THE ROLE OF ETHICS IN BUILDING A SUSTAINABLE BUSINESS ENVIRONMENT IN THE DIGITAL ERA

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Abstract

The digital era brings new challenges to the business world, especially in the application of ethical principles and the creation of a sustainable business environment. This article discusses the importance of the role of ethics in dealing with the development of digital technology and its impact on various aspects of business. ethics are a moral foundation that not only regulates business behavior but also increases trust and credibility in the eyes of stakeholders. Business ethics in the digital era are not only limited to basic principles such as honesty and fairness, but also include data management, data protection, and digital responsibility. Cases of corporate ethics violations such as the Enron scandal show the importance of transparency and accountability in the digital era. In addition, the integration of technologies such as big data, AI, and blockchain has increased the operational efficiency of companies while maintaining high ethical standards. New challenges in the digital business environment, such as cybersecurity and privacy threats, require careful and ethical management. Business leaders play a critical role in building ethical organizations, especially in decision-making that impacts the sustainability of the business and society as a whole. Therefore, this article emphasizes that the application of ethics in business is important not only to achieve short-term profits, but also to create long-term sustainability that benefits everyone involved.

Keywords: *business ethics, digital era, sustainability, data privacy, digital responsibility, leadership*

INTRODUCTION

Today, companies have made significant contributions to economic, social and cultural progress, but there are also consequences of corporate activities. In different business activities, people tend to feel most qualified in different situations, which can lead to ethical violations. There for, in any situation, you need to have a moral conscience. That way, in any situation, the decisions taken will always have moral value. The rapidly developing business world presents challenges as well as threats for business actors to win the competition and maintain the company's profitability. Companies that want to gain and develop competitive advantages must be able to offer products or services that are superior to their competitors, with lower prices than their competitors, faster delivery times, and better service.

To run a business successfully, trust must be built between all parties involved in the transaction, and this trust must be based on more than just formal contracts and laws. Therefore, there is no mutual trust without ethics. Because there is no mutual trust and long transaction times, business risks are greatly increased. High cost savings are mainly the result of unethical behavior. To say that ethical considerations and economic considerations go hand in hand is not an exaggeration. In business, ethics cannot be separated from business. Ethics and standards, as well as relevant rules or regulations, are very important for today's global entrepreneurs if they want to be successful. The issue of ethics and respect for rights is one of the principles that must be created and given to every business actor because doing business in an ethical manner will benefit the business and society. When ethics are very important in the business world, ethical issues will have a major impact on business relationships with stakeholders. Ethics are a set of principles that help in distinguishing between what is morally right and what is morally wrong. Business ethics and values are the moral principles that businesses use in their daily transactions. They help prevent ethical issues that may arise in the course of day-to-day operations, such as insider trading, corporate governance, bribery, discrimination, corporate social responsibility, and fiduciary responsibility. Ethics deals with doing what is right or wrong. Ethical behavior is about being consistent with the right values in normal, everyday transactions. For

example, an organization has a value of treating everyone fairly with dignity and respect. However, the organization ignores cases of sexual harassment that are reported to it. In this case, the organization is engaging in ethical misconduct. (Alkahfi & Nawawi, 2023)

LITERATUR REVIEW

Business ethics has become a major focus in academic discussions and business practices. Velasquez, in Nugroho & Arijanto (2015), defines business ethics as the study of moral right and wrong in a business context. This ethics relates to moral standards that apply to business institutions and behavior, where companies are expected to adopt the principles of justice, transparency, and social responsibility in every decision making. Bertens (2004) added that ethics can be seen in three main positions, namely as a value system, code of ethics, and moral philosophy. Ethics as a value system helps business actors determine what is considered good and does not harm many people. Meanwhile, ethics as a code of ethics functions as a moral guide in running a business, and ethics as a moral philosophy becomes an analytical basis for determining right or wrong actions.

In the digital era, the concept of business ethics is increasingly sharpened by technological developments. According to Maria & Maulana (2022), the application of ethics in digital business involves the principles of autonomy, honesty, fairness, mutual benefit, and moral integrity. These principles are the foundation for ensuring that business continues to run ethically, even in a fast-paced and competitive environment. The Enron scandal, as explained by Sekar Putri et al. (2024), is a clear example of ethical violations that occur in the digital era, where data manipulation and breach of trust have a major impact on various stakeholders.

