

BUSINESS ETHICS IN THE FRAMEWORK OF CORPORATE GOVERNANCE: A LITERACY STUDY

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Abstract

This journal is as a discussion or proof of the implementation of good business ethics in the organization as a bridge to good organizational governance, and corporate values through theories or expert opinions. The existence of good ethics in organizational governance is expected to be a force in the value of the company, and the determination of policy. Business ethics in the framework of corporate governance and corporate values become a great responsibility for the company to its stakeholders. In this case maintain the loyalty of stakeholders in making company decisions and in solving corporate problems. This is because all company decisions are highly influenced and influenced by stakeholders. Forming a company that is strong and has high competitiveness and has the ability to create high corporate value, a solid foundation is required.

Keyword: business ethics; good corporate governance.

Introduction

Ethics is the subject that examines the personal moral standards of the society (Nurgiantoro, 2018). Ethics is something where and how the main branch of philosophy that studies value or quality becomes a study of moral standards and judgments. But what are these moral standards? According to Manuel G. Velasquez, moral standards are standards that deal with issues that have serious consequences, consequences that could be associated with feelings of shame and fear. The most important ethical issues highlighted by the answers to the survey were: honesty, respect, fairness, transparency, dignity, etc.

The business world is the world of competition, the world pursues profit, the world creates and builds benefits. Therefore, every company must strive to be superior and then maintain it, build image and value and maintain it. The key to all of that is business ethics. Business ethics is a bridge to corporate governance and will shape the value of the company.

From the terms of business ethics itself, ethics and business. Each of these words has its own meaning. Ethics are matters that concern the values or norms that apply in society. While business is business-related things that produce something, in this case profit. There is a common opinion in the community that ethics and business are 2 things

that are opposed, 2 things that can not run harmoniously, both contradictory, and so on. The existence of public opinion in the community is certainly motivated by their experience.

Ethics and business in the business world must be aligned. Ethics is an important element in running a business. Because ethics in business concerns it is important that in business covers all aspects of the whole well for individuals within the company, the company itself, and the community. That is, business ethics become the custodian of values and norms in building a good, fair, healthy relationship among the company's stakeholders.

The alignment of ethics in business is evident in the opinions of experts. According to Ahmad Amin, Ethics is a science that explains things related to good and bad and what should be done by man, in addition to stating a goal that must be achieved by man in his actions and showing the direction to do what should be done by man. Means ethics distinguish about good and bad human treatment.

According to ([Amalia](#), 2018) Ethics is a matter of considering and paying attention to human behavior in making decisions that are related to morals. Ethics is more focused on the use of human mind with objectivity in determining right, wrong, good and bad and one's behavior towards others. More broadly here, that ethics are not only about good and bad human behavior, but also right and wrong.

From the business side, a businessman must have ethics in his attitude, and in his thoughts. Because a businessman is a leader in the company. His thoughts certainly produce ideas, decisions, strategies, plans for the company's progress and also how to excel in business competition.

Businesses should also be aware that the application of good business ethics will be perceived benefits for employees. They will feel a comfortable culture and work atmosphere, and last but not least, the sense of pride of being part of the company. In addition to employees, business people should also be aware that the application of good ethics will provide and increase the value of the company for the community. Of course this can build loyalty and give pride to consumers who use the company's products both services and goods.

There are many studies on business ethics, good corporate governance, and corporate values and their relation to various aspects of the company. Among them The Effect of Business Ethics Principles on Operational Budget Control Policy (Cost Transport) ([Widjaja](#), 2014) The budget control system is closely related to the company's business ethics, with the existence of business ethics which are the main rules so that stockholders such as company owners, employees, suppliers, consumers, other parties can receive good impact from the company.

Leveraging Artificial Intelligence in Marketing for Social Good—An Ethical Perspective ([Hermann](#), 2021) states that the ethical implications and concerns of the use of Artificial Intelligence in marketing from the point of view of several stakeholders include the perspectives of companies, customers, and society and the environment. This means that the importance of ethics on the marketing aspect in which the company

Develops / sets marketing strategies, marketing activities, as well as interactions and relationships with businesses.

Now it's about good corporate governance. Good corporate governance is the principles that underlie a process and mechanism of management of the company based on legislation and ethics of trying.

The implementation of a good corporate principles or good corporate governance can improve the company's performance and long-term economic value for investors and stakeholders.

