

THE IMPORTANCE OF ETHICS AND SOCIAL RESPONSIBILITY IN INTERNATIONAL BUSINESS

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Abstract— Ethics is defined as a person's beliefs about whether certain decisions, behaviors, or actions are right or wrong. Therefore what determines ethical behavior differs from one person to another. For example, someone who finds money on the floor of an empty house may believe it's perfectly fine to pick it up, while another may feel obligated to return it to the lost items section. The concept of ethical behavior usually refers to behavior that is accepted by general social norms. Unethical behavior is behavior that is not in accordance with general social norms. Ethical behavior in business is something that is important for the survival of the business itself. Businesses that do not have ethical behavior will be detrimental to the business itself, especially when viewed from a long-term perspective. A healthy business is not only a profitable business, but a healthy and good business is that in addition to being a profitable business, it is also a business that is morally good and has a sense of responsibility that can be implemented.

Keywords: Business Ethics, Social Responsibility, International Business

1. INTRODUCTION

In business, we must adhere to ethical values to make it a good business. An ethical business is one that reflects a noble set of values based on conscience, empathy and standards. When a businessman always uses his conscience in doing business, it can be called business ethics. Simply put, business ethics is a way of doing business that encompasses all aspects of individuals, companies, industries and society. All of this includes how we conduct business honestly in accordance with applicable laws and regardless of the status of individuals or companies in society. Business ethics is also a specialized study of good and bad ethics. This research focuses on ethical standards applied in policies, institutions, and business practices. Business ethics is the study of official standards and how they apply to the systems and organizations that modern society uses to produce and distribute goods and services, and they apply to individuals, individuals, and organizations. Business ethics is broader than statutory provisions, even higher than the minimum standard of statutory provisions, because in the business world we often encounter gray areas that do not regulate legal provisions.

Often, companies move production and low-skilled jobs from their home countries to other countries primarily to reduce labor costs. However, these actions sometimes lead to negative publicity and even raise issues of fundamental human rights violations. For example, juice distributors Minute Maid, Tropicana and Nestlé buy juice from South American suppliers. But a few years ago, it was discovered that many of these suppliers use child labor to pick oranges, lemons, and other fruits. At the age of nine, he picked up his poor parents from school to give them fruit. These parents see nothing wrong with doing this because they also picked fruit when they were children. Although various steps have

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been taken to address this problem, this fact persists. These and many other examples have been discussed for a while, they are really implicit issues. The company reduces production costs by sourcing overseas. Discussions focused on how to balance profits through the costs of low wages and the potential for child abuse and other low-paid human rights abuses [1].

The example of manufacturing abroad illustrates one of the greatest challenges international companies face today in setting appropriate ethical standards and social performance. However, the problem was not clear when they first saw it. For example, many in developed countries would agree that it is unethical for companies to outsource production to factories that use child labor or provide unsafe working conditions. But locals may argue that work is better than no work if it is not attractive to foreigners. The concerns are less severe if child labor and working conditions are not problematic, but there are still issues of fair wages and domestic work. As an investor, he can boast of a company that has liquidated 500 expensive workers at home and replaced them abroad with cheaper alternatives. But displaced people can loudly argue that it is unethical for them to lose their jobs just because they have been replaced by other people from other countries who want to work less [2]. We also see how international companies must work to overcome various barriers and obstacles when dealing with foreign and foreign political systems in other countries. Businesses also need to adapt to the unfairness of the legal system in the global marketplace. American and European countries tend to have relatively strict laws and regulations regarding product quality, environmental pollution and treatment of employees. However, some laws are often very weak in many countries in Africa, Asia and Latin America. As a result, the distinction between law and law in the international business environment can be an ethical issue for managers.

