

ETHICAL DETERMINANTS OF MARKET BEHAVIOR OF CONTEMPORARY ENTERPRISES

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Purpose: Increasingly, consumers and competitors are reviewing business behavior in the context of ethics. Ethics and ethical business strategies are becoming important factors in the success of modern business entities. The research objective of the article is to identify (on the basis of the cited cases) some of the ethical determinants of market behaviour of the enterprises in the conditions of modern economy.

Design/methodology/approach: The study is based on a review of the literature on ethical issues in the economy, particularly the requirements for companies by the wider environment and stakeholders. An important element of the study is the presentation of specific cases of entities that change their market behaviour under the influence of these requirements.

Findings: The main conclusion that can be drawn from the research presented concerns the increasing involvement of ethical aspects in the decision-making processes of companies operating in today's market. The environment's expectations of companies are changing - it is no longer enough to provide specific products or services to meet needs or to generate profits for shareholders. What matters more and more are the ways in which these products or services are created, as well as the willingness to accept profit limits in the context of the sustainable development of the entire socio-economic system.

Social implications: The social impact of the issues raised in this study is revealed in two aspects. Firstly, by analysing the business cases presented in the study, it is possible to realise that ethical and economic objectives need not be and are not in conflict. Secondly, showing ethical aspects that are also important in business activities can lead to the development of public awareness of the relevance of issues that have so far often been overlooked in discussions on the economy.

Originality/value: A valuable element of the study is to point out that it is possible to successfully combine the ethical aspects of businesses with the desire for financial success.

Keywords: functioning of enterprises, market behaviour of enterprises, ethical requirements.

Category of the paper: viewpoint, case study.

1. Introduction

Enterprises, regardless of their size, organisational and legal form, level of development or industry, are constantly subjected to environmental pressures. The aforementioned characteristics matter to what extent this pressure influences the activities of these entities, but the influence of the environment itself is indisputable. It conditions all business processes and is a source of opportunities and threats for economic actors. A condition of increasing importance for enterprises are the expectations of society at large towards them. These expectations towards business entities have their source in, broadly speaking, society's changing perception of the world and its problems.

This is compounded by worrying signals from the environment (e.g. depletion of non-renewable energy sources, climate change causing unexpected challenges for agriculture and industry, and affecting the comfort of living in a particular area of the world). From a different perspective, it can be seen that (in developed societies) there is beginning to be a different perception of time spent at work, with people increasingly reporting the need for a balance between work and simply life and leisure. Individual members of society are becoming more sensitive to the world around them, including the world of animals, and are no longer treating them merely as a source of food, but rather as co-inhabitants of the world.

All of this results in changing standards of living, or at least the aspiration to change these standards - which often goes hand in hand with a re-evaluation of life attitudes and expectations. Modern man wants to live better, with dignity and respect for where he lives. Paying more and more attention to and acting in accordance with humanistic values is also a challenge for the wider economic sphere.

In every industry, companies have to deal with a kind of 'new customer', but also a 'new employee'. Business stakeholders are changing, their expectations are changing and they require businesses to take their expectations into account in their business activities. This process is not entirely new, nor is it surprising for business stakeholders. For many years now, they have been trying to advance the idea of sustainability - economic development with respect for environmental and social values. However, nowadays, the pressure from the values, ethical attitudes of members of society, is growing and should prompt enterprises to change their attitudes and, consequently, their market behaviour.

Expectations of the environment actors towards enterprises, precisely in the context of ethics, are revealed, for example, in the fashion, in hairdressing services, production of food, gastronomy or tourism industries.

2. Ethics in the socio-economic space

When ethical issues are considered in relation to business processes, inevitably both management practice and theory focus on business ethics. It can be argued that this is currently the most common association of the terms ethics and economics – although, sometimes (in 1993 e.g.) business ethics was described like business fads of the late twentieth century (Trevino, Nelson, 2021). However, it is worth noting that this business ethics has emerged as a tool for enhancing the competitiveness of enterprises. By contrast, it is not ethics in general, it is part of it. Value creation in economic processes is studied by economics as a social science. It is based not on business ethics, but simply on ethics (so business ethics should be considered as a special case of ethics in general) (Sójka, 2007).

At the core of general ethics are considerations of the concepts of goodness, right, duty, obligation, courage, freedom, rationality and choice (Blackburn, 1997). All these concepts are also relevant in the socio-economic sphere, but not only. Ethics is divided into descriptive ethics, which is interested in the actual moral beliefs and conduct of people and the functioning of organisations, including economic ones. The second type of general ethics is normative ethics. It is concerned with the construction of general standards and norms for human conduct, defining what someone should and should not do for the sake of the good in a moral sense.

