

# The Contribution of Confucian Ethics toward Business Development in the Era of Industrial Revolution 4.0

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## *Abstract*

The success of Confucianism has brought changes in various aspects of life, including in the economic field. Confucianism teaches about human relationships that must have courtesy, courage, wisdom, loyalty, and trustworthiness. These teachings can be the basis for efforts to deal with business development in the era of the industrial revolution 4.0. Business conditions are full of competition, so not a few business people commit deviant acts in order to achieve personal gain. The method used in this research is descriptive qualitative method. The main data is sourced from literature studies. This research was conducted to find out how to harmonize Confucian business ethics towards business development in the era of the industrial revolution 4.0. The benefit of this research is that it can be a reference in developing business in the industrial revolution era based on the teachings of Confucian business ethics.

**Keywords:** *Confucianism, Moral, Ethics, Industrial Revolution*

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## INTRODUCTION

The development of digital technology is currently happening very rapidly and has touched all aspects of life, including the business sector. One of the important fields that is crucial and plays a role in people's lives. Meanwhile, industrial development in Indonesia is currently in the era of the industrial revolution 4.0. This

has an impact on economic growth and technological development, big data and the internet of things (IoT) must be able to reach every aspect of people's lives. This challenge is an opportunity to create a digital-based business. The steps to start a business in the current era are first product of knowledge or understanding the product to be engaged in, so it is important to deepen information related to the product entity. Second, market knowledge, understanding the market, who and how many consumers. Third, segmentation, targeting, positioning (STP) strategies are usually used in market knowledge. Fourth, Management business process knowledge, knowledge of processes in organizing business so that it can run smoothly such as the quality of human resources, operations or production, marketing, and finance (LLDIKTI, 2022). Apart from this, business ethics is also one of the keys to the success of running a business. When looking at the success stories of Chinese descendants who have business ventures, there is a philosophical foundation that has been maintained for generations, namely the teachings of Confucianism. In Confucianism, there are five ethics including Ren (humanity), Yi (truth or justice), Li (politeness or manners), Zhi (knowledge), and Xin (integrity). If these five aspects are carried out, it will give birth to virtuous attitudes such as courage, adaptability, self-confidence, discipline, strong motivation, honesty, creativity and vision.

In addition to this, Confucianism also requires a person to carry out his role and function in society and not interfere with the role and function of others. This means that a person focuses on his own business or a trader acts as a trader and cannot act as someone else. Chinese businessmen also build relationships in strengthening the family. This is reflected when a family is successful in business, parents will educate their children with virtues in the hope that the child can bring glory to the family. Family is something that must be protected, so Chinese business is a family business. Respecting ancestors is also a way that parents teach their children. So that children should not demonize the good name of their family and ancestors.

Business conditions in the current era have developed so rapidly that in an effort to develop business, a strong foundation and innovation are needed. The emergence of technological developments must be captured as an opportunity, but on the other hand there are problems that are no less important, namely many business people who leave business ethics. Business actors tend to maximize profits with digital technology in ways that are contrary to business ethics. A form of neglect of ethics in the industry 4.0 era, namely the marketing sector, is inequality, injustice, and abuse of power (Suraji, 2020).

Minimizing production costs by ignoring employee rights, lowering employee wages, ignoring social security and work safety (Kamijaya, 2021). Therefore, developing a business in the era of the industrial revolution 4.0 requires a lot of thinking and planning that is ready and does not override business ethics. Confucian business ethics provide a foundation in developing a business by not overriding rights and obligations in running a business. Researchers are interested in examining the relevance of Confucian business ethics to business development in the era of the industrial revolution 4.0. This research was conducted to find out how to harmonize Confucian business ethics towards business development in the era of the industrial revolution 4.0. The benefit of this research is that it can be a reference in developing business in the industrial revolution era based on the teachings of Confucian business ethics. In addition, it can also be a motivation for people who will develop businesses based on Confucian ethics.

## **METHODS AND RESULTS**

This research uses a qualitative approach method with a descriptive research type. Qualitative research is relevant because researchers need descriptive data in examining the problems to be studied, namely Confucian business ethics, its relevance to business in the era of the industrial revolution 4.0.

