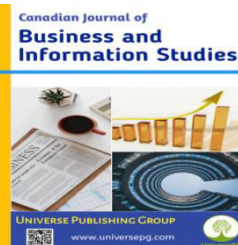




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# Philosophical Foundations of Business Strategy: Ethical Dilemmas in Decision-Making Processes

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## Abstract

In this paper, we investigate the philosophical basis of business strategy and analyze the decision making dilemmas that it brings up. It seeks to shed light on how ethical theories such as utilitarianism, deontology, virtue ethics and Rawlsian justice affect the strategic choices of businesses. The study highlights the major ethical challenges encountered when trying to reconcile profit maximization with moral and social responsibilities. The study is qualitative in nature and it presents case studies of both the technology, automotive as well as consumer goods industries. These cases provide real ethics information that is reflected in ethical theories and have implications for strategic decision-making within a firm. It also includes a review of the literature from scholarly journal articles that focus on business ethics, strategy and corporate governance to develop a theoretical model of ethical decision making in business. The study suggests that the philosophy provides useful guidance to business ethics, but it needs not be explained away and that 'ethical dilemmas' in strategy may be complex issues of profit-based self-interest versus social responsibility. For example, the utilitarian methodologies may take decisions that maximize utilities for majority and ignore minority stakeholders. Deontological ethics require that things be open and fair, but companies frequently face cases in which these requirements conflict with commercial imperatives. The case studies highlight the need for ethical leadership and frameworks to help decision makers' balance these competing values.

**Keywords:** Business strategy, Ethical dilemmas, Utilitarianism, Deontology, and Ethical leadership.

## 1. Introduction

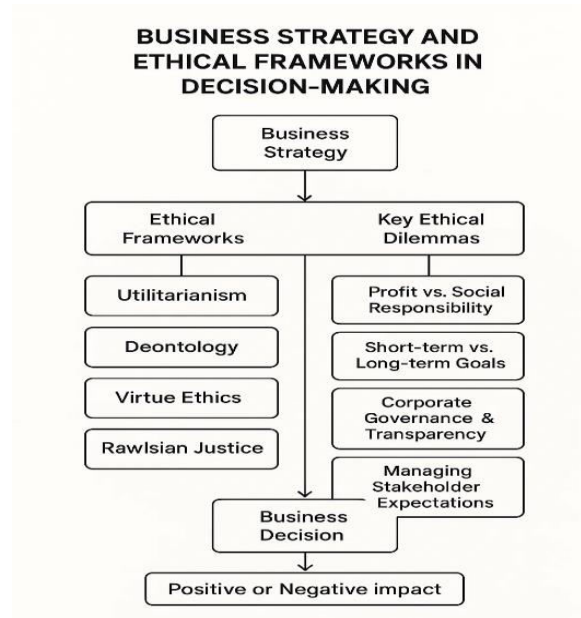
Over the past few years business strategy has increasingly included not only financial but also ethical considerations when making corporate decisions. Given the increased demand from various stakeholders such as customers, investors and governments to align their operations with moral and societal obligations (Freeman, 1984), ethical decision-

making has been found to take part in the strategic management process. In a world where businesses are interconnected, global and under the constant watch of many, the ethical dimensions of corporate actions have a significant role not only in bottom line profits but to society at large. Companies operating within complex, dynamic settings must make decisions that are profitable and yet also just, transparent and consistent

with other more general ethical norms (Solow, 2007; Khalatbari and Farahani, 2024).

Whereas business strategy is concerned with competitive advantage, growth and profit; the interjection of ethical decision-making into strategic prescription raises critical issues. Is it possible for a company to sustain its moral focus and still chase competitive

advantage? These are only some of the major issues that business leaders need to confront. Many strategic choices contain ethical tensions that may result in one party benefiting at the expense of another (Rawls, 1971). Thus, an appreciation of the philosophical underpinnings behind such decisions is essential for business leaders (Wallis, 2023).



**Fig. 1:** Business Strategy and Ethical Frameworks in Decision-Making.

Such a discipline as applied business ethics has matured to the point where it contains theory and concepts that can serve practical agencies in addressing ethical problems Bass, B. M. (1990). These are founded on different philosophical foundations and offer us various images of how we should act with respect to morality. Some of the most widely recognized ethical theories are utilitarianism that upholds what one should do in order to achieve the greatest good for the greatest number (Mill, 1863), deontology which emphasizes duties, rights and moral rules (Kant, 1785), virtue ethics concerned with decision makers gaining virtuous character traits (Solow, 2007) and Rawlsian justice system advocating fairness and equality within societies (Rawls, 1971). Understanding how such ethical theories relate to a businesses' strategy is crucial in enabling companies to make decisions that are not only beneficial for their bottom line, but the common good. The article investigates the philosophical roots of corporate strategy and ethical issues that arise in making

executive decisions. It attempts to illustrate how business executives can use ethical models in strategic deliberations and how the tensions between economics and ethics can be mediate in dilemmas. It will also look at specific case studies and recent research that bring out crucial issues of, and offer practical implications on, dealing with the complexities of ethical business strategy for organizations.

**Justification**

The motivation to examine the philosophical dimension of business strategy lies in the increasing significance being accorded corporate ethics within the international business context. Through increasing pressure from the public, stakeholders and government attention focused on the conduct of corporations have become an important ingredient for their long-term success (Bowie, 1999). Business decisions are no longer made in an ivory tower but consciously respond to the overall external social, environmental and cultural forces that characterize enterprises. For

instant, ethical issues such as climate change, Labour practices, human rights and data privacy have shifted to the center of many businesses' strategies (Freeman, 1984). The repercussions of unscrupulous and unethical corporate behavior have been brought out in plain sight as a result of some landmark business scandals. Beside the VW's diesel gate scandal in which the corporation purposefully falsified emission data to keep its market leadership (Abdelmoety *et al.*, 2022) or the problem of labor conditions among Apple suppliers (Bowie, 1999), companies are under mounting pressure to adjust their strategy towards ethical behavior. These scandals have resulted in serious monetary losses, lawsuits and harm to alleviate the consumers' perception of doing so (Haba, 2015), [Q2] bringing forth an example of why it is important for business organizations to incorporate ethical considerations while drafting their business plans or strategies (Wallis, 2023).

Here ethical comportment, it is argued, is not simply a matter of compliance with legal and regulatory requirements but also entails the development of 'a moral sensibility that takes due account' (Solow 2007:32) of the eventual effects of our behavior on others and on ourselves in interaction with other' scold be understood as an exercise in moral imagination Hossain, M., (2021). Given the globalization of business and the proliferation of businesses that work under different cultural and legal norms, knowledge of business ethics would have a certain relevancy.