Although all countries have legal systems that set limits on law-abiding behavior for individuals and corporate activities, there is no legal system that can anticipate situations where an individual or company engages in deviant behavior. It is very sad, even some international companies and their managers take advantage and exploit the differences in national legal standards of a country. For example, a company can sell products abroad because the product is prohibited in its own country, or carry out international business activities to take advantage of weaknesses in the country's regulations. So that legal differences can develop ethical issues for international business actors. When companies join the global business environment, managers will open themselves up to cultural differences. This means that managers must be able to address different concepts of ethical behavior and different guidelines for socially responsible behavior. The confrontation of unfamiliar business practices exposes companies to extraordinary opportunities and astonishing opportunities and the potential to fall into the abyss. Issues of child labor, human rights, environmental pollution, and factory closures are the main topics of debate in international business activities. Currently, managers must really monitor their own behavior, the behavior of all employees of the company, and even the behavior of all business people involved in the company's business overseas [3].

2. LITERATURE REVIEW

a. Business

Business is an activity that requires moral responsibility in its implementation, so that ethics in business practice has a fairly close relationship. Business without ethics will make business practices uncontrollable and will actually harm the main purpose of the business itself, especially that business is a sustainable activity (going concern). Businesses are always looking for a competitive advantage, and one of the competitive advantages can be obtained by business people by highlighting ethics in their business behavior. In addition to the competitive advantage pursued by business people, obtaining trustworthy business relationships is also one of the goals of business people. Moral commitment, discipline,

loyalty, cooperation, personal integrity, responsibility, and honesty are indispensable in carrying out business activities [4].

b. Business Ethics

The division of ethical theory has diversity in each expert. Ethical theory consists of Deontology theory, Utilitarianism theory, Rights theory, and Virtue theory [1]. Meanwhile, in general there are two ethical theories, namely theological theory and deontological theory [5]. There are eight known ethical theories, namely the theory of egoism, the theory of Hedonism, the theory of Benevolence and Naturalism, the theory of Existentialism, the theory of Utilitarianism, the theory of Kantianism, the theory of Contractualism, and the theory of Religion [6]. Each of these diversity illustrates that ethics is something subjective and depends on the human perspective on ethics itself. With the existence of business ethics, it is hoped that all parties involved have values that can generally be built together, with the aim of creating ethical business activities, namely those that have high performance, are sustainable, but still adhere to the rules or norms. existing norms, both legal norms contained in regulations, as well as social norms that have been maintained and preserved in society. These values can then be realized in behavior for each business actor to act in accordance with these believed values. The general values that should exist in business ethics include fairness, transparency, honesty, and a professional attitude that is rooted in moral nobility. The moral nobility referred to here can be sourced from religious rules, traditional wisdom, or from values that grow in carrying out business practices.

c. Social Responsibility

Corporate social responsibility is a concept in terms of standards when corporate calling is well defined. According to Fro, the company said that the parent company will discuss the need for capital in shareholders' shares for the last year through the company. Part of the World Business Council for Sustainable Development (WBCSD) at Fox in 2002 revealed the definition of Corporate Social Responsibility or corporate social responsibility is a business commitment to improve the quality of the population for the benefit of society as the only member of the Member State in the social field of the Federation at this time will attract the attention of professors and experts. CSR is a high-level process managed by Stakeholders, members of the Government for business activities in the international and foreign sectors [7]

d. International Business

International trade refers to trade in goods, services, technology, capital and/or information across national borders and on a global or transnational scale [3]. It is a cross-border transaction of goods and services between two or more countries. Relates to economic resources including capital, skills and people for the international production of physical goods and services such as finance, banking, insurance and construction. International trade is also known as globalization. In order for multinational companies to do business overseas, they must consolidate separate national markets into one global market. At the macro level, there are two factors that underline the growing trend of globalization. The first is the removal of barriers to facilitating cross-border trade (for example, the free movement of goods and services and so-called "free trade" capital). Second, changes in technology, especially the development of communication technology, information processing and transportation [1].

3. RESEARCH METHODS

This study uses a descriptive type of research, namely research conducted to find out the description of a systematic in running a business that will be carried out and is able to foster an ethical attitude and a sense of social responsibility which is very much needed in

the business world [15]. The variables in this study are how to cultivate ethical attitudes and social responsibility in the business world, especially internationally. The data in this study were obtained through documentation activities using data analysis techniques [9].

