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THE ROLE OF BUSINESS ETHICS IN IMPROVING CORPORATE SOCIAL RESPONSIBILITY

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Abstract

The inadequate integration of ethical principles into corporate social responsibility (CSR) practices remains a persistent challenge, undermining public trust and long-term business sustainability. This study aims to investigate how the implementation of business ethics can enhance the effectiveness of CSR within corporate settings. Employing a literature review methodology, the research analyzes academic publications, regulatory frameworks, and corporate reports related to business ethics and CSR. The findings demonstrate that the consistent application of ethical values enriches the meaning and impact of CSR initiatives, improves corporate reputation, and fosters stronger, more sustainable stakeholder relationships. However, challenges such as organizational cultural diversity and insufficient internalization of ethical principles within corporate systems and cultures continue to hinder progress. Consequently, strategic efforts are essential to move beyond treating business ethics as mere normative ideals toward fully embedding them as core values in CSR practices aimed at achieving social and environmental sustainability.

Keywords: Business Ethics; Corporate Social Responsibility; Sustainability; Corporate Reputation; Stakeholder Engagement

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INTRODUCTION

The issue of business ethics and Corporate Social Responsibility (CSR) has become a key concern in modern business practices globally. Companies are no longer judged solely by their financial success, but also by their contribution to society and the environment. Growing consumer awareness, investor pressure, and government demands for ethical and socially oriented business behavior reflect a paradigm shift toward sustainable and inclusive business models (Sroka & Szántó, 2018).

However, in a global context with diverse legal, cultural, and political systems, implementing business ethics and CSR principles often presents complex challenges. Universal moral standards and principles are needed that are flexible enough to be implemented by companies across borders (Indriani, 2024). This complexity encourages companies to not only understand local norms but also develop internal policies that reflect global integrity and responsibility. At the operational level, various ethical issues are still frequently encountered, such as low transparency in decision-making processes, a lack of concern for social and environmental impacts, and a failure to integrate ethical values into organizational culture. CSR is often treated as a mere formality or a response to legal obligations, rather than as part of a substantial corporate strategy. Such practices can actually reduce public trust, damage reputations, and increase the risk of conflict with stakeholders (Coombs & Holladay, 2015).

Previous research has shown that consistent and in-depth implementation of business ethics has a positive impact on a company's reputation, increases customer loyalty, and creates a long-term competitive advantage (Marchington et al., 2025). Recent empirical data further supports these findings, showing that companies included in the "world's most ethical" list have achieved financial performance that is 7.8% superior to the global average for the past five years. In Indonesia, various regulations have been designed to strengthen CSR obligations, one of which encourages companies to actively consider social and environmental aspects in their business activities (Fajar, 2018). This highlights the urgent need for more in-depth research on the role of business ethics in strengthening CSR implementation, as well as identifying the supporting and inhibiting factors that influence the successful integration of both in supporting the sustainable development agenda.

METHODS

This study employs a literature review methodology to explore the role of business ethics in enhancing Corporate Social Responsibility (CSR). Relevant literature was systematically collected from scientific journals, books, and regulatory documents using academic databases (Sugiyono, 2017). Key search terms included "business ethics" and "Corporate Social Responsibility (CSR)" to ensure comprehensive coverage of related studies. The selection process prioritized recent and peer-reviewed sources to maintain the validity and relevance of the data analyzed.

The collected data underwent qualitative analysis focusing on three core aspects: the principles of business ethics, the practical implementation of CSR, and the impacts and challenges associated with integrating ethics into CSR initiatives. To enhance the reliability of findings, verification and cross-referencing procedures were conducted across multiple sources to identify consistencies and discrepancies. This rigorous approach ensured a balanced and accurate synthesis of the current state of knowledge, reflecting diverse perspectives within the literature (Alaslan, 2021).

The research findings are presented descriptively and synthetically to offer a comprehensive understanding of how business ethics and CSR interrelate as a foundation for ethical and sustainable business practices. This presentation highlights the ways in which ethical frameworks can guide CSR efforts, strengthen stakeholder trust, and address implementation challenges. The study contributes valuable insights for academics and practitioners seeking to develop robust CSR strategies grounded in sound ethical principles.