A thorough understanding of philosophical ethical theories can form the basis to which leaders may refer when taking decisions about what is good for society and successful for the organization (Rawls, 1971). With customers and investors paying more attention to the social and environmental footprint of business, businesses have an incentive to be responsible. Research suggests that ethical behavior of companies can lead to increased confidence among consumers, commitment by employees and brand loyalty which are the pillars for sustainable profitability (Bowie: 1999). As such, ethical companies will continue to be more successful in a competitive and socially conscious world of business.

## Objective

The primary objective of this paper is to explore the role of ethical frameworks in business strategy and to examine how these frameworks inform decision-making processes. Specifically, the paper seeks to achieve the following objectives:

- 1) To analyze the influence of different philosophical ethical theories on business strategy: This paper will provide a comprehensive analysis of various ethical theories such as utilitarianism, deontology, virtues ethic and Rawlsian justice theory and their potential effects on business decision making (Mill 1863; Kant, 1785; Solow, 2007; Rawls, 1971). It will analyze the different ways in which these theories conceptually ground corporate strategy and assist in defining scope even as financial objectives and ethical obligations collide Armstrong, M., (2018).
- 2) To identify common ethical dilemmas faced by business leaders in strategic decision-making: The history of capitalism is filled with moments where profit and social conscience would seem to collide. These papers will explore universal ethical dilemmas including "the conflict between immediate profits and long-term survival, the line between shareholder interests and corporate social responsibility and the challenge of sharing versus competing to win" (Freeman, 1984). These are issues of strategic decision-making that demand serious ethical considerations (Rawls, 1971).
- 3) To examine case studies of ethical decision-making in business strategy: Through analyzing some recent corporate case studies of firms who encountered ethical dilemmas, the paper aims to demonstrate application of such theories in practice (Abdelmoety *et al.*, 2022; Wallis, 2023). The case studies will shed light upon the results of ethical and unethical actions, and illustrate how ethic is relevant to business strategy.
- 4) To provide practical insights for business leaders on how to integrate ethics into strategic decision-making: Aragón, (2020) sets out to provide practical guidance for business leaders about how to take ethical issues into account in their

decision making. This includes approaches to establish an ethical corporate culture, make ethical decisions in difficult situations, and incorporate stakeholders into the decision-making process (Bowie, 1999).

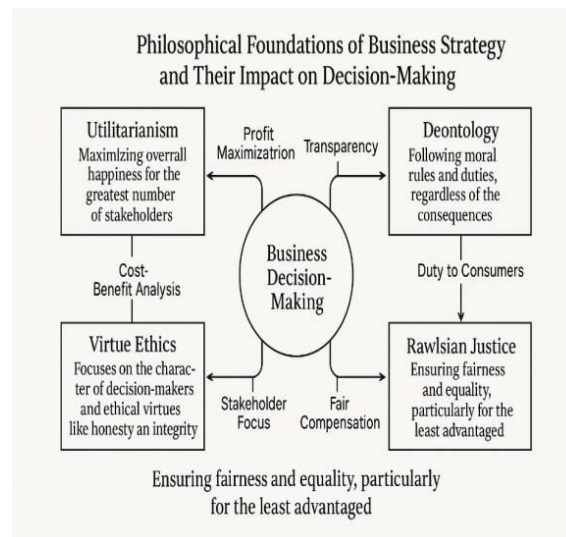
- 5) To contribute to the broader discourse on business ethics: The paper will advance the academic debate related to business ethics by providing a philosophical view on business strategy. It hopes to narrow the chasm between philosophical theory and applied business practice as well as establishing a theoretical underpinning for further research in the field of business ethics (Solow, 2007).

By doing so, this paper contributes to improve the depth of our understanding on where philosophy/ethics meets business strategy and gives some valuable insights for both academicians and practitioners working in this niche domain of Business Strategy and Ethics. This research attempts to demonstrate that ethical decision-making is not only the right thing to

do but can also be strategically beneficial for organizations in their quest for long term success and survival (Rawls, 1971; Ghonimat and Aburashideh, 2023).

### Philosophical Foundations of Business Strategy

Business strategy is significantly impacted by different philosophical ethics, and these are based on different ethical frameworks to access decisions and actions which weigh on the fine lines between doing good business and being socially responsible. For grasping five ethical dimensions of business strategy, the relevant philosophical perspectives include utilitarianism, deontology (Kant), virtue ethics and justice in the Rawlsian sense Alford, H., (2021). These theories suggest different perspectives as to how business layouts should levy considerations within an ethical decision-making to ensure that decisions are not just financially viable, but also morally defaceable. Each of these philosophies and their application to business strategy is explored below Kaur, R., & Kumar, R., (2016).



**Fig. 2:** Philosophical Foundations of Business Strategy and Their Impact on Decision-Making.

### Utilitarianism

Utilitarianism, popularized by philosophers such as Jeremy Bentham and John Stuart Mill, is a consequentialist approach to ethics advocating that the best action is the one that maximizes total happiness or utility. From a business strategy perspective, utilitarianism dictates that those responsible for decision-making contemplate the consequences of their actions for all parties and to strive for overall benefit.

### Relevance to Business Strategy

Utilitarianism is especially valuable when an organization has conflicting stakeholders to which it must be accountable. So, for instance, when a corporation is considering whether to develop a product utilitarianism would encourage consideration of the upwards of good that such product will bring to the greatest number (i.e., consumers workers-stockholders, etc)

and seek to minimize any harm De George, R. T. (2010). A firm that adopts greening the production process may have done so not only because it is in its long-term economic interest, but also because such an action is good for society as a whole (i.e. leads to less pollution less negative externalities). But utilitarianism does give rise to moral quandaries, especially when the good of the many outweighs the rights or welfare of the few Friedman, M., (1968). A business decision that boosts profits while harming a minority (workers in a layoff), for example, might be defensible on utilitarian grounds; but it would pose profound ethical questions about how we treat those at our mercy.

Example:

A company that contemplates moving jobs to low-labor-cost countries can present this situation with a kind of utilitarian argument, for saving costs will benefit consumers who then get cheaper merchandise. But the resulting unemployment for domestic workers and the rest of society can be interpreted as a trade-off with ethical implications (Freeman, 1984).

### **Deontology**

Deontology, associated with the Philosopher Immanuel Kant, concentrates on compliance based on moral rules and obligations. Whereas utilitarianism weights outcomes, deontology says that some things simply should be done, and the results are irrelevant. In other words, corporations have an ethical obligation to uphold the likes of honesty, fairness and justice, regardless of the benefits or harms that flow from them.