Digitalization also brings new challenges related to privacy and data security. Muchtar et al. (2024) highlight how technological developments, such as artificial intelligence and blockchain, open up opportunities for businesses to strengthen transparency and efficiency, but also increase ethical risks related to data management and user privacy. Geissdoerfer et al. (2018) emphasize that digital transformation must not only improve business performance but must also be integrated with ethical and sustainability principles for businesses to survive in the long term.

Ethics in digital business is not only limited to data management, but also includes corporate social responsibility (CSR). According to Chandra et al. (2021), the application of business ethics in CSR is becoming increasingly relevant along with the increasing global awareness of social and environmental issues. Companies that are able to operate ethically and responsibly towards the social and economic environment will more easily gain legitimacy from society and stakeholders, and have stronger competitiveness in the global market.

RESULTS AND DISCUSSION

Ethics is an effort to encourage human awareness to act independently rather than submit to the will of a group. Ethics help people to act independently and responsibly. Moral autonomy, one of the main moral principles, consists of freedom and responsibility (Arijanto, 2019). According to Bertens (2004) from the results of his analysis which concluded that ethics has 3 positions, namely (1) as a system of values, values or norms that are a guide for a person or group in their behavior. The values that are adhered to are good values or norms, do not harm many people. (2) As a code of ethics, which is a collection of principles or moral values that become a system to be adhered to, and (3) as a moral philosophy, namely the science of good and bad. In this point, a link is found between ethics as a philosophical system as well as an articulation of culture. (Rizan et al., 2023) So in the context of business According to Velasquez in Nugroho & Arijanto (2015) Business ethics is the study of right and wrong morals. It focuses on moral standards in terms of virtue, institutions, and business behavior. Thus, according to Business & Society-Ethics and Stakeholder Management, business authorities (Carroll & Buchholtz, 2008) business ethics deals with good and bad or right and wrong behavior that occurs in a business context. The concept of right and wrong is increasingly interpreted today to encompass more difficult and subtle questions of justice and equality. (Nahdi & Mukhlis, 2023)

Ethics in Business in the Digital Age

In keeping up with existing developments, the application of business ethics in the digital era with technology and information is needed as a reminder so that business runs without harming any party and continues to grow with wise decisions by considering the pros and cons of an action. Therefore, strong and fundamental principles need to be applied, these principles are; 1) The principle of autonomy, where business actors are consciously responsible for their business and are free but remain conscious in carrying out their actions. 2) The principle of honesty, where this is important for business continuity, honesty is relevant in internal and external working relationships in a business environment. 3) The principle of justice, the core of this principle is the balance between rights and obligations for everyone, especially those related to business. 4) The principle of mutual benefit, this principle prioritizes no party feeling disadvantaged in other words, instilling awareness in all parties to provide mutual benefits. 5) The principle of moral integrity, business actors are required to act and act well and be the best for their business. Decision making needs to be carefully considered in order to get the maximum decision so that the decision is respected by the parties concerned. (Maria & Maulana, 2022)

The Enron scandal is a prime example of a serious breach of business ethics in the digital age, where transparency and accountability are of utmost importance. The company deliberately manipulated its financial statements by using special purpose entities (SPEs) to hide the large amount of debt it actually had. They reported debt as income, giving the impression that Enron's financial position was much better than it actually was. This act deceived shareholders, investors and the public and violated the basic principles of business ethics that require transparency and honesty in financial reporting. In addition, collusion between Enron's management and external auditors (Arthur Andersen) further exacerbated the situation, as auditors are supposed to serve in a neutral capacity to maintain the integrity of financial reporting.

In addition to financial manipulation, Enron also violated its fiduciary duties to its shareholders and employees. After learning the true financial situation, executives secretly sold their company's shares and encouraged civil servants and office workers to buy their own shares. Thousands of employees lost their pension funds due to the wrong and unclear investments. This case shows how important business ethics are, especially in the digital era where information is easily accessible and financial decisions have far-reaching implications. Enron failed to fulfill its corporate social responsibility and sacrificed many stakeholders for the personal gain of its executives. (Sekar Putri et al., 2024)

Sustainability in Business: Integrating Ethics and Digitalization

TrDigital transformation has brought about significant changes in various aspects of business, including business ethics and corporate social responsibility (CSR). Digital technologies such as big data, artificial intelligence, and blockchain have increased transparency, accountability, and operational efficiency of companies. For example, companies can use big data to monitor ethical practices in their supply chains, ensuring that suppliers adhere to established ethical standards. In addition, social media platforms allow companies to communicate directly with their stakeholders, strengthening relationships and facilitating more open dialogue on social and environmental issues.

