandals, like oil companies have restored their market value from prominent oil disasters. Peoples’ capability to actually judge the actions of any complex company, their ethics and what they actually do is very limited. They are mainly opinions which aren’t based on knowledge or sufficient analysis. Large organizations, who are thought to act unethically, can utilize their abundant communication and marketing resources to paint themselves in a different light.” – Person H*

While business ethics is shown to be a part of what makes up the market value of an organization, very rarely can it build market value by itself. It isn’t at the core of a business, like an innovative business idea or unique position in the market can be. Business ethics are an additive to enhance the market value of an organization, while other factors most build it beforehand.

> *“You can’t build a company on just mental images. The customers have to gain some concrete benefit from them from the products or services of a company*

with high moral standards. You can't think that ethical perfection combined with mediocre products will achieve anything. You ***have to*** *have competitive edge from the customers perspective, and you* ***can*** *achieve more, among investors for example, if you can differentiate from your competitors not only with your products, but with high ethical standards." – Person C*

"The number one thing for a company is still a sustainable, not in the ESG sense, business idea and competitive advantage or a reason to exist in the market. If you don't have that, you have nothing. – But then you get those compliancy matters, which are meaningful. There's an even thinner tightrope on which you have to walk on, with proper posture, without falling down. You have to be vigilant; you have to be capable of observing relevant concerns and make sure the business isn't ever in a position where it has to break any de facto, rapidly changing codes." – Person H

"It's good that (ethical) codes exist, but they shouldn't direct business. [...] Ethical codes are a very bad master, but a good hireling. If a company's central function is to ensure their activity is legal, they can't focus on the main goal. Companies are simple mechanisms, which create a new or an existing product and get it to the markets, then send the bill in afterwards and try to stay alive. That competition is tough, any company's place may be up for grabs tomorrow. In this situation you have to maintain your bearing in an increasingly perilous ethical landscape and from my point of view, there's mostly a downside risk involved, not much of an upside, at least for too many companies. Mitigating downside risks is the main thing." – Person H

Alongside examining general the effects of business ethics on market value, sanctions of different kinds became relevant. They can offer some solid reasoning for ethical conduct by introducing a threat for breaking rules and regulations. The sources of sanctions can be broken up into different types. These three are breaking the law, breaking contractual obligations and breaking the expectations of the society.

> *"I'll simplify this and divide it into three categories. First, if you do something clearly against the law, decrees or rules, there will be a sanction. [...] Next sanction is if, (for example) you get caught by a client on taking money from a subcontractor under table. This sanction will often be the immediate loss of client relations. [...] If a client notices that you're in some way or another swindling them, they will leave. Third is if you don't commit either of the previous methods but do something against the general opinion of society. [...] Are they enough? Apparently not, as we recently had one of the biggest holding companies in the world in the first (category), clearly breaking rules and regulations." – Person A*

Sanctions can be the result of clear-cut, written down rules, either external or internal, which state what you can and can't do. These are quite straight forward, either they exist and should be followed, or they don't.

> *"We have clear processes for them, discussions about the situation and if the situation demands it, written warnings. In the end, they may be terminated from their position, which is a hard and... let's say there has to be a very serious reason for it." – Person E*

> *"They are strict as possible, of course. We are severely punished for mistakes and if there are, for example, misdemeanors against competition law, the penalties for bigger companies can amount hundreds of millions." – Person C*

They can also be unofficial ones, where unethical conduct could damage either the place of an individual in an organization or the place of an organization in their industry through indirect means.

> *"I don't think monetary sanctions really exist (in my field), but unethical conduct turns into monetary consequences if it means losing the appreciation of brands acting in the field due to poor ethical conduct. As practically everyone acts publicly nowadays and competition is tough, there is no reason to work with companies whose ethics are under scrutiny. In these cases, you will choose a choice which doesn't include troublesome aftermath." – Person B*

> *"In a way there are sanctions, how would I say it... The industrial equipment industry is one of the most pedantic fields there is. [...] Imagine the headline: Renault has to callback 700 000 cars from several years due to a faulty component. That will cost them at the worst hundreds of millions. [...] Because it is unacceptable that people would start crashing because of this. That's the ultimate penalty. That's why this (field) is hysterically meticulous. [...] The reason for failure is also easily traced. [...] So, we have a sword of Damocles hanging above our heads. [...] This is the most concrete thing [sanction] for us." – Person H*

The type and amount of sanctions in place is dependent on the industry of an organization. While the medical field views sanctions as an ever-present concern, the academic field prefers to have sanctions only for the extreme cases, like fraudulent research. Furthermore, internal sanctions are implemented to the picture at a sooner stage than, but external sanctions are very significant when they enter the picture.