### **Relevance to Business Strategy**

Deontology focuses on the necessity of ethical behavior and business integrity. A company that says, "let the good and bad come out," even if it'll hurt stock prices in the short run, is acting deontologically." Here, in the interest of honesty and transparency profits come secondary. Likewise, rules in deontological ethics may require businesses to fulfill contracts or maintain the rights of their employees in spite of potential monetary loss Moore, G., (2022). Deontological reasoning brings clarity and advice for decisions that are entangled with rights and cries for justice, such as those surrounding working conditions, the environment or corporate governance Donaldson, T., & Dunfee, T. W., (1999). But there is one difficulty

inherent in the employment of deontological ethics to business: strict observance of rules does not always result in good consequences for all concerned. For instance, a company could follow the principle of equity and potentially lose profitable opportunities that would have benefitted the whole.

Example:

An application of the deontological ethics in business is a company enforcing featured ecological standards, yet it might exert additional operating expenses for that firm. Whereas the company may act in an environmental stewardship manner and take it as a moral duty to preserve planet Earth, despite financial pressures (Kant, 1785).

### **Virtue Ethics**

Virtue ethics, of course, is the tradition most famously associated with Aristotle and that emphasizes the character and virtues of the decision-maker (rather than on consequences or rules). Virtue ethics would say that ethical behavior comes from having a good set of character traits such as courage, honesty and generosity. A virtuous person would have done what a virtuous business leader did because an appropriate action is one that the everyone should make freely on his situation.

### **Relevance to Business Strategy**

In the business application, virtue ethics shows concern that those in charge of culture should apply values showing integrity, fairness, and compassion Blanchard, O., & Gali, J., (2007). To do this, you must run your business according to virtue ethics developing a company culture that encourages employees to think and act ethically by way of harmonizing their personal values with those of the business. The virtue ethics approach also emphasizes long-term development, of both individuals and organizations (in terms of trustworthiness and responsibility among other qualities that ultimately lead to the issue of long run organizational success. Shifting focus to virtue ethics may, however, make things more complicated in practice. Because it is based on character, not on rules or results, businesses can struggle to define and measure virtuous behavior. Also, what is deemed as virtuous behavior may differ from one culture to another, which makes it very challenging to establish a global stock of virtues in global business.

Example:

In such a company, where transparency, integrity, and kindness are core values of the corporate culture, then leaders will simply ask themselves “What would an ethical good person do?” and they won’t get into trouble. For example, this company may lose the opportunity to buy market share through deceptive and manipulative marketing practices and instead embrace an ethic that values truthfulness and authentic customer relations (Solow, 2007).

### **Rawlsian Justice**

Rawlsian justice, a reference to the philosopher John Rawls, aims for fairness and equality in policy choices. Rawls argued that social rules should be selected behind a “veil of ignorance,” where people are blind to their own social standing, gender or race. Fair principles of justice, Rawls writes, are the ones that people would agree to if they didn't know which position in the social hierarchy they would eventually occupy. That is a system where the least well-off are treated fairly.

### **Relevance to Business Strategy**

In the commercial realm, Rawlsian justice fosters the development of business organizations that treat all their stakeholders fairly and whose rules and practices don’t give more to the advantaged among them while burdening the relatively disadvantaged. Firms operating according to Rawlsian justice concentrate on enhancing the well-being of their most deprived stakeholders and promote that everyone has an equal opportunity for empowerment. For example, an enterprise could establish policies to pay fair wages promote diversity and inclusion or invest in social welfare programs that support underprivileged communities. However, Rawlsian justice can be problematic whenever companies have to reconcile fairness with economic efficiency. The fairness emphasis could lead companies to make decisions that cut into their profits in the name of equity, which is not easy when you operate in a highly competitive industry.

Example:

A firm that operates in a way such that all employees at all levels are paid fairly by virtue of their aptitudes and performances engages in Rawlsian justice. More controversially, this might include decisions that

would favor the worst-off laborers either in terms of working conditions or offering goods that greatly improve their quality of life but at a higher cost to the firm (Rawls, 1971). The four philosophical underpinnings of utilitarianism, deontology, virtue ethics and Rawlsian justice offer a strong foundation for understanding various modes of ethical reasoning in business strategy. Both theories provide insights into how corporate executives might handle ethical dilemmas and balance profit with social good Chowdhury, M. R., & Ahmed, S., (2015).

By applying these philosophical concepts to business, businesses may formulate strategies that not only contribute to financial success but also fairness, transparency and long-term sustainability. The real dilemma, of course, is for business leaders to juggle these competing ethical concerns and interpret them in a manner that chimes with business imperatives yet doesn’t clash too much with the values of society Jackson, G., (2019).

### **Ethical Dilemmas in Business Decision-Making**

The conundrums in such cases are typically disputed between profit maximization and other interests of stakeholders, social responsibility and sustainability-oriented considerations. Add ethics into the mix, and these challenges get even more complex to manage as business leaders need to make decisions that are consistent with the organization’s values and objectives. Here’s a look at some of the major ethical challenges that businesses encounter, followed by four key areas in which so many companies falter: Profit vs. Social Responsibility; Short-term vs. Long-term Goals; Corporate Governance and Transparency; and Managing Stakeholder Expectations. Each of these series explains the problem in-depth, offers standout examples and a framework for understanding how companies can reconcile these two conflicting interests.

### **Profit vs. Social Responsibility**

One of the great ethical issues confronting many businesses is the tension between profit maximization and corporate social responsibility (CSR). Companies are profit-driven but under growing pressure to justify the impact they have on society and the environment. Making the ethical decision involves balancing financial objectives with being socially responsible.

**The Dilemma**

Companies confront trade-offs between what is best to achieve maximum profit and what may benefit or harm society, the environment and whatever else is out there. For example, a company might look to cut labor costs by contracting with production workers in nations with lower pay and weaker laws protecting workers exploitation. Not only can they make a short-term gain, but they may have long-term consequences for the company’s reputation and its relationship with stakeholders.

**Key Considerations**

- Profit: Maximizing financial returns for shareholders.
- Social Responsibility: Addressing environmental sustainability, fair labor practices, and community welfare.

Example:

A fashion retailer might choose to manufacture goods in countries with low wages to reduce costs, but this decision may result in poor working conditions and exploitation of workers. The retailer could also face backlash from consumers who demand more ethical production methods.

**Table 1:** Profit vs. Social Responsibility in Business Decision-Making.

Decision	Short-Term Profit Impact	Long-Term Ethical Impact	Example
Outsourcing to low-wage countries	High profits due to lower labor costs	Exploitation of workers, damage to brand reputation	Fashion Industry
Investing in green technology	High initial costs, lower immediate profits	Positive environmental impact, long-term sustainability	Tech Companies (e.g., Tesla)

Note: This table illustrates the ethical question of whether a firm should be guided exclusively by profit considerations or ought to take into account social concerns in the decision-making process.

