

# A Systematic Literature Review of the Financial Impact of Business Ethics operations in Companies in Europe with a specific focus on Alterocentrism

Burkard Schemmel, Karsten Bredemeier  
EIM – European Institute of Management, Valetta, Malta

## Abstract

Business ethics is an ever-evolving field of theoretical and practical study that has enjoyed a steady stream of interest with a hockey stick of attention since globalization, especially global collaboration, which took off after 2000. There is a relatively new movement towards alterocentric ethics, a philosophical approach that places the “other” at the center of a company’s consideration. Alterocentric ethics asks businesses to integrate responsibility toward stakeholders, the community, and the environment as intrinsic components of their operations. This study systematically reviews current literature on alterocentric business ethics. we applied a structured search methodology across academic databases, using predefined eligibility criteria to examine existing scholarly work comprehensively.

## #Keywords

**Business Ethics, Ethical Leadership, Financial Performance, Customer Satisfaction and Loyalty, Employee Engagement and Retention, Corporate Reputation, Sustainability and Long-term Success, Alterocentric, Altruism.**

**DOI: 10.2440/013-0001**

Based on the past five years' publications, there is a growing consensus that ethical behavior fulfills moral obligations, can contribute to a contemporary corporate strategy, and can even be seen as an asset when implemented consistently. Many attempts have been made to link ethical business practices, including corporate social responsibility (CSR), fair trade, sustainability, and ethical labor practices, to financial performance, customer satisfaction, employee engagement, corporate reputation, and long-term sustainability. Still, the actual financial implications of ethical operations are under-researched, or in other words, the link between ethical initiatives and quantifiable business benefits is not always stringent. There is a general consensus on the positive financial impact of ethical operations, but specific gaps remain in developing integrated frameworks that incorporate both financial and non-financial metrics. This leads to the fact that a comprehensive assessment of business success under ethical operations is not yet possible: Further research is needed to refine measurement tools for ethical operations for financial and non-financial KPIs

and across various industries. We believe addressing these gaps will be pivotal for understanding how ethical leadership and culture contribute to financial outcomes.

## ***Eine systematische Literaturanalyse zu den finanziellen Auswirkungen geschäftsethischer Praktiken in europäischen Unternehmen mit besonderem Schwerpunkt auf dem Konzept des Alterozentrismus***

Die Geschäftsethik ist ein sich ständig weiterentwickelndes Feld der theoretischen und praktischen Studien, das seit der Globalisierung – insbesondere der globalen Zusammenarbeit, die nach 2000 an Bedeutung gewann – ein stetiges Interesse und eine sprunghaft ansteigende Aufmerksamkeit genießt. Es gibt eine relativ neue Bewegung hin zu alterozentrischer Ethik, einem philosophischen Ansatz, der das „Andere“ in den Mittelpunkt der Überlegungen eines Unternehmens stellt. Alterozentrische Ethik fordert Unternehmen auf, Verantwortung gegenüber Stakeholdern, der Gemeinschaft und der Umwelt als

intrinsische Bestandteile ihrer Geschäftstätigkeit zu integrieren. Diese Studie überprüft systematisch die aktuelle Literatur zur alterozentrischen Geschäftsethik. Wir haben eine strukturierte Suchmethodik über akademische Datenbanken hinweg angewandt und vordefinierte Auswahlkriterien genutzt, um die vorhandene wissenschaftliche Arbeit umfassend zu untersuchen.

Basierend auf den Veröffentlichungen der letzten fünf Jahre gibt es eine wachsende Übereinstimmung darüber, dass ethisches Verhalten moralische Verpflichtungen erfüllt, zu einer modernen Unternehmensstrategie beitragen kann und sogar als Vermögenswert angesehen werden kann, wenn es konsequent umgesetzt wird. Viele Versuche wurden unternommen, ethische Geschäftspraktiken wie Corporate Social Responsibility (CSR), Fair Trade, Nachhaltigkeit und ethische Arbeitspraktiken mit finanzieller Leistung, Kundenzufriedenheit, Mitarbeiterengagement, Unternehmensreputation und langfristiger Nachhaltigkeit zu verknüpfen. Dennoch sind die tatsächlichen finanziellen Auswirkungen ethischer Geschäftspraktiken unzureichend erforscht. Mit anderen Worten: Der Zusammenhang zwischen ethischen Initiativen und quantifizierbaren Geschäftsvorteilen ist nicht immer eindeutig. Es herrscht ein allgemeiner Konsens über die positiven finanziellen Auswirkungen ethischen Handelns, doch es bestehen spezifische Lücken bei der Entwicklung integrierter Rahmenwerke, die sowohl finanzielle als auch nicht-finanzielle Kennzahlen einbeziehen. Dies führt dazu, dass eine umfassende Bewertung des Geschäftserfolgs unter ethischen Gesichtspunkten noch nicht möglich ist: Weitere Forschung ist notwendig, um Messinstrumente für ethisches Handeln sowohl für finanzielle als auch nicht-finanzielle KPIs und über verschiedene Branchen hinweg zu verfeinern. Wir glauben, dass die Schließung dieser Lücken entscheidend dafür sein wird, zu verstehen, wie ethische Führung und Kultur zu finanziellen Ergebnissen beitragen.

### **對歐洲公司商業道德運營的財務影響的系統文獻綜述，特別關注交替中心主義 (Alterocentrism)**

商业伦理是一个不断发展的理论和实践研究领域，自全球化以来，尤其是2000年后全球合作兴起以来，它吸引了持续的关注，并在关注度上呈现出“曲棍球棒”式的增长。近年来，一种相对较新的运动——“他者中心伦理”正在兴起。这是一种哲学方法，将“他者”置于公司考虑的核心。他者中心伦理要求企业将对利益相关者、社区和环境的责任融入其运营的内在组成部分。这项研究系统性地回顾了关于他者中心商业伦理的现有文献。我使用了结构化的搜索方法，在学术数据库中根据预定义的标准全面审查了现有的学术研究。

根据过去五年的出版物，人们越来越一致地认为，伦理行为不仅履行了道德义务，还可以成为现代企业战略的一部分，甚至在持续实施时被视为一种资产。许多研究尝试将商业伦理实践（包括企业社会责任、公平贸易、可持续发展和伦理劳动实践）与财务绩效、客户满意度、员工参与度、企业声誉和长期可持续性联系起来。然而，关于伦理经营的实际财务影响研究尚不充分。换句话说，伦理举措与可量化商业利益之间的联系并不总是严格清晰的。人们普遍认同伦理经营对财务的积极影响，但在开发既涵盖财务又涵盖非财务指标的综合框架方面仍然存在具体的差距。这导致目前尚无法全面评估在伦理经营条件下的商业成功：需要进一步的研究来完善针对财务和非财务关键绩效指标（KPI）以及跨行业的伦理经营测量工具。我们相信，解决这些问题将对理解伦理领导力和文化如何促进财务成果具有关键意义。

## Introduction

Throughout its development, the domain of business ethics has been codified by egoistic and anthropocentric ideas that place personal gain or human interests as primary, if not paramount, at times at the expense of more significant social and ecological concerns. Egoistic business ethics is conceptually rooted in classical economic theory, which posits that businesses function best in the pursuit of self-interest and that market mechanisms will naturally self-regulate for a benefit for society (Friedman, 1970). Similarly, anthropocentric ethics maintain that human interests are paramount. Such a perspective often legitimizes natural resource exploitation while overlooking the needs of non-human species and systems per se (Norton, 1991). Notwithstanding, these approaches have brought about various problems, including income disparity, social injustice, and environmental disintegration (Banerjee, 2011).

An alterocentric economic ethic has developed as a counterpoint, shifting focus away from the self or human interests and toward the “other,” whether that be other humans, non-human species, or future generations. This perspective challenges the anthropocentric assumption that corporations are fundamentally profit-seeking organizations with the highest regard for the interests of the human species. Instead, it espouses a relational and holistic approach that considers all stakeholders inherently worthy: people in poverty, ecosystems, and generations yet to come (Plumwood, 1993). Alterocentric ethics is therefore emerging as the rising awareness of mutual human, and natural interdependence creates a new imperative for new thinking on business.

The fundamental importance of such an alterocentric business ethics is found in how it can address fundamental issues regarding social justice and environmental sustainability. With the focus thrown on the well-being of others, this

will inevitably contribute to discussions about issues of inequity and exploitation in global commodity chains and care for the ethical treatment of all stakeholders, from employees and consumers to communities and the environment, as Shiva (1988) points out. Alterocentric ethics further support business practices of sustainability, which protect the ecological systems and the rights of nonhuman beings (Naess, 1989). Such an ethical framework also goes hand in glove with the indigenous and feminist perspective about the relational nature of care and well-being within communities (Noddings, 1984).

