

THE RELATIONSHIP BETWEEN BUSINESS ETHICS AND LAW: LIMITS AND POSSIBILITIES

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Abstract. The moral values that form the company’s identity should remain one of the most important aspects in business, often exceeding legal regulation. At all times, the relationship between business ethics and law has balanced between the line to choose for economic benefits, the interests of the company and shareholders, employees, or consumers, whether the company can behave unethically within the limits of the law. This question has become particularly relevant since the outbreak of the war in Ukraine, which has fundamentally forced various corporations to re-examine their beliefs and values, asking whether a law-abiding business can be righteous in war. The purpose of business ethics is to form standards of morally correct behaviour in business, to promote reliability, respect and accountability in organizations. It is business ethics that help enforce the law by specifying acceptable behaviour that no one can control, but which is necessary to make sense of the letter of the law. This article reviews business ethics violations in peacetime and legal regulatory issues and presents aspects of business ethics violations in wartime that are shaping new business limits and opportunities in the future.

Keywords: business ethics, law, moral values, corporate identity, unethical behaviour.

JEL Classification: K00, K2, K4, K20, K49.

1. Introduction

Business ethics is an invitation to reflect on our values, to try to answer difficult moral questions that arise in the business world. The practice of business ethics determines what is right, wrong and appropriate in business (Nelson & Stout, 2022). Business ethics are inseparable from core values such as transparency, honesty, respect for human rights, fair labour practices, concern for environmental protection and ethical leadership (James, 2023). Business ethics is closely related to law. At the center of moral and legal regulation lie essential issues of social life, which are based on common principles, criteria and concepts (Pruskus, 2002). The basic principles of law, ideas and legal norms are derived from moral norms, which means that law cannot be immoral. The main difference between them is that legal norms are mandatory, their non-compliance leads to certain sanctions, while moral norms are usually observed voluntarily, of free will, they come into force when the social environment approves them. In a general sense, business

ethics are often guided by law, so companies and individuals are obligated not to engage in illegal activities. Business ethics is the factor that ensures that companies develop their activities in accordance with laws, ethical and moral regulations (De George, 2013). Consequently, the interdisciplinary nature of business ethics leads to a wide range of problems that the company, company manager, employees, company partners, customers may face, such as fraudulent management and/or organization of financial accounting, discrimination and harassment, health and safety of employees and the public, interests’ conflicts, insider trading, data protection, cyber security. The presented list of business ethics problems is not exhaustive, but they are related to both violations of the law and non-compliance with moral norms. The conclusion follows that although business ethics and law are two concepts independent of each other, but they intersect in various aspects, ethical and moral principles are implemented legally.

One of the most common and clear examples of the intersection of business ethics and law is contract law.

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Morality or ethics dictates that when two or more parties agree on something, they must abide by the agreement, unless there are some extenuating circumstances that make it too difficult or even impossible to fulfill the agreement. The legal norms governing contracts also determine the duties and rights of the parties to the contract, as well as the obligations arising from non-fulfillment of the terms of the contract. This means that both legal norms and business ethics oblige the business to behave properly, honestly, from the manager to the ordinary employee. It is important to emphasize that non-fulfillment of the terms of the contract arises from non-compliance with moral principles, which means that business ethics form decisions that go beyond legal obligations. Elevating moral principles above legal norms forms and maintains the company's respect among partners, competitors and customers (James, 2023).

In a constantly changing world, with the development of all kinds of technologies, when the world is on the brink of war every time, it is extremely relevant to talk about the rules of conduct in business, which are based on general and universal moral norms. These rules are not legally enforceable and are mostly advisory in nature, but following these moral rules and principles gives meaning to the letter of the law and takes precedence over the law.