Relocation to low wage countries bring big short-term profits but comes with heavy ethical questions about workers' exploitation and discrediting of the name. On the one hand after it is costly in its initial investment, however on the other investing in green technologies does offer long-run environmental benefit and sustainability and thus can be regarded as socially responsible.

**Short-term vs. Long-term Goals**

A fundamental ethical dilemma is the conflict between short-term financial gains and long-term strategic goals. In many cases, decisions that focus on immediate profit maximization may harm the company’s future growth or market position.

**The Dilemma**

Business leaders often face decisions where they must choose between boosting short-term profits, such as

cutting R&D budgets or reducing employee benefits, and making investments that may yield greater returns over time, such as improving product quality or investing in employee development.

**Key Considerations**

- Short-term profits: Maximizing immediate returns, satisfying shareholder expectations.
- Long-term goals: Ensuring sustainability, competitive advantage, and positive brand reputation over time.

Example:

A technology company might decide to reduce investment in R&D to increase quarterly profits. While this may provide a short-term boost in profitability, it could stifle innovation and affect the company’s competitive position in the future.

**Table 2:** Short-Term vs. Long-Term Goals in Business Strategy.

Decision	Short-Term Profit Impact	Long-Term Strategic Impact	Example
Reducing R&D spending	Increased profits in the short term	Lack of innovation, reduced future growth	Technology Companies
Investing in employee development	Immediate cost, reduced short-term profits	Higher employee satisfaction, better productivity	Manufacturing Sector

Note: This table illustrates the push-pull between short-term financial gain and long-term strategy in business decisions.

Grandstanding on the effects of trade and government R&D cuts on profits is fine, but subject to an extinction lottery which threatens the future profitability of the company, since reducing outlays on what amount in essence to investments just make it that much harder to grow through innovation. Employee development, however, is an expense in the short term that pays off over time as improved efforts from your team and better retention Molyneux, P., & Weber, M., (2020). These are technology and industrial cases, but they serve to make the point that short-sighted choices can ruin a business.

**Corporate Governance and Transparency**

Corporate governance is the system of rules, practices and processes by which firms are directed and controlled. Transparency is a fundamental principle of good corporate governance and ensures that all stakeholders, including investors, employees, and customers are well informed about the company's activities and its health.

**The Dilemma**

Resolving the tension between Transparency and Best Interest of the Company is one of the salient ethical dilemmas in corporate governance. Business executives regularly find themselves in positions where disclosure of confidential information would be detrimental to the company's financial position or strategic interest. But it's unethical and illegal to omit material facts, such as about financial health, legal affairs and risks.

**Key Considerations**

- Transparency: Sharing accurate and complete information with stakeholders.
- Corporate Strategy: Protecting company interests and competitive advantages.

**Example:**

The Enron scandal is a classic example of unethical corporate governance where executives misled shareholders by concealing debts and inflating profits. This lack of transparency led to one of the most significant corporate collapses in history, emphasizing the importance of ethical governance.

**Managing Stakeholder Expectations**

Stakeholder theory is the idea that businesses ought to take into account the interests not just of stockholders, but everybody who may be affected by how a company does business. That means workers, buyers, suppliers, communities and the environment all suffer. The ethics quandary is produced because the interests of various stakeholders butt against each other.

**The Dilemma**

Business leaders have to choose among the desires of various stakeholders, particularly when those wishes are at odds. For example, employees could want to be paid more or work under safer conditions, shareholders might demand higher profits. Ethically balancing the desires of these key stakeholders is essential for an enterprise's continued trust and success.

**Key Considerations**

- Stakeholder interests: Balancing the needs and expectations of various groups.
- Shareholder returns: Maximizing financial returns for investors.

**Example:**

A mining company may face a dilemma where local communities demand environmental protection and better compensation, while investors expect high returns from resource extraction. The ethical decision involves balancing the economic interests of shareholders with the social and environmental concerns of the community.

**Table 3:** Managing Stakeholder Expectations in Business.

Stakeholder Group	Primary Expectations	Ethical Challenge	Example
Shareholders	High returns on investment	Balancing profits with other interests	Energy Companies (e.g., Shell)
Employees	Fair wages, safe working conditions	Balancing labor costs with profitability	Manufacturing Companies
Local Communities	Environmental protection, job creation	Addressing environmental impact while maintaining profitability	Mining Companies

Note: Here, in this table, you can compare conflicting expectations from stakeholders and the ethical dilemmas companies encounter when trying to satisfy them.

Shareholders' primary concern is for the returns, which may not always be in line with ethical concerns on sustainability. Workers hit the street for fair wage and safe working conditions, rising costs of operation for companies, local community being fixated with environmental protection and job creation issues further complicates business especially where there is resource extraction or factory involved. The above table illustrates, with specific industry examples, the

more likely type of ethical issues to bear down for each industry. Moral paradoxes in the management of organizations: Business decision making in today's complex and complicated world. Many of these are challenges that lie in the tension between profit and social responsibility, short-term versus long-term focus, corporate governance and transparency, or managing stakeholder expectations – all with difficult decisions to be made in line with ethical principles.

**Table 4:** Ethical Dilemmas in Business Decision-Making.

Decision	Short-term Profit Impact	Long-term Ethical Impact	Example (Industry)
Outsourcing production to low-wage countries	High profit margins due to reduced labor costs	Potential harm to workers' rights, poor working conditions	Fashion Industry
Reducing product quality to cut costs	Immediate increase in profitability, lower production costs	Long-term harm to brand reputation, loss of customer trust	Electronics
Investing in sustainable manufacturing	High initial costs, possible increase in product price	Long-term environmental benefits, improved consumer loyalty	Automotive
Cutting employee benefits to increase margins	Boost in immediate profitability, cost savings	Employee dissatisfaction, reduced productivity, higher turnover	Tech Industry
Expanding into a developing market with lax regulations	Rapid market share growth, higher revenues	Environmental damage, exploitation of resources, poor public image	Mining and Oil
Committing to fair trade practices	Higher production costs, reduced profit margins	Long-term support for ethical supply chains, consumer trust	Coffee Industry
Investing in employee development and welfare	Short-term reduction in profits due to training and welfare costs	Long-term growth in productivity, employee retention, and morale	Manufacturing
Using artificial intelligence to automate jobs	Immediate cost savings, reduced labor costs	Long-term societal impact on employment, ethical concerns over displacement	Tech Industry

Note: This table displays the alternatives of benefits versus ethical obligations that companies must consider when deciding their courses of action.