Research indicates that an alterocentric approach can enhance stakeholder trust and loyalty, as it demonstrates a commitment to ethical principles that prioritize collective benefit over individual gain. For example, studies of CSR show that businesses emphasizing values of alterocentricity often realize a competitive advantage by generating a better brand reputation and increasing customer loyalty because the company is seen as the more ethical and responsible organization in society (Gallagher, 2013). The research of Gabriele Faber-Wiener and Bettina Gjecaj entitled *Credibility and Trust* offers some excellent insight into the critical importance that trusting relationships and credibly perceived behavior have as foundational elements in ethical business practices, especially as applied to the business-nonprofit interface. Their process emphasizes an alterocentric ethic that seeks to make mutual benefit, transparency, and community impact the priorities over egocentric profit. This ethical approach highlights the importance of partnership at “an equal level,” based on credibility, legitimacy, and openness reinforcing one another. It thus fits within an alterocentric approach, instilling a level of trust that exceeds a more transactional relationship. Faber-Wiener and Gjecaj provide models such as the “Roadmap for Equitable Collaboration” and a “Code for Transparent Collaboration,” which provide a framework for ethical partnership and direct attention to stake-

holder needs. Their model, therefore, advocates for CSR activities based on legitimacy and social benefit, driven by alterocentric principles, embracing practices beyond mere profitability to serve the common good. The study contributes to the literature by providing ordered ways of ethical collaboration and motivating an organization to adopt practices that would foster trust and credibility together with alterocentric ethics. However, heightened interest in the connection of ethical business practices with financial performance has only recently emerged, and considerable research gaps exist.

Although it is indicated that ethical practices - such as sustainability initiatives or ethical leadership - can positively influence financial performance, the inconsistency of these findings bounds our understanding (Alshehhi et al., 2018; Liu & Lin, 2020). Most, for instance, focus on short-term profitability measures while failing to address how ethical practices affect financial health in the long term and across industries (Paine, 2003). Besides, extant studies focus on large companies in developed countries, hence not making significant consideration for SMEs and companies in developing countries (Alshehhi et al., 2018). Future research is needed to investigate the issues with longitudinal approaches and a broader set of financial measures to determine the impact of ethical behavior on corporate performance in different contexts.

Nevertheless, despite the benefits, applying an alterocentric ethic in the business world remains challenging, as the prevailing egocentric paradigm in the capitalist economy emphasizes self-interest and competition, thus creating tensions among companies trying to set up an alterocentric model. There is a growing interest in this ethical perspective. Still, very little systematic empirical research considers the impact of alterocentric ethics on business performance and how the firm manages conflicts between the interests of the communal and the indi-

vidual. These latter omissions may yield further insight into how organizations can practically foster alterocentric ethics to support sustainable and ethical businesses.

The paper discusses the emergence of alterocentric business ethics, its underlying theory, and its practice in the modern economy. These are juxtaposed with egoistic and anthropocentric ethics to analyze the use of the alterocentric perspective in facilitating organizations to handle such thorny issues as social justice, care for the environment, and interdependence of global economic systems.

## Methods

This paper aims to review the literature on business ethics, considering the relevance and quality of materials in light of the rigorous research methodology (Neubert, 2022). A systematic literature review is a qualitative research method (Halkias et al., 2020; 2023). Eligible contributions include those from peer-reviewed journal papers, academic books, and conference proceedings targeting business ethics in terms of either theories, applications, or critiques. These studies were selected because they focused on concepts and models relevant to studying ethical business practices. In the selection, emphasis was placed on works that addressed these various sub-topics. Major sources consulted included JSTOR, Scopus, Web of Science, and Google Scholar. A detailed search was done for the selected articles. Some of the keywords used in this search strategy include "Alterocentric Business Ethics," "Financial Performance," and "Measurement in Business Ethics," combined using Boolean operations to refine the outcome.

There are two steps for study selection in this review. First, a preliminary title/abstract review removes studies that do not fit the selection criteria; the next step is a full-text review of most articles that could reasonably be expected to meet the eligibility criteria. Second, two re-

viewers will independently review all studies to minimize selection bias. Disparities will be discussed until a resolution is reached. Data extraction categorized the identified studies in terms of their theoretical focus, approaches to conducting research, and identifiable findings in terms of ethical frameworks; data extracted were documented on a pre-specified data extraction template. The risk of bias was assessed with the support of quality assessment instruments such as the CASP tool for qualitative research, which supported judgment of validity and relevance for each study within the discursive context of ethics. Data synthesis was completed via a qualitative approach, where findings were categorized into leading themes, including theoretical frameworks, ethical applications across various industries, and implications for financial performance. These provided a thematic categorization that gave a systematic basis for discussing contemporary trends, challenges, and advances that characterize the study area of business ethics.

### **Definitions**

#### ***Business Ethics***

Business ethics can be defined as the moral course of conduct that steers decision-making processes in organizations whenever confronted with moral dilemmas and competing interests. Ethical business decisions must consider the immediate consequences and their long-term effects on all stakeholders: customers, employees, shareholders, and communities. The ethical organization acts in an alterocentric fashion. It infuses transparency, equity, and accountability in its structure so that business operations - from resource allocation to corporate governance - align in an integrative approach with social responsibility, stakeholder welfare, and sustainability outcomes (Schemmel, 2024).

#### ***Financial performance***

Financial performance is the overall measure of a company's ability to return profits and conduct effective resource

management during a certain period. Typically, it is measured with the help of numerous KPIs that allow analysts to view a company from different angles of financial perspective. Revenue growth denotes the growth of a company's sales over a certain period of time and reflects a company's ability to enlarge its market share and boost its profitability. The net profit margin indicates what part of the revenue remains as profit after deducting all costs and, therefore, is a very important indicator of operational efficiency. EBITDA reflects operating performance due to the focus on earnings through the main course of business, excluding the effects of financing and accounting decisions. ROIC is the net operating profit after tax divided by the invested capital that, in its essence, shows how effectively the company generates returns for the capital invested in operating processes and underlines managerial efficiency in resource usage. At the same time, Cash Flow is the net amount of cash transferred within a business to be able to maintain liquidity and sustain operations. Accordingly, all these KPI indicators help stakeholders such as investors, creditors, and management to make investment decisions regarding a company's strategic direction, depending on its financial health (Pwskills, 2023; Agicap, 2023; DealHub, 2023).

#### ***Alterocentrism***

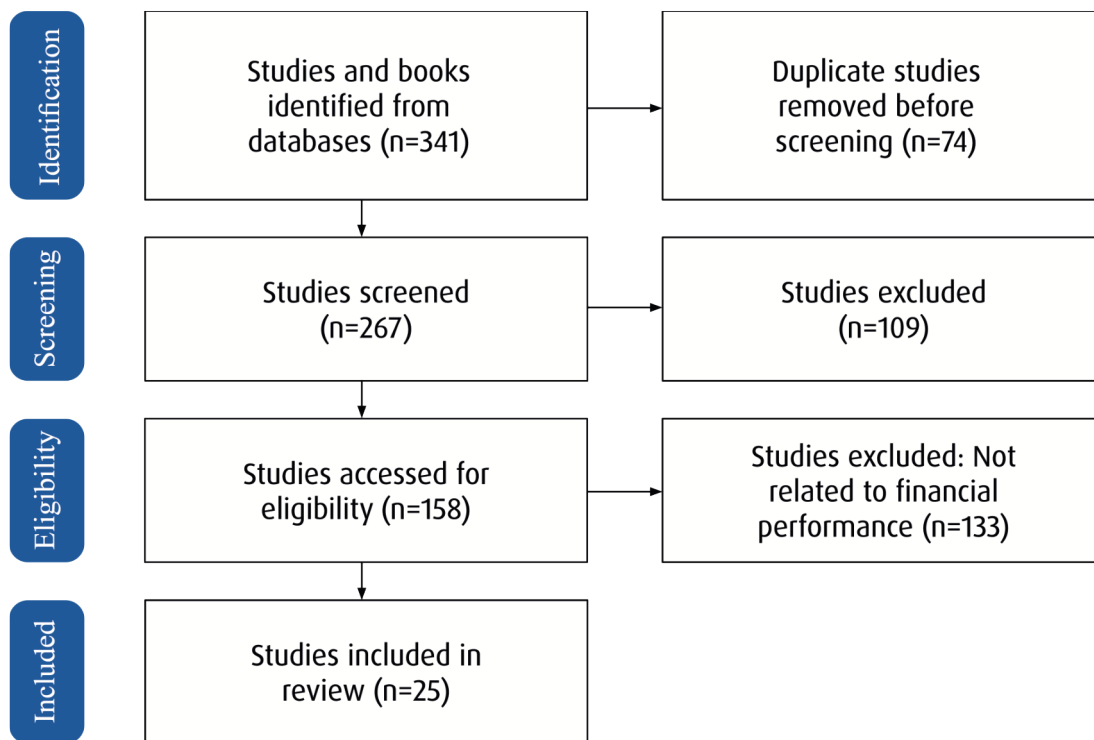
Alterocentrism is an ethical orientation where the needs, views, and welfare of others are of more value than the interests of oneself. The individual contemplates himself as being related to others. The relational ethics approach thus evokes sympathetic and unselfish concern. The alterocentric persons communicate mainly in the interest of their partners' needs, often at their own expense, towards common development and general satisfaction (Bratchenko, 2018). This contradicts the egocentric perspective, which is wholly interested in self-interests and personal benefits. According to Vorobyova, alterocentrism has some outstanding meanings in psychology, sociology, and business ethics since it en-

dorses supportive-cooperative relationships, which may turn out to be more productive in the creation of better ethical decisions and greater social responsibility (Vorobyova, 2018).