The purpose of article – to present the relationship between business ethics and law, when dealing with the main violations of business ethics during peacetime and how violations of business ethics during wartime reshape business limits and opportunities. For companies, faced with the dilemma of whether what is legal is always moral and ethical, it provides an opportunity to reassess the violations of legal norms that arise from non-compliance with the moral norms recorded in the code of ethics. It is important to emphasize that business ethics does not seek to moralize, business ethics encourages thinking and analysis, making important decisions both for the business itself and building trust in society (Pruskus, 2002). According to Schwartz, a professor of business ethics, “three main aspects of ethical decision-making and behaviour should be exclusively focused on: how it actually happens, how it should happen, and how it can be improved” (Schwartz, 2017). It is important to keep in mind that companies, following ethical and moral norms, often exceed the requirements of legal acts, earning public trust and loyalty. This factor creates an invaluable added value for every company in the business world.

2. Historical developments of business ethics

2.1. The main aspects of the formation of the concept of business ethics

The basic modern criteria that we use to define business ethics go back several centuries and are in constant dialogue or always what is legal is right and moral. Each historical era adds new features to the concept of “ethical

behaviour”, thus giving the term a broader perspective and a more important meaning in the business world. Throughout history, companies have inevitably faced two seemingly conflicting goals: making a profit and pursuing an ethical perspective (Vogel, 1991). The failures of giants such as WorldCom, Enron and Satyam have proven that unethical behaviour can one day lead to business failure (Paliwal, 2006). Recognizing the importance of business ethics, most large corporations incorporate a code of ethics into both their internal corporate code of conduct and their business operations outside the company. At this stage, it is appropriate to define the concepts of morality, ethics, law and business. It should be noted that the term “morality” describes certain principles of moral behaviour and a set of norms in general, and not only the rules of professional behaviour in a specific field. “Morality is a social institution consisting of a system of behavioural standards that all members of a cultural community recognize and tend to follow” (Pruskus, 2002). Ethics studies morality, that is, examines the arguments “for” and “against” moral norms that exist in the social sphere. Compliance with the law is non-negotiable for a successful business, and compliance with legal requirements is essential. Business ethics not only includes the implementation of ethical values inside and outside the company and the reduction of legal risks, but also analyzes the dilemmas of morality and legal norms in business, raising the difficult question of whether what is legal is always moral.

One of the first concepts of ethics is based on the teachings of Christianity. The Decalogue is a summary of the basic rules of human behaviour found in the Old Testament. In the verses of the Old and New Testaments, one can find about goods in the temple, publicans, accumulation of wealth, prohibition of usury. In this way, the attitude towards business and trade begins to be formed. The origins of the idea of business ethics can be found in early times when forms of exchange appeared. The need for the principle of equal exchange is discussed by Aristotle in his ethical work *Nicomachean Ethics*. According to Aristotle, justice must be based on the principle of equal exchange, since trade and usury are one of the components of ethics (Höffe, 2010). In later times, the idea of private property began to be developed, which, according to the philosopher J. Locke, is one of the natural human rights and which must be defended (Waldron, 1990). A. Smith, who is considered a moral philosopher, in his work „*The Theory of Moral Sentiments*“ boldly describes the lack of business ethics of businessmen at that time (Smith, 2023).

In the 1960s, the fundamental stages of the formation of business ethics begin, individualism appears, various civil organizations, environmentalists and consumer movements are created, a new consciousness for ecology, world peace is formed, and various social problems become important. As companies and organizations are created, the modern concept of business ethics is gradually taking shape. Finally, the term business ethics was

formed and publicly presented in 1970, when protests began in the United States against business groups that were associated with the war industry in the Vietnam War, and due to the sudden inflation, the rising prices of basic products, which caused great confusion to the US economy (De George, 2013). The United States was the only major country that did not suffer serious war damage at the end of World War II. American business has prospered and expanded around the world, but at the same time the growth of big industry, especially the oil industry, is causing pollution problems, leading to the formation of environmental groups, and large business corporations beginning to face criticism for exploiting people.