5.5. Summary of the findings

To better understand the results of the empirical research and use them to answer the research question, the main findings from the data will be summarized. Regarding the nature of ethics in business, a key characteristic which became apparent throughout all of the data is how it is approached from a personal standpoint. Even when describing effects with organizational scale, there would always be an inclusion of personal interest in the mix, how it affects themselves or those they lead and have responsibility for. In summary, **the individual will always be a part of business ethics**, even when dealing with organizational matters.

Another point worth mentioning is the confirmation of business ethics having an effect on business. While this wasn't necessarily one of the goals of the research, it was necessary to confirm as it legitimizes reasoning for this research in the first place. A continuation of this finding was that **business ethics have emerged to the spotlight during the last few decades** and they are still growing in effect. The difference between now and the end of the 20th century is very noticeable. This is echoed in the sentiment that **doing business ethically takes a lot more resources than it used to**. Organizations have to be careful with what they do and how they do it as well as being prepared to compromise on their tried and true best practices as they may have become outdated. The realization of how a wider range of the stakeholders needs beyond just stockholders has begun to affect the way an organization functions is a key in how **business ethics have become a part of organizational culture**. Whether it's main factor of the culture as a whole or something secondary which must be taken into consideration, organizations are adapting business ethics into their way of doing business. Ranging from how employees of different levels are to be treated to approaching your customer base, the ethical ramifications are taken into consideration alongside other values. While this is the case, it must be specified that **business ethics do not dictate how business is done**. While some may place ethical values as their number one priority while doing business, that is often caused by their competitive advantage being tied to being respected in a field where doing things the 'right' way is of the upmost importance.

Another point of interest is placement of responsibility in an organization. When something goes wrong, who takes the blame? While the amount of people who are responsible may differ, **the one(s) in charge are always responsible for what an organization does**. Even if a mistake is a made by an employee failing to do their obligated duty, the responsibility for the mistake will be pushed up the organizational ladder. This **does not mean that those with no organizational power have no responsibility**. By all means, an organization should hold their employees accountable for them misbehaving. What it means is that **failures of an organization are based on the way an organization acts**, in one way or another. It may have been a mistake to recruit someone, they were educated badly on organizational goals, they didn't have the capability to handle their tasks properly, the list goes on. What matters is that behind every failure in an organization, the root cause is in something the organization has done. Possibly affected by this notion, most interviewees agreed that **organizations should try to proactively be ethical rather than fix things reactively**. While this may not always be possible, fixing unethical conduct is often times costlier than making sure it doesn't happen in the first place, on top of it being harder to map out the risks involved. A way of ensuring this kind of proactive behaviour is by adjusting the way organizations are led. Like other actions of an organization, leaders define how the rest of their organization adapt to business ethics. In this regard, **leaders must clearly communicate their message of business ethics by using the tools necessary to ensure their goals are met**. Additionally, leaders should act according to what they ask of others for there to be a desired effect.

When talking about marketing ethics, a key point from the data was that **for marketing to be considered ethical, it has to be based in truth.** There are many other factors which may tip marketing to one way or the other, but this as a very clear point made by the interviewees. As the marketer is in charge of supplying the consumer with information, they have a responsibility to not lie or critically limit the information available in order to advance their own goals. Failing to do so will be ousted quite rapidly in this day and age, where information is made easily available and channels for reaching a very wide audience are open to the individual. This being said, **marketing has surprisingly large amount of regulation.** Its function is to affect the perception of consumers, while the consumers themselves are the constant target of countless different marketing campaigns, making it difficult to make sure their decisions are their own and not a product of clever persuasion. To counteract this effect, countries have laws regulating marketing, industries have their own regulations and the consumers themselves are gaining power through boycotting and being capable of quickly sharing information between each other on a global scale.