In Indonesia, the concept of good corporate governance began to be known since the economic crisis in 1998. A prolonged crisis that is judged because of the un-management of companies responsibly, as well as ignoring regulations and loaded with practices (corruption, collusion, nepotism) KKN ([Marsella](#), 2013).

Good corporate governance is definitively a system that regulates and controls companies that create value added for all stakeholders ([Wibowo](#), 2012). There are two things emphasized in this concept, first, the importance of the right of shareholders to obtain information correctly and in a timely manner. Second, the obligation of the company to make disclosures accurately, on time, transparently to all information on the company's performance, ownership, and stakeholders.

In the implementation of good corporate in the company is important for the company to perform a careful phasing based on the analysis of the situation and conditions of the company, and the level of readiness, so that the implementation of good corporate governance can run smoothly and get support from all elements in the company.

Company value. Every company that runs a business must have different values. The higher the asset that owned, the company will be considered potential by many investors. The effect of the company's high value is the opportunity to get investment in the future.

The value of a company is an investor's perception of the company's success rate which is often associated with the share price. The high share price makes the company's value also high, and increases market confidence not only in the company's current performance but also in the company's future prospects.

Maximizing the value of the company is very important for a company, because by maximizing the value of the company means also maximizing the main objectives of the company. Increasing the value of the company is an achievement that is in accordance with the wishes of the owners, because with the increasing value of the company, the welfare of the owners will also increase.

According to ([Harsiatun](#), 2019), the Company's value is the company's performance reflected by the share price formed by the demand and supply of the capital market that reflects the public's assessment of the company's performance. Meanwhile, according to ([Yulianti](#), 2019) The Company's value is a condition that has been achieved by a company as a description of public trust in the company after going through a process of activities for several years, that is, since the company was founded until now.

So, if reviewed more broadly, the value of a company will be attached to the image of all stakeholders of the company ranging from capital owners, leaders / management of companies, employees, and the community. Maintaining and increasing the value of the company is very important in maintaining the sustainability and even developing the company so that the company can survive even superior in the midst of business competition.

The main purpose of this paper is to discuss the concept and background of business ethics in the framework of good corporate governance. This paper consists of several parts. The first section outlines the background and concepts of business ethics. The second section outlines the background and concept of good corporate governance. The third part on why there should be ethics in business, Part four describes the efforts to implement business ethics in the framework of good corporate governance. Lastly, the fifth part is the conclusions and recommendations.

Research Methodology

According to the field, this research is an academic research. While in terms of purpose, this research is an applied research. According to the method, this research is evaluation research. According to the degree of explanation of this study is an associative research. Based on data and analysis, this research is a qualitative research. And judging from its purpose, this research is a verificative research.

Results and Discussion

Business Ethics: A Background and Concept

According to ([Dewantara](#), 2017), ethics is a philosophical term derived from "ethos," a Greek word meaning character or custom. The definition is closely related to effective leadership in the organization, in which case the connotation of the organizational code conveys moral integrity and consistent values in service to the community.

According to ([Khairani](#), 2015), Business ethics is an ethical standard related to the purpose and way of making business decisions.

Business ethics is a teaching to distinguish between wrong and right in order to provide briefings to each company leader when considering taking strategic decisions related to complex moral issues. Furthermore, he says Most of us already have a good sense of what is right and what is wrong, we already know that one to take action that puts the other at risk of life ([Shank et al.](#), 2013).

([Rahimaji](#), 2019) argues that business ethics is related to the issue of assessment of business activities and behaviors that refer to the truth or also honesty of trying.

Then the opinion of ([Latifah](#), 2019), Business ethics is a study devoted to the moral right and wrong. This study concentrates on moral standards as applied in policies, institutions and business conduct.

This business ethic is a knowledge of the ideal procedures of regulation and management of businesses that pay attention to norms as well as morality that applies universally ([Arief](#), 2019).

According to Business & Society – Ethics and Stakeholder Management quoted from ([Ristica & Widya Juliarti](#), 2015), Ethics is a discipline that deals with what is good and bad and with moral duties and obligations. Ethics can also be considered a set of moral principles or values. Morality is a doctrine or system of moral behavior. moral behavior based on what is associated with the principles of right and wrong in behavior. Business ethics, therefore, are related to good and bad or right and wrong behavior that occurs in a business context. This concept is more often interpreted right and wrong to include the more difficult and delicate questions of justice, equality and justice.