With digital advancements, business ethics now encompass digital responsibility, which includes data management, privacy, and ethical use of technology. Companies are increasingly expected to maintain data integrity and ensure the security of customer information. Increasing regulations such as GDPR in Europe underscore the importance of ethics in digital data management. (Algunadi et al., 2024) Sustainable business is a business that can be run either on a seasonal or annual basis. The presence of a business is expected not only to pay attention to the benefits obtained, but also to provide sustainable benefits that can be enjoyed in the future (Jørgensen & Pedersen, 2018). Sustainable business model innovation is the analysis and planning of transformation into a more sustainable business model or from one sustainable business model to another. Some types of sustainable business model innovation include sustainable entrepreneurial startups, sustainable business model transformation, sustainable business model diversification, and sustainable business model acquisition (Geissdoerfer et al., 2018). The implementation of sustainable business model innovation faces several challenges, namely fundamentals, mindset, resources, technological innovation, external relations, methods and tools (Evans et al., 2017). In sustainable business, there are three main triggers in the development of existing business models, namely digitalization and technology as an opportunity space, changes in consumer lifestyles, and sustainability issues (Jørgensen & Pedersen, 2018). (Christy Nathaniela et al., nd)

Ethical Challenges and Opportunities in the Digital Business Environment

Rapid technological developments, such as artificial intelligence, the internet of things, and blockchain, are becoming key pillars in an increasingly complex digital architecture. Amidst these dynamics, global society feels the impact directly, creating a paradox between the speed of innovation and the readiness of institutions and individuals to face these changes. Increasingly sophisticated cybersecurity challenges, ranging from hacking attacks to sophisticated malware threats, become shadows that accompany our steps in cyberspace. In exploring the cyber world, complex ethical dilemmas arise. The use of technology that enables massive data collection and control of information raises fundamental questions about privacy, freedom, and social impact. The way data is collected, used, and managed becomes the subject of ethical discussions, with special attention to ethical boundaries and its impact on human rights. Ethical thinking becomes crucial in designing policies, developing technologies, and managing information in cyberspace. Privacy issues become central because technology provides the ability to collect and analyze personal data in depth, raising questions about the extent to which we can sacrifice privacy for technological progress. Behind these challenges, there is great potential to accelerate progress and build new foundations for a sustainable future. Technological innovation can be a catalyst for increasing efficiency, creativity, and inclusiveness in various aspects of life. Discussion of ethics in the cyber world is also an integral part of maintaining a balance between technological progress and moral values that are rooted in our society. (Muchtar et al., 2024)

The digital business environment offers various opportunities for businesses to reach consumers widely and in a targeted manner through various digital platforms such as social media, websites, and email. By using digital technology, companies can create more effective and efficient marketing strategies than traditional methods. Social media, for example, allows businesses to interact directly with potential consumers, promote products or services, and measure responses in real time. Digital platforms allow businesses to promote their products and services in a creative and attractive way, and build closer relationships with consumers. Visual content such as videos and images can be used to attract consumers' attention and make them more interested in what the business has to offer. (Rees, 2020)

Through an optimized website, companies can provide detailed information about products or services, as well as provide a fun and informative user experience. The interactions that occur through this platform not only help in promoting products but also in building customer loyalty through consistent and relevant communication. The digital business environment can help businesses increase brand awareness, increase website traffic, and drive sales conversions. The right marketing campaign can increase brand visibility in the digital world, making it better known to consumers. With a good SEO strategy, businesses can improve their rankings in search engines, which in turn increases the number of visitors to their website. More traffic to a website has the potential to generate more sales opportunities. Additionally, by using digital analytics, businesses can track and understand consumer behavior, allowing them to adjust their marketing strategies and increase the conversion rate from visitors to customers. (Ratna Sari Santoso, 2023)

Practical Application of Ethics in Building a Sustainable Business Environment

One of the important elements in IHRM is the implementation of business ethics and corporate social responsibility (CSR). Business ethics involves moral principles that govern the behavior of individuals and organizations in the business world, including honesty, integrity, fairness, and compliance with the law. (Bhegawati, 2022) states that business ethics plays an important role in building trust and credibility of the company in the eyes of stakeholders. In practice, business ethics requires companies to operate ethically, transparently, and fairly, and to make decisions that consider the long-term impact on all stakeholders, including employees, customers, suppliers, and the wider community.