Discussion fueled by the case of hypothetical NYT subscription models focused on the harder to define bits of marketing ethics. As the answers to this dilemma were quite varied with good arguments, it’s reasonable to say that **marketing ethics are often times a case-by-case subject, where right and wrong have to be defined contextually.** Additionally, a case can be ethical and unethical at the same time depending on the viewpoint of observer. This mindset also extends beyond marketing ethics to all parts of business ethics. This case also brought up the question of who bears responsibility for purchases made due to marketing. Even though the statements of the interviewees emphasized different parts of responsibility, a general placement of responsibility became apparent; **Consumers are responsible for their own purchases as capable citizens of a society, but marketers should also recognize how strongly they can affect consumers and take that into consideration while marketing.**

A subject matter which could merit a separate research for just itself specifically was discussion about the effects of business ethics on market value. To start off, there was no disputing data on the claim that business ethics affect the market value of companies. The variation between opinions was focused on two things. First, how large is the effect, with some consideration as to why it is like it is. When sorting the data gathered from the interviewees by organizational characteristics, it became apparent that **the effect of business ethics on market value is greater the closer the field is to the consumer.** A B2B company will place BE far lower in priorities than a B2C company. This being said, a force has emerged which is forcing listed companies from different fields to pay heed to BE. That force is large investors who have begun to show interest in the ethics of their investment targets, choosing where to invest based on factors beyond profitability, taking into account the undefined risks of unethical behaviour. This fortifies the notion that **business ethics can be a competitive advantage over competitors in the same field.**

The second point of interest is whether the effects of business ethics are based on positive or negative factors. Within the data, **the negative effects of unethical behaviour were brought up more when they could have extreme repercussions.** For example, the huge sanctions for wrongdoings in the medical field means pharmaceuticals primarily act ethically in order to avoid them, considering the positives as a convenient bonus. Industries which rely more on brand building among consumers focused on the positive possibilities of BE. It should be mentioned that multiple interviewees brought up the risk of trying to build an ethical brand on an unethical base and how that could backfire as a major negative effect, doubling down as deceiving consumers.

Another source of disincentives for organizations to avoid unethical behaviour is in the form of sanctions. **Sanctions can be categorized into internal and external sanctions**, with the latter being split up into two subcategories between **official regulation-based sanctions and unofficial sanctions of losing the trust of consumers, clients or business partners**. These external sanctions are to be avoided at all times, if possible, as they can pose either **large defined costs or high undefined risks.** Internal sanctions of employees are viewed as more of a way of managing their actions and works as a proactive ethical tool. Furthermore, some organizations choose to not use them at all or save them for only direst of situations, as they can be seen as oppressive in an organization.

6. Discussion and conclusion

The aim of this thesis is to understand the role of business ethics in organizations and to uncover how it has affected the way they do business. To achieve this, a combination of relevant literature discussing both the influence business ethics has on organizations (e.g. Svensson & Wood, 2008; Keep, 2003; Philips & Freeman, 2003; Fassin, 2008; Gottschalk, 2011) and the implementation of business ethics by organizations (e.g. Lindgreen & Swaen, 2010; Vargo & Lusch, 2004; Leonidou et al. 2013) were studied to better understand the relationship between organizations and business ethics. This literature was then condensed into six research propositions which offer possible explanations to specific parts of the research question. To see if these propositions are viable solutions to the research problem in reality, a qualitative research was conducted with eight representatives of various organizations, interviewing them on how organizations are actually affected by business ethics and what sort of practices are involved in that process. Now, armed with both a finished literature review and empirical findings, the research question can be discussed and concluded upon. To do this, each of the research propositions will be re-evaluated to have a clearer understanding of the topic.