## ANALYSIS AND DISCUSSION

### 1. Confucian Philosophy

Confucianism was pioneered by Confucius and his learned men, often called Ju Chia. At the beginning of its development they offered their services to the people and officials to teach the classics, serve ceremonies and perform music. The focus of Confucianism is on ethics based on human needs, namely the need for happiness. In its teachings, the principle of reciprocity and the principle of balance also apply. This teaching was later elevated to the principle of state spirituality during the Han Dynasty, with Dong Zhongshu as the main figure. Later on, the Neo-Confucianism school emerged, which aimed to re-explore Confucian teachings and find their relevance and contribution to human life. Confucianism emphasizes its teachings to improve and balance human relations, especially in the life of society, nation and state (Lasiyo, 2011). Confucianism as the largest school of philosophy in Chinese philosophy aims to improve and balance human relations, especially in the life of society, nation and state. Confucianism has an anthropocentric character, and teaches a lot about how humans behave well, so that they can be accepted in society.

The source of Confucianism is the classical books popularized by Confucius (551-479 BCE), Mencius (371-289 BCE) and Xunzi (298-238 BCE). The classics contain sayings, rhymes, sanjaks, and poems, which contain teachings about concise and compact concepts about the occurrence of the universe and practical illustrations of events and problem solving, so it is necessary to look closely and carefully in understanding the meaning or essence of its teachings. According to Christian Jochim (1988: 6) the classics also contain examples of good governance systems that will bring about prosperity and bad governance that will bring suffering in the form of punishment or disaster.

## 2. Confucian Ethics

Confucian ethics stems from human nature that recognizes the equality of human dignity and the need for universal compassion. Ethical teachings in Confucianism are based on the teachings of Ren, so some experts often state that Confucian teachings are ethics. In Confucianism Ren is a process of the development of spiritual values (Ching, Julia, in Eber, Irene (ed) 1986:71). Ren is a sense of true humanity possessed by every human being which in Analects/Ren is a fundamental characteristic of the order of everything that exists, which will be reflected in the behavior of human actions. Ren consists of two elements, shu and Dong Zhongshu or reciprocity is the principle of reciprocity.

While chung means loyalty or loyalty to duty and humanity, so that in doing an act does not expect any reward either in the form of material or in the form of praise, which also means *sepi ing pamrih*. Before someone decides to do an action, they should first determine whether the action is feasible or not. If the action is indeed worthy of humanity then the action should be continued and vice versa if not then it should be abandoned. So doing an action is for the sake of the action itself, or because it is worthy of humanity or yi. It is further taught that the performance of ren can be beneficial if it is based on li or rules of courtesy. By practicing li in an orderly and proper manner, people will achieve an attitude of life for themselves, based on love for one another. Ren, yi, and li are manifested in real life both in social relations and in family life as filial piety, which is taught by hsiao or filial piety, that is, one should show respect and filial piety to parents who have interceded for our birth in this world, and have also provided the basics of education.

According to Confucianism, children first learn from the family environment, and that is where a child will be educated and have the ability to do good deeds. So that it can be the basis that can be further developed for humans to become Chun tzu. Furthermore, it is also taught that children's disobedience to parents is a very big sin than the sin of killing, as well as parents who are not kind to their children, or grandfather to his younger brother, or younger brother

to his older brother. Thus, according to Confucianism, before they know the wider environment they will know the family, especially parents, so that universal love should be developed based on the teachings of filial piety. Then, in one's behavior and dealings with others, one's love and respect for one's parents and the whole family should be expanded, so that humanity is basically one big family.

### 3. **Confucian Business Ethics**

The term ethics in Greek "ethicos" comes from the word "ethos" which means custom or usage. Ethics, the philosophical study of morality. The study of the concepts involved in practical reasoning: good, right, duty, obligation, virtue, freedom, rationality, and choice. The term ethics is often used interchangeably with the term morality. Moral comes from the word mos or mores which means custom or way of life. In this connection, K. Bertens argues that Ethics has three meanings, namely: First, the word ethics is used in the sense of values or moral norms that guide a person or group in regulating their behavior. In this case ethics is a value system. Second, ethics is a collection of moral principles or values or as a code of ethics, for example the Code of Ethics for Lecturers, the Medical Code of Ethics, and the Journalistic Code of Ethics. Third, ethics as the science of good and bad values. Ethics can become a science if ethical possibilities or principles and values that are considered good or bad that are simply accepted by society become material for reflection for systematic and methodical research in the field of philosophy. In other words, it can be stated that Ethics in the sense of moral philosophy is a critical, systematic, and radical exploration of human behavior related to the value of good and bad with all its aspects such as rights, obligations, freedom, and choices.