The life of society, but also of individuals, is largely made possible by the results of human economic activity. On the one hand, this refers to labour as a source of income, which then serves to meet people's needs. On the other hand, economic activity provides the goods and services necessary for life. In doing so, it is worth mentioning the hierarchy of human needs. When considering today's important needs, they cannot be reduced - in many areas of the world - to just basic needs. Increasingly, the ability to fulfil higher-order needs is a prerequisite for life - because a large proportion of global society is concerned with well-being rather than the physical survival of the organism. There are, of course, regions of the world and societies that this physical survival is hindered, but also the offer and involvement of economic actors in these regions takes place on a different basis than in the highly competitive markets of developed countries. For the sake of clarity, these aspects will be omitted from further discussion - although the analysis of the phenomena occurring there may be an extremely interesting area of research. Research that should also focus on ethical issues.

It is worth posing the question at this point - how do these two seemingly contradictory areas of human involvement, which are the economic sphere and ethical issues, relate to each other. The basis of the classical type of thinking about the economy is the assumption that economics and ethics are two different perspectives for describing and evaluating human activity and are generally in conflict with each other. In the new way of thinking, a reasonable compromise is needed between these fields of human activity and the interference of ethical norms in the realisation of profit or efficiency. It can be argued that the task of economics in

an ethical perspective is to create ethically and ecologically sound economic progress. Such an assumption reflects a common-sense approach to shaping the future of humanity. A different attitude may lead to the accumulation of social problems in the future. The value of looking at the ethical aspects of economics in this way continues to grow as the stakes at stake have dramatically increased in recent years, when the entire world has been destabilized by financial crises, worsening climate change, the development of artificial intelligence and global health crises (Bohm, Carrington, Cornelius et al., 2022).

Taking into account the assumptions of a sustainable economy, therefore, the objectives of the economy and individual enterprises must be assessed not only according to market outcomes, but also according to whether they create conditions for future generations to live decently. Ethical principles should be respected in all human activities, and in business in particular, and the behaviour of organisations should be assessed not only in terms of economic efficiency, but also in terms of moral efficiency, i.e. concern for social issues. It is not, and cannot be, indifferent to who benefits and who is harmed by these activities, what objectives the various actors have and by what means these objectives are achieved (Penc, 2008).

Introducing ethical issues into the space of farming, it should be stated that economic ethics examines the morality of a farming society and has a value-based character. From this perspective, an assessment can be made of what is right, morally acceptable, and what is not. By translating business ethics into a useful tool for evaluating the activities of individual economic units, business ethics is formed. It is a more specific discipline and is only part of business ethics as it only relates to ethics as applied to business.

Business ethics, however, is not unambiguous and can be interpreted in different ways (Filek, 2001). Observing the manifestations of business activity, one can encounter an interpretation of business ethics as a mere façade phenomenon, lacking a deeper, humanistic sense - business ethics in this case is merely a veil hiding the immanent unethical nature of business. It is merely a substitute measure, a prosthesis serving to superficially improve human behaviour in the face of a lost natural sense of what is good and what is bad, morally reprehensible.

Business ethics can also be a tool for increasing profit. It can be treated as a new, effective method of competitive struggle, allowing to increase profits in a situation where competitors have reached a similar level of technological and organisational development. In this case, it is important to distinguish between two different attitudes of companies - some may use the ethical context instrumentally, without creating real value. Others, on the other hand, may seek to fight for their competitive advantage by offering genuinely ethical solutions that will attract more customers.

The emergence of business ethics is linked to the growing need for a holistic view of the problems besetting modern societies - business ethics is therefore a response to the process of globalisation of the economy. With such a view, business ethics is meant to be a real help in solving increasingly difficult socio-economic problems, fulfilling the role of a guide without

which further development of humanity will not be possible. Underlying such a treatment of business ethics is the assumption that without certain values - agreed and shared by different societies - humanity cannot survive in the conditions it has created for itself. This is particularly relevant in view of the development of artificial intelligence, which is already widely used in business. In contrast, the numerous publications that are potentially relevant to the ethical debate on artificial intelligence are quite heterogeneous and include reports and positions of advisory bodies; guidelines and white papers as self-commitments of companies and research institutions. It is difficult to find a single guiding thought in them that describes the issue of business ethics supported by artificial intelligence (Heilinger, 2022).

It is also worth noting the culture-creating role of ethical values. Actors in the economic sphere are increasingly shaping a new system of values. The business world is increasingly creating a way of life, a way of thinking and a valid system of values, all of which are becoming weaknesses and pathologies of modern man. By contrast, relying on ethical values in business can lead to the moral development of all mankind. Modern organisations are taking over the role of the earlier institutions of opinion and control of compliance with the rules of social coexistence.

