How to Cite:
Madjene, M. M., Berkane, M., & Chaghi, A. (2025). Business ethics: sources, principles, and their connection to organizational functions. *International Journal of Economic Perspectives*, *19*(5), 2014–2024. Retrieved from https://ijeponline.org/index.php/journal/article/view/1032

Business ethics: sources, principles, and their connection to organizational functions

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***Abstract*---**Business ethics are a set of moral values and principles that govern the behavior of individuals within the work environment and during the performance of their professional duties. They serve as the foundational framework for ethical conduct, defining what is considered acceptable or unacceptable in the workplace. Generally, business ethics aim to positively guide individual behavior to foster appropriate ethical decision-making. Furthermore, business ethics are closely tied to all organizational functions, influencing how tasks are executed and decisions are made within each department. They play a vital role in integrating economic, social, and environmental objectives, ensuring alignment between the organization's actions and broader societal and ecological responsibilities.

***Keywords*---**Business Ethics, Administrative Functions, Organizational Functions.

Introduction

The adherence to ethical values, legal considerations, and positive behaviors by both management and employees has become the cornerstone of organizational

Submitted: 12 April 2025, Revised: 29 April 2025, Accepted: 03 May 2025

success, particularly amid the growing emphasis on transparency and accountability standards. Organizations seeking societal acceptance must ensure their operations embody an ethical dimension, one that garners widespread approval from stakeholders.

Increasingly, businesses are competing to establish ethical codes of conduct and reformulate their goals and policies to underscore their ethical responsibilities. Commitment to business ethics has become a priority for many organizations. To comprehensively understand business ethics, we will delineate its foundational concepts, sources, components, and the catalysts behind its rising significance.

I. Fundamental Concepts of Business Ethics

The term "ethics" encompasses multiple meanings, lacking a singular, precise definition. To lay the groundwork, we first explore linguistic roots and conceptual frameworks that facilitate our discussion.

I.1 Etymology and Definitions

- The term "ethic" derives from the Greek word *"ethos"* (ἦθος), meaning customs or character[1].
- The Latin term *"mores"* (morals) refers to societal norms and traditions.
- **Ethics as a discipline** clarifies notions of good and evil, prescribes interpersonal conduct, defines life's ultimate goals, and illuminates the path to virtuous action.

A notable analogy by Al-Khwarizmi illustrates human worth[2]:

- If a person has good morals, it is equal to 1;
- If he is handsome, add a zero to the 1 = 10;
- If he is wealthy, add another zero = 100;
- If he is well-born and well-bred, add another zero = 1000

If the one (1), which is morality, is gone, the value of man is gone, and the zeros that have no value remain.

I.2 Definitions of Ethics

- **Daft**: *"A code of moral principles and values governing behaviors, distinguishing right from wrong. Ethics set standards for good/bad conduct and decision-making."*[3]
- **Al-Aidaroos**: *"The application of societal values, norms, and traditions—collectively recognized as representing justice, truth, and fairness—to regulate human behavior within a community."*[4]

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1 Jérôme Ballet et autre, **L'entreprise et l'éthique**, 2ème Ed, Seuil, paris-France, 2011, P28

2 Al-Samarrai, M. S. (2021). ***Business Ethics*** (1st ed.). Dar Al-Yazouri Al-Ilmiya for Publishing and Distribution. p. 22..

3 Richard Daft, **management**, 12th edition, Cengage Learning, Boston-USA, 2016, p152.

4 Al-Aidaroos, A. S. (2015). ***Professional Ethics and Work Behavior*** (1st ed.). Markaz Al-Khibarat Al-Mihaniya lil-Idarah *Giza, Egypt*. p. 15

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I.3 Defining Business Ethics

Business ethics, also termed *organizational ethics* or *managerial ethics*, revolves around human conduct rules and their societal acceptance. It addresses moral questions about what *ought* or *ought not* to be done in business practices.

Core Principles
Business ethics:

- Determines right/wrong, good/bad, and beneficial/harmful actions in organizational decisions and activities.[5]
- Guides producers, sellers, and buyers in reflecting on the implications of their actions.
- Establishes principles and values directing human behavior in business, anchored in four pillars:
  - **Purposeful Actions**: Aligning activities with meaningful goals.
  - **Non-Maleficence**: Avoiding harm to others.
  - **Honesty**: Rejecting deception in transactions.
  - **Impartiality**: Preventing bias in favor of any party.