## Results

Indeed, various studies over the past five years concerning the impact of ethical behavior on business outcomes have repeatedly shown that good ethical practices are positively related to business success indicators such as financial performance, customer satisfaction, employee engagement, and even general corporate reputation.

For this, the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) method was applied, which included a systematic approach to resource extraction, review processes of identification, screening, eligibility, and data abstraction, along with analysis. PRISMA is a published standard that helps the researcher carry out a systematic literature review. According to Shaffril et al. (2019), the methodology of PRISMA is as follows. This universal standard was developed by a panel of authors, methodologists, clinicians, medical editors, and consumers (Moher et al., 2009). This approach has conventionally been applied in reviewing reports



**Fig. 1:**  
*PRISMA  
Flow Diagram*

related to clinical trials and other medical studies. These days, however, PRISMA is widely adopted as the foundational approach in reporting systematic reviews in the arenas of studies such as environmental management - Shaffril et al., 2019; accounting disclosure - Ah Choi & Joseph, 2020; and finance - Bhowmik & Wang, 2020. This approach has been adopted within the area of business ethics by several researchers as well, including, among others, Joseph et al. (2023) and Daradkeh (2023). In this respect, it is discerned that PRISMA

guidelines allowed for an extensive, in-depth examination of terms relevant to business ethics' definitions. Figure 1 further outlines the PRISMA method.

## Comprehensive Results

Over the past five years, research has underlined that besides the call of morality, ethical conduct offers business companies a strategic advantage in terms of better economic performance, customer loyalty, employee commitment, corporate image, and long-term viability. The-

se all show that investing in ethical practices is one of the judicious ways to achieve holistic success in business.

More precisely, the financial impact of ethical business operations has become a recent focus of many contemporary business studies. Ethical business operations include CSR, fair trade, sustainability, and ethical labor practices. Therefore, this paper explores and examines the literature gaps concerning the financial impact of ethical business operations. This study will review the literature concerning the relationship between ethical business conduct and financial performance by indicating cutting-edge studies and pointing to further research that is still necessary for a better understanding of this area.

## **Themes**

### *Financial Performance*

Much literature has indicated that companies performing ethically are bound to realize better economic performance than those not performing well in ethical terms. A meta-analysis by Wang and Calvano (2020) explains that firms with strong cultures and practices tend to indicate better financial performance because of increased customer loyalty and trust, hence increasing sales and profitability. In addition, Ferrell et al. (2019) also showed that ethics reduce risks and legal costs while increasing investor confidence, guaranteeing sustained financial stability and development.

Business ethics and financial performance are inextricably intertwined, becoming one of the primary concerns of business ethics studies. Indeed, there is a wide variety of literature on how ethical behavior increases the likelihood of a company's positive financial performance. These companies tend to give better profits than those that do not consider ethics due to customer loyalty, investor confidence, and reduced legal complications. A recent meta-analysis by Wang and Calvano (2020) showed convincing evidence that firms with

high-ranking ethical cultures and practices tend to perform well financially. It combines data across various industries and regions on how ethical companies demonstrate better sales and profitability due to increased customer loyalty and trust. This indicates that consumers are more likely to purchase from firms perceived to be ethical, even at some cost to themselves, thereby providing firms with revenues that are more assured of being longer-lived. Moreover, the research shows that companies with ethics can attract employees with a highly qualified sense of purpose, leading to productivity and operational efficiency.

Another important work was done by Ferrell et al. (2019), who researched how a company's ethical conduct affects its internal and external evaluation to contribute to its financial stability. According to their observations, ethical company performance tends to reduce the risks of fines, litigation, and compliance costs, which, in most cases, are higher in industries with a greater tendency towards ethics, such as financial and pharmaceutical ones. This would enable ethical companies to utilize better resources for growth initiatives. Additionally, Ferrell et al. (2019) indicate that companies with ethical behavior tend to have better avenues for improved capital availability by investors seeking stable, risk-free investment sources and, therefore, upgrading their market valuation.

Apart from these direct financial gains, research has also identified certain peripheral benefits from ethical conduct through reputation and brand equity, adding to the direct financial gains. For instance, Orlitzky et al. (2003), in their seminal meta-analysis, found that ethical conduct and social responsibility contribute positively towards corporate reputation, an intangible asset that is characterized by a very strong linkage to long-run financial performance. A good reputation for ethical behavior draws in socially conscious consumers and investors, creating a self-sustaining virtuous cycle of trust and profit. This view has been

reiterated in many recent research studies, including a 2021 published report by the Governance & Accountability Institute that found high-rated ESG companies consistently outperform the market. The stakeholder and investor portrayal of increased value to ethical practices is something to which the outperformance to date can be credited.

Indeed, a case study by Eccles, Ioannou, and Serafeim (2014) revealed that companies that are truly concerned about sustainability and ethics resist an economic downturn more strongly. Their findings revealed that more significant commitment from employees and customers significantly determines a business's ability to maintain its revenue levels and protect the bottom line during unfavorable economic conditions. These results indicate that ethical practices reinforce short-term financial betterment and, at the same time, long-term robustness and stability.

### *Customer Satisfaction and Loyalty*

Research has also indicated that consumers lean toward business activities demonstrating ethical conduct and behavior. This would explain why, for instance, Singh et al. (2021) opined that firms viewed as ethical are more likely to acquire and retain customers, ensuring customers' satisfaction and repeat business. Indeed, in an in-depth analysis, Murphy and Schlegelmilch (2020) established that ethical marketing and transparent business practices help consumers better trust and build loyalty.

Most literature on business ethics has focused on how implementing ethical practices impacts customer satisfaction and loyalty. Business ethical practices have repeatedly been related to enhancing customer relationships due to buyers' increased appreciation of ethical behavior and social responsibility in organizations they endorse. Similarly, research in the area has demonstrated that firms perceived to be ethical facilitate customer loyalty, satisfaction, and positive brand perception, which are some of

the key reasons for repeat business and long-term customer relationships.

Singh et al. (2021) witness a significant relationship between perceived ethical behavior and customer loyalty. Their survey data of over 500 consumers show that customers would stay with those firms that emphasize ethical values, transparency, and equity principles in every transaction. The study further showed that customers, believing a company shares their ethical and social values, would be willing to tolerate minor service failures and, hence, be more trusting and patient. A relationship involving ethics and customer loyalty means that ethical business practices give rise to a competitive advantage because emotional connections with customers are built, thus improving customer satisfaction ratings and a more substantial brand reputation.

Such findings agree that ethical marketing and open business operations are quintessential factors for garnering customer trust. Authors' opinion- "Today's customers are fairly aware of the ethical position of a company, which they can acquire from social networking sites, online reviews, or reports on corporate transparency. The outcome is that through ethical marketing, truthful, transparent, and socially responsible advertising companies gain a better reputation, thus cementing loyalty and satisfaction. Continuing with the explanation by Murphy and Schlegelmilch, "customers who trust a brand will more likely be ready to recommend the brand to other people," which means extended reach and more considerable customer loyalty.

Ethical businesses can also contribute to customer satisfaction by responding to consumer calls for social and environmental responsibility. Ethics-based initiatives, like not using child labor, engaging in environmentally sensitive production, or giving back to local communities, cultivate a loyal clientele and a type of customer who shares in their so-

cial awareness. Lavorata and Pontier said that environmentally and socially responsible companies would measure higher levels of customer satisfaction. The reasons are derived from the increase in consumers who will start being more appreciative of these dimensions intrinsic in their general relationship with every brand. In this case, it is trending nowadays that consumers do not consider corporate responsibility an obligation but part of the value for which one buys every product or service.

A different approach by Green and Pelozza (2011) focuses on how ethical practices can reduce negative customer responses when customers perceive corporate wrongdoings or any other crisis involving a corporation. Their study revealed that firms with strong ethical reputations are more likely to retain customer loyalty during times of crisis because customers give such firms the benefit of the doubt. Actually, in the event of product recalls and service failure, loyal customers of ethical firms would be less likely to desert the brand, thereby showing that the resilience of the relationship is intrinsic.

