

# Business Ethics Theories and Definitions

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Theory	Definition
Affective event theory	The affective events theory suggests that the employees' personal emotions, moods as well as cognitive-based behaviors could influence their organizational commitment and performance. It presumes that there is a strong relationship between their psychological states of mind and their work behaviors, as positive-inducing and/or negative-inducing incidents at work can have a significant influence on the employees' morale and job satisfaction. In other words, the workers' intrinsic feelings as well as their external affective reactions are evidenced through their organizational behaviors and job productivity levels.
Attributional theory	The attribution theory seeks to clarify causes and effects of social phenomena, as individuals are motivated to use information to form judgements and draw conclusions. Persons may believe that dispositional attributes (internal causes) like personality traits, intelligence, etc., and/or situational factors (external causes) including

	<p>race, gender and class can explain causal consequences, as they usually want to determine why outcomes occurred.</p>
Behavioral reasoning theory	<p>The behavioral reasoning theory postulates that there may be different reasons (in favor or against specific issues) that can explain the individuals' perceptions and attitudes (towards them), as well as their motivations and intentional behaviors.</p>
Commitment-trust theory	<p>The commitment-trust theory posits that both commitment and trust are crucial for the development of successful relationships. Its proponents argue that businesses ought to honor their commitments with stakeholders including customers. They indicate that for-profit organizations are expected to meet and exceed their consumers' expectations in order to forge long-lasting bonds with them. Consequentially, the businesses that deliver on their promises will be trusted by customers and would benefit from their committed relationships, in the long run.</p>
Conservation of resources theory	<p>The conservation of resources theory indicates that certain tasks and duties necessitate that individuals devote their time as well as their cognitive capabilities and physical energies. In an organizational context, this theory commends that employers ought to look after their resources. It implies that business leaders can nurture their human resources' mental health and wellbeing by providing regular breaks in order to reduce stress and anxieties. This way, they will be in a better position to improve their employees' productivity.</p>

Consequentialism theory	The consequentialism theory infers that while right actions bring positive outcomes, wrong actions can cause more harm than benefits, and could result in negative repercussions. This theory suggests that good behaviors will usually generate a greater balance of positive over negative outcomes.
Deontological theory	The deontological theory involves moral reasoning that distinguishes between right and wrongdoing. It is intended to guide ethical actions. This theory is based on a set of rules and principles that are usually drawn from cultural and/or religious values (these values may be different than personal values).
Emotional labor theory	The emotional labor theory is manifested when employees engage in posturing behaviors or when they suppress emotions to present themselves in a way that is expected by institutions, organizations or other social structures. Emotional labor requires that individual employees manage personal expressions and mask their inherent feelings during interactions with other people, including coworkers, customers and managers, according to their employers' demands. Hence, the members of staff's duties and responsibilities are to display specific emotions during their interactions with others in their workplace environments, as a partial requirement of their job. They may be coerced to do so by their management, who would usually provide them with formal and informal training and development to comply with their work ethic.

Ethical theory	Ethical theory involves philosophical attempts that are intended to provide normative and moral guidelines about acceptable and unacceptable behaviors. Various commentators argue that it usually comprises four different lines of thought including deontology, utilitarianism, rights and virtues.
Ethical theory of organizing	The ethical theory of organizing suggests that commercial organizations have environmental, social and governance responsibilities in addition to achieving their financial objectives through revenue generation and profit maximization.
Ethical value theory or Value theory (in Ethics)	The ethical value theory involves various approaches that clarify how, why and to what extent individuals value moral goods like other people and their ideas, as well as natural goods like objects. It infers that both ethical and economic goods add value to our society (even though it may appear that there is a conflict between these two areas).
Experiential learning theory or Humanizing experience theory	The experiential learning theory is focused on the idea that individuals learn through experiences and environmental factors. They acquire cognitive and emotional knowledge by trying things out, through reflective observations that relate past experiences with conceptual understandings, by transforming perceptions into abstract concepts, as well as via ongoing experiments that involve testing new ideas to improve skills and competences.