The benefits and role of ethics as stated by Franz Magnis Suseno (1987:15-18) that the argumentation about the role of ethics in today's life is among others: First, humans live in a society that is increasingly pluralistic, increasingly diverse so that directly and indirectly will affect the field of morality. Second, humans live in a

period of rapid and unlimited transformation of society. The social changes that occur in society demand a clear moral determination that is in accordance with the existing reality. Third, the process of socio-cultural change that occurs and the morals experienced are used by various parties. Fourth, ethics is needed by religious people to find a basis for stability in faith and to participate without fear or closure in all dimensions of life that are always changing. Ethics is the philosophical study of morality.

Bertens (1997:86) states that humans relate to each other both as individuals and as members of society. As a person he has his own rights while as a member of society the goal is the interests and welfare of society as a form of decision that can make each member of society ask for things that are part or right. Furthermore, it is also stated that if the part or right has been received, it becomes personal property. Sonny Keraf (1998: 74-80) in his book *Business Ethics* states that Business Ethics is Applied Ethics, which has several principles including: the principle of autonomy, the principle of honesty, the principle of justice, the principle of mutual benefit principle and the principle of moral integrity. Business ethics is a science that discusses ways to conduct business activities, which cover all aspects and are related to the activities of individuals, groups, companies and industries. Business ethics is an applied ethics of ethical principles in general in the field of business, so it must pay attention to the values that apply in society. Business is closely related to trade or commerce, especially with the purchase and sale of goods. To find a social, political and economic system conducive to ethical business practices, a market economy and the role of government are needed, (Sonny Keraf, 1998: 221).

The main motive in business activities is to seek profit or profit, even business activities are honorable and can be proud of. This condition gives birth to egoism, an attitude that is not good from a moral point of view. A good attitude is altruism, which is a view that prioritizes the interests of others. (Darsono Prawironegarao, 2010: 87). Adam Smith as quoted by Darsono Prawironegoro (2010) explains that business activities should not

harm other people; business activities must benefit both parties, business must be ethical and moral, business must pay attention to moral signs; business requires ethics. A true and good businessman must have ethics. Business ethics is an applied ethics that discusses the procedures for conducting business activities both covering: individuals, companies, industries and society, so that justice can be realized, based on conscience and in accordance with applicable rules. Business ethics can raise the moral awareness of business people to carry out their business activities properly and fairly. K Bertens in his book *Ethics* states that business ethics is the study of the moral aspects of economic and business activities. Business ethics can be carried out at three levels macro, meso, and micro.

Business morals are good actions to obtain profits, meaning that in obtaining profits it must not harm employees, customers, suppliers, creditors, society and government. Moral businessmen in obtaining profits by giving decent rewards to their employees, providing good service to their customers, fostering suppliers, establishing good relations with creditors by paying interest and debt installments on time, protecting the physical and cultural environment of the community, paying taxes honestly to the government, and carrying out social responsibility, (Darsono Prawironegoro, 2010: 89). Furthermore, it is stated that a moral businessman will be able to carry out his profession well because his existence is respected by stakeholders, which is realized through the active participation of all stakeholders in his business activities. Business must be ethical and moral, because business is influenced by cultural values, and business profits are obtained from people who have purchasing power. Business ethics includes activities (Darsono Prawironegoro, 2010: 93), among others: (a) Application of ethical theory to practice, testing theory with practice (b) Corporate social responsibility, business stakeholders are part of society (c) Application of the economic system, business actions are part of the economic system (d) Application of organizational theory, business organizations are part of social organizations.