In the 1970s, business ethics became an independent academic field with both a philosophical and an empirical field of research. Most representatives of the academic field emphasize that if the usual moral norms are valid in various areas of life, then they must also be valid in business. As the moral approach to business changes, criticism begins to form, which leads to the emergence of academic business ethics. On that basis, vocabularies and an overarching system begin to be created, which spills over into the media and general culture. Every society has its own moral practices, values, principles that help distinguish what is right or wrong, and they organize those rules into one set. The well-known business management theorist Peter Drucker was one of those who said at the time that there is no business ethics, but there are ethics in business. He considered business ethics too neutral, which sometimes found ways to justify immoral business by conventional standards. (De George, 2013). The academic discipline seeks to justify existing parts of morality that are defensible and should be preserved, and it criticizes those parts of conventional morality that are inconsistent or for other reasons should be changed. D. Hume, J. Stuart Mill and many others present the ethics of the developing free economic system. It is academic researchers who add to the history of the formation of the concept of business ethics, and their approach to business has become a part of ethics, which over time has transformed into business ethics. An important aspect at this stage is the development of ethics education programs that not only reflect the organization's values, but also that the company's ethical philosophy positively affects society in general (Morris & Wood, 2011).

Adherence to ethical principles in business practice obliges companies to adhere to social responsibility and create the times of a responsible society. Thanks to legal acts, ethics are included in business, and codes of conduct begin to be formed, and various corporate social responsibility strategies are created.

The concept of business ethics was formed in Europe and Japan in the 1980s (De George, 2013). It is important to emphasize that the development of business ethics in different regions is shaped by different social, political and economic aspects of countries, and different local history. In order to unify the concept of business on a

global scale, thanks to UN Secretary General K. Annan (Annan, 1999).

After reviewing the development of the history of business ethics, the conclusion follows that ethics in business as a construct was not an unknown phenomenon in various periods of history, despite the fact that the term "business ethics" was formulated and started to be used only in the seventies of the last century. Ethical principles in business gradually changed the approach to human rights, nature protection and thus formed a more humane context in business.

3. Legal regulation of business ethics

As for the legal regulation of business ethics, we will not find legal acts that directly establish mandatory ethical rules of conduct in business. Most of the time, these are rules of recommended behaviour, which we could partially classify as soft law. However, as mentioned at the beginning of this work, violations of legal norms in business usually arise from moral norms and rules of conduct violations recorded in the code of ethics. Every socially responsible and self-respecting company, in addition to all its internal working documents, must or should have a code of conduct dedicated only to it, which provides both general and special rules of conduct suitable for the specifics of the company. The code of ethics is a set of principles and values that determine the expectations and standards of behaviour of companies, organizations, managers, employees, partners and other persons related to the business world.

Although various provisions of the code of ethics are of a recommendatory nature, business partners, organizations, companies have the right to specify in contracts or purchase conditions that compliance with the provisions of the code of ethics is one of the mandatory conditions of the contract. It is also important to point out that if one of the parties does not comply with the mandatory terms of the contract, prescribed sanctions may be applied. Based on this principle, in 2024 January 29 at the request of the Ministry of Economy and Innovation, the "Business Ethics" section of the Code of Ethics for Suppliers (2024) was supplemented with the provision:

„[n]ot to conduct activities in countries carrying out military aggression against Ukraine and/or not to be part of a group of companies, any member of which conducts activities in countries carrying out military aggression against Ukraine, member and/or not to participate in the activities of such a group of companies through their manager, members of another management or supervisory body or other person(s) who have (have) the right to represent or control the supplier, make a decision on his behalf, enter into a transaction, person(s), having (have) the right to draw up and sign the supplier's financial accounting documents (...)" (Code of Ethics for Suppliers, 2024, p. 49).

The application of moral principles in business is regulated by the legal acts of the European Union as one of

the binding conditions of contracts. Consequently, business ethics, albeit indirectly, is bound by the imperative rules established in legal acts. The Unfair Commercial Practices Directive (UCPD) is one of the main documents and a comprehensive legal act of the European Union, which regulates unfair commercial practices in the transactions of companies, business partners and consumers (The European Parliament & the Council of the European Union, 2005, 2005/29/EC). The purpose of this directive is to ensure high consumer protection and fair commercial activity.