Business ethics have become increasingly relevant to organizations with time

The effect of time on business ethics is apparent. As many business practices didn't consider ethics as important as profits before the 20th and notably the 21st century, the sudden inclusion of additional variables to business introduced massive change in how organizations conduct themselves. Naturally, changes as large as these take time to be implemented. Interestingly enough, the reason why this change is so time consuming is two-fold. While organizations do take time to acclimate themselves to new variables and change their business practices to fit the demand, it doesn't take decades to do so if the end goal is clear. And that's where the second reason is found. The possibility to demand and enjoy higher ethical standards on such a wide scale had been introduced to society at the start of the information age in the 20th century. Since then it has kept evolving alongside recent innovations with no end in sight. Meaning that the ethical expectations set on organizations keep gradually changing as well, becoming more profound with time. Looking at how business ethics was implemented 50 years ago, the differences in tone, message, transparency and truthfulness are noticeable.

Organizations have been introduced to a social responsibility beyond profitability

This proposition is truthful at its core, but at the same time can be somewhat misleading. It is true that doing business isn't as simple as it once has been. Organizations can no longer pursue higher profit margins with little to no regard for anything else. They are expected to care about how they affect others around them. Instead of focusing on only shareholders and their needs, organizations have to respect the demands of all their stakeholders and balance them in a satisfactory way. This has become especially important as some of the largest organizations have grown to never before seen proportions, having more influence than a small nation on a global scale. It's imperative that they are held responsible to the effects they can have on the society with this remarkable power. While this is a necessary change in how organizations are perceived and treated in a society, it still doesn't change the fact that in the end, the primary function of doing business is to be profitable. If an organization compromises their profits too drastically while trying to accommodate some other goal, they may find themselves in a situation where they are overtaken by a more profit-driven competitor who can provide a similar service with much higher efficiency. As such, organizations must learn to balance between fulfilling their social responsibilities and being profitable, finding ways to reach both goals simultaneously to help themselves and the world around them to become better.

Organizations moderate themselves based on values

When making business decisions, organizations have certain factors which affect their decision-making process. One of those factors is the values organizations have set themselves. This isn't due to business ethics becoming more relevant, as organizations have always had some semblance of set ways of working and procedures which they aim to uphold. Instead, business ethics has affected what the values of organizations are and how they affect them doing business. Values cater more to stakeholders than organizations themselves, ensuring them that things are done with moral integrity and with correct procedures. Having a set of values is a tool for self-regulation to prevent having issues with stakeholders by not respecting their needs and demands.

Business ethics have become a source of competitive advantage and disadvantage

As the ethical standing of organizations has become a point of interest and organizations have begun to change their business practices to fit the expectations set on them by their stakeholders, it is no surprise that their capability for this process has an effect on how they measure up to their competition. The competitive advantages of business ethics are based on long-term brand building of creating an image which portrays an organization in a better light than their competitors. By operating from better ethical standpoint, an organization can create a unique advantage which is hard to replicate by their competitors in the short-term. These advantages aren't necessarily insurmountable in the sense that a whole business could be based on solely high ethical standards, but they can help boost an already working business idea beyond its competitors. On the flipside, the competitive disadvantages from unethical behaviour can hit very fast and very hard. Failing to meet standards and committing acts which negatively affect some other part of the society is condemned quite harshly, especially so if organizations know what they were doing wrong and attempt to hide their unethical behaviour. The disadvantages have grown to the point where the benefits from unethical behaviour rarely warrant the risk of possibly being found out and suffering the consequences.

Business practices can be used to gauge the ethical behaviour of an organization

Perceiving the actions of an entity is a valid way of understanding what that entity aims to accomplish and help create an opinion of said entity. The same principle is at play when looking at organizations, their actions and how they are perceived by their stakeholders. The actions themselves can have ethical implications, whether they are direct or indirect, premeditated or accidental. These effects will then affect how an organization is seen from an ethical standpoint and a single action can affect the whole organization's image, even if it has no connection to all parts of said organization. This being said, a single action can be perceived in many different ways, depending on the perspective and the particular standing of a stakeholder. Something that seems beneficial and ethical to one party may be perceived as unsavory by another, meaning that organizations are required to consider the implications of their actions from multiple different angles.