RESULTS

Based on the results of a literature review, it was found that business ethics and corporate social responsibility (CSR) are two integrated concepts that play a crucial role in modern business practices. Business ethics acts as a system of values and moral guidelines that encourage companies to act fairly, honestly, and responsibly in their decision-making processes. On the other hand, CSR is the concrete embodiment of these ethical principles in the form of social activities and concern for the environment and the welfare of the surrounding community. Findings from various studies indicate that the application of ethical values in CSR policies contributes significantly to increasing public trust with stakeholders, and strengthen the company's foundation for sustainable growth. Consistent

ethics in CSR implementation contribute to creating a positive reputation that impacts customer loyalty and investor interest in the company (Park et al., 2017).

Recent developments have seen a paradigm shift among business actors, where CSR is no longer viewed as a supplementary activity but as a core component of business strategy. Many companies are now beginning to understand that operational sustainability depends heavily on the extent to which they are able to demonstrate concern for social and environmental issues. This is reflected in companies' practices that utilize CSR as a strategic tool to build their image, strengthen their market position, and increase competitivenes Specifically in Indonesia, the role of CSR has been legally regulated through the Limited Liability Company Law No. 40 of 2007, which mandates social and environmental responsibility as a corporate obligation (Rahim, 2013). However, its implementation still faces various challenges. Some of these include differences in organizational cultural backgrounds and the difficulty of aligning understanding of ethical values across all levels of the company. Therefore, this study emphasizes the importance of integrating strong business ethics principles with targeted and strategic CSR policies. This synergy is believed to be able to encourage long-term sustainability, not only for the company but also making a real contribution to social welfare and environmental preservation.

The Role of Ethics in Enhancing Corporate Social Responsibility

Business ethics plays a crucial role in strengthening the implementation of Corporate Social Responsibility (CSR). It provides a moral foundation that guides organizational behavior and decision-making at various managerial levels. When companies embrace ethical principles as their primary reference, they are encouraged to look beyond mere financial profit and to seriously consider the broader social, economic, and environmental consequences of their business activities. This ethical approach helps ensure that corporate actions align with societal values and contribute positively to the communities in which they operate (Mason & Simmons, 2014).

Moreover, the consistent application of business ethics significantly contributes to building and maintaining public trust. Trust develops because stakeholders tend to appreciate companies that not only comply with legal regulations but also demonstrate genuine concern for humanitarian values, justice, and social responsibility. This ethical commitment helps differentiate companies in competitive markets, fostering stronger relationships with

customers, employees, investors, and the broader community. Ultimately, embedding business ethics into organizational culture enhances the credibility and legitimacy of CSR initiatives, supporting sustainable and responsible business growth (Muralidhar et al., 2024).

Therefore, the positive reputation thus developed will provide a significant competitive advantage for the company in the long term Beyond mere compliance, business ethics is also a key driver in creating social justice and preserving the environment. Companies that uphold ethics will be more responsive to various social issues, such as employee rights, consumer protection, and empowering local communities. This response goes beyond mere discourse; it is implemented through concrete CSR programs that are oriented toward benefit, not merely administrative formalities. Ethics also guide companies to operate within the law and prevailing social norms. This compliance not only strengthens the company's legitimacy in the eyes of the public and the government but also ensures holistic business sustainability. Thus, the integration of business ethics and social responsibility not only reflects moral awareness but also serves as a strategic foundation for inclusive and sustainable corporate growth (Hazizah & Aslami, 2021).

The Role of Social Responsibility in Improving Corporate Business

Corporate Social Responsibility (CSR) is no longer viewed merely as a moral imperative but has evolved into a valuable business strategy. Nowadays, companies recognize that the consistent, relevant, and sustainable implementation of CSR programs can foster synergistic relationships with various stakeholders, including the community, customers, employees, and government entities. These positive interactions help build trust and collaboration, creating an external environment that supports long-term business growth and stability (Ardiansyah & Alnoor, 2024). Through meaningful CSR initiatives, companies can address social and environmental challenges while aligning their operations with stakeholder expectations.