Scope of Business Ethics
Business ethics serves as a comprehensive framework encompassing:

- Values, standards, and employee behaviors that foster self-regulation.
- Management's attitudes toward employees, customers, and society regarding products/services.
- Mechanisms to distinguish ethical from unethical practices and mitigate harm to stakeholders.

I.4 The Importance of Business Ethics

Adherence to ethical principles yields significant benefits for organizations, including:

- **Long-Term Financial Returns**: Ethical commitment correlates positively with financial performance, particularly over extended periods.
- **Legal Risk Mitigation**: Unethical conduct exposes organizations to lawsuits and regulatory penalties[6].
- **Enhanced Reputation**: Ethical behavior bolsters local, regional, and global credibility, crucial for international market penetration.
- **Alignment with Public Interest**: Prioritizing ethics shifts focus from narrow self-interest to broader societal welfare, fostering stakeholder trust.
- **Certification Compliance**: Ethical practices enable organizations to earn certifications like *ISO 9000* and *ISO 14000*, which embed social and ethical recognition.
- **Crisis Prevention**: Ethical codes provide guidelines for navigating complex situations, cultivating an organizational culture attuned to moral dimensions.

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[5] Balland Stéphane, Bouvier Anne–Marie, **Management des entreprises**, DUNOD, Paris-France, 2008, p 23.

[6] Lakhdiri, R. (2017). The impact of governance principles on work ethics in Algerian economic institutions. *Journal of Economic Sciences, 18*(2), 134.

- **Cultural Influence**: Ethical frameworks propagate values that shape decision-making and reinforce accountability[7].

I.5 Sources and Components of Business Ethics

A defining characteristic of human behavior is that it is purposeful, goal-oriented, and driven by underlying factors. Understanding, analyzing, and effectively leveraging the sources of behavior within an organization is critical. Identifying these sources enables organizations to predict related phenomena and manage or adapt to them in ways that serve their interests.

Scholars such as Al-Ghalibi and Al-Amiri (2016), Falaq (2016), and Al-Skarneh (2019) identify the following sources influencing ethical (or unethical) behavior in organizations:

- **Family and Upbringing**: The family is the primary nucleus for shaping an individual's behavior. Religions and civilized societies emphasize family cohesion, as individuals acquire their earliest moral values—good or bad—from this foundation. Dysfunctional families that disrespect legitimate work or ethical earning cannot produce individuals committed to workplace ethics. An employee's conduct often reflects their family's social and moral standing. Governments invest heavily in programs to curb destructive behaviors, such as vandalism or aggression, rooted in poor upbringing.
- **Societal Culture, Values, and Customs**: An individual's behavior is heavily influenced by societal culture, values, and traditions. Early group interactions instill a sense of belonging and defense of collective norms. When societal values align with familial upbringing, they manifest consistently in workplace behavior.
- **Reference Group Influence**: Reference groups (political, religious, tribal, etc.) significantly shape behavior. In many societies, individuals face conflicting influences from multiple reference groups, leading to behavioral ambiguity.
- **Education System**: A nation's education system plays a pivotal role in cultivating ethical values. A coherent educational philosophy, spanning from early childhood to higher education, reinforces societal values such as honesty, accountability, diligence, respect for laws, constructive criticism, and acceptance of diverse viewpoints. These principles foster ethical behavior and social responsibility[8].
- **Media**: Media serves as a tool for socialization, behavior shaping, and public awareness. It promotes transparency in governance, informs citizens about administrative procedures (e.g., taxes, customs), and acts as a watchdog against corruption. Ethical media upholds justice and public welfare while adhering to moral standards.
- **Initial Workplace Environment**: An individual's first job profoundly impacts their ethics. Workplace norms—such as punctuality, teamwork, responsibility, and authority—shape daily behavior. Ethical organizations

[7] Khadir, N. (2010–2011). *Business ethics and their impact on customer satisfaction: A case study of Air Algeria* [Master's thesis, University of Mohamed Bougara]. p. 17

[8] Cherad, W. (2013). The contribution of business ethics in combating administrative corruption. *Journal of Economic and Managerial research, University of Biskra, 7*(2), p 146.

cultivate virtuous climates, while toxic workplaces force employees to compromise their values to adapt.