The cases described are typical business ethical challenges in which short-term profit effects can be compared to longer term ethical considerations. Those companies that sit in industries like Fashion, Electrics, Automotive and Tech do face such type of decisions more often than others and depending on their choices there are always results to be faced. Through thoughtful resolution of these dilemmas, business leaders can make sure they are not only strategic in promoting long-term sustainability, trust with stakeholders and contribution to society, but that their strategies protect those longer-term benefits. The addition of ethics to the decision-making mix is not just good for the maintenance of a company's

reputation, it's also critical for sustaining success in an environment that's becoming ever more socially aware.

**Case Studies of Ethical Dilemmas**

***Volkswagen Emissions Scandal***

One of the most recent and high-profile corporate scandals that highlights remarkable ethically questionable tradeoffs in business decision making /judgement is the Volkswagen NOx scandal also nicknamed “Dieselgate”. What happened: In 2015, it was revealed that Volkswagen (VW), one of the world’s largest car companies, had installed software in its diesel cars to cheat on emissions tests. The software, a so-called defeat device, enabled the

vehicles to clear emissions tests by turning performance and emissions control to legal limits during testing. But on the road, they pumped as much as 40 times the legal limit of toxic gasses including nitrogen oxide (NOx) pollutants into the environment.

### **The Ethical Dilemma**

The bottom line of the Volkswagen emissions scandal was that the company chose increasing profits and market domination over its own integrity and responsibility to the environment. The problem originated in Volkswagen's desire to participate in the expanding market for diesel vehicles in the United States at a time when consumers and regulators increasingly were demanding more environment-friendly models. Diesel cars, often advertised as planet-friendly and more fuel-efficient than gasoline cars, were thought to be a less dirty alternative to gas vehicles. But developing diesel cars that met stringent emissions standards called for leading-edge and costly technology, a situation that might erode Volkswagen's competitive position in the global marketplace.

Bird: With the need for compliance of environmental laws and also to remain cost effective, VW installed the defeat device which allowed them to bypass environmental standardization. The company decided to keep up with market leadership of diesel technology without the expensive investment into compliance of emission standards. Volkswagen leaders knowingly broke the law and circumvented accounting laws, lied to regulators and failed to obtain certification that vehicles met emissions standards, elevating profit over environmental and legal obligations.

### **Key Considerations**

The ethical considerations in the Volkswagen emissions scandal include:

- Profit Maximization vs. Environmental Responsibility: Volkswagen faced a stark conflict between increasing profits by selling diesel cars and complying with environmental regulations designed to protect public health.
- Transparency and Accountability: The Company's failure to be transparent with regulators and the public regarding its vehicles' emission levels was a major ethical breach.
- Corporate Integrity: Volkswagen's decision to intentionally deceive regulators and con-

sumers undermines its ethical obligations to be honest and forthright in its operations.

### **The Timeline of the Scandal**

The scandal erupted in 2015 when researchers at the International Council on Clean Transportation, a nonprofit group, conducted an independent lab test that showed Volkswagen diesel vehicles emitted as much as 40 times more pollution than allowed under United States law during every day driving. Subsequent investigations determined that Volkswagen had programmed the vehicles so they could detect when they were being tested for emissions and switch to a lower-performance mode of engine operation, allowing them to meet whatever regulations applied. The US Environmental Protection Agency (EPA) issued a notice of violation in September 2015, alleging that Volkswagen installed "defeat devices" to avoid complying with federal emissions standards. In the wake of this, the firm confessed to fitting defeat devices in as many as 11 million cars worldwide.

### **Volkswagen's Response and Aftermath**

Volkswagen has since owned up to the cheat, with CEO Martin Winterkorn resigning in its wake shortly after the allegations surfaced. Other senior executives stepped down or were ousted, in addition to Winterkorn. Volkswagen Identifies Recall Volkswagen has also started a huge recall of vehicles affected by the scandal and taken responsibility for compensating car owners.

The legal and financial consequences of the scandal were immense:

- Fines and Legal Settlements: Volkswagen faced more than \$30 billion in fines, buyback programs, lawsuits and legal settlements. Those included settlements in the United States, where as part of their agreements the company agreed to make payments to car owners, repair affected vehicles and fund programs that would benefit the environment.
- Reputation harm: Volkswagen's image as a green company is in tatters. Previously considered an industry leader in green technology, Volkswagen was now seen as a fraud that had been irresponsible with the environment.

- **Market Share:** The scandal also severely impacted Volkswagen's market share, particularly in core regions like the US. Sales of diesel cars collapsed, and the company's brand trust among consumers was eroded.

### **Ethical Analysis**

The Volkswagen emissions scandal presents several critical ethical issues:

- 1) **Deception and Fraud:** Volkswagen's very conscious decision to cheat regulators and consumers was unethical at its core. The device allowed the company to cheat on emissions tests and misled consumers who thought they were purchasing environmentally friendly cars, according to the regulators.
- 2) **Environmental Damage:** by installing the defeat devices, Volkswagen contributed to air pollution - air quality has direct impact on public health in terms of respiratory diseases linked to the release of nitrogen oxide. The company was behaving irresponsibly and not in a way which society could allow, negating the importance of corporate responsibility for the environment.
- 3) **Corporate Governance Lapses:** VW's corporate governance mechanisms could not stop or correct the ethical behavior within the company. Deceitful practices were probably adopted due to a culture in which short-term profit and competitive edge took precedence over long-term environmental soundness and ethical propriety.
- 4) **No Accountability:** Management at Volkswagen looked the other way for years, and they did nothing about their defeat devices or the ethical challenges those products presented. The internal culture and leadership of the company were involved in such dishonest practices that finally created a suspicion as well as financial crisis.

### **Lesson Learned**

Volkswagen's conduct in the emissions scandal says a lot about what is and isn't important to be known from public companies. Businesses need to behave ethically not because they have to (it's the law stupid) but because it instils trust and leads to sustainable

success. This case is a reminder that efforts to evade regulation and deceive consumers can result in serious financial damage, as well as reputation damage. In addition, it serves as an example of the importance of corporate governance toward establishing ethical behavior within an organization. The Volkswagen scandal is a cautionary reminder for business executives about the dangers of chasing short-term profits and overlooking long-term consequences." Managers need to focus on decision making and realize that actually if ethical norms are violated by the Organisation for competitive gain, damage is done not only to people and planet but also back to the corporate bottom line. The Volkswagen emission crisis is a wake-up call in terms of what happens when the pressure of competition collides with the need to adhere to regulations. The company's profit Maximizer (us) The idea that taking on the lie would make us rich left us burying a tray of cocktails in his backyard. This case illustrates the corporate accountability and how companies should hold to high ethics, as long as they have tough choices to make. In today's business environment, ethical leadership, transparency and dedication to the environment and society at large are critical for corporate success.

