

Why E-commerce Business ethics needs?

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Abstract

Globalization and free trade supported by advances in telecommunications and informatics technologies have provided wider space. This shows that in Indonesia also gives a good impact for the economy with the advances in technology. Therefore, this technological advancement needs to be supported by the existence of business ethics that have principles that can create trust to consumers so as to provide wider space to the fulfillment of the quality of goods / services in accordance with the desires and capabilities of consumers. Currently it takes business ethics in e-commerce to minimize losses experienced by both parties in e-commerce transactions. The existence of business ethics in e-commerce, consumers can make transactions without hesitation, and can minimize the fraud that often occurs in e-commerce transactions.

Index Terms – E-commerce, Business Ethics, Trust, Consumer.

Background

Ethics comes from the Greek word *ethos*, which in the plural (*ta ethos*) means 'traditions' or 'habits'. In this definition ethics is related to good habits of life, both in oneself and in a society or community¹. Ethics is different from law, rules, and regulations where the law and regulation are clear about their rules and punishment or in other words laws or regulations are ethics that have been formalized such as the Law, and others. If it violates the law, the penalty are clear whether it is criminal or civil, while violating the ethics the penalty is unclear or merely a moral sanction. So that in reality ethics are often ignored.

But in its evolution ethics greatly affect human life. Ethics gives humans the orientation of how they live their lives through a series of daily actions. This means that ethics helps people to behave and act appropriately in living this life. Ethics ultimately helps us to make decisions about what actions we need to do and what we need to understand that ethics can be applied in all aspects or sides of our lives. This means that ethics is related to values, procedures for good behavior, and habits of someone who has been inherited from one generation to another. The current era of globalization with various developments in technology and information that is rapidly progressing often does not pay attention to ethics anymore so that there are many problems that arise especially in the development of technology and information in the business world.

The business world also requires ethics in addition to the laws that already apply in them. Why business also requires ethics because in business activities must consider what is allowed and what is not². In the short term, businesses that do not pay attention to business ethics can be profitable but in the long run there are usually comes a trouble and get moral sanctions from the public. In other words, if you really want to make a profit, you often have to forget and violate ethics. Businesses that adhere to the principle of only benefiting themselves without having to

¹ Sonny Keraf, 2010, *Etika Lingkungan Hidup*, Jakarta: PT Kompas Media Nusantara

² K. Bertens, 2000, *Pengantar Etika Bisnis*, Yogyakarta: Penerbit Kanisius

think of losses from others and violating ethics are usually called teleological. Whereas businesses that adhere to the principle of which profit will follow the right principles and moral obligations are called deontologists.

Business ethics that developed in the era of globalization are now eroded by technological advancements that have provided wider space. So it can be said that ethics are all general norms or "rules" that must be considered in business which are a source of noble values and good deeds. The progress of telecommunication and informatics technology should be able to be used as well as possible to give a better economic impact. The trade in telecommunications and informatics technology, commonly referred to as e-commerce, makes business people, especially in Indonesia, more likely to have the opportunity to develop their wings so that they can penetrate larger businesses. This must be supported by government efforts to create trust for consumers in conducting e-commerce transactions.

Business is an important part of society. Business is carried out between one person and another and involves that relationship. As humans, businesses also need ethics that are at least able to provide guidance for those who do it. Business is an activity that prioritizes mutual trust. With mutual trust, a business activity will develop because it has relationships that can be trusted and trusted. So that ethics is needed to further grow and strengthen that mutual trust. Unethical business practices can reduce productivity and curb efficiency in the business. Business activities that are increasingly widespread both at home and abroad have created new challenges, namely the demand for business life in many countries in the world. Transparency demanded by the global economy, we can only survive if we are able to compete. To compete there must be competitiveness generated by productivity and efficiency. For that reason, business ethics or business ethics are needed because unethical business practices can reduce productivity and curb efficiency in doing business.

The fact that there is now a lot of consumers who have made the transaction with a belief that what is purchased and expected from an item or service can be used in accordance with what is expected. But on the other hand many consumers turned out to be disappointed. Though the main capital for the e-commerce business is on consumer trust in business actors. Given that e-commerce business is the main capital of trust, business ethics is needed in running the business.

Business ethics in e-commerce shows that clear principles is needed so that it can be trusted to build a business in e-commerce, especially in this case is to build consumer trust through business ethics.