The entrepreneurial attitude of ethnic Chinese is encouraged by the teachings of Confucianism, (Sudiarja, 1996) and the values of hopeng (achieving small profits in order to realize wider profits), hong sui (cooperation between trading relationships), and hokie (luck is determined by one's fate). Chinese business ethics are heavily based on the teachings of Confucianism, especially the teachings of yi (justice) and li (profit).

Confucian maintains that the entire complex of moral convention is the cement of society. Convention can be differentiated into five major areas of importance, i.e: Hierarchy, Collectivism, Face protection, Respect to tradition or age, and Egalitarianism.

Confucianism came into existence in order to provide a particular ruler with a basic theory of how to govern a troubled nation. Confucianism maintains that only a distinct hierarchy, in which each lower level gives obedience to higher level, can guarantee the steadiness of a country and ultimately safeguard the power of a particular ruler. Confucianism use family hierarchy to support social hierarchy. Confucius use term li to represent a comprehensive range of social obligations imposed by the highest order to courtesy and moral duty, which was tested against a range of discrete relationships (Yuan, 1998: 20-21).

In principle there are five human relationships (wu lun) Emperor (kindness)-Subject (loyalty), Father (protection, consideration)-Son (respect and obedience), Husband (obligation)-Wife (submission), Older Brother (care)-(Younger brother (modeling subject) and finally Friend or Friendships (Trust).

According to Confucianism, in order to realize the hierarchical system, society needs to be organized based on ethical norms such as:

1. Loyalty (zhong)
2. Piety (xiao)
3. Kindness (ren)
4. Obligation (yi)
5. Code of hierarchy (li)

Li (code of hierarchy) is the main element in the concept of human relations. Every person should understand his or her status in society. The upper class usually demands that the lower class be loyal to them. On the other hand, the lower class expects the upper class to behave well and be responsible for loyalty. Almost all Confucian principles are based on hierarchy. Respect and follow traditions, everyone heeds the prevailing norms and values and everyone should be sensitive to his hierarchy and status. The sources of China's work ethic are: culture, nationalism, and pragmatism. Confucianism as a culture and philosophy that has a pragmatic nature inspires leniency in business especially in trade, as well as pragmatic nationalism with the demonstration of effective policies that are not necessarily consistent with the state ideology, which is currently embraced by the Chinese government. Chinese business ethics are heavily based on the teachings of Confucianism.

It is argued that pragmatic nationalism is a middle ground between traditional Confucianism and the modern world. Confucianism made a major contribution to Chinese tradition and culture, Confucianism teaches that state power is directed at realizing social stability. Agriculture is believed to be a solid foundation for the realization of social stability, while business activities, especially trade, can make things unstable. Transactions in trade can only be for personal gain, not general welfare. In the history of Chinese philosophy and culture, there was initially very little appreciation of the principle of commons. According to Yuan Wang (1988:27,) that Confucianism emphasizes that a moral person should be concerned with righteousness and benevolence rather than with benefits. Clearly in the past Confucian culture has had a low regard for business in general. This can be examined from the structure of traditional Chinese society which is based on social value relationships. In Confucian times, there were four social classes, namely Officials and scientists, Farmers, Laborers, and Merchants. Merchants in the Confucian tradition were called hsiao ren (xiqo re; mean man). Yuan Wang wrote that:

“Confucianism stress that the “ superior man” understands righteousness (yi), whereas the “miserable man merely comprehends benefits (li). A descent person focuses on kindness, while a base one focuses on personel profits or interests. This does not mean that Confucianism has not accommodated business into its moral code. In practice the purpose of commerce in China was to be found in the longterm enrichment and subsequent preservation of the family unit”.

Li needs to be implemented in life and in establishing harmonious social relationships. Confucianism teaches wu lun or five social relationships, namely the relationship between king and minister, father and son, brother and sister, husband and wife, and between friends. To maintain the harmony of life, it is necessary to be based on love. Furthermore, it is also explained that family life is the smallest social unit that must strive for mutual love and respect in order to achieve harmony and happiness in life. In relation to business and trade, according to Confucianism, it also needs to start with the smallest unit, namely the family. This is one phenomenon that can be observed that China today is successful in the economic field because the economy is based on the family economy.

