



## **The Role of Islamic Business Ethics in the International Business Competition Market**

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### **Abstract**

This study examines the role of business ethics in enhancing a company's competitiveness in the global market, considering the challenges of intense competition as well as differences in social norms, culture, and legal systems across various countries. The implementation of sound business ethics is crucial for long-term sustainability and success. Based on a literature review, the research findings indicate that companies adhering to strong ethical principles are able to build a positive image, increase consumer trust, reduce legal risks, and support social and environmental sustainability. Business ethics also serves as a differentiating factor that creates a sustainable competitive advantage in the international market. Islamic business ethics, rooted in principles of honesty, justice, and social responsibility, align with Islamic teachings, which emphasize the importance of transparency and mutual benefit. The study concludes that the consistent and adaptive application of business ethics, particularly those based on Islamic values, is essential for achieving success in global business competition.

**Keywords:** Islamic, Business, Ethics, Competitiveness, International, Markets.

### **INTRODUCTION**

Economic globalization has brought significant changes in business competition, forcing companies to not only compete in domestic markets but also in increasingly integrated international markets. This growing competition demands that companies focus not only on aspects such as price, product quality, and technological innovation but also on business ethics, which encompass social responsibility and sustainability. Business ethics has become increasingly important, especially in facing the challenges of cultural differences, regulations, and varying societal expectations across different countries (Supriyanto *et al.*, 2023).

One of the factors that make business ethics more relevant is the increasing attention from consumers to Corporate Social Responsibility (CSR) practices and sustainability. Companies that adopt high ethical principles, such as transparency, social justice, and environmental responsibility, not only gain greater trust from consumers but also create strong customer loyalty. Business ethics becomes a strategic tool that can provide competitive advantages, strengthen the company's reputation, and reduce legal risks that may arise due to non-compliance with global regulations (Benu *et al.*, 2021).

Business ethics in the Islamic context is highly relevant because the fundamental principles taught in Islam, such as honesty, justice, and social responsibility, align with the ethical values needed in international business. Islamic business ethics teaches that profits should not be achieved at the expense of others or the environment, and that every business action should bring mutual benefit. These principles not only strengthen business relationships but also support broader social and environmental sustainability.

The application of business ethics in international markets often faces challenges, especially related to cultural differences and varying regulations in each country. Companies need to develop flexible ethical policies that can adapt to local norms without compromising the fundamental principles they have established. This requires the ability to adapt to the local context while maintaining the global integrity of the company. Research shows that companies that consistently apply business ethics and emphasize Islamic values in their operations are better able to adapt to increasingly stringent regulations and high social expectations in the global market (Tyas and Supriyanto, 2022).

The importance of business ethics in achieving international competitiveness is becoming more apparent as public awareness of the negative impacts of unethical business practices grows. Companies that fail to prioritize business ethics risk losing their reputation and market share, while companies that prioritize ethics can build a positive reputation and strengthen relationships with global stakeholders. The implementation of business ethics, which not only provides financial benefits but also contributes to social and environmental sustainability, is a determining factor for long-term success in international markets.

Research by (Liu et al., 2022) in their study titled "The Impact of Corporate Ethical Responsibility on Business Performance in Global Markets" shows that companies that actively manage ethical relationships with consumers and other stakeholders, as well as implement anti-corruption and sustainability policies, can optimize their competitiveness in international markets. The study emphasizes that strong business ethics not only enhance a company's image but also provide long-term financial benefits by reducing potential litigation and reputational losses.

Research by (Devinney et al., 2020) in their study on "Ethical Decision-Making in International Business" reveals that a company's ethical decisions in international markets are often influenced by cultural norms and legal policies that vary between countries. They emphasize that in order to remain competitive in the global market, companies must understand the local and international contexts that differ, and formulate flexible ethical policies that still

adhere to uncompromising principles, such as human rights and transparency. Thus, ethics becomes not only a tool for legal compliance but also a strategy to manage the complexities and dynamics of international markets.