- **Cultural Heritage and Personal Values**: Deeply rooted cultural traditions, including proverbs and sayings attributed to religious or tribal figures, influence behavior. However, uncritical adherence to outdated norms may conflict with modern global standards, necessitating critical evaluation.
- **Laws and Government Regulations**: Legal frameworks regulate public administration and align organizational practices with national policies. These laws serve as ethical benchmarks for behavior.
- **Industry-Specific Codes of Conduct**: Professional and industrial codes of ethics—both formal (e.g., legal statutes) and informal (e.g., unwritten norms)—guide ethical decision-making in specialized fields.
- **Accumulated Experience and Conscience**: Personal experience and moral conscience shape an individual's approach to workplace challenges, fostering ethical judgment.
- **Civil Society Pressure Groups**: Groups such as labor unions, consumer rights associations, and environmental organizations influence legislation and promote ethical practices. Their advocacy compels organizations to adopt socially responsible policies[9].

I.6 Principles of Business Ethics

The components of business ethics are rooted in four core principles, often framed as complementary pairs[10]:[11]

1) **Justice and Equality**: Justice entails fairness and impartiality in rights, duties, and opportunities within an organization. It ensures equitable treatment of employees, fair resource distribution, and adherence to organizational commitments. Justice is the bedrock of trust between employees and management.
2) **Honesty and Integrity**:
   - **Honesty** aligns actions with truth, even in challenging circumstances. It is the foundation of moral virtues and societal harmony.
   - **Integrity** involves fulfilling explicit and implicit promises, avoiding negligence, and rejecting corruption. The Quran emphasizes integrity: *"O my father! Hire him. Indeed, the best you can hire is the strong and trustworthy"* Integrity manifests in:
     - Ethical use of authority (e.g., avoiding nepotism).
     - Efficient time management and productive work.
     - Collaborative decision-making to foster accountability.
3) **Confidentiality and Trust**: Confidentiality requires safeguarding sensitive organizational and stakeholder information. Trust is built when employees respect privacy, protect proprietary data, and uphold personal autonomy in decision-making.

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[9] Diab, W. K. A. (2014). *Ethics of Public Relations Practices* (1st ed.). Dar Al-Yazouri Al-Ilmiya for Publishing and Distribution. *Amman, Jordan,* p. 52.

[10] **Al-Samarrai, M. S. M.** (2021). *Modern Administrative and Leadership Thought*. Dar Al-Yazouri Al-Ilmiya for Publishing and Distribution. *Amman, Jordan,* p. 31

[11] **Al-Maani, A. I., et al.** (2016). *Contemporary Administrative Issues* (2nd ed.). Dar Wael for Publishing and Distribution. *Amman, Jordan,* p. 374.

4) **Integrity and Transparency**:
   - **Integrity** reflects spiritual and moral elevation, ensuring duties are performed without favoritism or personal gain.
   - **Transparency** promotes openness in organizational operations, granting stakeholders access to relevant information. This combats corruption and fosters accountability.

II. Business Ethics within the Framework of Organizational Functions

The significant role of ethics can be discerned in its fundamental contribution to enhancing management efficiency and effectiveness. This role permeates all aspects of the administrative process and executive activities within an organization. Ethics can serve as a driver for organizations to achieve their goals with excellence and as a criterion for determining the success of any administrative system.

Clarifying the role of ethics in an organization necessitates elucidating its impact across all dimensions of the administrative process: planning, organizing, directing, and controlling. This includes highlighting ethical considerations in production, operations, marketing, human resources, and finance, with a focus on how ethical principles influence the mechanisms of these functions.

II. 1 Business Ethics within Administrative Functions

For business organizations to adhere to ethical values, they must perform all their functions and activities within ethical frameworks. Ethical behavior influences all organizational activities, which can be observed through departmental mechanisms, decision-making processes, and the positive interaction of various organizational functions—such as human resource management, information and knowledge asset management, research and development, and public relations. This ensures that organizational decisions reflect positive behavioral dimensions and avoid negatively impacting the interests of stakeholders[12].

II.1.1 Business Ethics in Planning

Given the growing importance of planning in contemporary organizations, there is increasing emphasis on ensuring the efficiency and quality of planning to establish a solid foundation for other administrative functions. This includes integrating ethical and value-based concepts into the planning process. Effective planning requires ethical frameworks that regulate concepts, practices, and tools, as well as guide the mindset and actions of planners. Ethical principles must govern all planning domains (marketing, production, finance, procurement, human resources, etc.) and stages (goal-setting, resource allocation, policy formulation, program design, etc.). Thus, ethical foundations are deeply embedded in every aspect of planning.