4. RESULTS AND DISCUSSION

The terms "responsibility" and "society" are also often misinterpreted. For example, the word "social" means health, education, security, etc. It deals with issues that are the shared responsibility of governments, as Others define the word "society" as a reference to planetary and environmental issues. The word "responsibility" is the responsibility of society for its actions towards society [8]. For each event, some people use the term above to mean that the community has a responsibility to do something about the problems that affect the community; others explain that society is responsible for all its activities that affect society. These two views have different meanings. In the first perspective, society is responsible for its goals, such as responsibility for the welfare of society. Many of these activities are the responsibility of the people and their governments. Needless to say, most representatives of the private sector disagree with the functioning of such companies and reject the concept of CSR. In the second case, the company is a legal entity that is responsible for the impact of its activities and these activities must be carried out according to the people involved [10].

There is an important difference in the meaning of responsibility for the activities of the company. The concept of responsibility is a change from context to context, culture to culture, context and culture over time. A few years ago, companies didn't blame food companies for consumer obesity. This is a genetic issue, partly responsible for food producers and partly responsive to healthy food production and consumer education. No one claims that fast food companies in developed countries believe that ignoring this issue will not affect the results. Today, everyone agrees that pharmaceutical companies should produce prescription drugs, but not everyone agrees that the responsibility of pharmaceutical companies is to produce cheap drugs for the poor. In some contexts, it is wise to hold companies accountable to consumers who provide positive feedback, recognized by consumers, which will enhance the company's reputation and increase the likelihood of the company's competition [16]. The results of the company's operations cannot be clearly determined, so there is still confusion among the subjects about the company's responsibilities. In addition, many actors claim or act that society is responsible for their actions, even though society considers these actions outside their responsibility. The company may argue that this is not the case, but ignoring this requirement could put the company at risk. This review shows that there is still debate even beyond the concept of CSR that companies should be held accountable for the impact of their activities.

Thus, the concept of corporate social responsibility actually includes the company's compliance with labor protection, environmental protection, consumer protection, and the protection of human rights as a whole. First, corporate social responsibility is, among other things, always linked to the interests of shareholders versus stakeholders in relation to labor protection. In America, for example, a number of companies based in that country have a negative impression of employment [17]. They are always associated with contracting out work to countries where labor standards are not recognized. Facing this, they responded with corporate social responsibility programs, some of them succeeded, some of them failed. First, many of the corporate codes of conduct lack credibility. Some of the corporate codes of conduct are initiatives, formulations or formulations and are finalized by administrators at high levels of the company. Thus not receiving input from those who should benefit. Second, corporate codes of conduct often do not contain real substance and fail to put in place the vital elements for their implementation and enforcement. Criticism comes from the workers. In response to the use of these codes of conduct, several representatives from labor organizations have drawn up what are known as International

Framework Agreements (IFAs)” [11]. Globalization can be defined as the integration of economic activities through markets. The driving force is technological progress and political change. Transport and communication activities are becoming cheaper, leading to increased dependence on market forces. Although the concept of globalization is limited to economic discourse, differences of opinion about globalization always have social consequences.

The development of global supply networks is a hallmark of economic integration with social consequences. With increasing transportation costs and international trade agreements, goods can be produced and sold worldwide where they have a competitive advantage "through complex systems of production and distribution. Under the terms of different organized laws". In order to increase the competitive advantage of a particular production site, foreign companies do not need to set up facilities there. Direct investment in a country that is not aware of its culture and business environment is very expensive. Through contracts with domestic factories, foreign companies can utilize the country's resources without the hassle and risk of investment. This is what multinational companies like NIKE and others are doing in the era of economic integration. Contractual supply networks operating in developing countries produce goods at competitive prices and sell them on world markets, mostly in developed countries [12]. This type of business strategy has important legal consequences. First, foreign companies do not interfere with compliance with environmental and safety regulations in the country, without direct supervision of factories in manufacturing and leasing countries. Second, while it is argued that foreign companies are subject to host country laws regarding their business overseas, American experience shows that this approach is ineffective. Third, because multinational companies are not legal entities under international law, there are no obstacles to international law. While there are a number of international legal documents accompanying MNCs with Community commitments, these declarations are non-binding and lack enforcement and oversight mechanisms. Suppliers from developing countries that contract with multinational companies are often small global companies. These small factories benefit from a cost reduction strategy. Growing companies make a profit not from selling new knowledge, but from selling cheap wages. These companies do not value the welfare of employees to compete and earn.