According to (Maignan & Ferrell, 2020), well-implemented business ethics directly impact customer loyalty and consumer trust in international markets. In their study on "Consumer Perceptions of Corporate Social Responsibility and Ethical Behavior," they found that consumers tend to prefer companies that operate with transparency and clear social responsibility, especially in countries with high social awareness. This provides a competitive advantage, as companies that are seen as ethical often have access to broader markets, especially in developed countries that emphasize social and environmental issues. Further research by (Sen et al., 2023), argues that the development of digital technology also brings new challenges in the application of business ethics. Companies must now face new issues related to data protection, user privacy, and algorithm transparency. They state that companies that can address ethical challenges related to digital technology with ethical and transparent responses will strengthen their competitiveness in international markets, especially in light of the growing focus on ethics in the use of data and artificial intelligence (AI). Another study by (Liu & Wang, 2021) reveals that business ethics also plays an important role in building strong relationships with international business partners. In their study titled "Ethics and International Business Relationships," they found that companies that implement high ethical standards have a greater chance of establishing long-term mutually beneficial partnerships, as business partners value integrity and openness in business dealings.

## **RESEARCH METHODS**

This study uses a qualitative approach with a literature review method to examine the role of business ethics in international business competition. This approach was chosen because the focus of the research is more on understanding the concepts, theories, and principles contained in existing literature, without involving the collection of numerical data or surveys. The literature review was conducted by analyzing various references from books, journal articles, research reports, and other relevant sources regarding business ethics and its impact on competition in international markets.

The literature review process involves selecting literature related to two main aspects: first, the concept of Islamic business ethics, including basic principles such as transparency, corporate social responsibility (CSR), sustainability, and social justice; second, international business competition, which includes company strategies, competitive advantages, and the challenges faced by companies when operating in various global markets. The selected sources will be analyzed critically to assess how the application of business ethics can

influence a company's reputation, relationships with consumers and business partners, as well as its performance in international markets.

## **RESULT AND DISCUSSION**

In the international business competition market, companies are not only faced with intense market competition but also with challenges such as cultural differences, legal systems, and varying social expectations. In this context, business ethics becomes a crucial pillar for companies aiming to gain sustainable competitive advantages. Business ethics refers to the moral principles and standards of behavior that guide companies to conduct their business activities honestly, fairly, and responsibly toward society and the environment. Good business ethics not only shapes the company's reputation but also builds mutually beneficial relationships with customers, partners, and other stakeholders in the international market (Putri & Yuliani, 2023).

One of the main roles of business ethics in international markets is to build and maintain the company's reputation. In the increasingly connected digital era, through the internet and social media, a company's reputation can be formed or destroyed very quickly (Dewi and Supriyanto, 2017). Consumers and business partners tend to prefer interacting with companies that have a good ethical track record. Companies committed to sustainability, responsible management of natural resources, and protection of human rights will be more trusted by global consumers. A strong reputation is crucial in international markets, as companies with good reputations can more easily build customer loyalty and increase their market share. Conversely, companies involved in scandals or unethical business practices risk losing consumer trust and suffering from financial losses and reputational damage that are hard to repair (Putri & Yuliani, 2023).

Business ethics also plays a significant role in managing risks faced by companies in international markets. Companies that adopt high ethical standards are better able to identify and avoid legal and social risks that may arise from their business activities. Regulations in each country can differ significantly, and violations of laws in one country can have a major impact on the overall reputation of the company. Ethical business practices help companies ensure they operate in accordance with the legal standards in each country they operate in. Business ethics provides a clear framework for companies to operate transparently and avoid practices that could be considered illegal or unlawful in a particular country (Supriyanto, 2021).

Companies that adhere to high ethical standards tend to be more stable and can manage risks better, as they have clear guidelines and principles that are not easily influenced by market pressures (Putri & Yuliani, 2023). Corporate Social Responsibility (CSR) is another key element of business ethics that plays a

significant role in international markets. In many global markets, particularly in developed countries, consumers are increasingly paying attention to how companies manage the social and environmental impacts of their business activities. CSR has become a very effective tool for companies to demonstrate their commitment to business ethics and social responsibility. Companies that practice authentic CSR, such as supporting educational programs, minimizing environmental impacts, or investing in community economic development, will gain appreciation from consumers and society. Furthermore, companies that are active in social and environmental initiatives tend to be more attractive to investors looking for responsible investments. In international markets where sustainability issues are increasingly a major concern, companies that fail to manage CSR well may lose their competitive edge, while companies that integrate CSR into their business strategy can gain a competitive advantage (Hazizah & Aslami, 2021).

