

ARTICLE

Implementing Business Ethics to Enhance Small Business Sustainability and Competitiveness

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ABSTRACT

Small businesses contribute to economic development and employment but face increasing competition, changing consumer preferences, resource constraints, and growing expectations for responsible conduct. This study examines how business ethics may support small business sustainability and competitiveness. A descriptive qualitative literature review was conducted using scholarly articles, academic books, and other relevant publications addressing business ethics, customer trust, business reputation, sustainability, and competitive advantage. The literature was examined through identification, thematic classification, comparison, and narrative synthesis. The review indicates that honesty, transparency, fairness, accountability, customer care, and commitment to product quality provide a conceptual foundation for stronger customer relationships. Consistent ethical conduct may foster customer trust, enhance reputation, encourage loyalty, and reduce stakeholder conflict, potentially supporting long-term business continuity and competitive differentiation. However, these relationships are conceptual rather than causal findings from primary empirical data. The study emphasizes that ethical practices should be integrated with innovation, managerial capability, and other business development strategies. It offers a foundation for subsequent empirical research on ethics-driven sustainability and competitiveness in small enterprises.

KEYWORDS

Business Ethics; Business Sustainability; Competitiveness; Small Businesses; Customer Trust

INTRODUCTION

Small businesses play an important role in local economies by generating income, creating jobs, meeting consumer needs, and supporting community economic activity. Technological advances and evolving consumer behavior have created additional opportunities for small firms to introduce their products and reach customers through digital channels. Nevertheless, they face intensifying competition, shifting consumer expectations, limited financial and human resources, and increasing pressure to maintain consistent product and service quality. Under these circumstances, business sustainability depends not only on the capacity to generate profits but also on the ability to establish durable relationships with customers and other business stakeholders. (Prameswari & Winarsih, 2025)

Within this competitive environment, business ethics constitutes an essential consideration for small business owners. Business ethics encompasses the principles and values guiding commercial conduct, including honesty, accountability, fairness, transparency, product quality, and respect for consumer rights. These principles are reflected in product disclosures, pricing, customer service, resource utilization, and complaint resolution.

Ethical conduct therefore extends beyond moral obligations to influence how businesses build trust and sustain long-term stakeholder relationships.

Customer trust is particularly important to the continuity of small businesses. Customers evaluate not only prices and product quality but also truthful communication, product safety, service standards, and a business owner's willingness to accept responsibility. Consistent and responsible practices may foster trust, customer loyalty, and enduring commercial relationships. Conversely, misrepresenting products, concealing defects, manipulating prices, or disregarding complaints can undermine trust and damage a firm's reputation. Ethical conduct can therefore be understood as a component of reputation management and customer relationship development.

Business ethics is also connected to business sustainability. In this context, sustainability encompasses not only long-term commercial survival but also the consideration of economic, social, and environmental dimensions of business activity. Responsible small businesses may pay closer attention to resource efficiency, employee relationships, consumer interests, and their impacts on local communities and the environment. Such practices may mitigate risks, strengthen social acceptance, and support a favorable reputation. Ethical conduct consequently offers a foundation for businesses that pursue long-term viability rather than exclusively short-term profits. (Leba & Sandari, 025)

Business ethics also relates to small business competitiveness. Competitive advantage is not determined solely by low pricing: customer trust, service quality, business reputation, consistency, and accountability can distinguish firms within crowded markets. Owners who maintain integrity may develop stronger relationships with customers and commercial partners. These relationships may support an enduring competitive position grounded not only in the products offered but also in the values expressed through business practices. (Leba & Sandari, 2025)

Although the literature has extensively addressed business ethics, further integration is needed to explain its connections with both sustainability and competitiveness in small firms. Previous studies have frequently examined customer trust, social responsibility, reputation, and business continuity as separate issues. Synthesizing these perspectives can provide a more comprehensive conceptual understanding of how ethical conduct may support sustained operations while strengthening the position of small businesses in competitive markets.