Fairness theory	<p>The fairness theory suggests that societies (as well as their institutions and organizations) are just when they are transparent and accountable. Various jurisdictions (and businesses) may rely on certain principles and ethical standards to ensure that they are consistently treating their citizens or other parties (including employees) in an equal, fair and equitable manner. The ideal is that everyone should have fair access to the same opportunities.</p>
Favoritism theory	<p>The favoritism theory posits that someone in an authoritative position (including in public administration and/or in business contexts) could facilitate a group of persons or specific individuals as they offer them an unfair preferential treatment at the expense of others.</p>
Human capital theory	<p>The human capital theory is an economic theory that posits that institutions and organizations ought to incentivize their human resources by providing ongoing education and training opportunities to them. It postulates that it is in the interest of employers (in public administration and/or in business contexts) to nurture their employees with relevant knowledge, skills and competences, if they want them to be efficient and productive in their workplace environments.</p>
Institutional theory	<p>The institutional theory is a management theory in sociology and organizational studies, focused on the institutions and organizations' social structures and on their authoritative guidelines based on specific rules, norms and routines, that are intended to improve their productivity, ethics and legitimacy in society. It clarifies</p>

	<p>that institutions are culturally cognitive and normative in nature. Their resources, associated activities including social, environmental and technological processes are regulated, diffused, adopted and adapted, to provide stability and meaning to social life.</p>
Justice theory	<p>The justice theory suggests that all individuals have an equal right to basic liberties, and that they ought to be given the same opportunities as other persons of similar abilities. It posits that society could be structured in a way where every member should benefit from as much liberty as possible (without infringing on the liberty of some of its members) as well as from a socially-just distribution of goods in a society.</p>
Labor process theory	<p>Labour process theory is focused on the organization of work in capitalist economies. It explains that the labor market is motivated to produce commodities that are sold at a profit. Its proponents consider the antagonistic relationships that may occur between employers and employees, as they frequently elaborate on worker autonomy, deskilling due to advances in technologies, and managerial control in manufacturing processes.</p>
Multiple agency theory	<p>The multiple agency theory is an extension of the principal-agent relationship. It commends that one person or entity can act on behalf of multiple other persons or entities. This issue may lead to multiple principal problems as a person or entity (that may be considered as an "agent") is able to make decisions and / or to take actions on behalf of multiple other entities (or principals), may pursue their self-interests, resulting in asymmetric information advantages, resulting in inefficiencies and tensions in principal-agents relationships.</p>

	<p>The multiple agency theory is particularly conspicuous in public organizations, public-private partnerships and/or in firms with multiple shareholders.</p>
<p>Norm of reciprocity theory</p>	<p>The norm of reciprocity theory clarifies that people engage in reciprocal behaviors and in in-kind exchanges with one another. They tend to respond by compensating caring individuals for their kind behaviors. Alternatively, they may decide to retaliate against mean persons with hostile actions. The theory suggests that many people may usually consider the helpfulness and the thoughtfulness of others by returning a favor. Yet, it also implies that they may resort to negative reactions against unfavorable treatments.</p>
<p>Practice theory</p>	<p>The practice theory indicates that society and culture are the result of universal structures concerned with exploring human activities, subjectivities, intersubjectivities, embodiments, languages and power in different societies. Its proponents argue that the individual agent is an active participant in the development of their social world.</p>
<p>Rights theory</p>	<p>The rights theory refers to the individuals' entitlements to be (or not to be) in certain states of affairs, and/or to choose to perform (or not to perform) certain activities or actions. Human rights can clearly indicate which institutions are just and clarify what actions are permissible in them. They shape morality as well as mold regulatory instruments including hard and soft legislation to protect the individuals' general interests (e.g.</p>

	<p>rights to life, liberty, happiness, welfare, freedom of speech, et cetera). Many jurisdictions may accept to ratify a set of rights in order to enhance their authority or to increase the degree of freedom of their subjects.</p>
Service-dominant logic theory	<p>The service dominant logic theory in behavioral economics literature considers all relationships within an economy as service-to-service interactions across channels and touchpoints. This theory is intended to explain value creation through resource integration and exchange in the market, among actors, including producers/service providers, consumers and institutions. The rationale behind this theory is that individuals apply their competences to service others and to reciprocally benefit from each other's collaborative support.</p>
Signaling theory	<p>The signaling theory is focused on the communications between two or more parties (individuals or groups). It posits that one of the parties conveys information (i.e. a signal) to the others (i.e. the receivers of the message). The latter must choose how to interpret the signals that are conveyed to them.</p>
Social cognition theory	<p>The social cognition theory is supposed to explain the effects of individual experiences as well as the influences of others, and of other environmental factors on a person's health behaviors. It presumes that certain aspects of an individuals' acquisition of cognitive knowledge can be gained by observing other persons' behaviors in their social interactions, by monitoring their experiences, and by following media influences. Hence, the observers may choose to replicate the behaviors of others, if it is convenient for them.</p>