1.1 Ethics in e-commerce transactions

Technological advancements make people more creative in the business world. This is evidenced by the existence of e-commerce, which is buying and selling online. Humans can buy goods when needed also can buy them wherever they are.

Even though with the advancement of technology and sophistication as it is now, there is still something that must be considered, namely business ethics in e-commerce. Why this is very important to note because business ethics carried out in conventional trade also experience many obstacles and problems. Especially compared to modern trade which has certain characteristics, namely the non-meeting between sellers and buyers.

Technological advances in the present, automatically spur development in the dynamics of people's lives. With the presence of the latest technology makes people increasingly want the ease and speed of access in carrying out life activities. E-commerce is now one of the new trading technologies. The presence of the new technology is often used by certain parties to obtain unilateral and irresponsible benefits. The parties who want to make unilateral and irresponsible

profits tend to lead to a form of crime, namely fraud. This fraud occurs starting from the habits and ways or procedures of business people in carrying out their business. Therefore, to run a sustainable business, it takes the effort of business people to gain trust from consumers in e-commerce transactions.

Trust is the main capital in conducting e-commerce transactions because electronic commerce does not require sellers and buyers meet face to face. Therefore, e-commerce transactions in selling goods and / or services do not show in advance the condition of goods sold to consumers. This situation provides an opportunity for businesses to sell goods and services whose quality does not match what has been promised. Even in that case, consumers also do not know the credibility of businesses that sell goods and / or services. Then it takes high consumer trust in buying an item and / or service.

This high level of trust must be supported by business ethics that must be applied by every business actor. Every business actor in e-commerce transactions must realize that business ethics is needed to be a sustainable business. E-commerce transactions will show a good reputation to consumers if business people carry out business ethics properly.

The principle of good business ethics as according to one source that the author cites there are five principles of business ethics according to Keraf including³:

1. Principles of Autonomy. Autonomy is the attitude and ability of humans to act on their own consciousness. Acting autonomously presupposes the freedom to make decisions and act according to that decision. Autonomy also presupposes responsibility. In the business world, a person's responsibility includes responsibility for himself, the owner of the company, consumers, the government, and society.

2. The principle of honesty

Honesty is a principle of business ethics that is quite important because it guarantees the permanence of a business activity. Some examples of aspects of honesty in business activities include:

a. Honesty in selling or offering goods at prices that match the quality of the goods being sold or offered.

b. Honesty in company activities involves working relationships between leaders and workers.

c. Honesty in making agreements both contractual agreements, buying and selling agreements and other agreements.

3. The principle of doing good and not doing evil

Doing good (beneficence) and not doing evil (non maleficence) is a moral principle to act well with others.

4. The principle of justice

The principle of justice is a principle that requires that in a business relationship, someone treats a business, someone treats another person according to their rights.

5. The principle of respect for yourself

This principle means the principle of respecting oneself, that in carrying out business relations, humans have a moral obligation to treat themselves as individuals who have the same values.

Based on the sequence of principles above if connected with e-commerce transactions, the first principle is autonomous which is the attitude and ability of humans to act based on their own awareness, it is expected that business actors in e-commerce transactions have responsibilities

³ Sonny Keraf, 2010, *Etika Lingkungan Hidup*, Jakarta: PT Kompas Media Nusantara, hlm.71-75

based on their own awareness. Without responsibility that is not his own awareness, e-commerce transactions cannot be classified as entering the business world. This means that in e-commerce transactions this also includes the business world, where the responsibility includes responsibility for himself, company owners, consumers, the government, and society. This responsibility is one of the business ethics that must be applied by every business actor including in e-commerce transactions.

The second principle is honesty where this principle in business ethics is quite important because it guarantees the permanence of a business activity. Without honesty, a business will eventually be destroyed. Because in the business of e-commerce transactions business people do not meet directly with consumers, therefore honesty is needed in selling or offering goods at prices that match the quality of goods sold or offered.

The third principle in business ethics is beneficence and non-maleficence. Without doing business, we should do good and not do evil to anyone. Especially in a business full of competition sometimes cheating to get a big profit often forget to do good and not do evil. Though doing good and not doing evil is a moral principle to act well with others. This means that these moral principles should be inherent to everyone, because humans are created to have a conscience.