The reason a business exists is to create value (in the form of profit) for its owners. Also, most people work to earn money for themselves or their families. Thus, the goal of any business decision that is in the best interest of the company or individual in the business is to increase revenue (for both the company and the individual) and reduce costs. In most cases, managers make decisions and act in ways that are socially acceptable to them and their company. But in practice sometimes they go too far. The percentage of unacceptable corporate or business practices has increased. As a result, more and more attention is being paid to the ethics and social responsibility that managers apply within their companies, as is the case with the increasingly international world of business. Ethics is defined as an individual's belief about whether some decision, behavior, or action is right or wrong. In other words, what determines ethical behavior will vary from person to person. For example, someone who finds money on the floor in an empty place may believe it is perfect to receive it, while another may feel compelled to return a lost item. The term ethical behavior generally refers to behavior that is accepted by general social norms. Unethical behavior is behavior that does not conform to the general standards of society. A person's morality is determined by a combination of many factors. From childhood, people develop ethical frameworks that respond to their perceptions of the behavior of their parents and other adults with whom they are related. As children grow and go to school, children will be influenced by the friends they make in the classroom and on the playground. Everyday events encourage them to make ethical decisions based on the behavior and attitudes of their society and environment, and these will shape ethical beliefs and behavior as they

grow up. Religious education also contributed to his morality. For example, some religious beliefs advocate strict ethical codes and standards, while others are more flexible [18].

Human values are also influenced by ethical standards. For example, people who put financial gain and personal progress above all their priorities, adopt ethical values that promote happiness. That was why they were able to ruthlessly achieve this result without harming others. In contrast, those who are liked by family and friends adopt different moral standards. Society often adopts formal laws that reflect applicable ethical standards, such as stealing, laws in most countries explicitly state that stealing is illegal and provide a means of punishing thieves. But while laws seek to be clear and unambiguous, their application and interpretation can be ethically confusing. For example, most people would agree that it is unethical to force workers to work overtime without compensation, so laws were enacted to regulate wages and labor standards. However, the application will be different. In Japan, for example, it is customary to advise young workers not to leave the office until their parents leave, whereas in the United States, bosses are usually the last to leave. The above provides the following generalizations:

- a. Individuals have their own belief system about what constitutes ethical and unethical behavior.
- b. People from the same cultural context tend to have similarities and beliefs but are not necessarily identical in terms of the formation of ethical and unethical behavior.
- c. Each individual can rationalize behavior based on circumstances.
- d. Each individual can deviate from their belief system based on circumstances.
- e. Ethical values are strongly influenced by national culture and customs.
- f. Members of one culture may view certain behavior as unethical, while members of another may view it as reasonable.

To describe ethical behavior in a cross-cultural and international context is based on [13] :

- 1) How the organization treats employees

One thing that is important in cross-cultural and international ethics is the treatment of employees by the organization. At the extreme, organizations can try to hire the best people, expand opportunities and career development, provide compensation and so on. On the other extreme, companies can hire based on unfavorable criteria and deliberately limit development opportunities, minimal compensation and so on. A manager who pays an employee less than what is reasonable, because the manager knows that the employee will not complain for fear of leaving or losing his job, may be behaving in an unethical manner. Likewise, in some countries people agree that organizations must protect the privacy of their employees. Managers who spread word that certain employees have AIDS or have relationships with co-workers may be seen as violating privacy ethics. Managers in international organizations face a number of challenges regarding these issues. Companies must resolve country-specific ethical issues regarding the company's treatment of employees, but must also be prepared to provide explanations when faced with international comparisons.

- 2) How employees treat the organization

Key issues related to this topic include conflicts of interest, confidentiality, and integrity. A conflict of interest arises when a decision has the potential to benefit and possibly harm the organization. Ethical perceptions of the importance of conflicts of interest vary across cultures. A simple example of a seller giving a gift to an employee of a particular company. Some companies believe that such gifts could create a conflict of interest, fearing that employees will prefer the supplier that provides the company's best products to the supplier that offers the best gift. Regarding the importance of privacy, disclosure of trade secrets is considered unethical in some countries, while in others it is

not. Employees who work for companies in highly competitive industries such as electronics, software, and apparel may be tempted to sell their sales plan information to competitors. While this is an integrity issue, common issues in this area are things like using long distance office phones for profit, buying office supplies, and spending money. In some business cultures, such behavior is considered unethical.

