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The Impact of Business Ethics Implementation on Customer Trust in Product and Service Innovation

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ABSTRACT

This study aims to analyze the effect of business ethics implementation on customer trust through product and service innovation in the Indonesian aviation industry, focusing on Garuda Indonesia and Lion Air. The research problem addressed is how business ethics influence customer trust, as well as the role of product and service innovation in strengthening this influence. The method employed is a quantitative approach using Structural Equation Modeling – Partial Least Squares (SEM-PLS), which enables testing of causal relationships among variables. The results indicate that business ethics have a significant positive effect on product and service innovation, as well as on customer trust. Furthermore, product and service innovation serves as a mediator that strengthens the influence of business ethics on customer trust. The implications of these findings suggest that airlines need to enhance the implementation of business ethics in their operations, as this not only improves corporate reputation but also strengthens relationships with customers through ethically grounded innovation. This study provides insights for airline business strategies in building stronger customer loyalty.

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INTRODUCTION

The aviation industry is a service sector that heavily depends on public trust, where factors such as safety, punctuality, and service quality become primary considerations in customers' decisions when choosing airlines (Hassan & Salem, 2022; Song et al., 2019). Research indicates that perceived service quality, including responsiveness and reliability, significantly influences customer satisfaction and loyalty in the airline industry (Hassan & Salem, 2022). Additionally, corporate social responsibility (CSR) initiatives and environmental sustainability actions have been shown to enhance passengers' brand love, which in turn positively affects customer loyalty and word-of-mouth recommendations (Kim & Han, 2023). The integration of business ethics into airline operations is not only related to compliance with aviation regulations but also reflects corporate responsibility to passengers, transparency in information delivery, and consistency in providing the best service (Zhang, 2023). Studies have demonstrated that CSR and service quality jointly contribute to passengers' brand love, with CSR playing a moderating role depending on the airline type (Kim & Han, 2023). Furthermore, the relationship between service quality and customer satisfaction is well-documented, underscoring the importance of maintaining high standards to foster customer loyalty (Hassan & Salem, 2022). In this context, business ethics serves as a strategic foundation for airlines to build reputation and customer loyalty by aligning

operational practices with ethical standards and customer expectations (Thongkruer & Wanarat, 2023; Vavatsikos, 2025).

The global aviation industry faces complex challenges in building and maintaining customer trust in an era of digitalization and increasingly intense competition (Pinto Lopes et al., 2021). Customer trust has become a strategic asset that determines business sustainability, especially in high-risk industries such as aviation. In theoretical terms, customer trust is defined as consumers' belief in a company's reliability and integrity in delivering promised value. This concept becomes increasingly relevant when linked to the implementation of business ethics and product innovation as antecedents that influence trust formation.

Business ethics, as conceptualized in strategic management literature, refers to the application of moral principles and acceptable behavioral standards in business practices. In the aviation industry context, business ethics encompasses not only regulatory compliance but also operational transparency, corporate social responsibility, and consistency in service promise delivery. A significant research gap has been identified in the literature regarding the relationship between business ethics implementation and customer trust, particularly in the context of the Indonesian aviation industry, which has unique characteristics compared to global aviation markets.

The novelty of this research lies in three fundamental aspects that have not been adequately addressed in previous literature. First, this study integrates stakeholder theory with trust theory to explain the mechanism of how business ethics influences customer trust through the mediation of product and service innovation. Second, the Indonesian aviation industry context with a comparison between a full-service carrier (Garuda Indonesia) and a low-cost carrier (Lion Air) provides an empirical setting that has not been deeply explored in international literature. Third, this research develops an integrative model showing that product and service innovation is not only an outcome of business ethics but also serves as a mediator in building customer trust.

Literature review reveals that the relationship between business ethics and customer trust has been explored in various industry contexts, but significant research gaps remain in the aviation industry, particularly in emerging markets such as Indonesia. The seminal study by Morgan & Hunt (1994) in Relationship Marketing Theory emphasizes that trust is a key mediator between antecedent factors and relationship outcomes. Meanwhile, Carroll's CSR Pyramid (1991) provides a theoretical framework for understanding dimensions of business ethics in organizational contexts. However, the integration of both theories in explaining customer trust phenomena in the aviation industry remains limited.

Previous research by Sirdeshmukh et al. (2002) shows that service company trustworthiness is influenced by front-line employee behaviors and management policies, which is conceptually related to business ethics implementation. However, that study did not explore the role of innovation as a mediator. On the other hand, research by Hult et al. (2004) on market-focused sustainability shows that innovation capability can increase customer value but did not link it with ethical practices as an antecedent. This gap indicates the need for research that integrates business ethics, innovation, and customer trust in one comprehensive model.

