



The Takeaway

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Trade, Economics, and Public Policy

Values Have Value

A Policy Framework for Embedding Ethical Practices in Business

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In this policy brief, I explore how ethical practices can be deployed as core business policies to foster trust, sustainability, and long-term success. Drawing from economics literature and qualitative case studies, I highlight strategies in leadership, customer relations, and supplier interactions that transform ethics from an abstract ideal into an actionable framework.

Ethical behavior in business extends beyond mere compliance with rules. Ethical behavior requires cultivating trust and promoting sustainability in ways that help secure enduring success. Firms differ systematically in productivity and managerial quality. These differences map directly into differences in wages, working conditions, and firm survival. Several novel case studies show how ethics, when embedded as policy, can become a source of competitive advantage rather than a net loss. These ethical approaches are not isolated initiatives but repeatable policies that build loyalty, trust, and growth. To ground these ideas, I first use a simple repeated-interaction intuition to explore how ethical behavior can dominate short-term opportunism when relationships persist. I then connect these ideas to established



WHAT'S THE TAKEAWAY?

Ethical practices, when embedded as a policy, build trustworthy reputations.

Lessons from firms and supply chains across the globe show how integrity, trust, transparency, customer-centered ethics, and respectful supplier relationships drive success

These approaches are replicable and can turn ethics into a sustainable competitive edge.

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research in economics literature and draw lessons from two case studies of global firms, linking CEO behavior and organizational policies to trust, repeat business, and long-term performance.

ETHICAL BEHAVIOR AND LONG-TERM RELATIONSHIPS

Ethical behavior in business typically arises in repeated interactions within ongoing relationships between firms and their employees, customers, and suppliers. In these relationships, firms repeatedly face choices about whether to act fairly and transparently or to pursue short-term advantage. An interaction, in this sense, refers to

Ethical behavior helps preserve trust and keeps the relationship viable, while opportunistic behavior risks undermining trust and ending future cooperation.

these recurring decisions made over time within an established relationship. In one-off situations, short-term opportunism may appear attractive because the immediate gains are clear and the future does not matter. When relationships persist, however, the incentives change. Ethical behavior helps preserve trust and keeps the relationship viable, while opportunistic behavior risks undermining trust and ending future cooperation. The prospect of continued engagement, therefore, disciplines behavior today.

From this perspective, ethical conduct is not a moral luxury but a rational long-term strategy. Firms that embed ethics as policy commit to consistent behavior across repeated interactions,

allowing trust to accumulate and supporting durable partnerships and sustained performance¹.

WHAT RESEARCH TELLS US

A growing body of research in economics highlights how organizational practices, monitoring, and reputational incentives interact with repeated interactions to sustain ethical behavior without relying solely on external enforcement². Research also suggests that monitoring is most effective when paired with remediation and capacity-building rather than punitive enforcement alone³. Evidence from developing-country supply chains also shows that firms with stronger labor and safety compliance are significantly less likely to exit and more likely to sustain buyer relationships⁴.

EVIDENCE FROM CASE STUDIES

I draw on two case studies of global firms—one operating in information technology (IT) services and the other in online retailing. The cases examine CEO behavior, leadership choices, and organizational policies, and trace how ethical behavior, operationalized as policy, shaped trust, repeat transactions, and long-term firm performance across recurring themes.

Leadership with Integrity

At the heart of ethical policy-making lies leadership with integrity. Leaders who consistently model ethical behavior set a powerful example for the entire organization and create a culture of trust and accountability. The CEO of the IT services firm fostered transparency and fairness in decision-making, establishing a high ethical standard for the firm. His commitment to global accounting standards and proactive disclosures fostered an environment of openness. His simple lifestyle reinforced values that put community interests ahead of personal gain. Similarly, the CEO of the online retail business emphasized honesty and respect, building an ethical culture centered on employee well-being and customer satisfaction. His focus on treating stakeholders

with respect created a culture where values were lived daily. To implement this, businesses can encourage leaders to demonstrate consistency in their actions and incorporate ethical objectives into performance evaluations, ensuring that integrity becomes a measurable aspect of leadership. This aligns with the dual roles of leaders: the charismatic role of envisioning and energizing, and the architectural role of designing systems that reward ethical conduct and balance stakeholder needs⁵.

Trust and Transparency

Trust is infused in buyer-supplier relationships in two steps. First, trust starts from within, by seeing leaders lead simple lives and behave in a transparent manner, consistently. Consistency is the most important ingredient of generating trust. If leaders do not behave in a similar fashion, people will immediately figure out that they are donning a pretense. Second, this internal trust evolves into the behavior of employees with their customers.

For example, employees of the IT firm often try to emulate the founders' conservative lifestyle choices, such as avoiding flashy expenditures, during client engagements. This conservatism signals to customers that their project budgets are being handled with utmost care and efficiency, without wasteful spending. As a result, clients develop greater confidence that their supplier prioritizes value delivery over extravagance, strengthening long-term partnerships and contributing to high repeat business rates⁶.