Among the explanatory terms included in the Directive, the concept of code of conduct indicates that although the code of conduct is a set of rules that are not established by the laws and other legal acts of the Member States, traders are bound by this code in certain specific areas of commercial activity. The greatest attention in the UCPD is given to environmental friendliness. According to the general provisions of the Directive, the ecological claims of traders must be unambiguous, specific and precise, based on scientific facts, and in the event of a dispute, clear and reasoned information must be provided. This aspect is important in the context of codes of conduct, as all the examples examined clearly speak of the desire to protect the planet, reduce its pollution and increase the efficiency of energy consumption.

According to Article 11 of the UCPD, Member States can choose the enforcement mechanism themselves, considering the model that best fits the national legal tradition, provided that they ensure effective and adequate measures to combat unfair commercial practices. This Article 11 provides for the possibility of applying to judicial or administrative authorities. This means that the UCPD provides a legal way to deal with violations due to adopted codes of conduct, but at the same time empowers member states to decide what sanctions should be applied and how they should be applied.

In 2019, the Unfair Commercial Practices Directive was partially amended in order to better enforce the European Union's consumer protection rules and ensure EU consumers' right to digital fairness (The European Parliament & the Council of the European Union, 2019, 2019/2161). In 2021, the European Commission has adopted a new additional Commission notice that provides additional legal clarification on the obligations of online platforms and marketplaces, influencer marketing, data-based personalization, user blocking and even penalties (The European Parliament & the Council of the European Union, 2021, 2005/29/EC).

Another important legal act of the EU, which also contributes to ensuring business ethics processes, is the Consumer Rights Directive (The European Parliament & the Council of the European Union, 2011, 2011/83/EU). This legal act specifies the rules that should be followed when concluding distance sales contracts. This document aims to unify the provisions governing the execution of contracts concluded by businesses and consumers, to ensure the interests of consumers.

The third EU legislation whose provisions are an integral part of business ethics is the Unfair Contract Terms Directive. The purpose of this document is to protect consumers from unfair contract terms set by various types of traders, service providers (The Council of the European Communities, 1993, 93/13/EEC). In 2019, the Directive was amended to better supervise EU consumer rights. One of the tasks of the legal document is for EU countries to provide effective measures for the fair use of contract terms in their national law. One of the essential elements to ensure the fairness of contracts is that standard contract terms should be drafted in plain, understandable language, and ambiguities should be interpreted for the benefit of consumers (The European Parliament & the Council of the European Union, 2019, 2019/2161).

In order to ensure ethical business practices and regulation, a non-profit organization, the European Justice Forum (EJF), was founded in Brussels in 2005. The aim of the EJF is to promote balanced, transparent and effective access to civil law for consumers and businesses in Europe, in order to minimize the harm caused by collective actions (European Justice Forum, 2005). Through its membership, the EJF maintains a dialogue with opinion-makers in the EU institutions, national governments and other relevant stakeholders. One of the most important documents of the EJF is the Code of Business Conduct Ethical Business Practices and Regulation (EBP&R). The idea behind the EBP&R Code is to establish standards of business ethics that will reduce the problems that lead to mass claims that have been encountered over the past 30 years. The driving force behind this new approach is the increasingly regulated environment of 21st century enterprises, the challenges of managing and controlling big data, cases of avoidable, systematic, systematic, or blatant business errors, and in the context of all these circumstances, managing the risks arising from the ever-increasing consumer expectations and greatly increased litigation.

One of the goals of Ethical Business Regulation (EBR) is to enable businesses and regulators to benefit from a relationship based on mutual trust: an ethical business culture and external regulation. EBR encompasses the design and implementation of a regulatory system based on the following principles: business commitment to fair and ethical behaviour; an open and learning culture, not seeking to blame; a collaborative culture; proportionate responses in case of law infringements (Hodges & Steinholtz, 2017).

The business world is increasingly characterized by volatility, uncertainty, complexity and ambiguity. Key factors include digitization and automation, increasing connectivity and globalization, and changing societal values. Due to the changing environment, there are more and more gray areas in user groups and in the regulatory environment. EBP&R is the instrument that encourages leaders and employees on a European scale to create an effective ethical culture in which they behave correctly,

based on ethical values. EBP&R encourages people to recognize ethical dilemmas, challenge them constructively, speak up if they know or suspect unethical behaviour, and use mistakes and misconduct as opportunities to learn and improve.