Moreover, a demonstrated commitment to social and environmental issues directly strengthens a company’s image and public reputation. A positive reputation serves as a critical asset by enhancing consumer loyalty, attracting and retaining investors, and improving competitive advantage in a crowded marketplace. Customers are increasingly inclined to support businesses that reflect ethical practices and contribute to societal well-being, while investors view responsible companies as lower-risk and more sustainable investments.

Consequently, integrating CSR into core business strategies not only fulfills ethical responsibilities but also drives tangible benefits that support enduring success (Wahyuni et al., 2024).

Furthermore, CSR serves as an instrument for creating sustainable added value. Through active involvement in social activities, companies can explore new business opportunities rooted in real community needs. Employees are generally more motivated and feel a strong emotional attachment to companies that uphold social values, thereby increasing productivity and employee loyalty. Equally important, CSR also contributes to minimizing the risk of social conflict and supporting compliance with applicable regulations. This significantly reduces the potential costs of legal violations or reputational damage. Therefore, the strategic implementation of CSR is not only reflecting the ethical integrity of the company, but also being a crucial element in driving sustainable and future-oriented business growth (Fauzan & Hendra, 2024).

DISCUSSION

Business Ethics

Business ethics is a way of conducting business fairly and impartially, with the goal of providing benefits not only to companies and individuals, but also to industry and society at large. Furthermore, business ethics can be understood as a branch of science that establishes moral guidelines for business actors, encompassing aspects of production, distribution, and consumer behavior (Fadillah & Ibrahim, 2023). In the business world, the concept of business ethics is well-known and recognized. Many agree that a healthy business needs to be run with strong ethical principles.

The main principle of business ethics is to establish business activities as activities based on moral and ethical values, in order to align with applicable laws and regulations. There are many aspects related to good ethical standards that can be applied in business practices, which simultaneously encourage business actors to act responsibly and demonstrate good behavior in society. For this reason, business ethics is often viewed as an inseparable part of social responsibility (Indriani et al., 2024).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is a manifestation of a company's commitment to contributing to improving the quality of life of all stakeholders. This concept is not only limited to parties directly related to business activities, such as capital owners, employees, suppliers, distributors, and consumers, but also encompasses the wider community, including groups that do not have a direct economic contribution to the company. Thus, CSR is understood as a form of corporate concern that is inclusive, encompassing social, humanitarian, and moral aspects. The implementation of CSR covers various areas relevant to the public interest, such as improving public health, preserving environmental cleanliness, applying ethical principles in business, and developing aesthetic and moral values (Hamidu et al., 2016). This concern is not only based on ethical considerations, but is also explicitly regulated in various statutory provisions as an effort by the state to guarantee social interests in the process of economic development.

One of the main regulations that strengthens the principle of corporate social responsibility is Law Number 32 of 2009 concerning Environmental Protection and Management. Article 22 paragraph (1) of the law stipulates that every business activity that has the potential for a significant impact on the environment is required to prepare and submit an Environmental Impact Analysis (AMDAL) document. This provision emphasizes that business actors have an obligation not only morally, but also legally, to maintain environmental sustainability as part of their social responsibility. As a form of implementation of this commitment, companies can take various concrete initiatives, such as investing in environmentally friendly sectors, implementing responsible waste management systems, and allocating special funds for social needs (social costs). These efforts aim to create a balance between business sustainability and social and ecological sustainability. Thus, social responsibility is not just a reputation strategy, but also an ethical and legal foundation for building harmonious relationships between corporations, society, and the environment (Hj. Naning Fatmawatie, 2017).

The Relationship between Business Ethics and Corporate Social Responsibility

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Well-executed business ethics also provide moral direction for strategic corporate decision-making. In the era of globalization and increasing public demand for corporate social responsibility, CSR and business ethics are no longer merely options but essential requirements for companies seeking long-term survival and growth. By aligning the two, companies can create balanced, sustainable, and profitable economic and social value for all parties involved (Biggemann et al., 2014).

Model and Scope of Corporate Social Responsibility

Corporate social responsibility (CSR) has a diverse conceptual framework and serves as an important guideline for its implementation in the business world. One of the most widely recognized models is the Carroll CSR Model, which classifies corporate responsibilities into four hierarchical levels: economic, legal, ethical, and philanthropic. At the most basic level, a company has an economic obligation to generate profits for its continued existence. However, the responsibility does not stop there; companies are also required to comply with applicable laws and regulations (legal aspects).