Accordingly, this study adopts a qualitative literature review to examine research on business ethics, business sustainability, competitiveness, and customer trust. It seeks to identify ethical practices relevant to small firms and explain their potential connections with long-term business survival and competitive positioning. The synthesis is intended to clarify the role of business ethics within responsible small business management and to inform subsequent empirical investigations.

LITERATURE REVIEW

1. Business Ethics

Business ethics refers to the values, principles, and norms that guide responsible commercial conduct. It requires entrepreneurs to consider not only profitability but also the interests of customers, employees, business partners, communities, and the natural environment. In practice, ethical conduct includes accurate product descriptions, transparent transactions,

fair customer treatment, responsibility for product quality, and a willingness to remedy problems arising from business activities. (Nurhalima, 2025)

Ethics matters because commercial activity inherently involves relationships among stakeholders. Such relationships require trust if they are to be maintained over time. When business owners act honestly and responsibly, customers have stronger grounds to regard product information, prices, quality claims, and service commitments as credible. Conversely, unethical conduct may erode trust and damage relationships between businesses and consumers.

Business ethics should therefore be viewed as more than an abstract moral code. It is also an element of small business governance. Consistent ethical practices may strengthen organizational reputation, limit avoidable conflict, and support constructive stakeholder relationships.

2. Small Businesses

Small businesses contribute to economic activity by supplying goods and services, creating employment, and generating household income. Compared with larger enterprises, they generally operate with more limited capital, personnel, technology, market access, and managerial capacity. These constraints make the development of viable strategies for maintaining operations especially important. (Zainuri et al, 2025)

Small firms cannot necessarily compete on product features and pricing alone. Direct customer contact can represent an important organizational strength, enabling personal relationships, flexible service, and frequent communication. Ethical practices can help preserve these connections. Firms that consistently demonstrate honesty, quality, responsiveness, and accountability may establish a favorable community reputation. This reputational resource can support business continuity and help smaller firms compete despite their structural limitations.

3. Business Sustainability

Business sustainability refers to the capacity to maintain business activities over the long term while adapting to changes in the operating environment. It extends beyond profitability to encompass responsible relationships with customers, employees, communities, suppliers, and the environment. (Moroojo, et al 2024).

For small businesses, sustaining operations is challenging because markets, technology, consumer preferences, and economic conditions can change rapidly. Long-term viability therefore requires strategies that extend beyond immediate financial returns and take account of enduring stakeholder relationships.

Business ethics may contribute to sustainability by fostering trust and responsible stakeholder conduct. Honest transactions, attention to product quality, fair employee treatment, and environmental awareness can strengthen acceptance among consumers and local communities. In this sense, ethical principles may provide a foundation for small businesses seeking to survive and develop over time.

4. Business Competitiveness

Competitiveness is the ability of a firm to maintain its market position and deliver value relative to rivals. It can depend on product quality, pricing, innovation, service, technology adoption, customer insight, and the strength of customer relationships. Small firms face particular challenges when competing with enterprises that possess greater resources. Accordingly, nonfinancial assets such as customer trust, reputation, service quality, and managerial integrity may provide meaningful differentiation. (ArmashovaTelnik, 2024).

From an ethical perspective, competitive advantage should not be pursued by harming other market participants. Fair competition relies on improving quality and service, innovating, and communicating accurately with customers. Business ethics may therefore reinforce sustainable competitiveness rather than merely constrain competitive behavior.

5. Business Ethics, Customer Trust, and Business Reputation

Customer trust is a potential outcome of sustained ethical practice. Consumers require credible information when evaluating products and services. Accurate descriptions of quality, prices, benefits, risks, and transaction conditions can reduce perceived uncertainty. Trust may develop into loyalty and lasting relationships, while satisfied customers may recommend a business to others. These mechanisms can be strategically valuable for small firms that rely heavily on referrals and interpersonal connections. (Fitriani et al, 2024)

Business reputation is likewise related to ethical conduct. Reputation accumulates through stakeholders' experiences and perceptions of a firm's behavior. It cannot be created through promotional messages alone; rather, it requires consistency between business claims and actual performance.