Business is an economic engine because it contributes to economic and social development by creating jobs and providing goods and services. In order to prevent human rights violations in business, the UN Basic Principles of Business and Human Rights were formed in 2011 (United Nations, 2011). The main piece of legislation to ensure that business does not abuse human rights for its own interests is the European Charter of Fundamental Rights (Charter). This legal act states that slavery and forced labour are prohibited, child exploitation in business is prohibited, and aims to ensure non-discrimination, consumer protection and fair and just working conditions (The European Parliament et al., 2012).

After reviewing the main legal acts related to the regulation of business ethics, the conclusion follows that the relationship between business ethics and law is one of the main factors that ensure successful business development and expansion. Although the provisions of business ethics are not enshrined in law, the goals formed in EU legislation indicate that in order to avoid violations of legal norms that may arise from unfair contracts, unfair competition, it is important to follow the principles of ethics and morality in business. The relationship between business ethics and law helps to ensure the development of a successful business, which includes not only the profits of the company and shareholders, but also the interests of employees and society. Human rights, equality and non-discrimination, data protection, consumer protection, environmental law and sustainability, labour rights are the foundations that help prevent legal violations in business.

4. Practice of business ethics and legal violations

4.1. Court practice in cases of violations of business ethics

Lithuanian court practice is not characterized by a large number of cases of business ethics violations. On the one hand, this allows us to be happy, but on the other hand, it can be assumed that ethical violations in business are not separately and clearly distinguished, because more attention is paid to actual violations of the law, and not to their origin. The same problem is encountered in the practice of international cases. The practice of both Lithuanian and foreign courts is formed according to the same principle, when the main attention is paid to violations of legal norms, but it is not analyzed that violations of legal norms arise from non-compliance with the rules of moral behavior in business, when basic human rights are violated.

The Supreme Court of Lithuania in 2022 in the annual overview of the most relevant cases, presents the rules of application of the law, which are relevant to

business legal relations and whose relevance undoubtedly remains significant in the context of future dispute resolution. Among the important rules of applying the law in business relations, the Supreme Court of Lithuania emphasizes the necessity of fair conduct in business, that is, unfair conduct in business may again lead to the application of civil liability. In its report, the Court emphasizes that business ethics is very often associated with justice, such societal expectations as fair competition, social responsibility, good employer-employee relations and behaviour. In an ideal and welcome case, the goal is for businessmen (managers) to adhere to strong moral principles and adhere to certain rules (standards) of good business practice (The Supreme Court of Lithuania, 2022a).

One of the most common violations of business ethics is when one business entity uses commercial secrets belonging to another business entity and thus causes significant losses to the business entity whose commercial secrets were used. The Court drew attention to the fact that actions contrary to fair competition are often deliberately aimed at obtaining unfair (and therefore illegal) benefits at the expense of others (The Supreme Court of Lithuania, 2022b, civil case no. e3K-3-258-823/2022). Therefore, in this case, the benefit received by the offender in this category of cases is one of the significant methods of calculating damages. A person who receives a benefit by „employing“ an illegally appropriated object of industrial property belonging to another person is considered not to have acquired any rights to this benefit – this benefit should be considered as belonging to the legal owner of the object of appropriated industrial property. Lithuanian Supreme Court emphasizes that „by acting dishonestly, by gratuitously taking over another entity’s know-how, commercial secrets, by appropriating a product created by a business entity, the damage suffered by the affected person (business entity) will have to be compensated“ (The Supreme Court of Lithuania, 2022b, civil case no. e3K-3-258-823/2022). The interpretation is intended to discipline and deter business entities from unfair competition and to direct the behavior of business entities in the direction that competition between business entities would be fair and honorable.