The fourth principle is the principle of justice which in the business world the right of obligation is something that must be balanced. Justice is related to rights and obligations of both business actors and consumers. Justice is a principle that requires that in a business relationship, someone treats a business is someone who treats others according to their rights. Likewise in e-commerce transactions, justice is needed to be able to conduct e-commerce transactions properly.

The last principle is the principle of respect for yourself. This principle means the principle of respecting oneself, that in carrying out business relations, humans have a moral obligation to treat themselves as individuals who have the same values. In e-commerce transactions, this principle is needed, because business people are not only people who do business but also consumers. This means that at one time this businessman was also a consumer for a different business. Therefore if the business actor stands in the position of the consumer, then this business actor should know that the position of the consumer must be respected so that all human beings basically have a moral obligation to treat themselves as individuals who have the same value.

The basic business ethics principles described above should be applied in e-commerce transactions carried out to fulfill basic consumer rights as already existed in Law Number 8 of 1999 concerning consumer protection. Consumer rights should be contained in several things that are actually desired by consumers when they want to buy a product through e-commerce, including⁴ :

1. Obtained clear information about the product to be purchased;
2. The belief that the product purchased is not harmful to both health and the safety of his soul;
3. Products purchased match according to his wishes, both in terms of quality, size, price;
4. Consumers know how to use it;
5. Guarantee that the product it buys can be useful and functioning properly;
6. Guarantee that if the item purchased is not suitable or cannot be used, the consumer will get a replacement in the form of product or money.

Provisions desired by consumers must be balanced with business actors as their obligations in e-commerce transactions. For example, if the consumer wants to get clear information about the product to be purchased, then the business actor should provide the information so that the consumer will trust and buy the item, because the fulfillment of the requirements desired by the

⁴ Sukarmi, 2008, *Cyber Law: Kontrak Elektronik Dalam Bayang-bayang Pelaku Usaha*, Bandung: Pustaka Sutra.

customer has been provided by the business actor. If this is done, the e-commerce transaction that is carried out can be said to be ethical business. This means that business actors can meet existing norms.

Ethical business is a business that takes heed to a series of noble values that come from conscience, empathy, and norms. Business can be called ethical if in managing its business, business people always use their conscience. Are the products they sell good? Has he promoted without cheating? And, has he used honest business practices? Business Ethics can be a standard and guideline for business people in carrying out their daily work based on noble, honest, transparent moral and professional attitude.

In addition there are also other opinions regarding the values of business ethics assessed by Adiwarman Karim, President Director of Karim Business Consulting, should not be violated, namely:

1. **Honesty:** Many people think business is a deceptive activity for the sake of profit. This is clearly wrong. Actually honesty is one of the keys to success in business. In fact, including an important element to survive in the midst of business competition.
2. **Justice:** Treat everyone according to their rights. For example, give wages to employees according to standards and don't be stingy giving bonuses when companies get more profits. Apply justice when determining prices, for example by not taking profits that harm consumers.
3. **Humility:** Don't do business with pride. For example, in promoting products in excessive ways, especially to drop competing products, whether through images or writing. In the end, consumers have the ability to assess the credibility of a product / service. Moreover, not a few people believe that something that looks or sounds too perfect, in fact it often proves to be bad.
4. **Sympathy:** Manage emotions. Show a friendly and sympathetic face. Not only in front of your clients or consumers, but also in front of people who support your business, such as employees, secretaries and others.
5. **Intelligence:** Intelligence or intelligence is needed to run a business strategy in accordance with applicable provisions, so as to produce adequate profits. With intelligence also a businessman is able to be aware and avoid various forms of non-ethical crimes that might be launched by his business opponents. Do it in a way that is good, better or seen as a good businessman, you do not stick to the rules that apply. Also pay attention to the norms, culture or religion where you open a business. A method that is considered good in a country or region, is not necessarily suitable and suitable for application in other countries or regions. This is important if you want the business to run without interference.

According to Von der Embse and R.A. Wagley in his article in *Advance Management Journal* (1988) entitled *Managerial Ethics Hard Decisions on Soft Criteria*, there are three basic approaches to formulating our ethical behavior⁵ :

1. **Utilitarian Approach:** every action must be based on its consequences. Therefore, in acting someone should follow ways that can provide the maximum benefit to the community, in a way that is not harmful and at the lowest cost.
2. **Individual Rights Approach:** everyone in his actions and behavior has basic rights that must be respected. However, such actions or behavior must be avoided if it is expected to cause a conflict with the rights of others.