The dimensions of ethics become apparent in the various relationships that emerge in the economic sphere, including within the enterprise, in the market and in the wider environment:

- co-owners of enterprises,
- contractors with the enterprise
- competitors with each other,
- employers - employees,
- entrepreneurs - customers,
- economic operators - society,
- economic agents - authorities,
- economic agents - state institutions,
- economic operators - environment.

"Ethics are a company's best calling card when dealing with customers, suppliers and all the other actors that make up the company's environment. (...) Ethics should be at the heart of business - beyond the pursuit of money, we must remember that there are always people and their families on the other side of any contract. Therefore, when we transact with a company, we are choosing to support it and to influence its development to some extent. After all, it should not be forgotten that it is people who make companies. By respecting others, we respect ourselves and know that we can rely on someone. Today's market is changing so fast and is so competitive that nothing is permanent. That is why it is worth treating business partners the way we would like to be treated ourselves" (Kowalski, 2016).

Relationships in the socio-economic space are most fully revealed in the market. The market satisfies human needs - but only those that can be satisfied through economic means. In doing so, it is worth remembering that even the most efficient market cannot replace ethical behaviour - love, family and community (John Paul II, 2018). But it is important not to contrast ethics and the market on a disconnected basis. The market and the phenomena within it are to be shaped ethically. And they are increasingly being evaluated in an ethical perspective.

However, there is no single right concept to describe all market relations and corporate attitudes. Even if one assumes that enterprises are socially sensitive, it should be noted that there are two different models of social responsibility (Rybak, 2004):

- *after profit obligation* - in this model, the fundamental importance is attributed to the economic responsibility of the enterprise, other types of social responsibility are treated as additional obligations,
- *before profit obligation* - this model recognises the priority of moral principles over other values, which should be subordinated to them (including profit).

In this second model, the ethicality of economic action is the primary norm determining the internal and external morality of economic action. Economic efficiency, understood through effectiveness and economic efficiency (expressed in monetary units), is a secondary norm in the order of norms constituting the social order of economics (Gasparski, 2007).

The objectives of ethics therefore boil down to:

- evaluating human actions, referring to moral norms,
- answering the question: how to act morally in given situations.

In pursuing the goals of ethics in the socio-economic space, individuals, based on certain moral standards, seek acceptable ways of behaving. This includes determining what behaviour on the part of economic actors they are able to accept - an assessment by reference to moral standards. And, realising the many diverse needs, not only those that can be easily satisfied through goods and services, ethical requirements pose a considerable challenge for businesses. Their behaviour is constantly being assessed - which, in the age of ubiquitous electronic media, is extremely easy. And the final assessment is influenced by so many rapidly changing factors that it makes doing business increasingly difficult. Nevertheless, businesses must try to act in accordance with the moral principles professed and accepted in their environment in order to survive (e.g. Bhatt, 2022; Jakesch, Bucinca, Amershi, Olteanu, 2022; Behera, Bala, Rana, Kizgin, 2022).

Increasingly, survival is realised not only through profits, but especially through:

- an appropriate corporate image,
- satisfying the diverse (not only economic) needs of the environment,
- environmentally acceptable behaviour, e.g. for environmental protection, supporting a community in particular need of help or supporting local environments through sponsorship.

3. Enterprises behaviour inspired by ethics in business - case studies

One of the industries where the impact of ethical requirements on businesses can be seen is the fashion industry. Many players are introducing eco-friendly materials and accessories into their offerings. They are trying to emphasise ethical production processes - taking into account the fact that production costs may rise, but the overall activity will be better appreciated by customers. One example of an entity operating in the industry in Poland is the company Nago. It is a manufacturer of clothing made from good quality materials, using natural materials and recycling. The entire production process (from design, through strictly production, to packaging and delivery of the final product to the customer) is subordinated to the values professed by the owners.

The mission of this company's activities is summed up in the words: "A brand whose creators see it as a step towards a better world". And the entire philosophy of this entity is encapsulated in the following description: "More than fashionable patterns and designs, what matters is the origin of the fabrics, the methods of production and the conditions under which, thanks to extremely important human labour, it is transformed into a final product. At NAGO, we create lines in which you will look good and feel good. Our clothes are environmentally friendly, produced in a conscious and sustainable way. We optimise the use of raw materials, the entire production process of our collections is strictly controlled and in accordance with fair trade principles. We choose solutions that minimise damage to the environment, while striving to maximise our customers' comfort, creating the best garments we can" (<https://nago.com/pages/misja>).