MATERIALS AND METHODS

This study employs a descriptive qualitative approach based on a literature review. The approach was selected to identify, examine, and synthesize academic discussions concerning how business ethics may support small business sustainability and competitiveness. The study draws on secondary evidence from national and international journal articles, academic books, conference proceedings, and other scholarly documents relevant to its scope.

Literature was identified using search terms related to business ethics, business sustainability, small business competitiveness, customer trust, corporate reputation, and business responsibility. Sources were selected for their direct relevance to the research objectives and their potential contribution to understanding the relationships among ethical conduct, business continuity, and competitiveness. Materials addressing business topics without a meaningful connection to these themes were not considered central sources.

The analytical procedure involved identifying publications, screening their relevance, organizing information, conducting qualitative content analysis, and synthesizing reported findings. Literature was first assembled and assessed in relation to the study objectives. Relevant information was then categorized into themes concerning ethical principles, ethical practices in small businesses, customer trust and reputation, business sustainability, and competitiveness.

The next stage involved comparing the content of selected publications to identify common findings, differences, and conceptual relationships. The resulting synthesis was used to

explain pathways through which ethical conduct may contribute to sustainability and competitiveness. Academic relevance and source credibility were considered throughout the review, although no formal systematic-review protocol or quantitative meta-analysis is reported.

Findings are presented through a descriptive and analytical narrative that integrates the reviewed literature and offers a conceptual account of business ethics as a potential supporting factor in the sustainability and competitiveness of small enterprises.

RESULTS

The reviewed literature addresses business ethics, small enterprises, sustainability, competitiveness, customer trust, and business reputation. Across these themes, the synthesis suggests that ethical conduct is associated conceptually with the ability of small firms to maintain stakeholder relationships and navigate competitive markets. Rather than functioning solely as a moral obligation, ethical practices can form part of the strategic management of long-term customer relationships. Five principal themes emerged from the narrative synthesis.

1. Business Ethics as a Foundation for Customer Trust

Honesty and transparency emerged as important foundations of customer trust. Business owners who describe products accurately, communicate prices clearly, and deliver services in accordance with commitments can provide customers with more reliable experiences. These considerations are especially relevant in small businesses, where interactions between owners and consumers are often direct and personal.

Consumers evaluate not only a product's benefits and price but also the manner in which they are treated. Accurate product explanations, responsiveness to criticism, fair complaint handling, and accountability when mistakes occur are practical expressions of business ethics. These behaviors can strengthen trust and help small firms retain customers.

2. The Contribution of Business Ethics to Reputation

The synthesis indicates that consistently ethical behavior can help build a favorable business reputation. Reputation develops over repeated encounters between a firm and its customers or other stakeholders. Businesses that maintain quality, honor commitments, offer fair service, and accept responsibility for their products are better positioned to establish positive stakeholder perceptions.

Unethical practices, by contrast, can generate dissatisfaction and undermine customer confidence. These consequences may be particularly important for small firms because customer experiences can spread quickly through interpersonal recommendations and digital media. Business reputation is therefore closely related to the consistency of ethical practices.

3. Business Ethics and Long-Term Sustainability

The literature suggests that business sustainability depends not only on profitability but also on stable relationships with customers, employees, suppliers, communities, and the

environment. Ethical principles provide a basis for more responsible stakeholder engagement. Maintaining product quality, honoring obligations to employees and partners, avoiding deception, and considering environmental impacts are examples of practices that can support responsible operations and reduce potential conflict.

Ethical behavior may consequently support sustainability by cultivating trust, strengthening stakeholder relationships, and reducing risks that could disrupt business operations.

4. Business Ethics as a Source of Competitiveness

The review also indicates that ethical conduct may contribute to market differentiation. Limited capital, technology, and production scale can make price-based competition particularly difficult for smaller firms. Trust, reputation, service quality, and managerial integrity may therefore represent alternative sources of value.