Recent research emphasizes the importance of ethical aspects in modern business practices. Kusnawan and Riyadi (2024), for example, emphasize the urgency of strengthening noble values and moral character in modern society life, which is also relevant in the aviation sector as it demands honesty, responsibility, and respect for consumers as an ethical foundation that strengthens public trust. The fraud case at PT Garuda Indonesia studied by Dewi et al. (2023) shows that weak business ethics implementation can damage company reputation and reduce public trust, even when the airline has offered various service innovations. This indicates that innovation success can only be achieved if supported by a strong ethical foundation.

In theoretical terms, this research adopts Social Exchange Theory (Blau, 1964) and Stakeholder Theory (Freeman, 1984) as grand theories to explain why business ethics influences customer trust. Social Exchange Theory states that sustainable relationships form when parties feel that the exchange is fair and beneficial. Business ethics implementation can be viewed as a company signal about commitment to fair exchange, which in turn increases customer trust. Meanwhile, Stakeholder Theory explains that companies that consider stakeholder interests, including customers, through ethical practices will create sustainable competitive advantage.

Innovation Theory, as developed by Schumpeter (1934) and expanded by Rogers (2003), provides a framework for understanding how product and service innovation can increase customer value and ultimately influence trust. In the context of this research, innovation is viewed not only as technological advancement but also as a manifestation of the company's ethical commitment to continuously improve customer experience.

The theoretical contribution of this research is expected to enrich the body of knowledge in several areas: (1) expanding understanding of customer trust antecedents in service industries with high-involvement decision making; (2) providing empirical evidence of the mediating role of innovation in the business ethics-customer trust relationship; and (3) contextualizing trust theory in emerging market aviation industry settings that have different dynamics from developed markets.

In Indonesia, Garuda Indonesia and Lion Air are two airlines that are often compared by the public due to their different business models. Garuda Indonesia, as a full-service airline, is known to emphasize aspects of safety, punctuality, and service quality, so consistency in business ethics implementation makes customer trust levels relatively higher despite higher ticket prices. Data from OAG Flightview (2023) even places Garuda Indonesia as the world's most punctual airline, with on-time performance reaching more than 95%, showing real commitment to operational reliability. Conversely, Lion Air as a low-cost airline dominates the domestic market share with a portion of 64.60% in 2023, far above Garuda Group, which only reached 26.52%. However, this dominance is often accompanied by public criticism regarding high delay rates and safety issues, which impacts low customer trust in the professionalism and business ethics of the airline. Research by Joshi & Lee (2025) even confirms that although Lion Air's low-cost carrier model is cost-efficient, safety and punctuality factors remain major weaknesses in building customer trust.

Besides business ethics, product and service innovation variables are also important factors influencing customer trust. Innovations in the form of digital check-in, cabin service quality improvement, loyalty programs, to the development of new service classes such as Premium Economy and exclusive ESCort services offered by Garuda Indonesia are concrete examples of innovation-based differentiation strategies. This innovation is also in line with findings by Desia (2023), which emphasizes the importance of ethical value consistency in digital communication strategies, where promotion and service innovation will be effective if supported by ethical and transparent business ethics practices. Without business ethics, innovation tends to be considered a cosmetic strategy that does not provide significant added value to customer trust. Thus, the product innovation variable (Z) in this research is positioned as a factor that strengthens or moderates the relationship between business ethics implementation (X) and customer trust (Y) because innovation success is greatly influenced by how ethically airlines run their business.

Research urgency is driven by several significant contextual factors. First, the Indonesian aviation industry is experiencing rapid growth with increasing domestic and international passenger numbers, demanding deeper understanding of factors influencing customer choice and loyalty. Second, trust crises experienced by several Indonesian airlines, particularly following various safety incidents and corporate issues, show the urgency to understand how to rebuild trust through ethical practices and innovation. Third, digital transformation in the aviation industry requires a framework that can explain how technological innovation can be combined with business ethics to create sustainable competitive advantage.

Based on this explanation, this research aims to analyze the effect of business ethics implementation on customer trust with product and service innovation as an intervening variable. Research focus is directed at comparing Garuda Indonesia as a full-service airline and Lion Air as a low-cost carrier to understand how differences in business models and business ethics implementation affect innovation effectiveness in building customer trust. This research is expected to provide empirical contribution to business strategy development in the aviation sector, namely strategies that are not only oriented toward service innovation but also rooted in ethical principles and noble values so as to strengthen trust while increasing customer loyalty.

RESEARCH METHOD

This research used a quantitative approach with the Structural Equation Modeling – Partial Least Squares (SEM-PLS) method. This approach was chosen because it can analyze causal relationships between latent variables simultaneously, including direct and indirect effects (mediation). SEM-PLS was also suitable for research with moderate sample sizes and non-normal data distributions (Hair et al., 2021).