#### **4. Confucian Ethics as the Philosophical Foundation of Business in the Era of Industrial Revolution 4.0**

Industry 4.0 is a revolutionary idea that emerged in the current era, all processes in this era are carried out with an automated system, the development of the internet is increasingly rapid and has become the basis for economic transaction processes throughout the world. The industrial revolution 4.0 is a fundamental change in the way people live and work. Digital technology is integrated into the real world, and has an impact on human life. The presence of the business model revolution in the industrial era 4.0 provides solutions to the problems faced by society. In addition, the emergence of technological developments encourages humans not to be satisfied with the results they achieve

so that they will continue to strive for innovation. The rapid development of information technology occurs in an automated manner, giving rise to challenges related to information technology security issues, production machine stability constraints, lack of skills, inability to change, and loss of some jobs because they are replaced by machines (Sangaji, 2019).

Business processes in the era of the industrial revolution 4.0 have placed digital technology as a human-created technology that indirectly shifts moral and ethical values for the achievement of business goals. Ethics and morality in the era of the industrial revolution 4.0 must be prioritized, with the hope that business people can understand and distinguish between morality and ethics. Morality is a value system about how a person should act and live as a human being. In contrast to ethics, which is a critical and rational reflection on moral values and norms that are manifested in human attitudes and behaviors, whether carried out personally or in groups (Anggraini, 2013). Ethics provides guidance for humans on how to live their daily lives. This means that ethics helps humans in taking the right attitudes and actions in living life. In the conditions of the development of the industrial revolution 4.0, an entrepreneur is faced with a dilemma, namely the choice of doing business with a profit orientation or doing business based on business ethics.

Adherents of the Confucian work ethic believe in the value of hard work, loyalty to the organization, frugality, dedication, social harmony, love of education and wisdom and care for modesty. Confucius also realized that to build an advanced national civilization, sacrifices must be made. A business owner or a boss is expected to have a *ren* (virtue) attitude that can be reflected through attitudes and behaviors towards others (Efferin, 2019). In addition, the Confucian community also considers that business is a source of family livelihood. So that in running a business, they will apply discipline, promise, honesty, trustworthiness and openness to change (Joesoef, 1996). Confucian ethical teachings can also be a foundation in efforts to develop business in the era of the industrial

revolution 4.0 considering that technological sophistication must also be balanced with humanitarian harmony. This is expected to make business in the era of the industrial revolution 4.0 not leave human values. Confucian ethics are also based on yi (justice) and li (profit). In addition, Confucian business ethics views that if someone starts a business, it needs to start from the smallest unit, so it is not surprising that businesses that develop in Chinese society are based on the family economy. In developing business in the era of the industrial revolution 4.0, it is necessary to be based on hierarchy, namely respecting and following traditions, mutual respect and love. Business development in the industrial revolution era focuses on the collaboration between technology and the electronic world, so that everything runs quickly. This has the potential to override human aspects in the pursuit of profit. Therefore, it is important to develop business based on Confucian business ethics.

## CONCLUSION

Business ethics is an applied ethics that discusses the procedures for conducting business activities both covering: individuals, companies, industries and society, so that justice can be realized, based on conscience and in accordance with applicable rules. Business ethics can raise the moral awareness of business people to carry out their business activities properly and fairly. Business ethics is a habit or moral culture concerning business activities that is adopted and passed down in a company from one generation to another.

The industrial revolution 4.0 has great potential but also poses challenges, thus demanding skills and abilities in dealing with it. Business people in the era of the industrial revolution 4.0 are faced with a dilemma between doing business by seeking maximum profit but ignoring the principles of business ethics. Many business people have abandoned ethics by ignoring the rights that employees must receive. Through Confucian business ethics, the relationship between business and trade starts with the smallest unit, the family.

This is one phenomenon that can be observed that China today is successful in the economic field because, the economy is based on the family economy. In addition, Confucian ethics contributes to building and strengthening the principles of business ethics based on humanism with the aim of strengthening the existence of the state. Relevant to business in the era of the industrial revolution 4.0, which is all done by automation, it must be based on humanity, so that the role of humans is not replaced by machine automation.

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