When firms consistently act in accordance with ethical principles, they may develop stronger customer relationships. Such relationships can encourage loyalty, repeat purchases, favorable recommendations, and broader access to prospective customers.

Competitiveness grounded in ethical behavior differs from strategies based solely on price. The firm offers not only a product but also credible information, responsible conduct, service quality, and a trustworthy customer experience.

5. The Importance of Consistent Ethical Conduct

The review identifies consistency as a critical feature of ethical business practice. Written commitments and statements of principle have limited significance unless they are reflected in daily operations. Accurate communication, stable product quality, reliable service, fulfillment of promises, and effective problem resolution all help determine whether customer trust can develop.

In small enterprises, owners and managers exert considerable influence over workplace norms and commercial conduct. Their example in demonstrating honesty, accountability, discipline, and fairness can shape ethical practices throughout the business. Ethical behavior should therefore be integrated into operational routines rather than treated merely as a formal rule.

DISCUSSION

The literature review positions business ethics as an important consideration for small business sustainability. Commercial success depends not exclusively on profit generation but also on how an enterprise conducts its activities and engages customers and other stakeholders. Personal interactions often characterize small business transactions, giving ethical conduct particular relevance. (Leba & Sandari, 2025). Honesty, accountability, fairness, and transparency can be expressed through truthful descriptions, clear prices, dependable quality, responsive service, and responsibility when mistakes occur. These practices may increase customers' confidence and support durable relationships. Accordingly, ethics is relevant not only to moral conduct but also to the organization and management of customer-facing activities.

Customer trust and reputation help explain the conceptual relationship between ethical practices and continuity. Ethical principles become observable through business owners' behavior, whereas trust and reputation emerge from the accumulated experiences of customers and stakeholders. When a business repeatedly provides accurate information, maintains quality, fulfills promises, and takes responsibility for customer concerns, favorable experiences can build confidence. Small firms may lack the financial and technological resources of larger competitors, yet personal attention, flexibility, and customer proximity can offer distinctive advantages. Ethical conduct may help translate those advantages into relationships that are both stronger and more durable.

Ethical practices are likewise closely connected to reputation. Advertising alone cannot ensure a favorable reputation; the claims made by the business must correspond with what customers actually receive. Consistency between promotional information and product quality can reinforce positive evaluations, whereas discrepancies may lead to dissatisfaction and reduced confidence. This issue has become particularly salient in digital markets, where reviews and social media can circulate customer experiences rapidly. Thus, consistent ethical conduct can be an important element of reputation preservation and long-term customer retention. (Hapis, et al, 2025)

From a competitiveness perspective, ethics may offer a form of added value. Conventional discussions of competitive performance emphasize prices, quality, innovation, marketing, and technological capabilities. Yet when firms sell comparable offerings, trustworthiness, reputation, and service can provide meaningful differentiation. Small businesses that communicate honestly, maintain quality, honor commitments, and address customer concerns may encourage repeat purchases and stronger loyalty. Under these conditions, ethical conduct can contribute to competitiveness through relationship-based value rather than price competition alone.

The sustainability implications of business ethics also extend beyond customer relations. Businesses interact with employees, suppliers, partners, communities, and the natural environment. A broad understanding of sustainability recognizes economic, social, and environmental responsibilities. Fair treatment of employees, respect for supplier agreements, clear communication with partners, prudent resource use, and attention to community impacts may limit disputes and strengthen social acceptance. Such practices can help support continuity by improving the quality of a firm's stakeholder relationships. Long-term business viability should therefore be assessed alongside responsible conduct, rather than considered exclusively through financial outcomes.

Consistency is also central to ethical implementation. Values included in written policies are insufficient if daily conduct contradicts them. In small firms, owners frequently establish the service culture and model appropriate workplace behavior. Their commitment to honesty, accountability, fairness, and customer care may influence how employees perform their duties. This is important because trust develops through repeated satisfactory experiences but may be quickly weakened by disappointing interactions. Ethical principles consequently need to inform sourcing, production, pricing, marketing, transactions, service delivery, and complaint resolution.