According to ([Wilardjo](#), 2011), employees of an ethical business have a sense of responsibility and accountability for their actions and the actions of others. And freely raise issues and concerns without fear of retaliation. In such business manager models the behaviors they demand of others. Communicate the importance of integrity when making a difficult decision.

Good Corporate Governance: A Background and Concept

According to Cadbury Committee of United Kingdom (1922): "Good Corporate Governance is a set of regulations governing the relationship between shareholders, administrators (managers) of companies, creditors, governments, employees, and other internal and external stakeholders relating to their rights and obligations or in other words a system that directs and controls the company".

Good Corporate Governance is a set of regulations that establish relationships between management stakeholders, creditors, governments, employees and other internal and external stakeholders in relation to their rights and obligations, or in other words a system that directs and controls the company (Forum for Corporate Governance in Indonesia, 2001).

Meanwhile, according to ([Santoso & Muid](#), 2014), good Corporate Governance is: The system that governs the role of the Board of Commissioners, the role of the Board of Directors, shareholders, and other stakeholders. It is also called a transparent process for determining the company's objectives, achievements and performance assessments.

The initiative ([Noviawan & Septiani](#), 2013) describes good corporate governance as "The administrative mechanism governing the relationships between the company's management, commissioners, directors, shareholders, and other interest groups. Where this relationship is manifested in the form of game rules and incentive systems as a framework necessary to achieve the company's goals, the way of achieving goals and monitoring the resulting performance".

Business Ethics As An Effort For Corporate Governance

Good Corporate Governance is basically a system that regulates, manages, and oversees the business management process to launch relationships between management,

shareholders, and other interested parties, the goal is to create added value for the company. In the broader aspect of the implementation of the principle of good corporate governance to gain the trust of the surrounding community. The successful implementation of good corporate governance is when the company is able to carry out the functions of accountability, fairness, transparency, responsibility, and independence as a whole in every part of the company.

Shiravastava defines governance as a strategic framework consisting of rules, relationships between stakeholders, systems and processes contained therein, where the power of management is exercised and controlled within the organization. Furthermore, he suggested that effective corporate governance provides benefits in terms of:

1. Ensure efficient use of resources.
2. Encourage operational efficiency through efficient and effective distribution of resources at the request of stakeholders.
3. Put the best managers in place to manage your organization's resources.
4. Help managers stay focused on improving performance, and ensure fair management selection procedures.
5. Encourage organizations to comply with the laws, regulations and expectations of the community.
6. Assisting in the regulation of economic fields without impartiality and nepotism.
7. Increase shareholder value, so as to attract more investors and ensure easy access to capital.
8. Provide higher satisfaction for consumers, and increase market share, as well as reduce advertising /promotion costs.
9. Increase employee satisfaction which ultimately reduces employee turnover and reduces HR management costs.
10. Helps create balance and hormonal relationships with suppliers and distributors so that resource management is more economical and facilitates access to the market.

Associated with the main purpose of a company is to increase the value of the company. The existence of agency conflicts resulting in the emergence of opportunistic management will lead to low quality of profit.

Low quality profit will be able to make decision-making mistakes of its users such as investors and creditors, so that the value of the company will be reduced.

It was stated by ([Putri & RAHARDJA](#), 2012) that profits that do not show actual information about management performance can mislead the user of the report. If such a profit is used by investors to form the market value of the company, then the profit cannot explain the actual market value.

So clearly here is the importance of business ethics in the framework of the implementation of good corporate governance. In the determination of policies / strategies for the interests of the company and shareholders will have the power with the implementation of good corporate governance. However, to ensure the implementation of good corporate governance through the application of business ethics in addition to the interests of the company and shareholders, there needs to be an effective monitoring

mechanism so that the purpose of efficient use of corporate resources, is also effective based on the company's policies / strategies. Also to avoid the occurrence of conflicts or problems in the implementation of good corporate governance.

Conclusions

a. Conclusions

The absence of good business ethics, or problems in the implementation of corporate business ethics will affect the implementation of good corporate governance.

The company's objectives are profit for the company and shareholders and the sustainability of the company and excel in business competition as stipulated policies or strategies. But all of it must pay attention and uphold ethical / moral values so that good corporate governance can be carried out.

The low application of business ethics to the company will have an impact on the implementation of good corporate governance. This should be a concern for the management of the company. The Company must uphold good corporate governance, so that the value of the company in the eyes of all stakeholders of the company is good.

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