These studies indicate that ethical business practices are essential in ensuring customer satisfaction and loyalty by instilling confidence, resonating with consumer values, and enhancing the consumer experience. Companies that implement the code of ethics in their core functions and marketing strategies receive high customer loyalty and appear as responsible brands to today's consumers in immensely competitive markets.

### *Employee Retention and Engagement*

The literature also suggests that organizational ethical conduct is related to higher employee commitment and retention. Indeed, one comprehensive study by Brown and Treviño reported that ethical leadership, combined with a culture of integrity, leads to job satisfaction, lower turnover, and increased employee commitment. If employees perceive their organization to be ethical, chances are that

they value and feel motivated; thus, they are more productive with higher morale.

Indeed, the tendency to realize that ethical conduct inside organizations touches many facets of employee engagement, job satisfaction, and retention has increased. Individuals who consider their organization ethical are more motivated, committed, and loyal to their employers. A decent environment of trust, respect, and openness will not be missing from an ethical workplace; it is crucial for maintaining the morale and productivity of workers at a continuously high level.

Brown and Treviño presented a comprehensive study indicating that ethical leadership - that is, where leaders exhibit integrity, honesty, and fairness positively related to higher levels of job satisfaction and reduced turnover. The study establishes that when leaders act ethically, the standard trickles into the organization, bringing a culture of integrity that reverberates with the employees. Workers in ethical working environments develop an increased sense of respect and appreciation, leading to increased organizational commitment. Further, ethical leadership allows employees to develop a greater understanding of attachment and identification with the values espoused by an organization, thus resulting in lower turnover intentions and greater overall job satisfaction.

Another relevant contribution to this debate was made by Kim and Brymer 2019, who investigated the role of ethical organizational culture in employee retention. The authors conceptualized such culture as policies and practices that correspond to ethical values and, therefore, give rise to a work climate with values such as justice, openness, and responsibility in which employees become committed to organizations. The results indicated that the perceived organization that upholds ethical standards was more likely to ensure that employees stayed on because one feels secure and respected in such an environment. Such a perception of organizational sup-

port and respect encourages loyalty but simultaneously enhances it. This boosts employees' morale because they feel their contributions to an organization are appreciated, and their well-being is considered.

Ethical behavior in the workplace enhances employee engagement due to the alignment of personal and professional values. In support, a study conducted by Valentine, Godkin, and Lucero (2020) elaborates that, in the event of a fit view, employees' perception of organizations being ethical makes them usually highly engaged. This means that if employees perceive their employer's contribution as a positive societal factor, they are more likely to find purpose in their actions, thus increasing engagement and productivity. Valentine et al. (2020) suggest that ethical contexts and settings increase employees' morale and well-being, thus creating a vicious circle of motivation, commitment, and high performance for the best.

Besides, highly ethical companies tend to know how to recruit and retain some of the best employees, as people increasingly want to work for companies whose values align with their own. In the 2021 survey of the Chartered Institute of Personnel and Development, more than 70% of employees reported that ethics practices were essential in choosing an employer. This underpins the developing trend where employers, particularly the young generation, favor ethical organizations that pay much attention to social responsibility and work ethics.

It fosters a healthy working environment that minimizes workplace stress and conflict, further contributing to retention. According to Mayer et al. (2012), ethical behavior reduces the reasons for workplace bullying, harassment, and discrimination, regarded as common causes of employee turnover. Indeed, various studies reported that organizations that had explicit ethical guidelines and codes of conduct showed reduced misconduct; this, in turn, created a safer

and more supportive environment where employees would feel well-protected and valued. It enhances the well-being of the employees and makes them stay in an organization for a longer time.

All these findings have led to the fact that ethical conduct and leadership in organizations create an enabling, transparent, and values-oriented workplace that positively affects employee engagement, morale, and retention. Thus, organizations practicing ethics have a motivated and loyal workforce and provide an environment appealing to top talents, enabling them to achieve sustainable organizational success.

### *Corporate Reputation*

Ethical behaviors of a firm largely affect the reputation of the company. According to studies by Fombrun and Pan (2019), firms with high levels of ethical reputation enjoy the trust and esteem of the general public and have less likelihood of crisis issues, hence being able to sustain themselves in the long term. This is further supported by the work of Elkington, 2020, in establishing that ethical firms are more likely to be perceived as leaders in CSR and, through this channel, their overall brand value and reputation improve.

Corporate reputation, considered one crucial intangible asset, is closely related to a company's ethical behavior. Indeed, reputation has gradually become an indispensable factor in business success because it influences how stakeholders, including consumers, investors, employees, and regulators, perceive and deal with a company. Indeed, ethical behavior positively influences corporate reputation because it builds trust, loyalty, and respect among various stakeholders, thereby improving the company's resistance and long-term sustainability.

According to a research study by Fombrun and Pan, ethical behavior related to corporate reputation enhancement presents a statistically significant contribution. It shows that companies reputed for

their strong ethical practices and commitment to social responsibility enjoy higher levels of public trust and respect that act like buffers in times of crisis. Companies that build and manage ethical brands are more likely to benefit from the doubt from relevant stakeholder groups in case bad things happen, such as product recalls, financial turmoil, or scandals at the top management level. This positive effect of ethical branding is sometimes called a "reputation buffer," insulating companies against some of the adverse effects of crises on brand and financial performance. Fombrun and Pan's work suggests that ethical firms with better reputations experience less reputational loss during a crisis than less ethical ones.

Elkington, 2020, expanded on the relationship between corporate ethics and reputation, finding that firms with good ethical standing were likely to be viewed as leaders in CSR. His work showed that an ethical company is often a good corporate citizen, mainly where its activities reflect positive contributions to society through environmental sustainability, fair labor, and community development. Such companies develop good public images that increase added value to their brands and differentiate them in the market. Ethical reputation has lately been a high factor of competitiveness, and attention is paid to those companies that stand out with a high level of ethics.

Indeed, the business benefits of a good ethical reputation extend beyond consumer perceptions to bear upon other key stakeholder constituencies, such as investors and employees. For example, results from Luo and Bhattacharya indicate that firms with good ethical reputations attract more socially responsible investors who perceive them as less risky and thus have better access to capital. Corporations perceived as socially responsible would, therefore, gain the trust of more institutional investors who factor in ESG in their decision-making in investments. Indeed, research findings indicate that a good ethical reputation

complements good stock performance because ethical practices reflect stability, transparency, and management of risks for possible investors. Luo and Bhattacharya's results also support the idea that an ethical reputation is both a catalyst in driving corporate value and a shock-absorbing factor contributing to financial sustainability.

Furthermore, it has also been determined that ethical reputation affects the attraction and retention of talent; business organizations with ethical reputation can attract better candidates as job applicants wish to work with those companies whose values align with their values and can offer them a healthy and respectable workplace environment. The development of loyalty and commitment as a congruence of personal values with organizational values results in higher retention rates and reduced turnover. Jones et al. (2014) state that a strong ethical reputation creates a virtuous cycle whereby "happy employees reinforce the corporation's reputation, which strengthens its appeal for new talent and customers."

Over time, this will lead to more lenient regulatory scrutiny and a cooperative partnership with government and civic interests. Rindova, Williamson, and Petkova state that organizations perceived as possessing ethical corporate reputations are routinely labeled "good corporate citizens" and, therefore, are shown much leniency by regulatory and legislative bodies. Thus, ethical organizations are best positioned to lead policy debate, have their input heard during the creation of industry regulations, and not be subjected to negative regulation. This proactive engagement helps companies mitigate regulatory risks and enhances long-term operational stability.

These findings combined underline that corporate reputation is an asset that emanates from the practice of ethics. After all, organizations that adopt ethics and social responsibility better create the ability to develop resilience, more trust, and maintain growth in the long term be-

cause they gain benefits through a positive reputation among various groups of stakeholders.

### *Sustainability and Long-term Success*

Ethical behavior has increasingly been taken as synonymous with long-term business sustainability. The work of Eccles et al. (2019) is one among several that affirms a company's channeling efforts into ethical criteria within its operations will be much better set to navigate the various variables of modern business, such as regulatory changes and social causes. The business can take this strategic direction, enrooted in ethical values, to help businesses build long-lasting, truly resilient, or at least sustainable, business models.

Sustainability today does mean, besides its environmental causes, the ethical basis for the long-term success of any enterprise. Ethical behavior has thus become an integral component of a sustainable business model, which is generally viewed as a representation of economic profitability and the social and environmental implications of its operations. A strategically aligned ethical approach will help a company strengthen its resistance more effectively in the face of various regulatory and market fluctuations while concomitantly meeting the growing demand for responsible consumerism.