The market value of organizations is affected by business ethics

At this point it's fair to say that there's little to no doubt that business ethics have an effect on market value of organizations, as so many of their aspects are affected by it. This being said, the difficult question is how much do business ethics matter in the grand scheme of things. While the portrayal of ethics may have grown to play a very visible part in the outward appearance of organizations in areas like marketing and communication, it is apparent that it doesn't have a central role in determining the market value of an organization under normal conditions. There are outliers, mostly negative ones, where a heavy deviation from the norm can have a major effect on the market value of an organization. In most situations, the effect of ethics is secondary to having a unique business idea, efficient production lines, the correct target market and many of the other traditional factors of market value. While this may make it seem like paying attention to ethics isn't that important, organizations should still remember that maintaining high ethical standards and avoiding unethical behaviour is always mor efficient than taking risks with unethical behaviour. This effect will only grow as we move into the future, with business ethics becoming increasingly relevant in discussions regarding the maximization of market value through means which don't compromise ethics in order to maximize profits.

6.1. Answering the research question

It is fair to say that business ethics have become a factor which organizations must pay attention to in order to succeed in the world of today. Long gone are the days where pursuing the maximization of profits was considered the peak of ethical conduct in business. Instead, determining what is ethical has become an organization specific factor with it depending on their industry, size and what their stakeholders are demand of them. This also means that the decision-making processes of organizations in regard to business ethics differ by a lot. There are no rules and regulations which an organization can read up on and expect to just 'become ethical'. Instead, organizations must understand their place in the market, what they need to do in order to succeed and what their stakeholders expect of them. By combining all these different factors, organizations must compromise in a correct fashion to find their correct balance between doing the right thing for others and themselves. As such, the actions of organizations are affected quite heavily, if the field of an organization is prone to ethical conflicts and as it happens to be, almost every field has become in some way or another reliant of business ethics. Whether it's how a product is constructed or the way an organization portrays themselves on social media, almost anything can be a source of moral disputes. To survive in this environment, successful organizations have become dynamic and capable surveying their surroundings to achieve their goals through conscious actions with ethically sound reasoning backing them up.

To sum it up, the role of business ethics in organizations is to keep them in tune with their stakeholders and help the organizations themselves keep up with the various demands the stakeholders may have. Business ethics are a part of everything a modern business does, yet nothing a business does is solely business ethics related. It should be thought of as a modifier to all of the existing actions which organizations make. As such, organizations have to make sure all their practices are kept in line with business ethics, meaning all of their practices are affected. To what degree these changes are done is dependent on the specifics of the organization in question. All in all, business ethics have become an integral part of the modern organization and have changed the idea of what it means to be a successful organization. Defining success has moved beyond solely chasing higher profit due to the introduction of alternative factors like ethics, which require organizations to have a completely different approach to how they do business.

6.2. Managerial implications

The initial aim of this thesis was to better understand business ethics from the viewpoint of an organization. While the research for this goal has been done with an academical mindset, it's a given there are some managerial implications alongside the theoretical input from this thesis. Most importantly, it seems obvious that organizations have little to no room for completely disregarding the effects of business ethics in business. Managers must stay vigilant, being able to recognize how various stakeholder groups can affect their organization. While shareholders still hold a considerable amount of influence in comparison to other groups, the other stakeholders, like employees and consumers, have gained tools of their own to affect the organization. They don't necessarily have a direct effect on profits but disregarding their needs and demands may lead to unnecessary risks with considerable effects. Furthermore, managers must recognize the specific niche their organization has in regard to ethics, as the demands of stakeholders and the societal responsibility shift greatly depending on the size and industry of an organization, as well as the location and culture they are a part of. As it stands, it may seem like business ethics are more of a hassle than something to strive for and be happy about for managers. This is can be true, but only for the managers who avoid involving themselves with the topic. As

Drucker (2004) put it, “Good executives focus on opportunities rather than problems. Problems have to be taken care of, of course; they must not be swept under the rug. But problem solving, however necessary, does not produce results. It prevents damage. Exploiting opportunities produces results.” By pushing beyond the minimum of problem solving, organizations can gain access to unique opportunities from business ethics.