### **Apple's Supply Chain Practices**

Apple Inc., being one of the most technology companies in the world, has been embroiled with continuing ethical challenges in its supply chain activities. While apple is considered an industry leader in technology, it has come under fire for worker exploitation, bad working conditions and environmental pollution with their global supply chain. Most of Apple's products iPhones, iPads and MacBooks are made in countries like China, India and other parts of Southeast Asia, where the company works with third-party manufacturers like Foxconn and Pegatron. These relationships have enabled Apple to make cheap products of high quality, but they've also led the company into a morass of ethical controversy involving worker abuse, environmental devastation and corporate culpability.

### **The Ethical Dilemma**

The human rights paradox faced by Apple in its supply chain is a cost-benefit analysis that involves outsourcing production to low-wage countries. While it

has allowed Apple to sell its products at relatively low cost, it raises moral questions about how workers are treated in these factories, which do not always have strong or enforced labor rights. Workers endure grueling hours, low pay, dangerous working conditions and physical abuse and emotional violence in some cases. Further, e-waste and the longer-term sustainability of Apple's production processes have been major points of contention. This is the paradox designed to make profit maximize social responsibility. Since it must constantly fight to turn a profit and keep shareholders happy, it is already negatively incentivized from an economic perspective to put the earth first. Apple, on the other hand, relationship as a global top company responsibility from an ethical perspective to promote respect for Human Rights, environmental protection and transparency in its supply chain.

### **Key Considerations**

The ethical considerations in Apple's supply chain practices include:

- Profit Maximization vs. Worker Rights: Apple's decisions to outsource production to low-cost countries often come at the expense of fair wages, job security, and workers' health.
- Environmental Impact: Apple has been accused of contributing to environmental degradation through its reliance on non-sustainable materials and inefficient recycling processes.
- Transparency and Accountability: Apple has faced criticism for not being transparent about the working conditions in its factories and the impact of its supply chain on local environments.

### **Labor Conditions and Worker Rights**

Apple's suppliers, such as Foxconn, has historically come under scrutiny for its business practices. In 2010, a spate of suicides at Foxconn factories threw a spotlight on the company's punishing working hours and low living standards for employees. In 2012, a New York Times investigation found workers at Foxconn were victims of grueling overtime, low pay and dangerous working environments. Workers said they were forced to meet production quotas on tight deadlines and received physical punishment when they failed. In response to these reports, Apple in 2005 issued a Supplier Code of Conduct establishing

stringent labor norms such as caps on work hours, a fair pay commitment and a ban on child labor. However, there have been widespread reports of Apple's enforcement of these standards being variable; and Apple has received criticism for not doing enough to ensure that suppliers who breach the code are held accountable (Bain & Company, 2021). Apple has been working to solve these problems. The company is more vigilant than ever about the chain that supplies its products and has become more transparent about it, to some extent, publishing an annual Supplier Responsibility Progress Report. These audits have made a difference in some area, such as lowering the incidence of child labour and improving health and safety standards in some factories. Yet, many observers suggest that Apple's efforts lack and the fact it depends on external manufacturers means to sidestep direct responsibility for the day-to-day working conditions at factories.

### **Environmental Concerns and E-Waste**

As a related issue of ethics, in addition to Labour rights concerns, Apple's minimum allowable length of service has changed numerous times throughout the years. Best of all, the firm is a maker of high-tech gizmos with materials that are neither recyclable nor environmentally friendly: They contain rare earth metals and plastics along with toxic chemicals. The e-waste from these items only adds to the ever-increasing worldwide problem.

In 2016, Apple's report on the environment stated that while the company had been working to shrink its carbon footprint by using greener materials and more energy-efficient processes, it was also sourcing "more sustainable fiber for our packaging." Apple's recycling program also promotes ending e-waste, and a Liam robot that takes apart old iPhones to recover high-quality materials for re-use is one colorful example. But even with these commendable steps, Apple still has much to do if it is achieving its goal of making all of its products 100 percent recyclable and lowering the carbon footprint of its supply chain. Apple's suppliers, especially in the developing world do not have proper waste disposal systems which cause chemicals and other hazardous materials from their manufacturing process to be improperly disposed of. This raises serious ethical questions about the liability

of a company for the environmental destruction that its supply chain leads to.

**Corporate Social Responsibility and Transparency**

Apple’s corporate governance, and the transparency of its supply chain, has also come under the spotlight. Even after that, many critics say Apple’s efforts to do better haven’t gone far enough. Apple’s Supplier Responsibility Report has also been criticized for a bias toward positive outcomes without acknowledging the overall systemic nature of the problem within its supply chain. Apple CEO Tim Cook vowed in 2017 to make the company product line 100 percent recycled one day. Though a positive move, critics believe Apple that it still values profit motives over labor and environmental ethics. Critics also note that while the company’s direct operations are fairly transparent, its sprawling global supply chain is murky, and Apple simply cannot ensure ethical behavior from all of its thousands of suppliers through third-party audits.

**Response and Progress**

In response to the mounting ethical criticisms, Apple has made several strides toward improving labor conditions and environmental sustainability:

- 1) Improved Supplier Auditing: Apple now conducts more comprehensive audits of its suppliers and requires them to adhere to its code of conduct. These audits focus on areas such as worker health and safety, compensation, and environmental practices.
- 2) Environmental Initiatives: Apple has committed to becoming carbon-neutral across its entire business, including its supply chain, by 2030. The company has also increased its use of recycled materials in product design and pledged to reduce e-waste through enhanced recycling programs.
- 3) Supplier Engagement: Apple has launched initiatives to engage directly with suppliers, including partnerships with organizations such as the Fair Labor Association (FLA) to ensure that workers' rights are respected and that they receive adequate compensation and benefits.

**Table 5:** Case Studies of Ethical Dilemmas.

Case Study	Ethical Dilemma	Company Decision	Outcome
Volkswagen Emissions Scandal	Deception in emissions testing and environmental responsibility	Installed defeat devices in diesel vehicles to cheat emissions tests	Consequences: \$30 billion in fines, lawsuits, and buybacks. Loss of consumer trust.
		Misled regulators, customers, and investors about vehicle emissions levels	Financial Impact: Substantial legal fees and fines. Decline in stock value.
		Aimed to maintain competitive advantage in diesel market	Public Perception: Severely damaged brand reputation, loss of environmental credibility.
Apple's Supply Chain Practices	Labor exploitation and poor working conditions in supplier factories	Continued outsourcing production to countries with poor labor standards (e.g., Foxconn)	Consequences: Criticized for workers' rights violations and unsafe working conditions.
		Increased pressure for ethical sourcing and better labor standards	Financial Impact: Efforts to maintain competitive prices vs. costs of improving conditions.
		Introduced audits and Supplier Code of Conduct for better oversight	Public Perception: Improved transparency but continued scrutiny over working conditions.