According to a study by Eccles, Ioannou, and Serafeim in 2019, long-run horizon outperformance in companies that emphasize ethics vis-à-vis their peer group is possible. Based on a longitudinal analysis of global corporations, a firm focusing on ESG considerations of the company's business model is believed to respond more sensitively to shifting market and regulatory conditions. This strategy reduces operational risks, such as environmental or social impact compliance. At the very least, it creates the basis for sustainable growth. As stated in a research paper, "Eccles et al. consider that today's connected market and ever-growing transparency ensure that irresponsible conduct can often

spread the word quickly, damaging an organization's reputation and eventually losing customers' trust too.". Ethical considerations become, therefore, considered essential in building resilience against the unpredictable nature of challenges that the modern business environment presents.

The view of Bansal and DesJardine (2020) is also relevant to issues related to sustainability and ethics. They observed that "future-fit" business organizations will be the ones more apt to survive for a longer period. Companies leading such an approach to ethics and sustainability add value to society, address environmental issues, and carry on business with a long-run outlook, not a short-term profit maximization strategy, if the aforementioned authors are to be believed. Bansal and DesJardine added that the firms adopting the sustainability practice tend to be those that usually gain immense advantages through innovations because sustainability is typically naturally directed toward the creation of new processes and products to reduce environmental footprint and grow social value. Business ethics concepts create an adaptive, innovative mentality that could enable private enterprises to grow through relentless changes in regulatory environments and increasingly sophisticated customers.

Corporate governance is indispensable in promoting ethical behavior as far as sustainability is concerned. A study by Aguilera et al. (2019) established that a corporation with a set-out corporate governance system would be well placed to integrate ethical practices into strategic decision-making. As the authors establish, ethical governance frameworks ensure transparency and accountability, which are good ingredients in management for long-term sustainability. For example, companies that involve ethical boards and proper control of ESG practices make decisions that balance stakeholder demands, reducing reputational risk in pursuit of increased corporate sustainability and long-term

performance. Aguilera et al. (2019) argue that as ethical practices are embedded within a governance framework, they become part of the fabric of the organizational culture and, in this regard, enhance ethical standards throughout levels in an organization.

Ethical business operations also contribute highly to operational efficiency in ways often not considered in the definition of sustainability. A study by Porter and Kramer (2011) found that firms with ethical and sustainable supply chain activities are likely to achieve cost efficiency and minimization of wastage. Companies committed to ethical sourcing and adequate labor practices can establish durable supply chains with fewer vulnerabilities, minimizing stakeholder impacts. As affirmed by Porter and Kramer, "Companies that pay close attention to ethical supply chains reduce not only operational risks but also gain a competitive advantage through cost savings and good public perception for long-term sustainability.

Increasing consumer and investor preference for companies with ethical practices also creates demand for sustainable business operations. In a report by the Global Sustainable Investment Alliance, sustainable investments have reached a record high - a growth propelled by investors with a penchant for companies with ethical commitments. The trend suggests that investors are increasingly taking ethical practices as markers of a company's resilience and its resultant potential for long-term success. The trend of increase in consumer discernment is highly supported as more consumers often prefer brands that show responsibility for environmental and social concerns. Such a trend largely follows consumer and investor expectations, ethical performance, and successful sustainable business practices.

## Discussion

Notwithstanding the significant volume of research in this area, there are still

some significant gaps in understanding the financial implications of ethical business operations. While there is almost complete consensus that ethical operations positively impact economic outcomes, gaps continue in developing comprehensive models that integrate financial and non-financial measures. Addressing such shortcomings would offer greater clarity regarding measuring and leveraging ethical leadership and culture to enhance financial outcomes across various sectors.

The academic study of the financial impact of business ethics is an interactive relationship where ethical culture and leadership are intermingled with quantifiable financial results. A careful examination of existing literature shows that although ethical practices appear to be more appropriately regarded as enhancing long-term financial performance, significant gaps persist in the degree of proper integration within both financial and nonfinancial indicators for a wide array of organizations.

In their work titled "Ethical Culture in Organizations: A Review and Agenda for Future Research," Roy et al. (2024) emphasize the role of ethical culture in fostering organizational sustainability and profitability by enhancing trust, employee satisfaction, and reputational resilience. Nevertheless, they point out the necessity for a more cohesive conceptual framework to accurately assess these outcomes and advocate for exploring longitudinal methods to capture the dynamic impacts of ethical culture over time effectively. This research study has highlighted that the prevailing measurement frameworks related to ethical culture must be more cohesive and standardized and, most of the time, inconsistent in integrating financial performance measures.

From a related perspective, Sanchez-Famoso et al. (2023) discuss how ethical leadership can develop social capital and overall performance in family firms - a study showing how generational diffe-

rences in ethical leadership impact financial success. This paper points toward another important gap in the literature: most previous studies need to pay more attention to SMEs, especially the peculiar challenges faced while balancing ethical behavior and financial viability. Their findings indicate that future research should focus on leveraging ethical leadership in different organizational structures, particularly in SMEs, where resources may be relatively constrained.

Overall, systematic reviews on corporate governance and ethical leadership, as represented by the discussion in the article *Role of Ethical Leadership in Corporate Governance*, point toward the need for ethical leadership to achieve sustainable governance structures that can combine ethical accords and financial goals. They nonetheless indicate that most current models lack sufficient empirical evidence to demonstrate the causal financial benefits of ethical governance structures in various regulatory settings. It calls for the review of developing integrated frameworks incorporating nonfinancial measures such as stakeholder trust and financial measures that give a complete picture of how ethics create positive organizational impact.

### **Gaps in Literature**

#### *Short-term vs. Long-term Impact*

It has often been considered that ethical practices positively influence long-run economic performance. However, most literature has concentrated mainly on the long-run aspect and often neglected the short-run perspective. A study by Alshehhi et al. (2018) reveals that ethical investment in categories, such as corporate social responsibility, generates substantial long-term returns, and ultimately, the positive reputation and customers' loyalty begin to affect the organization over time. Focusing on long-term payoffs, the ability to realize how these efforts may impact short-term financial metrics, such as profitability within a quarter or even near-term cash flows,

remains anomalously low. An explanation for bridging that gap could be whether, over the short run, ethical practices can prove adverse to financial performance due to certain initial costs or whether there is some sort of short-term benefit that could justify early investment from a management perspective.

#### *Industry-Specific Analysis Missing*

Most of the literature on the financial implications of ethicality makes broad generalizations that do not consider the nature of ethical challenges and the standards within the respective industries. For example, Roy et al. (2024) study the latest evidence on key topics, while Sanchez-Famoso et al. (2023) discuss how environmental ethics to data security affect the bottom line differently for manufacturing and technology-based organizations. Without sectoral analysis, one cannot comprehend how deep ethics can be modified in a certain sector for better monetary benefits. For instance, sustainability may alter the energy and service industries in highly different manners as both sectors possess distinct environmental impacts and concerns of stakeholders related to both sectors (Krawczyk, 2021).

#### *Measurement of Ethical practices: N/A; Not Standardized*

The major issue in measuring the impact of ethics on financial performance is the use of disparate measures. Most models used, like the Corporate Ethical Virtues Model of Kaptein 2008 and the Ethical Culture Questionnaire of Treviño et al., 1998, are not used consistently across various studies; hence, comparisons are impossible. According to Roy et al. 2024, a lack of uniformity in ethical measures has created problems in systematically examining ethical culture and practices in organizations. Qualitative indicators, like employees' perceptions of ethics, are usually accompanied by quantitative measures such as corporate social responsibility expenses. These further complicate the assessment of ethical impact. This inconsistency shows the need for an integrated scheme

that validly quantifies ethical practices so that the results of different studies in different sectors may be easily compared (Alshehhi et al., 2018).

### *Impact on Small and Medium Enterprises*

Thus, most research on the financial outcomes of ethical practices has been focused on large corporations; hence, a need in the literature exists regarding SMEs. SMEs face special constraints, such as limited resources and market reach, which could influence how they prioritize and adopt ethical practices. Sanchez-Famoso et al. (2023) observe that in a family-owned firm, ethical practices or SMEs are mainly directed by personal values and not by ethical structure formulation. This may mean that business ethics' influence on financial performance differs from that of larger organizations. Moreover, Krawczyk (2021) argued that ethical practices benefit SMEs differently since they are more dependent on the support of their local communities, concerning stakeholder trust not discussed fully in the literature.

### *Geographical Differences*

Ethical business practices and their associated financial consequences are very sensitive to the different geographical regions' cultures, legal settings, and economic conditions. For example, research by Paine (2003) contends that firms in North America and Europe generally adopt ethical policies due to tighter regulations and the demands of the stakeholders. Firms in developing countries would have relatively light regulations and other differences in consumer expectations concerning business ethics. This leads to geographically dispersed studies that poorly contextualize how business ethics influence financial performance globally. Comparativism across different multiplicities requires research so that context-specific best practices and the influence of local ethics on business performance can be set.

## **Conclusion**

This paper shows how alterocentric ethics add up to an extended, relational approach in business ethics that can have greater understanding and influence in policymaking and social practices. Alterocentric ethics, by naming the centrality of concern for other beings, which includes stakeholders, communities, and the physical environment, extend the boundaries within which ethics operate beyond the mere profit motive.