Unfair actions of business entities, issues of discrimination are also highlighted in the overview of the most significant cases of the year 2023 of the Lithuanian Court of Appeal (The Court of Appeals of Lithuania, 2024). The Court ruled for the unfair actions, which are related to gaining an unreasonable advantage by using the work of another business entity. In this way, unfair competitors receive financial benefits without investing their own funds and efforts (The Court of Appeals of Lithuania, 2023b, no. e2A-454-467/2023). Deciding on the compliance of suppliers offers with the terms of public procurement and labour law obligations regarding non-discrimination between employees of both sexes in terms of wages, Lithuanian Court of Appeal noted that „the procuring organization must take steps to verify whether

the winner of the contract does not discriminate against employees, however, non-compliance with the aforementioned obligations (...) must be sufficiently obvious (for example, liability was applied to the supplier due to the use of illegal work, payment of wages in envelopes, child labour or other illegally obtained advantage over honest suppliers) and not requiring a detailed investigation, since each in this case, procurement organizations are not obliged to investigate how suppliers comply with social and labor law obligations, in the absence of reliable data that the supplier does not comply with these obligations“ (The Court of Appeals of Lithuania, 2023a, no. e2A-185-370/2023).

As for business ethics, one of the criminal cases „Grigeo Klaipėda“ currently pending in the Šiauliai District Court should be presented about the unfair actions of business, which created a very large negative impact on the environment. In January 2024, it has been four years since the prosecutor's office reported on the large-scale pollution in the Curonian Lagoon and the ongoing investigation against Klaipėda-based cardboard manufacturer Grigeo Klaipėda. The Lithuanian Department of Environmental Protection filed a 48-million-euro civil lawsuit against the company for environmental damage (Šiauliai Regional Court, 2022). The incident attracted a lot of public attention, so it is expected that the court will make an appropriate decision and not only will the damage caused to nature be compensated, but this case will become an example for business companies to make decisions that are of particular importance to nature honestly, prudently and carefully. Based on the practice of foreign countries, in such cases, when significant damage is caused to nature, large fines paid by companies are not able to reduce the impact of damage on nature. The fines imposed on the companies often lead to the bankruptcy of the companies. Therefore, in today's era of climate change, business must act responsibly and prudently.

Business ethics issues in peacetime are usually related to bribery, unfair contracts, insider trading, false advertising, labour exploitation, discrimination and other human rights violations. Discrimination at work is discussed by the European Court of Human Rights as one of the most frequent violations of human rights. One of the pressing issues in labour relations that still occurs today is gender discrimination. The European Court of Human Rights (ECtHR) in *Jurčić v. Croatia* deals with the issue of gender discrimination in the refusal of employment or the granting of work-related benefits to a pregnant woman because of her pregnancy. The Court recognized that different treatment of a woman who became pregnant through IVF is not objectively justified or necessary (European Court of Human Rights, 2021, no. 54711/15).

After reviewing the practices of Lithuanian courts and the European Court of Justice for Human Rights, the conclusion follows that when courts analyze violations of legal norms due to discrimination of employees, unfair competition in business, illegal aspects of company enrichment, exploitation of labor force, tax evasion, etc.,

the origin of the violation of legal norms is not analyzed. Given the fact that violations of legal norms in business arise from unethical behavior in business, but without analysis by the courts, the court practice records a very small, and in some cases zero number of business ethics cases. It is important to note that any violations of legal norms arise from previous unethical behavior in business, which creates prerequisites for violations of legal norms.

4.2. Violations of business ethics in wartime

During the war, such questions as, for example, whether it is moral to do business in the aggressor's country during the war, what to do with the responsibility towards employees, towards consumers, whether the legitimate interest of shareholders to achieve profit can be limited, etc., which change the concept of business ethics that has been valid until now. In times of war, business is not only challenged by human rights responsibilities, but the question of the relevance of empathy takes on a much greater importance meaning than in times of peace. Therefore, companies should responsibly assess their actions and ensure that their business is not in any way related to countries of war aggression. The next important factor that needs to be mentioned is that companies should feel a great responsibility towards consumers, not to seek to make as much profit as possible by using the state of war. Very often, due to war and conflict situations, certain legal acts cease to be valid, certain legal gaps appear, when certain activities are not regulated by legal norms, there are no supervisory institutions that could control unethical actions, and all this creates conditions for abuse. One of the examples of empathy and social responsibility to be achieved is the activity of a bakery in Kharkiv district, Ukraine during the war: *“[i]n the first days of the full-scale invasion, all large businesses left town, but one small bakery stayed. The owners of this bakery had three or four shops where they sold their products. They moved all their employees who stayed into the basement bomb shelter. The bakery provided Kharkiv residents with free bread for the first two months and paid their employees. They gave cars to their employees to transport their products around the city and to take their families and the most necessary things out of Kharkiv (FGD-4(1) Inna)”* (Uvarova & Saprykina, 2023).