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[12] Abou Bakr, M. M. (2010). *Ethics and Work Values in Contemporary Business Organizations* (1st ed.). Al-Dar Al-Jame'eya. Alexandria- Egypt, pp. 394–395

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II.1.2 Business Ethics in Organizing

The practice of organizing inherently involves behavioral, social, and ethical dimensions, particularly in role and task distribution, authority delegation, and the use of power. Managers must avoid arbitrary exercise of power over operational-level employees and instead uphold justice, honesty, integrity, and openness to constructive criticism. Ethical concerns also arise in informal organizational structures, where favoritism and nepotism may proliferate[13].

Modern organizational trends emphasize transitioning from information-based management systems—which rely on data analysis, clear objectives, and participatory problem-solving—to complementary systems like *ideology-driven management*. The latter refers to managers' collective beliefs and values about achieving success through ethically and behaviorally acceptable assumptions that satisfy all stakeholders. Economic and accountability considerations are thus integral to organizational frameworks. Key aspects include:

- **Role and Task Allocation**: Ethical distribution of authority and avoidance of power misuse for personal gain. Managers must act justly, remain open to dissent, and prioritize organizational and societal interests.
- **Conflict Resolution**: Addressing disputes and crises impartially, avoiding biases or factions that hinder operations.
- **Liaison Units**: Establishing formal units to bridge the organization and external stakeholders, fostering a positive social image rooted in ethical practices rather than mere marketing.
- **Informal Structures**: Managing informal networks to prevent favoritism while leveraging them for performance improvement.
- **Open Systems**: Ensuring the organization interacts dynamically with society, integrating structural, technological, and cultural elements to align goals with stakeholder expectations.

Ethical organizational behavior strengthens loyalty. Decisions grounded in ethics encourage employees at all levels to deepen their commitment to the organization, positively impacting overall performance.

II.1.3 Business Ethics in Directing

The directing function is critical in defining an organization's operational identity. It encompasses leadership styles and motivational strategies, both of which involve ethical behaviors.

A. Leadership: Ethical leadership involves influencing others through communication to achieve goals, coordinating tasks, boosting morale, and exercising power responsibly. Key traits include:

- Fair employee evaluation and placement.
- Linking incentives to objective, accurate performance metrics.
- Balancing focus on production and employee well-being.
- Impartial conflict resolution.
- Promoting job satisfaction through ethical commitment.
- Ensuring leadership continuity and smooth power transitions.

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[13] Abou Bakr, M. M. (2010). *Ethics and Work Values in Contemporary Business Organizations* (1st ed.). Al-Dar Al-Jame'eya. Alexandria- Egypt, pp. 290–291.

B. Motivation: Modern employees seek more than material incentives; they desire social fulfillment amid evolving needs. Ethical motivation systems should be dynamic and principled:

- Ensuring fairness and transparency in compensation policies.
- Understanding interdependencies between pay systems and outcomes.
- Aligning rewards with HR processes like recruitment, training, and evaluation.
- Continuously refining compensation frameworks.
- Adapting innovative motivational strategies from competitors.

II.1.4 Business Ethics in Controlling

Control systems span all managerial levels, bridging strategic plans and execution. Effective controls combine technical and behavioral measures, ensuring accountability while fostering autonomy and avoiding coercion. Key considerations include:

- Comprehensive monitoring of inputs, outputs, and processes across all units.
- Avoiding disproportionate focus on quantitative metrics over quality.
- Preventing bias in oversight to maintain organizational integrity.

In summary, ethical frameworks are indispensable to organizational success, shaping decisions, behaviors, and stakeholder trust across all functions.

II.2 Business Ethics within the Framework of Organizational Functional Activities

Despite variations in the executive functions of organizations—depending on their size, sector, geographic reach, and management preferences for consolidating activities—the core functional activities of any business organization remain: **production and operations**, **marketing**, **human resource management**, and **financial management**. The ethical responsibility of an organization manifests through the positive interaction of these activities and departments, ensuring that decisions reflect ethical behavior toward all stakeholders.