The application of business ethics and CSR in IHRM is becoming increasingly relevant for several reasons. First, increasing global awareness of social and environmental issues encourages companies to take responsibility for the impact of their operations. According to the legitimacy theory proposed by (Chandra et al., 2021) companies need to operate in accordance with norms and values accepted by society to gain legitimacy. Second, there is pressure from stakeholders, including investors, customers, and employees, who are increasingly concerned about ethical and responsible business practices. (Jones et al., 2007) in their stakeholder theory emphasize that companies must pay attention to the interests of all stakeholders to achieve long-term sustainability. Third, research shows that companies that implement business ethics and CSR tend to have better financial performance and a stronger reputation, which in turn can increase their competitiveness in the global market. (JB Barney, 2014) in the Resource-Based View states that unique and

difficult-to-imitate resources, such as an ethical reputation, can be a competitive advantage for companies. For example, in some cultures, hierarchy and seniority are highly respected, while in others, equality and participation are more important. The application of business ethics in IHRM must take these differences into account to ensure that HR practices such as recruitment, performance appraisals, and promotions are carried out fairly and are accepted by employees in different countries. Understanding local cultural values helps companies create a harmonious and ethical work environment, which in turn can increase employee engagement and productivity. (Kolk, 2016) emphasizes that corporate social responsibility in an international context includes not only compliance with laws and regulations, but also considering the environmental and social impacts of their operations in different countries. According to him, the application of business ethics in IHRM involves integrating ethical values into HR policies and practices throughout the organization. This includes fair recruitment, where the selection process must be transparent and free from discrimination, as well as ensuring that all candidates have equal opportunities based on their abilities and qualifications. (Adrai & Hikmah Perkasa, 2024)

The Role of Leaders in Building Ethical Businesses

One of the key characteristics of a great leader is the issue of ethics. Likewise, the existence of an organization, to achieve organizational goals is very dependent on the ethics of the leader and the people around the leader. A successful leader is when he is able to move a number of people in achieving organizational goals. Moreover, in this organization, several elements will be found, including: vision-mission, goals and work programs, organizational structure, organizational code of ethics, relationships between organizational lines, individuals, leadership, and organizational dynamics, all of which will certainly intersect. Another meaning, if the leadership that has a central role is not bound by a leadership ethic, it will certainly disrupt the running of the organization itself.

Then, the problem is how is the role of ethics and leadership in a health organization? Leadership in an organization is a complex and vital process. This may be a factor that really distinguishes between a number of leaders who are more successful and leaders who fail to lead an organization. That's why according to Peter Koestenbaum (1991) leadership is the art of combining results and heart. Humanity is as evidence contained in the model that is concluded in the 4 key characteristics of a great leader. Vision (thinking big and new), reality (being sensitive to facts without illusions through humility and openness), ethics (integrity and obligation to serve and being sensitive to people), and courage (being responsible for actions and ready to take risks). (Josia Hutabarat et al., 2023)

CONCLUSION

Business ethics is an important foundation that must be adhered to by all companies, especially considering the increasingly complex dynamics of business in the digital era. Based on the literature discussed, business ethics can be understood as a system of values, codes of ethics, and moral philosophies that regulate business behavior to maintain justice, honesty, and responsibility. Principles such as autonomy, honesty, fairness, and moral integrity are important to maintain trust between business actors and various stakeholders. Practicing these ethics not only improves the company's reputation, but also creates a sustainable business environment and supports long-term success.

In the digital era, the challenges of implementing ethical principles are increasingly complex, especially regarding data protection, transparency, and corporate social responsibility (CSR). Companies must ensure that the technologies they use, such as artificial intelligence, big data, and blockchain, are operated ethically and do not cause harm to any party. Although these challenges are significant, companies that successfully integrate ethics into their business tend to gain stronger legitimacy and increase their global competitiveness. Overall, practicing consistent business ethics and appropriate social responsibility will help companies adapt to change while maintaining operational sustainability.

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