<p>Social exchange theory</p>	<p>The social exchange theory presumes that individuals or organizations engage in relationships that maximize benefits and minimize costs. Each party would be willing to forge mutually beneficial relationships. This theory suggests that such relationships would usually be based on frequent exchanges of resources or goods, that are supposed to add value to each side. However, if the costs of the relationship are higher than the rewards, then the relationship may be terminated or abandoned.</p>
<p>Social identity theory</p>	<p>The social identity theory describes the interplay between personal and social identities. It aims to explain and predict the circumstances under which individuals consider themselves as societal members. This theory is based on the view that the individuals' personal identities are formed through different processes depending on their lifestyles in terms of values, attitudes, interests and activities they undertake. It also seeks to clarify how the persons' self-concepts as well as their social identities could influence ingroup and outgroup behaviors. It posits that groups can modify their members' self-identities (or part of their self-concepts), if the latter are emotionally attached to the former.</p>
<p>Social learning theory</p>	<p>The social learning theory maintains that learning is a cognitive process and that it takes place in a social context. The persons' social behaviors can be acquired by observing and imitating the behaviors of other individuals. This theory is based on the idea that everyone learns through social interactions and exchange</p>

		<p>processes. Some of its proponents suggest that attention, retention, reproduction and motivation stages are crucial for the individuals' personal development and growth.</p>
Social theory	norm	<p>The social norm theory is based on set of beliefs and perceptions that other individuals hold different attitudes, and that they would pursue distinct activities. In reality all human beings would probably behave in a similar manner. Some commentators describe this phenomenon as pluralistic ignorance, particularly when individuals strive to adjust their behaviors and to adhere to the pseudo-norms of the presumed majority.</p>
Stakeholder theory		<p>The stakeholder theory refers to the organizations' relationships with their interested groups including shareholders, creditors, employees, suppliers, local communities, and regulatory authorities, among others. This social concept builds on foundations of the resource-based view of the firm, market-based view as well as on other relevant normative theories related to business ethics literature. According to this theory, the parties that are affected by the organization or by its modus operandi are considered as stakeholders. The stakeholder theory suggests that organizations including businesses ought to consider their different stakeholders' interests if they want to succeed in the long term. It posits that it is in their interest to forge strong relationships with different groups that can be affected by the organization's decisions, in one way or another.</p>

<p>Theory of communicative / deliberative democracy</p>	<p>The theory of communicative / deliberative democracy raises awareness on the importance of engaging in quality deliberations prior to making legitimate decisions. It emphasizes that decision-makers ought to be limited to a smaller, yet more representative sample of the population who should be allocated adequate time and sufficient resources to lead public organizations in a consultative, democratic context. It posits that decision makers who are elected in a democratic manner, are expected to manage by consensus and to uphold the majority rule, whilst identifying the aspirations and interests of their citizens at all times.</p>
<p>Theory of planned behavior</p>	<p>The theory of planned behavior is based on the foundations of the theory of reasoned action. It clarifies that three factors, including, the individuals' attitudes toward behaviors, their subjective norms (or social influences), as well as their perceived behavioral control could influence their decisions and intentional behaviors.</p>
<p>Theory of positivity / Theory of positive emotions</p>	<p>The theory of positivity / theory of positive emotions refers to the positive influences including optimistic emotions, character strengths and constructive institutions, among other issues, that can have a good effect on a person's happiness and wellbeing. It presumes that positive emotions (such as contentment, joy, interest and anticipation, among others) can influence the individuals' resources in terms of their thoughts, motivations and mindsets. It suggests that they can foster a higher resilience to pursue intentional behaviors.</p>

Utilitarianism theory	The utilitarianism theory suggests that by focusing on the consequences, one could be in a position to distinguish the right from the wrong. It presumes that the best ethical choice is to identify decisions or actions that lead to the greatest good (e.g. happiness or pleasurable outcomes). In socio-economic and/or political contexts, a utilitarian philosophy would seek to improve the quality of society.
Virtues theory	The virtues theory maintains that individuals possess character traits, emotions, feelings and dispositions that drive them to strive in their endeavors to continuously improve and to excel in their duties and responsibilities. Several commentators noted that affective and intellectual dispositions enable human beings to have a positive mindset to make the right decisions and to engage in the right behaviors.

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