Note: Ethical challenges of Volkswagen and Apple: Two crucial case studies this table illustrates the ethical issues experienced by both Volkswagen and Apple as noted in the two majors cases.

**Lesson Learned**

Apple’s situation highlights the ethical minefield of operating a global supply chain. It highlights Universe PG | [www.universepg.com](http://www.universepg.com)

dilemmas relating to value and profit maximization with corporate responsibility that is most pronounced in the labor rights and environmental sustainability.

Apple is able to keep producing path-breaking products because it is willing to pound the shareholders like a rusty nail and do what consumers want from responsible companies. Whilst the company has been making good progression, continued attention to supply chain practices is a reminder that ethical responsibility cannot be taken for granted and it needs to be an on-going commitment accompanied by transparency.

The conundrum for Volkswagen lying to regulators about emissions standards resulted in legal and reputation catastrophe. By contrast Apple's exposure as exploiting Labour in its supply chain was noted worldwide and led to the company changing some of its practices around transparency and working conditions, though many critics find reasons to remain concerned.

The implication that can be taken from Apple's supply chain is that large corporations should assume full responsibility for their supply chain and make sure all partners meet high ethical standards. Something as simple as transparency about their sourcing, production processes, labor conditions and the environmental impact is enough to placate a consumer's concerns. Ethical leadership and a persistent focus on integrity are essential for companies that wish to sustain long-term success while they meet their moral and social expectations. Apple's supply chain activities demonstrate the challenges of managing global operations in a manner that styles profitability and responsibility. Although the company has worked to redress major rights and environmental abuses, challenges persist. Moral concerns such as worker exploitation, environmental degradation and business transparency are baked into global supply chains, notably in corner-cutting industries like low-cost manufacturing in the developing world. Apple's situation illustrates why companies should incorporate CSR as a fundamental part of their strategy to make certain that they not only serve shareholders, but workers, consumers and the environment.

### **Implications for Business Leaders**

#### ***Developing Ethical Frameworks***

In the business world today, ethical decision making is essential for managers who strive for long term

success and a career in Sustainable Business. Establishing the values side of this triangle provides a guide for business leaders making decisions that are not only consistent with corporate objectives, but also socially responsible. It's a framework to guide the ethical analysis of corporate behavior, and compel decisions based on explicit values rather than financial or operational targets. Ethical infrastructure is a commitment to fundamental ethical values such as honesty, transparency, responsible conduct, and fair treatment. These factors provide guides to leaders when they have conflicting demands, such as the pressure to make a profit and comply with employee, consumer and societal welfare practices. One useful device for analyzing business decisions according to these core values is provided by ethical decision-making theories, such as utilitarianism, deontology and justice approaches. To build an ethical program, business leaders need to nurture a culture of ethics in their own organizations. It involves the processing of requests from consumers, based on those decisions that are predominantly made through approved computer-assisted interventions. Ethical leadership is common here because leaders must practice what they preach in terms of ethical behavior with their units. Ethical leadership fosters an environment of open dialogue concerning values, and ethical subjects, as well potential implications of business decisions; creating a workplace in which employees are empowered to be guided by ethics. Much more 43 CORPORATE LEADERSHIP than simply "leading by example," it describes a whole system of corporate leadership and culture which fosters responsibility for the ethical integrity of an entire business. To integrate ethics into business as usual, firms commonly create a Code of Conduct that articulates conduct expectations and decision-making guidelines. Those codes, coupled with regular ethics training and whistleblower protections help to keep employees at all levels in the knowledge of what is expected from them ethically and allows staff members to police each other. Secondly, stakeholder involvement is a key part of any ethical model. Success of a company does not only consider its financial performance but also how well it deals with its stakeholders i.e. employees, customers, suppliers and the society at large. Business leaders should foster clear communication with

stakeholders to learn about their concerns, use their insights in decision-making. It's through this kind of engagement that we create ethical decisions rooted in the values and needs of all those affected by our activities – which make the tension between competing interests, like shareholders who want profit and employees who want fair wages and safe working conditions, just enough for a reasonable balance to be struck. While it is critical to create a structure of ethical behavior, there are paradoxes which leaders need to overcome. Conflicts of interest between stakeholders, especially in international practice, might affect the judiciousness of ethical decision making. For instance: work being performed which is 'thought to be fine' in one country may not be acceptable in yet another, and thus bridging those types of gaps (while trying to remain anchored on a similar set of ethical codes) are challenging." Moreover, there may be pressure from investors or other stakeholders to favor short-term financial gains at odds with long-term ethical goals. However, it is important to meet these challenges so that business will be conducted with transparency and accountability, leading to sustainable long-term relations. And to successfully operationalize an ethical framework, business leaders should continually review and adjust their approaches, by keeping pace with shifting social norms as well as regulatory and competitive pressures. This is where companies must fall in love with ethical innovation, things like new business practices or products that maintain high ethical standards but still make a profit. Recognition and rewards for good behavior within the firm is also important as it reinforces that ethics matter and encourages employees to take decisions that are consistent with the firm's ethical values. In short, it is not enough to create an ethical policy, but attention must continuously be paid and adjustments made. Corporations need to keep a moral compass all business leaders need to adhere to in order for an ethical culture to flourish, based on the thinking of both profit and larger social responsibility requirements. In doing so, companies will be able to pursue the complexities of today's business environment while keeping stakeholders' trust and being a force for good in an increasingly ethical and sustainable global economy.

### **Ethical Leadership**

It is, therefore, ethical leadership which plays a vital role in creating a responsible and sustainable business environment. It means leading an organization that has moral and ethical integrity at its core. Today, with increasing emphasis placed on transparency, accountability and social responsibility among customers, employees and stakeholders in business operations around the world, ethical leadership is of crucial importance. "Leaders who demonstrate integrity not only enhance the credibility of their organizations but also build trust and loyalty among employees and stakeholders. More than just a decision-making behavior guided by moral principles, ethical leadership is about influencing others to treat ethically, and thus creating an organizational culture. At heart, ethical leadership calls for leaders to walk their talk. The tone is set from the top and actions speak louder than words. When leaders make decisions on the principles of honesty, fairness and transparency, it promotes and encourages employees to do the same. For example, A leader who behaves ethically during hard times such as reporting correct financial transactions, inspiring employees to be honest etc. will stand for his values whether it is good or bad. This role modeling effectively creates a culture of ethical decision-making on every echelon. One of the central traits of ethical leadership is accountability. Ethical leaders know they've got to do the right thing. (And that truth is nailed to their actions, even if the results don't pan out). Such accountability creates a culture of trust when employees and stakeholders know their leaders will own up to their mistakes and learn from them. Transparency is key here - ethical leaders are clear about the challenges and reasons behind their decisions, keeping everyone informed, if not actively involved. This kind of transparency is not only trust-building, but it also breeds integrity among others in the organization.