⁵ Von der Embse dan R.A. Wagley, 1988, dalam artikelnya di *Advance Managemen Journal* yang berjudul *Managerial Ethics Hard Decisions on Soft Criteria*

3. Justice Approach: decision makers have the same position, and act fairly in providing services to customers either individually or in groups. Why does business ethics in the company feel very important now? Because to form a firm that is strong and has high competitiveness and has the ability to create high value-creation, a solid foundation is needed. Usually starting from strategic planning, good organization, a transparent procedure system supported by a reliable corporate culture and corporate ethics that is carried out consistently and consequently.

There are also a number of arguments which state that ethics is essential in carrying out business activities. Permadi and Kuswahyono expressed the following arguments⁶ :

1. Business is not only aimed at profit but needs to consider human values so that the community is also interested so that business is carried out ethically.
2. Business is carried out between one human being and another so that it requires ethics as a guideline for human decisions and activities in dealing with business with one another.
3. Business is carried out in a very tight competition so that people who compete in business still pay attention to ethical norms in an increasingly professional business climate.
4. Legality and morality are related but different from each other, because an activity that is legally accepted is not necessarily acceptable ethically.
5. Ethics must be distinguished from empirical science which is based on a phenomenon or fact that is repeated over and over, giving birth to a universally valid scientific law.
6. Specific situations that cause exceptions to ethics cannot be used as an excuse to judge business as not familiar with ethics.
7. Protests that occur everywhere indicate that there are still many people or groups of people who want the business to be carried out properly and heed the ethical norms.

Business ethics are outlined in the principles that must be considered in modern trade such as e-commerce. These principles are said according to Keraf in the book *Business Ethics: Building a Business Image as a Noble Profession*⁷ . These principles are written without forgetting the peculiarities of the value system of the developing business community, these principles which include the principle that people can act freely based on awareness of what is considered good to do. Which means, the freedom that exists is freedom that is responsible.

Business people who carry out an unethical act will provoke retaliation from consumers and the public and will be very counter-productive, for example through the boycott movement, circulating restrictions, prohibitions on operations and so on. Whereas business actors who uphold the values of business ethics, in general, include business actors who have high integrity, meaning that in carrying out their business, the business actor always considers the bad and makes the decision to do good.

E-COMMERCE BUSINESS ETHICS RELATED TO CONSUMER GIVING BUSINESS DATA STUDENTS

Ethics is basically a standard or moral that involves right, bad, bad. Ethical behavior that has been applied in e-commerce transactions creates a situation of mutual trust between consumers and business actors, which enables business continuity that indirectly increases long-term profits. Ethical behavior will prevent limited fulfillment of consumer rights and can foster mutual trust.

⁶ Permadi Iwan dan Iman Kuswahyono, 2007, *Penerapan Etika Bisnis Etnis Cina dalam Kompleksitas Persaingan Usaha : Perspektif Antropologi Hukum*, Universitas Brawijaya : Malang

⁷ A. Sonny Keraf & Mikhael Dua, 2001, *Ilmu Pengetahuan (Sebuah Tinjauan Filosofis)*, Yogyakarta: Kanisius

Ethics in doing business is absolutely done. The progress of business withdrawal depends on the business person himself. What he did with the consequences of what he would get was very clear. A businessman who upholds ethical values will get reward points for what he has done. Business progress, customer trust, ever-increasing profits, market share continues to expand, is a dream for every businessman and this will be obtained by achieving high ethical values. On the contrary, a slight ethical violation can cause the condition to turn around 180 degrees in an instant. Loss of customers, financial deficits until business closures that have suffered mounting losses are punishments of ethical violations.

Good business ethics in e-commerce transactions is associated with the provision of data which will later have an impact on consumer trust. Why the provision of data by business actors will have an impact on consumer trust, because consumers will buy goods or services through e-commerce transactions if there is complete data from business actors.

This complete data is needed because e-commerce transactions are businesses in cyberspace, meaning that businesses do not meet directly with consumers. Consumers cannot know the existence of a business actor visually where the business actor is located. Therefore data is needed to give confidence to consumers that the businessman really is.