For a long time, companies operating within a more or less democratic framework, where morally questionable behaviour was monitored and punished at the political level, suddenly find themselves obliged to justify their decisions in front of world public opinion. Professor of economic ethics Thomas Beschorner, after Russia started a war against Ukraine, emphasized that the responsibility and moral obligation of companies is to contribute to the restoration of peace with their actions. Reasons such as the duty to maintain jobs, to maintain supply, for example, to Russian people or job losses in Russian units, are weak. Such reasons cannot be adequate

counterarguments to develop activities, because when basic moral categories such as international law or human dignity are violated, no other arguments can outweigh them. No business can be right in a war that is unjust (Beschoner, 2022). However, the goals set out in the theory textbooks, the tasks formulated and the best principles of responsible business chosen, often face difficulties in the practical business world and become difficult to implement.

After Russia launched a war against Ukraine in 2022 February 24, international companies were forced to re-examine not only their relations with Russia, but also the proper rules of conduct inherent in business ethics. Many western companies, at the beginning of the war, tried to revise their plans and take temporary measures, but later, as the hostilities continued, under pressure from investors and consumers, they decided to leave the country altogether. The process of withdrawing from Russia also revealed enormous financial costs for their businesses.

According to the data of the Leave Russia platform on March 2, 2024, more than 1,641 business companies are conducting their business in Russia, more than 145 companies have suspended their investments, more than 701 have stopped their activities, more than 498 are evicting, and more than 372 have finally terminated their activities (Kyiv School of Economic Institute, 2024). Companies like Philip Morris, Japan Tobacco International, PepsiCo, Nestle, Mars, Procter & Gamble, Knauf, Globus, AstraZeneca, Coca-Cola, L'oreal, Beko, Ferrero, Liebherr, Vičūnai Group, Gorenje, GaxoSmithKline, Makita, Alibaba, Karcher, Avon, Ecco, NewYorker, United Colors of Benetton, Ritter SPORT, Yves Rocher, Hugo Boss, Lacoste, Geox, Mary Kay, Hellmann, Crarins, DHL, La Redoute, Julius Meinl, Caparol, Suzuki, Ahmad Tea, Filippo Berio, Tupperware, Swiss Krono, Leo Pharma, Marc O'Polo, Yamaha, Zepter, Etam, Thermo Scientific, Fisher Scientific, Ekotechnika, Fendi, Pierre Fabre, Weleda, Osram and many others are still developing their activities in Russia (Kyiv School of Economic Institute, 2024). According to the responsible representatives of the companies, the main reason why the business does not move out of Russia is that there are no legal conditions that would allow the companies to unilaterally change or terminate the contract.

From a legal point of view, companies may not be breaking the law, but the main dilemma remains whether seemingly legal decisions do not always contradict morals and principles of business ethics. Some aspects of the challenges companies faced when the war in Ukraine started can be found in the case of the Nestle company. The information presented in the Nestlé case allows us to get to know more closely the method of solving the problem, which received different and ambiguous evaluations from the public, business, and government representatives. Nestlé had to choose between leaving Russia when war broke out and „potentially depriving civilians of essential goods such as baby formula, or staying and facing global outrage“ (Hsieh & Diak, 2022). The company

was dealing with the dilemma of how to do the most fair thing and at the same time contribute to the boycotting companies, but at the same time not harm the interests of workers and civilian customers, and who would take responsibility for the baby food and nutritional formulas if it left. This case raises one of the main questions: „[y]ou don't want to support war, but at the same time you don't know if you will be making things worse or not“ (Hsieh & Diak, 2022). It is important to note that Nestlé's business in Russia accounted for a small part of the company's total global sales, and exiting the Russian market would not have caused the company significant losses, but staying in the country could have a significant impact on the company's reputation in the long term.