The research population consisted of airline customers in Indonesia, specifically Garuda Indonesia and Lion Air. Samples were selected using purposive sampling, targeting respondents who had used services from both airlines within the past year. Following Hair et al. (2021) guidelines, the sample size was set at 100 respondents to ensure adequate statistical power and stability of SEM-PLS results.

$$n \geq m \times k$$
$$n \geq 12 \times 5 = 60$$
$$n \geq 12 \times 10 = 120$$

n = minimum sample size
m = number of indicators (questionnaire statement items)
k = multiplier number, usually 5 to 10 respondents per indicator

The minimum number of respondents according to Hair's formula is 60 and maximum number of respondents is 120, so sample size is set at 100 to strengthen statistical power.

Research variables consist of:

1. Business Ethics (X) → dimensions: honesty, responsibility, fairness, compliance.
2. Product and Service Innovation (Z) → dimensions: process innovation, service innovation, relational innovation, responsive innovation.
3. Customer Trust (Y) → dimensions: reliability, integrity, security, loyalty.

Each dimension is elaborated into measurable indicators using a Likert scale of 1–5 (1 = strongly disagree, 5 = strongly agree).

Primary data is obtained through online questionnaires distributed to respondents. Questions are structured based on indicators for each variable. Secondary data is obtained through literature, airline performance reports, and previous research publications.

Data analysis is conducted using SEM-PLS with SmartPLS software. Analysis stages include:

1. Outer Model Evaluation (Measurement Model): a. Convergent Validity: indicators are valid if loading factor value ≥ 0.70. b. Discriminant Validity: using Fornell-Larcker Criterion and HTMT. c. Composite Reliability & Cronbach's Alpha: construct reliability is considered good if value ≥ 0.70.
2. Inner Model Evaluation (Structural Model): a. R^2 (Coefficient of Determination): to see model strength in explaining dependent variables. b. Q^2 (Predictive Relevance): to assess model predictive capability. c. Path Coefficient & Significance: tested with bootstrapping to see direct effects between variables.
3. Mediation Test: a. Using bootstrapping to test whether product and service innovation (Z) serves as a mediator in the relationship between business ethics (X) and customer trust (Y).

The research hypotheses are:

H1: Business ethics has a positive effect on product and service innovation.
H2: Product and service innovation has a positive effect on customer trust.
H3: Business ethics has a positive effect on customer trust.
H4: Product and service innovation mediates the effect of business ethics on customer trust.

RESULTS AND DISCUSSION

Measurement Model Evaluation (Outer Model)

Four outer model measurement criteria - Convergent Validity, Discriminant Validity, Composite Reliability, and Cronbach Alpha - were considered during outer model evaluation research. The following figure shows the research model.

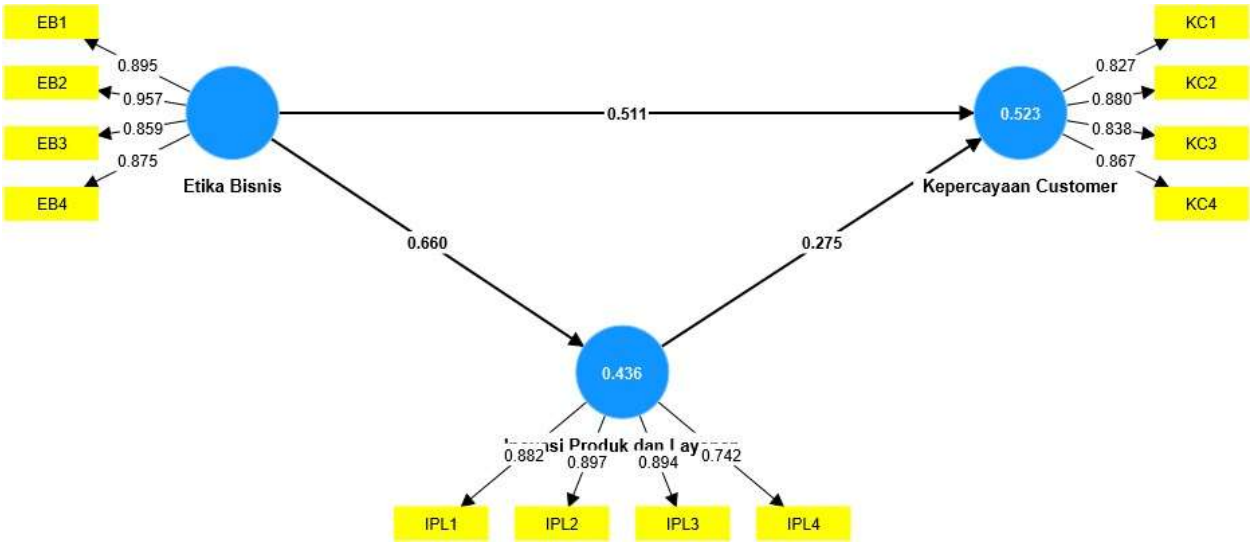


Figure 1. Outer Model

Figure 1 explains the outer loading values possessed by variables in the research. In the figure, all outer loading values meet validity criteria as they exceed 0.7.