Beyond the standard of personal responsibility, leaders must establish an effective system within the organization to achieve or maintain ethical conduct at all levels. This means, a clear ethical policy and code of conduct need to be developed including code of conduct which prescribes the expected behavior and ethics. They also need to make sure there are effective

mechanisms for reporting unethical behavior (whistle-blower systems) and provide routine ethics education so employees understand how to respond when they face an ethical dilemma. Building these systems only allow ethical leaders to give their employees the power to do right and are able to hold themselves responsible. This is particularly true for larger companies or global organizations where employees may encounter intricate ethical challenges that demand straightforward instruction. But ethical leadership is not always that simple. It is something leaders deal with all the time, when short-term money worries rub

against long-term ethical concerns. For example, shareholders and other stakeholders may exert pressure on leaders to set priorities that emphasize profits over social and environmental responsibility. Moral managers should carefully tread these pressures, reconciling business aims with a duty to stakeholders and society. Ethical decision-making can often be difficult and conflicted decisions that do not offer immediate financial reward, though they are essential for the long-run longevity and health of the company.

**Table 6:** Best Practices for Ethical Leadership.

Best Practice	Description	Benefit
Lead by Example	Leaders should model ethical behavior in their decisions, actions, and daily interactions.	Sets the standard for the organization, building trust and encouraging employees to follow suit.
Create Ethical Codes	Develop and implement a <b>Code of Conduct</b> that outlines the company’s ethical standards and expectations.	Provides clear guidelines for ethical behavior and decision-making across the organization.
Provide Ethics Training	Regular ethics training programs to ensure all employees understand the company’s values and ethical expectations.	Equips employees with the knowledge to handle ethical dilemmas and reinforces ethical standards.
Promote Transparency	Encourage open communication and transparency in business operations, especially regarding decision-making.	Builds trust with stakeholders, reduces the risk of unethical practices, and improves accountability.
Foster Accountability	Establish mechanisms for holding individuals accountable for their actions and ethical breaches.	Ensures that ethical behavior is consistently applied, and unethical actions are addressed.
Encourage Open Dialogue	Create an environment where employees can freely discuss ethical concerns and report unethical behavior.	Empowers employees to raise issues without fear of retaliation, promoting ethical conduct.
Reward Ethical Behavior	Recognize and reward employees who demonstrate ethical decision-making and integrity.	Reinforces the importance of ethics and motivates employees to act responsibly.
Engage Stakeholders	Involve stakeholders in ethical decision-making processes, considering their concerns and interests.	Strengthens relationships and ensures that decisions are made with a holistic view of stakeholder impact.
Commit to Continuous Improvement	Regularly evaluate the company’s ethical practices and make improvements where needed.	Helps the organization stay adaptable and responsive to emerging ethical issues.
Develop Ethical Leadership at All Levels	Invest in developing ethical leaders at all organizational levels, not just at the top.	Ensures ethical practices are embedded throughout the organization and across all functions.

Note: The following table summarizes the best practices in ethical leadership which is critical to develop a strong ethically based culture in any organization.

A key ethical leadership challenge is to ensure that, within an increasingly diverse cultural or global context of operations, the application of ethics is universal across the organization. While complying with the universal ethic, we should take into account

local norms and practices in managing a global business operation. One country’s Labour situation may be legal, another yet not correspondent with the company’s morality. Ethical leaders need to demand that their organizations adhere to higher labor and

environmental standards, even if working in areas with lower regulation. The expression of ethical leadership is a part building strong organizational cultures and ensuring the future success of the company. By establishing a work environment of ethical conduct, leaders set the stage for an organizational culture that draws top talent, engages the consumer more effectively and maintains long-term relationships with stakeholders. Additionally, ethical leadership also leads the firm on corporate socially responsible actions which serve to offset the negative side of doing business in society and environment. In the hyper-connected, uber-transparent world of today, where both customers and employees expect responsibility from corporations, ethical leadership is not just a matter of good morals – it's good business strategy as well.

By role modeling these behaviors, leaders can empower their Organization to take an ethical approach to decisions and build a culture where ethical behavior is required and applauded. These habits are the key to long-term success and sustainability, where decisions at all levels are made with ethical considerations in mind.

## **2. Conclusion**

Long-term business success and ethical leadership is a foundational building block. With the global business environment changing so much, there's new pressure on organizations to behave responsibly and make decisions that focus not only on the interests of shareholders but all stakeholder. So ethical leadership is not just a matter of ticking boxes; it's fundamental to how an organization runs. Business leaders who consistently model ethical conduct, to build an integrity culture and imbue strong moral purpose are best prepared for thriving in a world of transparency, accountability and social responsibility. The core of good ethical leadership is more a leading by example. It is important that ethical leaders demonstrate what they expect from their teams and begin to build trust, through gaining credibility with the organization. Ethical leadership includes a component of accountability and transparency which means all parties are accountable for their actions and decisions. By integrating ethics into the culture of the organization with codes of conduct, ethics training and open

discussion, business leaders make ethical behavior something that is ingrained in their employees. On the other hand, good leadership is difficult too, as businesses cannot always liter when to be ethically duty-bound. The balance between short-term earnings and long-term ethical aims can be challenging, leaders who stay the course with their ethical stance even when it isn't easy help build reputation for their organization and employee job satisfaction as well the ongoing success of that organisation. Also, in a globalized environment ethic and leader to manage the both local business conduct with universal ethical norms where all operations (local or international) are based upon company's ethical code. In conclusion, ethical leadership is a necessity of an organization that wants build to be sustainable and reliable. Leaders who formulate and maintain an ethical infrastructure can be certain their decisions not only benefit their companies but also society overall. Ethical leadership is a competitive advantage that extends beyond profit it builds long-terms value, strengthens relationships with stakeholders, and has a positive societal impact. At a time when pressure for ethical conduct in business is intensifying, organizations guided by ethics-conscious leaders will be the ones that really succeed in a volatile, more values-driven commercial environment.

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The author declares that there is no conflict of interest regarding the publication of this paper.

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