Taken together, the review suggests that business ethics can complement strategies to strengthen sustainability and competitiveness. Ethics cannot replace investment, innovation, technological adoption, marketing capability, or product improvement. Instead, it may reinforce these elements by supporting customer confidence, business reputation, loyalty, and enduring stakeholder relationships. Conceptually, honest and responsible practices can contribute to trust, which can reinforce reputation and ongoing relationships, thereby supporting the conditions for continuity and competitiveness. Such pathways should

not be interpreted as empirically established causal effects within this review. Market conditions, managerial capability, access to finance, innovation, technology, and evolving consumer preferences remain important. Ethical behavior is best understood as one interconnected component of small business management combining economic objectives with social responsibility.

CONCLUSIONS

This literature review concludes that business ethics can play an important supporting role in small business sustainability and competitiveness. Honesty, transparency, accountability, fairness, customer care, and commitment to product quality may strengthen customer trust and create a favorable reputation. Trust can support stronger relationships, loyalty, and continuity in commercial interactions. Responsible practices may also improve relationships with employees, suppliers, partners, communities, and the environment, contributing to economic and social dimensions of long-term business sustainability.

From a competitive perspective, ethical conduct can create value through credibility, service quality, reputation, and business integrity. Nevertheless, it is not the sole determinant of sustained performance. Capital, innovation, technology, managerial capabilities, market conditions, and changing consumer behavior also matter. Ethical principles should therefore be integrated consistently with broader business development strategies. In this sense, ethics is both a moral framework and a potentially valuable component of responsible, adaptive small business management.

RESEARCH LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study is limited by its reliance on secondary literature and a descriptive qualitative synthesis. It does not include interviews, surveys, observations, or direct measurements of business performance. Consequently, the proposed connections among ethical conduct, trust, sustainability, and competitiveness should be treated as conceptual interpretations rather than demonstrated causal relationships. The source manuscript does not report a comprehensive database search log, a preregistered screening protocol, or a formal risk-of-bias assessment; therefore, the review should not be characterized as a systematic review or meta-analysis. Contextual differences across small enterprises may also limit the transferability of its conclusions.

Future studies could use surveys, interviews, and longitudinal data to examine how specific ethical practices relate to customer trust, repeat purchasing, business survival, and perceived competitive advantage. Comparative research across industries and locations could identify contextual differences, while mixed-methods studies could combine organizational performance indicators with the experiences of customers and business owners. Intervention research could assess the effectiveness of ethics training, transparent pricing, complaint-handling systems, and responsible supplier practices. These approaches would help test and refine the conceptual relationships synthesized in this article.

CONTRIBUTIONS

This study offers theoretical and practical contributions to the understanding of business ethics in the context of small business sustainability and competitiveness. Conceptually, it

synthesizes the view that ethical conduct is connected not only to moral responsibilities but also to customer trust, business reputation, loyalty, sustained operations, and competitive positioning. It presents a narrative framework linking honesty, accountability, fairness, transparency, and care with the ability of small firms to develop long-term stakeholder relationships.

In practical terms, the synthesis encourages small business owners to integrate ethical principles into marketing, customer service, pricing, product quality management, employee and supplier relations, and social and environmental responsibility. It can also inform business support providers seeking to incorporate ethics, integrity, and responsible conduct into capacity-building programs. Finally, it identifies a basis for empirical investigations of the relationships among business ethics, trust, sustainability, and competitiveness across different locations and organizational contexts.

ACKNOWLEDGMENTS

The authors acknowledge the contributions of researchers and scholars whose published work informed the conceptual foundations and discussion presented in this literature review. Their scholarship has supported continued inquiry into business ethics, small business sustainability, and competitiveness.

FUNDING

The authors received no external funding for this research.

CONFLICTS OF INTEREST

The authors declare no conflicts of interest.

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