One of the main reasons why Nestle did not stop operations in Russia was Gerber baby food and Peptamen formulas for seriously ill patients. According to the representatives of the Nestle company, it was morally too difficult to remove vital products from the shelves for helpless people. The report said Nestlé's managers also felt a sense of responsibility towards workers, although it also cited aspects such as dealing with logistical difficulties that would have arisen from closing factories and facing difficulties in selling real estate. After much deliberation, Nestlé opted for an interim solution, saying in a statement that it would stop “the vast majority” of non-essential sales, but would continue to manufacture and sell essential products such as baby formula. In a statement, the company declared that it would donate its profits to humanitarian aid organizations and pay no corporate taxes to Russia (Blanding, 2022). When dealing with moral issues that concern consumers at risk, it is not always possible to reach an unequivocal decision. In Nestlé's case, calls for a boycott faded shortly after the company announced its strategy, indicating that stakeholders have accepted its compromise. Another important factor presented in the case is trust and goodwill, which means trust in the company. Both customers, consumers and other members of society need to see that business cares not only about the interests of the company, but also about the interests of those for whom we are responsible.

In the Leave Russia platform's report on changes in business activity during the war, many companies do not provide any report listing the reasons why they continue to operate in Russia. This Nestlé case is only one example of the problems that companies can face, but it does not mean that all companies that are left to develop their activities in the aggressor country are going through these dilemmas.

5. Conclusions

Ethics in business as a construct was not an unknown phenomenon in various periods of history, despite the fact that the term “business ethics” was formulated and started to be used only in the seventies of the last century. The changing era of history shapes the emergence

of ethical principles in business that help create a more humane business context.

Violations of legal norms in business usually arise from violations of moral norms and rules of conduct recorded in ethical codes. The provisions of business ethics are not enshrined in laws, but the goals formed in EU legal acts show that in order to avoid violations of legal norms, such as due to unfair contracts, unfair competition, it is important to follow ethical and moral principles. Despite the fact that various provisions of the code of ethics are of a recommendatory nature, business partners, organizations, companies have the right to specify in contracts, purchase conditions or other documents that compliance with the provisions of the code of ethics is one of the mandatory conditions, if one of the parties does not comply with the mandatory conditions of the contract, it may be prescribed sanctions apply.

A business that treats its employees, partners and customers ethically creates long-term relationships based on trust. A business known for its effective ethical principles can gain respect and strengthen the quality of its brand. Violations of moral norms in business can not only harm the reputation of the business, but also lead the company to bankruptcy.

Courts, when examining violations of legal norms due to employee discrimination, unfair competition in business, illegal aspects of company enrichment, labour exploitation, tax evasion, etc., do not analyse the origin of the violation of legal norms. Violations of legal norms in business arise from unethical behaviour, due to non-compliance with moral norms in business, but in court practice such violations are very rarely recorded, therefore the number of cases of business ethics violations is very rarely recorded. Therefore, it is necessary to pay attention to the fact that any violations of legal norms occur as a result of previous unethical behaviour in business, which creates prerequisites for violations of legal norms.

In times of war, issues of business ethics related to human rights become even more relevant and making appropriate decisions must be done with special sensitivity and responsibility. The case of Nestlé is only one example of the problems that companies can face, but this does not mean that all companies that remain to develop activities in the aggressor country experience these dilemmas. This is also confirmed by the report of the platform Leave Russia that most companies do not submit any messages in which they try to give reasons why they do not stop their activities in Russia.

Relationship between business ethics and law is one of the main factors that ensures the successful development of business. Successful business development includes not only the interests of the company and shareholders, profits, but also the interests of employees and society. The pursuit of ethical standards in business not only guarantees successful business development, but can help to avoid violations of legal norms in business in the future.

Disclosure statement

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