II.2.1 Business Ethics in Production and Operations

The raison d'être of any organization is to produce goods or services that meet consumer needs, desires, and aspirations. Through these offerings, organizations build trust with customers and society. Production management has evolved significantly, and decisions in this domain now profoundly impact an organization's future and directly affect people's lives. Production departments are no longer isolated technical units but hubs connecting the organization to stakeholders such as consumer rights advocates, environmental protection groups, and regulatory bodies. Ethical considerations in production include:

- **Product/Service Design**: Driven by evolving consumer demands and competition, socially responsible organizations must prioritize quality in product design. Quality has become an ethical and social obligation, reflected in standards like ISO, which now encompass internal and external organizational practices, ensuring safe products for consumers and the environment.

II.2.2 Business Ethics in Marketing

Post-World War II, population growth, industrial expansion, and heightened consumer awareness shifted business focus from production to marketing, prioritizing customer needs over product features. Ethical marketing requires honesty, integrity, and a commitment to developing a clear, written ethical code for all personnel. Marketing ethics extend beyond product promotion to address values and behaviors, intersecting with advertising ethics. Key ethical issues include:

- **Pricing**: Fair pricing, price discrimination, and reductions.
- **Anti-Competitive Practices**: Monopolistic tactics, loyalty manipulation, and supply chain control.
- **Advertising Content**: Ethical use of media, avoiding exploitative or harmful messaging (e.g., sexualized ads or promoting unethical products).
- **Marketing to Children**: Ethical engagement in schools and avoidance of manipulative tactics.
- **Black Market Activities**.

The 1956 U.S. Consumer Bill of Rights outlines fundamental consumer protections:

- **Right to Safety**: Products must be safe, with clear usage guidelines.
- **Right to Information**: Full transparency about products and their impacts.
- **Right to Choice**: Freedom to select from a range of products.
- **Right to Be Heard**: Mechanisms for feedback and redress.

II.2.3 Business Ethics in Human Resource Management

Human resources (HR) have transitioned from labor management to intellectual capital stewardship, as emphasized by Peter Drucker. Ethical HR practices include[14]:

A. **Recruitment**:
   - Transparent job postings and fair candidate treatment.
   - Avoiding unethical poaching from competitors.
   - Collaboration with employment agencies to address societal unemployment.

B. **Interviews and Assessments**:
   - Clear, publicized interview processes.
   - Equal time and opportunity for candidates to showcase skills.
   - Objective, unbiased assessment committees.
   - Technically valid, non-discriminatory tests.
   - Interviewers with technical and behavioral expertise.

C. **Selection and Appointment**:
   - Basing decisions on objective assessment results.
   - Balancing transparency with confidentiality (e.g., anonymized results).
   - Legal compliance in hiring practices.
   - Courteous communication with rejected candidates.

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[14] **Al-Azzawi, M. A. W., et al.** (2016). *Administrative Ethics* (1st ed.). Dar Al-Ayam for Publishing and Distribution. *Amman, Jordan,* pp. 45–46

- Ethical handling of applicant data.

D. Training and Development:

- Equal access to training regardless of gender, race, religion, etc.
- Commitment to leadership development, countering managerial resistance rooted in self-interest.
- Preventing misuse of training budgets for personal gain.

E. Wages and Compensation:

- Fair, motivating pay structures.
- Non-monetary benefits (healthcare, social security, paid leave).

F. Performance Evaluation:

- Objective, bias-free appraisal systems.
- Avoiding recency bias in promotions or raises.
- Modern performance measurement techniques.
- Workplace safety and gender equality initiatives.

II.2.4 Business Ethics in Financial Management

Financial management is pivotal in securing and allocating funds. Ethical considerations here extend beyond accounting to investment decisions. While profitability is key, ethical finance requires alignment with societal values, such as avoiding investments in tobacco, gambling, or environmentally harmful industries. Ethical financial practices involve[15]:

- **Ethical Investment Criteria**: Evaluating projects based on social responsibility, not just ROI.
- **Transparency**: Clear, honest financial reporting.
- **Avoiding Exploitative Practices**: Rejecting ventures that violate human rights or environmental standards.

Conclusion

Business ethics derive from a complex interplay of familial, cultural, educational, legal, and professional influences. By adhering to principles like justice, honesty, confidentiality, and transparency, organizations cultivate ethical climates that enhance trust, mitigate risks, and align with societal values. These principles not only guide individual behavior but also fortify institutional credibility in a globally interconnected world.

Ethical integration across functional activities—production, marketing, HR, and finance—ensures long-term organizational success, stakeholder trust, and societal well-being. By adhering to ethical framework.

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