Another example, indicating that not only profit maximisation matters, but also social sensitivity, is the behaviour of the owners of Polish hairdressing establishments and nail salons in the context of the wartime migration of the Ukrainian population. In these entities, there are currently a large number of Ukrainian women working in Poland, who, having fled the war, sought opportunities to live and work in Poland. Of course, one can focus on the fact that being in a difficult material situation, many of these people are able to work for the lowest wages. Which obviously translates into the possibility of lowering the business costs of the entrepreneur in question. But in many situations, it was simply concern for the other person that mattered. One concrete example is the hiring of a hairdresser from the Ukraine for a salon used by long-standing, loyal clients. At first, they were distrustful of the skills of someone they did not know. This may have led to some women leaving the hairdressing salon. However, the owner of the establishment took a risk, explaining her attitude as follows: "This is the right thing to do. This is the only way I can help people in difficult life situations". This attitude is undoubtedly a consequence of the entrepreneur's values, which are not only based on the desire for profit at any price.

In terms of the impact of changing ethical attitudes among consumers on business behaviour, many examples can be found in the food industry. The general trend in nutrition is leading to a reduction in the consumption of meat and meat products, paying attention to how

animals are raised. The number of people who are flexitarians, vegetarians or vegans is also increasing. Increasingly, society's eating habits are changing precisely for ethical reasons. This has led, for example, to changes in product ranges at traditional sausage producers. An example of a company that offers a whole range of products for vegetarians is Tarczyński S.A. - the company has created products based on vegetable protein (<https://tarczynski.pl/kategorie>). This company has been followed by others, which also create alternative products for people who do not eat or limit their consumption of animal protein. According to specialists, this is a very dynamically developing market segment.

Changes in the public's attitude towards the eating process have also been noticed by caterers. In recent years, a large number of vegetarian and vegan bars and restaurants have sprung up, which are used by a variety of consumers (including those who limit their consumption of meat products). Many of these operators cite a change of life philosophy as the basis of their existence. Often, the owners of these businesses seek to live in harmony with nature, trying to reduce their negative impact on the environment. They conduct their business by offering a new lifestyle to others. In turn, the emergence of many people who advocate this lifestyle has also prompted traditional restaurants to change their product range. Such players include McDonalds, which has introduced dishes made with plant-based protein. On top of this, since 2018, in Poland, the company has been introducing global standards for the use of closed-loop packaging - which is met with very positive customer reviews (McDonald's, 2023a). McDonalds has been followed by KFC and Burger King, introducing plant-based nuggets into their range (Nowy Marketing).

In the economic space, it is increasingly common to find companies implementing Corporate Social Responsibility (CSR) programmes. However, this mainly applies to corporations, which are usually large entities with an international reach. The next stage in the development of companies based on ethical values is the introduction of ESG programmes, which include an environmental, social and organisational management component respecting ethical values. Important in this respect is the transparency of the entities' activities achieved through compliance with performance reporting standards, e.g. McDonalds Poland in 2022 announced its first ESG report for 2021 (McDonald's, 2023b).

An important industry that has changed much of its behaviour under the influence of changing attitudes and, consequently, customer demands is the hotel industry. On the website of practically every hotel, and the largest chain ones are all of them, one can find information about a number of measures taken as part of environmental care. Hotels are changing their cleaning methods, washing bed linen and towels, changing cosmetics and the crockery used (e.g. replacing disposable plastic cutlery with wooden ones, and water in rooms in most hotels is available in glass containers). An example that very accurately demonstrates the ethical stance of hoteliers is Hilton, which shows in great detail all its corporate social responsibility activities and ESG programmes (<https://esg.hilton.com/our-reporting/>).

4. Conclusion

To summarise the behaviour of modern business entities, which has been presented in a simplified manner due to the nature of the study, it can be said that all of them are under the constant watchful eye of society, which expects ever higher ethical standards to be met. Society is changing, re-evaluating its expectations and, as a result, directing demands towards businesses to behave appropriately in all spheres of their activity. Appropriate behaviour means acting in accordance with the values currently held by a given community. The dynamics of changing needs, the ease of making observations and judgements in the media space, to which there is wide access, make the business environment more complex. Ethical issues are certainly not the only ones that need to be taken into account in the strategies of modern businesses. But they are undoubtedly a strong determinant of their market success and ability to survive.

In conclusion, it is worth pointing out one more thing. Well, to a certain extent, economic organisations attempting to meet the expectations directed towards them are a kind of creation of these expectations. Thus, the observation of economic entities and their attitudes suggests what the community that creates such organisations is like and what values it possesses. Organisations are a kind of mirror of the attitudes and values present in a given society.

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