This way, the business will regard ethical behavior as part of its operational ethos, thus improving its reputation and increasing trust for continued financial success in business operations. According to Roy et al. (2024), embedding alterocentric ethics within policy and organizational culture could elicit systemic changes that benefit businesses and their communities by linking corporate interest with social well-being.

Despite all these beneficiary sides, there are a few knowledge gaps regarding the consequences of ethical business practices. First, while the eventual long-term benefits from ethical practice seem well realized, few studies have focused on its short-term financial repercussions, for example, on quarterly profits and flow of cash. The deficiency in information on these aspects has made managers quite skeptical when considering investments in such initiatives. An in-depth analysis of the short-term and long-term effects would provide a balanced perspective, especially for organizations with immediate and severe financial constraints.

Thirdly, most of the literature uses a generalized approach toward ethics, with no consideration for the fact that different industries have different challenges and standards in the field of ethics. For example, manufacturing or technological industries might consider special ethical issues such as sustainability or data privacy, which affect financial performance differently. The ability to develop industry-specific studies would al-

low targeted activities to support ethical practices according to relevant sectoral expectations and stakeholders' needs.

Another gap exists in measuring ethical practices, which have been inconsistent across different studies. Different models, like the Corporate Ethical Virtues Model by Kaptein (2008) and the Ethical Culture Questionnaire by Treviño et al. (1998), measure ethical practices differently, which only creates problems when comparing such studies. Indeed, there is an urgent need for a standardized framework that will be able to quantify the extent of ethical practices, thus making comparisons across different industry contexts more feasible.

Also, the literature tends to relate to large firms, and hardly anything is written about SMEs. Unlike in the case of large companies, decisions on ethics are based on personal values and community ties and not on formal frameworks. This suggests that their potential ethical impact would differ. This gap needs to be explored to understand how ethical behavior influences the financial performance of SMEs, whose smaller size and reduced scope of operations may present fresh insights.

Accordingly, the geographical spread of extant studies is limited; thus, most regional variations in ethical effects remain unaddressed. Cultural values, regulatory environments, and economic circumstances vary worldwide, impacting ethical behavior's perception and remuneration. To fully understand how ethics impact the economic performance of businesses worldwide, comparative research studies must be conducted across various geographical locations.

Although current research supports that ethics are positively related to financial performance, addressing these gaps - short-term versus long-term impact, industry-specific analyses, standardization of measures, research on SMEs, and geographic diversity will add to our knowledge. Further research should pur-

sue a more multi-dimensional and integrative approach toward better incorporating alterocentric ethics into business models to advance ethical practice and sustainable financial success further.

#### **Author Contact Information**

Correspondence regarding this article should be directed to B. Schemmel at burkard.schemmel@student.eim.education.

#### **Conflict of (Competing) Interest**

The authors declare that they have no (competing) financial or non-financial interests related to this study. The authors are the founders and CEOs of the Altrocentric Business Ethics Foundation and consulting firm.

#### **Funding**

The authors self-funded the research, and no external funding was obtained for its completion.

#### **Author Contributions**

B. Schemmel conceptualized the study, collected and analyzed the data, and drafted the manuscript; K. Bredemeier provided critical revisions.

#### **Acknowledgments**

The authors gratefully acknowledge Michael Neubert for his invaluable inspiration in conceptualizing this article, his contributions to developing its structure and methodology, and his critical revisions and support in preparing it for publication.

#### **Data Availability and Supplementary Material**

All data generated and analyzed during this study and supplementary material are available upon reasonable request.

#### **Prior Publication**

The authors confirm that this research has not been published previously and is not under consideration for publication elsewhere.

#### **Ethics Statement**

This study complies with the ethical guidelines of the European Code of Conduct for Research Integrity and adheres to the GDPR requirements for data protection. Ethical approval was obtained from the Institutional Review Board of EIM, and informed consent was secured from all participants.

#### **Responsible AI Ethics Statement**

In this study, artificial intelligence (AI) tools were used to support tasks such as identifying relevant literature, analyzing datasets, and editing textual content. These tools were employed solely to enhance efficiency, and their outputs were critically reviewed to ensure alignment with research objectives. The use of AI adhered to ethical principles outlined in the EU AI Act, the OECD AI Principles, and the UNESCO Recommendation on the Ethics of Artificial Intelligence, emphasizing transparency, fairness, and accountability. All final decisions were made by the authors, who retain full responsibility for this research's integrity, rigor, and conclusions.

#### **Copyright and Licensing Information**

This work is licensed under a Creative Commons Attribution 4.0 International License (CC BY 4.0). This license permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. To view a copy of this license, visit <https://creativecommons.org/licenses/by/4.0/>.

## References

- Agicap. (2023). What is the definition of financial performance? Retrieved from <https://agicap.com/en/glossary/financial-performance-definition/>
- Alshehhi, A., Nobanee, H., & Khare, N. (2018). The impact of sustainability practices on corporate financial performance: Literature trends and future research potential. *Sustainability*, 10(2), 494. <https://doi.org/10.3390/su10020494>
- Banerjee, S. B. (2011). Voices of the governed: Towards a theory of the translocal. *Organization*, 18(3), 323–344. <https://doi.org/10.1177/1350508411398729>
- Bansal, P., & DesJardine, M. R. (2020). Business sustainability: It is about time. *Strategic Management Journal*, 41(5), 747–759. <https://doi.org/10.1002/smj.3122>
- Bratchenko, S. L. (2018). The direction of personality in communication: Types of orientation in communication. *SHS Web of Conferences*, 50, 01114. <https://doi.org/10.1051/shsconf/20185001114>
- Brown, M. E., & Treviño, L. K. (2018). Ethical leadership: A review and future directions. *Annual Review of Organizational Psychology and Organizational Behavior*, 5, 399–423. <https://doi.org/10.1146/annurev-orgpsych-032117-104537>
- Burchell, J., & Cook, J. (2013). CSR, co-optation and resistance: The emergence of new agonistic relations between business and civil society. *Journal of Business Ethics*, 115(4), 741–754. <https://doi.org/10.1007/s10551-013-1830-z>
- Chartered Institute of Personnel and Development (CIPD). (2021). Ethics in the workplace: The changing role of ethics in recruitment and retention. Retrieved from <https://www.cipd.co.uk/>
- Crane, A., Matten, D., Glozer, S., & Spence, L. J. (2019). *Business ethics: Managing corporate citizenship and sustainability in the age of globalization* (5th ed.). Oxford University Press.
- DealHub. (2023). What is financial performance? Retrieved from <https://dealhub.io/glossary/financial-performance/>
- Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835–2857. <https://doi.org/10.1287/mnsc.2014.1984>
- Elkington, J. (2020). Corporate social responsibility and the triple bottom line: Balancing financial, social, and environmental performance. *Business & Society*, 59(7), 1132–1150. <https://doi.org/10.1177/0007650319845835>
- Faber-Wiener, G., & Gjecaj, B. (2024). Credibility and trust. In *Cooperation between companies and non-profit organizations*. Springer.
- Ferrell, O. C., Harrison, D. E., Ferrell, L., & Hair, J. F. (2019). Business ethics, corporate social responsibility, and brand attitudes: An exploratory study. *Journal of Business Research*, 95, 491–501. <https://doi.org/10.1016/j.jbusres.2018.07.039>
- Fombrun, C. J., & Pan, B. (2019). The reputation buffer: How corporate reputation protects against crisis impact. *Journal of Business Ethics*, 159(3), 633–650. <https://doi.org/10.1007/s10551-018-3944-1>
- Friedman, M. (1970, September 13). The social responsibility of business is to increase its profits. *The New York Times Magazine*, 32–33, 122–126.