The provision of complete data and information is to provide benefits to all parties in e-commerce transactions. Interested parties in e-commerce transactions with clear data and information regarding identity, legality and business location can benefit all parties. The following is an explanation of the benefits of identity, legality and business location to parties in e-commerce transactions.

Identity truth is required for submitting a dispute resolution application. Therefore the procedures for resolving consumer disputes, especially e-commerce, are strengthened by requests made in writing, so that they must contain the correct and complete information regarding:

- a. The full name and address of the consumer;
- b. Full name and address of business actor;
- c. Goods or services that are complained of;
- d. Proof of acquisition (receipts, receipts and other proof documents);
- e. Description of place, time and date obtained by said goods and services;
- f. Witnesses who know the goods and services are obtained;
- g. Photos of goods and service implementation activities, if any.

Weak consumer position in e-commerce transactions does not need to worry about remembering identity has become a clear legal concept in each transaction. The truth of data / information is a matter that contains legal certainty so it must be realized so that no more fraud arises. It is time for more legislation in Indonesia to be enforced again. If it is no longer possible to use conventional law, the law must follow the current developments. This can be analogous to the problem when the initial occurrence of electricity theft. The evidence that was stolen was not possible under the courtroom. Likewise with cyber crime, bandwidth theft, etc., it cannot be possible for evidence to be presented at the trial. Looking at these characteristics, it can be concluded that if a business actor does not give his identity, consumers will be difficult to be protected, because as we know in e-commerce transactions consumers and business people do not meet in the transaction process. Then consumers cannot see directly the goods being sold. Then identity truth is needed as a guarantee that the business actor will give his responsibility in carrying out the e-commerce transaction process.

Seeing the characteristics and characteristics of e-commerce transactions, business people are actually more able to optimize to be able to reap large profits. The main thing for this achievement

is to look at the management aspects of business people. In this regard, Malcolm Frank in his writing on *The Realities of Web-based Electronic Commerce* has provided seven steps to be able to succeed in e-commerce⁸ :

- a. E-Commerce must be seen as a business system and not a computer system. This means that e-commerce must be a comprehensive solution in doing business, so that the one who is taken care of is not just the technical side but also the strategy, process, organization and people.
- b. Willingness to enter e-commerce must be fully supported by top level leaders. Other languages, the top leaders are the responsible and owners of e-commerce.
- c. Making business processes must be precisely defined in order to avoid the "deification" of technology and computers as the only solution maker.
- d. Anticipating the possibility of conflicts arising from the transition to e-commerce. Such conflicts are very likely to come from third parties who feel disadvantaged by this new strategy.
- e. Anticipating the possibility of a resistance to change movement from the internal company.
- f. Must study the demographics and needs of consumers in order to provide the best service to them; and
- g. Must be prepared skilled workers in the field of information technology who understand e-commerce with all its problems, including Intranets, web, databases, security systems, related legal issues and others.

The form of consumer protection that can be provided is by providing provisions that are mandatory regarding business data / information on each transaction. The truth of data / information regarding the identity, legality and location of the business is given so that consumers believe in the business actor who offers goods / services. So that in the event of fraud, it will be easier to find or find the location of a business actor whose transaction is not good faith. And with the existence of data / information, consumers can complain about what constitutes an objection in the transaction.

Conclusion

In this very tight competition, business ethics is a fixed price, meaning its non-negotiable. In this age of openness and breadth of information, the merits of a business world can spread quickly and widely.

Positioning employees, consumers, suppliers, investors and the general public ethically and honesty is the only way to survive in today's business world. The tight business competition has caused some business people to pay less attention to ethics in business. Business ethics affects the level of trust or trust of each element in the business circle. Suppliers, companies, and consumers, are elements that influence each other. Each of these elements must maintain ethics, so that trust which is the principle of work can be maintained properly. The ethics of doing business can be done in all aspects.

Maintaining mutual trust in cooperation will greatly affect the company's reputation, both in the micro and macro scope. Of course this will not provide immediate benefits, but this is a form of long-term investment for all elements in the business circle. Therefore, ethics in doing business is very important.

⁸ Ade Maman Suherman, 2002, *Aspek Hukum Dalam Ekonomi Global*, Jakarta: Ghalia Indonesia, Hlm. 179

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