3) How organizations and employees treat other economic agents

Ethics involved in the relationship between the company and its employees with other economic agents include consumers, competitors, shareholders, suppliers, dealers and unions. This type of interaction between organizations and agencies is prone to ethical ambiguity which includes advertising and promotion, disclosure of financial secrets, ordering and purchasing, and so on. Differences in business practices between countries create ethical complications for companies and their employees. Organizations can implement social responsibility towards stakeholders, natural environment and social welfare. Some organizations accept their responsibilities and strive to achieve all three areas, while others emphasize only one or two areas of social responsibility. And very few people are not even aware of social responsibility.

a) Organizational Stakeholders

Organizational actors are individuals and organizations who are directly affected by certain organizational activities and have an interest in organizational performance. Most companies focus on consumers, employees and investors. Consumer organizations seek to treat them fairly and honestly by committing to fair prices, prioritizing product warranties, meeting delivery obligations, and maintaining the quality of the products they sell. Examples of multinational companies that have done this are Toyota, Dell Computer, Daimler-Chrysler and Volkswagen. Organizations that are socially responsible in dealing with employees treat employees fairly, form teams, and respect freedom and basic human needs. The organization with a great reputation in this field is HONDA. Organizations that are responsible for investors, directors follow reasonable accounting procedures, provide shareholders with complete information about the company's financial position, and manage the organization to protect the interests of shareholders and their investments.

b) Natural Environment

Not so long ago, many organizations without exception released wastewater, industrial sewage and sewage, rivers into the atmosphere and air. When Royal Dutch/Shell first explored the Amazon River for potential drilling in the late 1980s, their crew cleared the forest and left land in the river. Currently there are many laws for the disposal of waste materials. In many ways, companies are becoming more socially responsible for waste pollution and overall environmental disposal. When Shell launched its latest expedition in the Amazon Basin, it included biologists to oversee environmental conservation and anthropologists to help the team communicate more effectively with indigenous people. The company has also developed effective and economical methods for preventing acid rain and global warming, preventing ozone pollution, and developing alternative methods for treating wastewater, industrial waste and ordinary sewage. One example is Procter and Gamble, which uses recycled materials for its containers, and Starbucks plans to pay coffee suppliers an additional 10 cents per pound if they commit to protecting the environment. In this regard, the Internet also plays an important role in conserving resources by reducing energy costs and pollution in business transactions.

c) General Social Welfare

Examples include giving to charities, charitable and non-profit organizations, associations, museums, and contributing to improving public health and education. Some even believe that companies should take broader action to address the political and social inequalities that exist in the world. Finally, international trade organizations should also be able to promote the general social welfare of the domestic population, to approach agents and the environment with full responsibility [14].

5. CONCLUSION

- a. Ethics is defined as an individual's belief that a certain decision, behavior, or action is right or wrong. In other words, what determines ethical behavior will vary from person to person. A person's morality is determined by a combination of many factors. From childhood, people develop ethical frameworks that respond to their perceptions of the behavior of their parents and other adults with whom they are related. As children grow and go to school, children will be influenced by the friends they make in the classroom and on the playground. Everyday events encourage them to make ethical decisions.
- b. Ethics in intercultural and international contexts, definitions; how the organization treats its employees, how its employees treat the organization, and how the organization and its employees treat other economic entities.
- c. Social responsibility is a set of organizational obligations to protect and support the communities in which it operates. For international business managers, the complexity is obvious, especially since the ideal set of global social responsibility and local conditions may require a different approach in their home country, in the country in which the company operates.
- d. Managing CSR across Boundaries In terms of accountability, companies often make aggressive efforts to address CSR. Companies will adopt one of four different approaches to corporate social responsibility: a corporate social responsibility approach, compliance management, informal aspects of corporate social responsibility and a corporate social responsibility assessment.

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