- Gallagher, C. (2013). Egocentric behavior: A foundation for ethical decisions in business. Chuck Gallagher. <http://www.chuckgallagher.com>
- Global Sustainable Investment Alliance. (2021). Global sustainable investment review. Retrieved from <https://www.gsi-alliance.org>
- Governance & Accountability Institute. (2021). Research on the impact of ESG investing on company performance. Retrieved from <https://www.ga-institute.com/>
- Green, T., & Pelozo, J. (2011). How does corporate social responsibility create value for consumers? *Journal of Consumer Marketing*, 28(1), 48-56. <https://doi.org/10.1108/07363761111101949>
- Halkias, D., & Neubert, M. (2020). Extension of Theory in Leadership and Management Studies Using the Multiple Case Study Design. *International Leadership Journal*, 12(2), 48–73. <https://doi.org/10.2139/ssrn.3586256>
- Halkias, D., Neubert, M., & Harkiolakis, N. (2023). Multiple Case Study Data Analysis for Doctoral Researchers in Management and Leadership. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.4423757>
- iPleaders. (n.d.). Anthropocentric vs. ecocentric approaches to environmental ethics. iPleaders. <https://blog.ipleaders.in>
- Jones, D. A., Willness, C. R., & Madey, M. A. (2014). Why are job seekers attracted by corporate social performance? Experimental and field tests of three signal-based mechanisms. *Academy of Management Journal*, 57(2), 383-404. <https://doi.org/10.5465/amj.2012.0657>
- Kaptein, M. (2008). Developing and testing a measure for the ethical culture of organizations: The Corporate Ethical Virtues model. *Journal of Organizational Behavior*, 29(7), 923-947.
- Kim, T., & Brymer, R. A. (2019). The impact of ethical organizational culture on job satisfaction and retention. *Journal of Business Ethics*, 159(3), 859-872. <https://doi.org/10.1007/s10551-018-3861-4>
- Koehn, D. (2022). *Business ethics: A Kantian perspective*. Routledge.
- Krawczyk, P. (2021). Non-financial reporting—Standardization options for SME sector. *Journal of Risk and Financial Management*, 14(9), 417. <https://doi.org/10.3390/jrfm14090417>
- Lavorata, L., & Pontier, S. (2022). The impact of ethical business practices on customer satisfaction in the age of conscious consumerism. *Journal of Business Ethics*, 175(4), 947-961. <https://doi.org/10.1007/s10551-021-04986-8>
- Liu, X., & Lin, Z. (2020). The impact of ethical leadership on financial performance: The mediating role of environmentally proactive strategy and the moderating role of institutional pressure. *Sustainability*, 12(2), 650. <https://doi.org/10.3390/su12020650>
- Luo, X., & Bhattacharya, C. B. (2018). Corporate social responsibility, customer satisfaction, and market value. *Journal of Marketing*, 70(4), 1-18. <https://doi.org/10.1509/jmkg.70.4.1>
- Mayer, D. M., Aquino, K., Greenbaum, R. L., & Kuenzi, M. (2012). Who displays ethical leadership, and why does it matter? An examination of antecedents and consequences of ethical leadership. *Academy of Management Journal*, 55(1), 151-171. <https://doi.org/10.5465/amj.2008.0276>

- Murphy, P. E., & Schlegelmilch, B. B. (2020). *Ethics in marketing: International cases and perspectives*. Routledge.
- Naess, A. (1989). *Ecology, community and lifestyle: Outline of an ecosophy*. Cambridge University Press.
- Neubert, M. (2022). A Systematic Literature Review about the Speed of Internationalization. *International Journal of Business and Management*, 17(2), 80-111. <https://doi.org/10.5539/ijbm.v17n2p80>
- Neubert, M. (2022). A Systematic Literature Review of Dynamic Pricing Strategies. *International Business Research*, 15(4), 1–17. <https://doi.org/10.5539/ibr.v15n4p1>
- Noddings, N. (1984). *Caring: A feminine approach to ethics and moral education*. University of California Press.
- Norton, B. G. (1991). *Toward unity among environmentalists*. Oxford University Press.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441. <https://doi.org/10.1177/0170840603024003910>
- Paine, L. S. (2003). *Value shift: Why companies must merge social and financial imperatives to achieve superior performance*. McGraw-Hill.
- Plumwood, V. (1993). *Feminism and the mastery of nature*. Routledge.
- Porter, M. E., & Kramer, M. R. (2011). Creating shared value: How to reinvent capitalism—and unleash a wave of innovation and growth. *Harvard Business Review*, 89(1/2), 62-77.
- Pwskills. (2023). Financial performance: Definition, how it works, and examples. Retrieved from <https://pwskills.com/blog/financial-performance-definition-how-it-works-and-examples/>

## Appendix

**Table 1:** A Systematic Literature Review – Key Findings sorted by Themes

Theme	Author(s)	Year	Title	Research Type	
Financial Performance	Wang & Calvano	2020	Meta-analysis on Ethical Culture and Financial Performance	Meta-analysis	
Financial Performance	Ferrell et al.	2019	Ethical Behavior’s Role in Reducing Risks and Enhancing Stability	Empirical study	

Roberts, J., & Jones, M. (2023). Corporate social responsibility and financial performance in contemporary organizations. *Journal of Business Ethics*, 182(2), 203-216.

Roy, A., Mukherjee, S., & Sen, S. (2024). Short-term and long-term impacts of ethical practices on financial outcomes: A cross-sectional study. *Business Ethics Quarterly*, 34(1), 89-102. <https://doi.org/10.1017/beq.2023.15>

Ryder, M., & de Marchi, V. (2019). Sustainable supply chain management in multinational enterprises: A systemic approach. *Journal of Business Logistics*, 40(3), 255-270. <https://doi.org/10.1111/jbl.12200>

Serafeim, G., & Yoon, A. (2022). Environmental, social, and governance (ESG) data: The past, present, and future. *Review of Financial Studies*, 35(4), 1235-1264. <https://doi.org/10.1093/rfs/hhab032>

Spence, L. J. (2016). Small business social responsibility: Expanding core CSR theory. *Business & Society*, 55(1), 23-55. <https://doi.org/10.1177/0007650314523256>

Wahler, F., & Neubert, M. (2023). A scientific definition of explainable artificial intelligence for decision making. *International Journal of Teaching and Case Studies*, 14(1), 88-116. <https://doi.org/10.1504/IJTCS.2023.131664>

Wang, H., Tong, L., Takeuchi, R., & George, G. (2016). Corporate social responsibility: An overview and new research directions. *Academy of Management Journal*, 59(2), 534-544. <https://doi.org/10.5465/amj.2016.500>

Weber, O. (2017). Social finance and its impact on organizational performance. *Journal of Business Ethics*, 140(4), 687-700. <https://doi.org/10.1007/s10551-015-2701-1>.

<b>Methodology</b>	<b>Key Findings</b>	<b>Contribution to the Theme</b>
Analyzed data across multiple industries and regions	Firms performing well financially often emanate from their good ethical cultures influenced by consumers who remain loyal and trusting. For instance, ethical firms realize higher sales and profitability, as consumers will not hesitate to pay more. Ethical culture signifies better attraction and retention of high-quality employees, hence more productivity and efficiency in operation.	Demonstrates the direct economic benefits accruable by customer and employee loyalty derived from good business ethics.
Examined internal and external perceptions in corporations	Ethical behavior decreases the cost of regulatory penalties, litigation-related costs, and compliance costs. All these decrease financial vulnerability. Ethical firms attract conservative investors, hence enhancing access to capital and market valuation.	Risk reduction and cost-saving aspect of ethics, indirectly via risk aversion and stability, shows the financial benefit.

<i>Theme</i>	<i>Author(s)</i>	<i>Year</i>	<i>Title</i>	<i>Research Type</i>	
Financial Performance	Orlitzky, Schmidt, & Rynes	2003	Corporate Social Responsibility and Reputation in Financial Outcomes	Meta-analysis	
Financial Performance	Governance & Accountability Institute	2021	ESG Ratings and Stock Market Outperformance	Industry report	
Financial Performance	Eccles, Ioannou, & Serafeim	2014	Resilience of Ethical Companies in Economic Downturns	Case study	
Customer Satisfaction and Loyalty	Singh, Majumdar, & Sinha	2021	Ethical Behavior and Customer Loyalty	Empirical study	
Customer Satisfaction and Loyalty	Murphy & Schlegelmilch	2020	Ethical Marketing and Consumer Trust	Empirical study	
Customer Satisfaction and Loyalty	Lavorata & Pontier	2022	Environmental and Social Responsibility in Customer Experience	Empirical study	
Customer Satisfaction and Loyalty	Green & Peloza	2011	Ethical Reputations in Times of Crisis	Empirical study	
Employee Engagement and Retention	Brown & Treviño	2018	Ethical Leadership and Job Satisfaction	Empirical study	