One of the major challenges faced by companies operating in international markets is cultural and regulatory differences. Each country has its own values, social norms, and legal regulations, which often influence how companies conduct their business. In some cases, what is considered ethical and acceptable in one country can be very different in another country. Companies seeking success in international markets must have flexible policies that allow them to adapt to local norms and regulations while adhering to the basic ethical principles they uphold. This is crucial to maintaining consistency and integrity in their international business operations (Alkahfi & Nawawi, 2022).

Technological advancements, especially in terms of digitalization and data usage, present both challenges and opportunities in applying business ethics in international markets. Digital ethics concerns how companies collect, store, and use consumer data, as well as how they ensure transparency and fairness in their use of technology. Companies that manage personal data ethically, for example by safeguarding data security and ensuring consumer privacy, will earn greater trust from customers, especially in international markets that are becoming increasingly concerned with privacy issues. On the other hand, companies involved in data misuse or those who are not transparent in their use of technology can quickly damage their reputation and lose consumer loyalty (Setyo, 2011).

The consistent application of business ethics helps companies build sustainable competitive advantages in international markets. Well-applied business ethics assists companies in managing risks, building strong relationships with consumers and business partners, and differentiating themselves from competitors who may neglect social and legal responsibilities. By focusing on ethics, companies not only seek short-term profits but also strengthen their



position for the long term, ensuring they can continue to grow and compete healthily in increasingly complex international markets (Jeffrey et al., 2023).

Business ethics also significantly influences customer satisfaction. Customer satisfaction is not only related to the quality of the products or services provided but also to how companies interact with consumers and how they maintain social and environmental responsibilities. In the highly competitive international market, consumers are becoming more discerning in choosing products that not only meet their needs but also align with their personal values. Companies that consistently apply business ethics in their operations tend to build better and more lasting relationships with consumers. This not only increases customer satisfaction and loyalty but also supports the company's reputation in the long term (Hidayana & Hendra, 2023).

The implementation of business ethics is also closely related to innovation and company competitiveness. Companies that apply business ethics well tend to be more open to innovations that can provide social and environmental benefits, as well as more willing to collaborate with others who share the same values. Companies committed to sustainability will invest in research and development to create environmentally friendly products or more energy-efficient technologies. This innovation not only meets the growing market demand for environmental issues but also leads the market in creating sustainable products and services. Therefore, business ethics serves as a strong differentiating factor in international markets, providing greater competitive advantage for companies that integrate ethical values into every aspect of their operations (Suprpto et al., 2023).

## **CONCLUSION**

Based on the discussion that has been explained, it can be concluded that business ethics plays a crucial role in shaping a company's competitiveness in the international business market. Amid the increasingly complex challenges of globalization, companies that consistently apply ethical principles can gain significant competitive advantages, both in the short and long term. Business ethics not only influences a company's image and relationships with consumers, but also helps companies manage risks, maintain compliance with regulations, and build strong trust with various international stakeholders. The ethical principles taught in Islam, such as honesty, justice, and social responsibility, can strengthen a company's position in the global market. Islam emphasizes the importance of transparency and sustainability, which align with business ethics principles that can differentiate a company from its competitors and enhance its competitiveness.

Good business ethics enables companies to more easily adapt to cultural and regulatory differences in the countries where they operate, thus avoiding

potential conflicts or legal violations. From an Islamic perspective, every company is encouraged to maintain integrity and not solely focus on material profit, but also ensure that all business activities are carried out in a halal manner and in accordance with high moral principles. The application of solid and strategic business ethics based on universal Islamic values becomes a key factor for achieving success and sustainability in the increasingly dynamic and challenging international business competition.

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