6.3. Further research and limitations

A few interesting points which would require a research of their own were discovered while working on the thesis. Firstly, the relationship between different stakeholder groups and how they affect organizations warrants a closer look. Creating weighted models of the stakeholder model which represent the current situation at this time would be fruitful. Deceptive marketing practices were another one, as the definition of what really is deceptive and what isn’t is very subjective. Defining a set of guidelines would be quite helpful for further research of marketing ethics as well as help organizations recognize where the limits of marketing communication are. Lastly, more data driven research on the effects of business ethics on market value would be beneficial for the field as a whole. Work like Choi’s (2012) look into tangible effects of business ethics in the Korean stock market would help validate many theories done on business ethics.

The research problem of this thesis lends itself extremely well to further research, as the goal of this research was to fill in an existing gap on up-to-date knowledge on how organizations deal with business ethics. By collecting larger amounts of data from a wider area, this concept could be explored to a fuller effect. Additionally, by re-examining the research problem after a 5-10-year period, the results could be cross-referenced with this study to determine how the research problem has changed as time has gone forward. Regarding the limitations of this specific research, due to an ongoing pandemic, the empirical findings were a bit harder to collect and they were limited to a smaller section of data than what would be possible during normal conditions.

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8. Appendices

8.1. Appendix 1. Guide for semi-structured interview

The following 14 questions will inquire the place and function of business ethics in international organizations.

All responses will be anonymous, the interviewees as well as the organizations they work for will not be disclosed in any way. The information collected during the interviews will be only used for this project and will be used with permission from the interviewees.

Interviewee Organization Job title Date Place	

Business Ethics in Organizations

QUESTION #1

What does the term "business ethics" mean to you personally?

- *Do you view it as an important part of business as a whole?*

QUESTION #2

Do you feel like business ethics affect your ***own work*** *on a daily basis?*

- *Are the effects positive or negative?*

QUESTION #3

Do business ethics affect your ***organization*** *on a daily basis?*

- *Are the effects positive or negative?*

QUESTION #4

Are business ethics a part of your organizational culture?

QUESTION #5

Who is in charge of business ethics in your organization?

- *An individual or a group of people?*
- *How do they maintain ethical values?*

QUESTION #6

How do you react to ethical dilemmas in your work?

- *Is the process active or reactive?*
- *Is this behaviour mirrored in your organization?*
- *Sanctions?*

QUESTION #7

Does your organization have a goal for business ethics development?

- *What will it take to reach that goal?*
- *How can you measure the progress towards that goal?*
- *What's the reason for improving?*

QUESTION #8

Do business ethics affect the way you lead?

- *Are these effects personal or organization wide?*

QUESTION #9

*What does the term **marketing ethics** mean to you?*

QUESTION #10

Are ethics a central part of marketing?

- *Do you believe the marketing of your own organization meets your own values?*

QUESTION #11

What are the boundaries of ethical and unethical marketing?

- *Deceptive marketing?*
- *The NYT -case*

QUESTION #12

Do you think business ethics affect the market value of businesses?

- *Examples?*

QUESTION #13

Are there sanctions for unethical conduct in your field of business?

- *What are those sanctions?*
- *Do you think they are enough to stop unethical conduct?*

QUESTION #14

Do you have anything to add related to business ethics that we didn’t touch on during this interview and you would like to talk about?

Thank you for the interview!

8.2. Appendix 2.

The following case is an example depicting deceptive marketing. Please read to the case below and answer the questions the best way you see fit. Note that the case is fictional and loosely based on a test done by Ariely (2009).

Two similar groups of students are given various choices for subscribing to the New York Times (NYT). They are asked to choose the subscription model which they see as the most useful for themselves.

Group 1 has three options to subscribe to NYT; $50 for an online version of the paper (option A), $100 for a physical copy of the paper delivered home (option B) or a combination of online and physical copy for $100 (option C). In this group, the majority chose option C, as they felt it would save them money and thus made the sensible choice. Group 2 has the same options, except option B is removed. This skewed the majority to order option A instead, as they preferred just an online subscription of the magazine for the given price points.

Do you think NYT used deceptive marketing in their marketing strategy for group 1?

What determines deceptive marketing?

Who bears the responsibility in a case like this? Explain your reasoning