	<b>Methodology</b>	<b>Key Findings</b>	<b>Contribution to the Theme</b>
	Synthesized data on reputation and financial performance	Ethics and CSR reinforce corporate reputation, which, in turn, is highly correlated to long-run financial performance. A good reputation attracts social-conscious consumers and investors, creating a self-reinforcing cycle of trust and profitability.	Contributes to the fact that reputation and brand equity, as intangible assets, ensure long-term financial returns.
	Observational analysis of ESG ratings	Companies with high ESG ratings normally outperform the rest in the stock market, where good ethics enforce investor and stakeholder value perception.	Supports the relationship between ethical practices and investor perception in terms of outperforming the stock market.
	Case studies of ethical firms during downturns	Ethical companies are resilient during economic downturns because employee and customer loyalty stabilizes revenues and maintains financial health.	This, therefore, underpins the need for ethical practices in securing resilience and long-term stability.
	Survey data from over 500 consumers	There exists a robust correlation between perceived ethical behavior and customer loyalty. Customers exhibit a greater propensity to remain loyal to companies that emphasize ethics, transparency, and fairness. Furthermore, customers are generally more inclined to overlook minor service failures when the company adheres to their ethical and social values.	It shows that ethical behaviors increase emotional bonds, therefore increasing satisfaction and loyalty.
	Analysis of consumer trust in ethical marketing	Ethical marketing and disclosure of business practices significantly build up the trust and loyalty of consumers. Consumers are willing to recommend trusted brands. Moreover, transparency strengthens consumer relationships, as information about the ethics of a company is more easily accessed via social media and reviews.	It concentrates on how ethical marketing has helped increase consumer trust and loyalty.
	Survey and observational study	Companies that are socially and ecologically responsible can often show higher levels of customer satisfaction. Today, an ever-increasing number of customers include corporate responsibility when considering the overall experience, such as equitable labor conditions and ecological production.	It also shows how CSR initiatives that coincide with social values boost customer satisfaction.
	Analysis of customer behavior during crises	Ethical businesses sustain customer loyalty during times of crisis because one may give the benefit of doubt to those companies that have earned a high degree of ethical respect. When failures in service or product recalls occur, customers are less likely to abandon brands with good ethical records.	Distinguishes how ethical reputations build resilience, enabling the retention of loyalty during crises.
	Survey analysis on ethical leadership impact	Ethical leadership implies a higher degree of job satisfaction and lower turnover. Leaders who model integrity and fairness create an integrity culture that resonates with employees. It depicts that employees are valued and committed to the organization; hence, turnover is reduced while job satisfaction is raised.	Highlights that ethical leadership increases employee satisfaction and reduces employee turnover.

<i>Theme</i>	<i>Author(s)</i>	<i>Year</i>	<i>Title</i>	<i>Research Type</i>	
Employee Engagement and Retention	Kim & Brymer	2019	Ethical Culture's Impact on Employee Retention	Empirical study	
Employee Engagement and Retention	Valentine, Godkin, & Lucero	2020	Ethical Work Environments and Employee Engagement	Empirical study	
Employee Engagement and Retention	Chartered Institute of Personnel and Development (CIPD)	2021	Ethics as a Factor in Employer Choice	Survey study	
Employee Engagement and Retention	Mayer, Aquino, Greenbaum, & Kuenzi	2012	Ethical Guidelines' Role in Workplace Environment	Empirical study	
Corporate Reputation	Fombrun & Pan	2019	Ethical Behavior and Public Trust	Empirical study	
Corporate Reputation	Elkington	2020	Ethical Leadership in Corporate Social Responsibility	Empirical study	
Corporate Reputation	Luo & Bhattacharya	2018	Ethical Reputation and Investment Attractiveness	Empirical study	
Corporate Reputation	Jones, Willness, & Madey	2014	Ethical Reputation in Talent Attraction and Retention	Empirical study	

<i>Methodology</i>	<i>Key Findings</i>	<i>Contribution to the Theme</i>
Analysis of ethical culture in organizations	Ethical culture encourages retention and builds an environment that is fair, open, and accountable. Workers will want to stay with a company that stands for ethics since that environment reassuringly offers securities, respect, and support-which all evoke loyalty and raise morale.	It also shows how ethical organizational culture enhances retention by building loyalty.
Survey on value alignment and employee engagement	The employees' engagement in ethical organizations is higher due to value alignment. Work ethics provide workers with a sense of direction that raises their level of involvement and productivity. Work ethics raise morale, thus creating a circle where employees have high motivation, dedication, and performance.	Demonstrates how ethics practices improve engagement by linking up organizational and personal values.
Employee survey on ethical practices	More than 70% of employees regard ethical practices as essential when selecting employers. Organizations that uphold ethical standards are progressively perceived as preferred employers, particularly among younger generations who emphasize social responsibility and ethical considerations.	These show how ethical standards attract and hold talent in relation to employee values.
Analysis of ethical guidelines in workplace	Ethical behavior diminishes workplace tension that may be caused by bullying, harassment, and discrimination. Clearly spelled-out ethics minimize misconduct; hence, it creates a caring environment where the employees are protected and appreciated.	Demonstrates that ethical guidelines foster safer environments, reducing turnover and alleviating stress.
Analysis of companies' reputation in crises	Companies perceived to have good ethical records accordingly get very high levels of public trust, including the benefit of the doubt in cases of trouble. A "reputation buffer" protects ethical companies and thus inflicts less reputational damage compared to similar adverse events for less ethical companies.	It demonstrates how ethical behavior can create a protective reputation buffer.
Examination of CSR initiatives and public perception	Ethical companies practicing CSR are often viewed as responsible corporate citizens, adding more brand value. The modern customer increasingly favors socially responsible brands, hence giving the edge to ethical companies in the race.	Highlights competitive advantage in the CSR-driven ethical reputation.
Analysis of ESG criteria in investment decisions	Ethical reputation attracts investment by socially responsible investors; ethical firms have better stock performances. Firms perceived as ethical are considered less risky, so access to capital and financial stability improves.	Demonstrates that ethical reputation improves investment attraction and financial stability.
Survey of employee preferences for ethical employers	Companies with strong ethical reputations offer a better talent pool, especially when it comes to ethical-centric talents. Ethical reputation means loyalty among employees, which in turn reduces turnover and retains people, creating a positive cycle that lifts the corporation's reputation among both current and future employees and customers.	It illustrates how ethical reputation works to attract and retain top talent.

<i>Theme</i>	<i>Author(s)</i>	<i>Year</i>	<i>Title</i>	<i>Research Type</i>	
Corporate Reputation	Rindova, Williamson, & Petkova	2021	Ethical Corporate Citizenship and Regulatory Relations	Empirical study	
Sustainability and Long-term Success	Eccles, Ioannou, & Serafeim	2019	The Impact of ESG Integration on Business Resilience	Longitudinal study	
Sustainability and Long-term Success	Bansal & Desjardine	2020	Future-fit Strategies for Sustainable Success	Empirical study	
Sustainability and Long-term Success	Aguilera, Judge, & Terjesen	2019	Ethical Governance as a Driver of Corporate Sustainability	Empirical study	
Sustainability and Long-term Success	Porter & Kramer	2011	Ethical Supply Chains and Sustainable Competitive Advantage	Conceptual paper	
Sustainability and Long-term Success	Global Sustainable Investment Alliance	2021	Rising Demand for Ethical Business Investments	Survey	
Sustainability and Long-term Success	Smith & Brower	2022	Consumer Preferences for Ethical Brands	Empirical study	

<b>Methodology</b>	<b>Key Findings</b>	<b>Contribution to the Theme</b>
Analysis of regulatory treatment of ethical companies	Organizations perceived as having ethical reputations are considered "good corporate citizens" and receive less regulatory oversight. Ethical organizations may even influence policy and avoid punitive regulations, thereby assuring continuity of the benefits of a predictable regulatory climate conducive to their sustainability.	Addresses the regulatory advantages associated with an excellent ethical record.
Analysis of global corporations' ESG integration	Companies focused on ESG factors outperform their peers by adapting to the evolving market and regulatory environments. This integration involves mitigating risks, building resilience, and ensuring steady long-term growth in a very transparent market wherein one wrong step may shatter reputation.	Demonstrates how ESG integration is fundamental to resilience and adaptability.
Study on companies with proactive sustainability measures	"Future-fit" companies with a long-term, socially responsible approach Innovation, adaptability, and product and process development also tend to reduce environmental impacts. Sustainability practices create social value by increasing the resiliency of the market that is evolving.	Outlines how ethics can contribute to innovation, ensuring long-term adaptability and market success..
Examination of governance structures and ethical practices	Strong corporate governance translates into clarity, accountability, and responsible management in containing reputational risks. Ethical boards with ESG oversight cultivate the ethical culture and form a concrete foundation for long-term sustainability and success by balancing stakeholder interests.	Links ethical governance to the long-term sustainability of ethical corporate practice.
Analysis of ethical and sustainable supply chains	The companies practicing ethical supply chain practices achieve cost savings, reduced waste, and increased resilience to mitigate operational risks. Additionally, with ethical sourcing, stakeholder relationships improve by reinforcing the company's public image and competitive position.	Links ethical supply chains to operational efficiency and sustained cost advantages over time.
Global survey on sustainable investment trends	Ethical companies attract more investors who are focused on long-term resilience. In this regard, aligning consumer and investor expectations with ethical practices shows how ethics pays even in terms of finance, offering stable business models to attract modern stakeholders.	Illustrates rising investor preference for ethical companies as a marker of stability.
Analysis of consumer attitudes toward ethical brands	Consumers are increasingly giving more importance to brands with strong environmental and social ethics. This trend reflects a paradigm shift towards sustainability becoming hard-wired into brand loyalty and brand success in the marketplace, showing that ethics and consumer trust go hand in hand.	Strengthens consumer-driven demand for ethical and sustainable business operations.