Beyond internal trust, transparency makes ethical behavior visible and credible to external stakeholders. Open communication and honest practices build long-term trust within as well as with supply chain partners. Empirical evidence from global supply chains shows that transparency can improve compliance and performance particularly on issues salient to buyers and consumers without increasing firm exit⁷. This pattern reinforces the idea that good firms respond most

strongly to credible monitoring and reputational incentives, deepening the relationship between productivity, compliance, and firm longevity. The IT firm deployed this by adopting global accounting standards with proactive disclosures, which enhanced credibility. The online retailing firm took it further by offering full transparency on product portfolio, including recommending competitor products when unavailable, a policy that prioritized honesty over short-term gains. Such practices can be adopted by promoting honest dialogue within teams and with external parties, reinforcing that transparency is integral to policy.

Customer-Centered Ethics

Customer-centered ethics also play a pivotal role in policy frameworks. Prioritizing customers strengthens loyalty and long-term relationships. By placing customers at the forefront, organizations invest in systems that emphasize reliability, responsiveness, and value creation. Research suggests that firms capable of sustaining customer-centered ethical practices are typically those with stronger managerial discipline and internal coordination. Ethical treatment of customers, therefore, reflects both values and organizational capability. Policies here might involve investing in systems that boost satisfaction and training staff to address customer needs genuinely, demonstrating that ethical treatment translates into loyalty and competitive advantage⁸.

Mutually Respectful Supplier Relationships

These same principles extend naturally to supplier relationships, where trust, transparency, and consistency shape long-term collaboration and performance. Fair and ethical treatment of suppliers, such as maintaining fair and transparent procurement processes and avoiding practices like giving one supplier's designs to another, fosters innovation. Businesses can formalize this through agreements that emphasize shared gains and regular reviews of partnerships, celebrating successes to strengthen ties.

These supply chain and leadership practices are

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eminently repeatable and valuable for businesses worldwide. When buyers see consistent delivery and conservatism, they trust that their money is not being wasted and projects will be delivered as promised on cost, quality, scope, and time. It is then that repeat purchases happen. These findings reinforce the idea that ethical supplier relationships are not merely normative ideals but are associated with organizational resilience and longevity.

To bring these ethical policies to life in practice, education, training, and monitoring are essential. Organizations that integrate ethical reasoning into onboarding, leadership development, and internal audits reduce reliance on ad hoc judgment. Proactive risk management helps prevent ethical lapses before they escalate. When ethics are viewed as part of long-term strategy rather than external pressure, they are more likely to persist.

Practices such as principled leadership, openness, client-focused strategies, and respectful supply chain relationships are not just values but strategic levers. The success of the firms studied—in diverse geographies and markets, marked by high repeat business, resilient reputations, and growth amid challenges—demonstrates ethics as a strategic asset. Values have value: even and especially in the cold, hard world of business. Trustworthy firms earn higher profits. Being trustworthy is not easy; it requires time, effort, and consistency, which is precisely why trust is difficult to establish. Once established, trust becomes a strong competitive lever. Customers are reluctant to switch away from a

trustworthy supplier, and suppliers prefer to continue working with a trustworthy buyer. Deploying these tools requires commitment, but the rewards in loyalty, reputation, and impact are real. Ethics, when embedded as policy, does not remain peripheral but becomes the essence of a thriving enterprise.

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Notes:

- ¹ Barney, J. B., & Hansen, M. H. (1994). Trustworthiness as a source of competitive advantage. *Strategic Management Journal*, 15(S1), 175-190.
 - ² Roy, A. (2024). Ethical culture in organizations: A review and agenda for future research. *Business Ethics Quarterly*.
 - ³ Robertson, R. (2022). Pioneering a new approach to improving working conditions in developing countries. In *Handbook on Globalisation and Labour Standards*.
 - ⁴ Robertson, R., Brown, D., & Dehejia, R. (2021). Working conditions and factory survival. *Review of Development Economics*, 25(1), 228-254.
 - ⁵ Corritore, M., Goldberg, A., & Srivastava, S. B. (2020). Duality in diversity: How intrapersonal and interpersonal cultural heterogeneity relate to firm performance. *Administrative Science Quarterly*, 65(2), 359-394.
 - ⁶ Agrawal A., Kets de Vries, M.F.R., and Florent-Treacy, E. (2006). *The Moral Compass: Values-Based Leadership at Infosys*. INSEAD. <https://publishing.insead.edu/case/moral-compass-values-based-leadership-infosys>.
 - ⁷ Robertson, R. (2020). Lights on: How transparency increases compliance in global value chains. *ILR Review*, 73(4), 939-968.
- viii Agrawal A. (2025). An Academic Case Study: Zappos. Case Study, Texas A&M University. <https://oaktrust.library.tamu.edu/items/497994e7-9aad-4618-83be-065be4fbf7ef>

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