Furthermore, ethical responsibility requires companies to operate fairly, honestly, and in accordance with prevailing social norms. At the highest level, there is voluntary philanthropic responsibility, where companies are expected to make tangible contributions to society, such as through social activities or humanitarian programs. Carroll's approach emphasizes that CSR is not just about making donations, but encompasses the overall behavior and responsibilities of a company in conducting ethical and sustainable business. In practice, the scope of CSR is very broad and touches on various important aspects. Responsibility to employees, for example, includes providing decent wages, ensuring workplace safety, and opportunities for career development. Meanwhile, responsibility to consumers is realized through the provision of safe, high-quality products and services, as well as transparency in information (Athanasou, 2010).

Equally crucial, companies must also pay attention to their impact on the environment. This includes waste management, reducing carbon emissions, and efforts to preserve natural resources. Furthermore, concern for local communities is an integral part of CSR, including through economic empowerment programs, increasing access to education, and supporting health care. By implementing the Carroll model holistically and considering the scope of social responsibility comprehensively, companies can build trust and forge long-term relationships with stakeholders. Not only does it support sustainable business growth, but the structured implementation of CSR also plays an active role in creating a positive impact on social and environmental development (Maas & Reniers, 2014).

The Importance of Business Ethics and CSR in Modern Business

In today's business world, the implementation of business ethics and corporate social responsibility (CSR) has become an integral part of global corporate operations. Business

ethics serve as a moral guideline for companies to act responsibly and with integrity, especially when facing challenges across countries with varying cultural backgrounds, values, and legal systems. Pressure from various parties, including the public, consumers, and governments, demands that companies be more concerned about the social and environmental impacts of their business activities, encouraging companies to implement sustainable business practices.

It makes a commitment to sustainability increasingly a necessity, not just an option. To make a real contribution, companies are expected to carry out their social responsibilities through various forms of positive action. For example, implementing environmentally friendly policies, providing fair and equal employment opportunities, and actively supporting social programs such as educational assistance and addressing social issues. Furthermore, integrity and transparency in every business process must be maintained, while building partnerships and good communication with the community.

A focus on business ethics and CSR also opens up significant opportunities for companies to build long-term sustainability. By addressing key issues such as social welfare, environmental preservation, and the economic well-being of communities, companies can mitigate risks, prepare for regulatory changes, and respond to evolving social challenges. As a concrete commitment, companies can implement CSR activities by prioritizing sustainable environmental management, creating inclusive jobs, and making social contributions through various community programs. Furthermore, making ethics part of a company's work culture will strengthen its reputation and public trust. Transparency and strategic partnerships with external parties are also crucial steps in creating a broad, positive impact (Safitri & Aravik, 2025). Through the implementation of strong business ethics and comprehensive social responsibility, companies are not only able to survive the challenges of the times but also become agents of change that bring tangible benefits to society and the surrounding environment.

CONCLUSION

This article demonstrates that business ethics plays a crucial role in enhancing corporate social responsibility (CSR). The incorporation of ethical principles provides a moral foundation for decision-making and serves as the basis for consistent and impactful CSR implementation. Evidence suggests that the integration of business ethics into CSR

policies and practices can increase public trust, strengthen stakeholder relationships, and contribute to the company's reputation and long-term sustainability. Despite these benefits, challenges remain, including variations in organizational culture and insufficient internalization of ethical values at all organizational levels. To address these issues, companies should prioritize the continuous internalization of ethical values throughout their operations, supported by regular training and outreach to foster a culture of integrity and social and environmental awareness. Additionally, companies need to evaluate and innovate their CSR programs to ensure greater relevance and tangible impact. Collaboration with governments and regulatory bodies to strengthen ethical and CSR frameworks is also recommended. Future research should further investigate effective strategies for the internalization of business ethics and examine the long-term outcomes of integrated ethical and CSR initiatives. By advancing these efforts, the synergy between business ethics and CSR can be maximized to promote organizational sustainability and shared prosperity.

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