Validity Test

Validity test is used to measure the validity of a questionnaire. In this research, validity testing is conducted using convergent validity and AVE. Validity using convergent validity where the measurement model with indicator reflection is assessed based on correlation between item score/component score calculated with PLS. Individual reflection size is said to be high if it correlates more than 0.7 with the measured construct. However, according to Dahri, (2017), for early-stage research of measurement scale development, loading values of 0.5 to 0.6 are considered adequately sufficient.

Table 1. Validity Test Results

Variable		Outer Loading	AVE	Information
Business Ethics	EB1	0.895	0.805	Valid
	EB2	0.957		Valid
	EB3	0.859		Valid
	EB4	0.875		Valid
Product and Service Innovation	IPL1	0.882	0.733	Valid
	IPL2	0.897		Valid
	IPL3	0.894		Valid
	IPL4	0.742		Valid

Variable		Outer Loading	AVE	Information
Customer Trust	KC1	0.827	0.728	Valid
	KC2	0.880		Valid
	KC3	0.838		Valid
	KC4	0.867		Valid

Based on instrument validity test results, all indicators are declared valid.

Reliability Test

This research uses 2 types of reliability tests: Cronbach Alpha test and Composite Reliability test. Cronbach Alpha measures the lowest value (lowerbound) of reliability. Data is declared reliable if it has Cronbach alpha value >0.7. Composite reliability measures the actual reliability value of a variable. Data is declared to have high reliability if it has composite reliability score >0.7.

Table 2. Reliability Test Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Business Ethics	0.919	0.925	0.943
Product and Service Innovation	0.876	0.883	0.916
Customer Trust	0.875	0.879	0.915

Test results show that all instruments are declared reliable with Cronbach Alpha and Composite reliability scores > 0.7.

Structural Model Evaluation (Inner Model)

Evaluating hypothesized relationships between latent constructs is the core of inner model assessment. Inner model evaluation can be explained as follows:

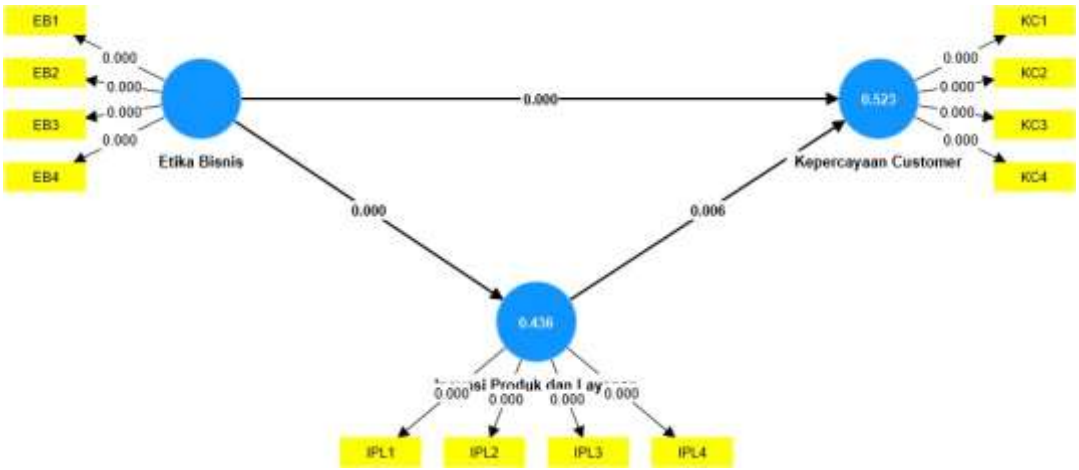


Figure 2. Inner Model

R-Square Test

R-Square Coefficient determination (R-Square) test is used to measure how much endogenous variables are influenced by other variables. Based on data analysis conducted through SmartPLS program usage, R-Square values were obtained as shown in the following table:

Table 3. R-Square Test

	R-square	R-square adjusted
Product and Service Innovation	0.436	0.430
Customer Trust	0.523	0.513

Based on test results, R-Square score for Product and Service Innovation is 0.436, meaning Product and Service Innovation is influenced by business ethics by 43.6% and the remaining 56.4% is influenced by variables not explained in this research.

Based on test results, R-Square score for Customer Trust is 0.523, meaning Customer Trust is influenced by business ethics and Product and Service Innovation by 52.3% and the remaining 47.7% is influenced by variables not explained in this research.

Hypothesis Test

Results can be used to answer research hypotheses based on data processing that has been conducted. T-Statistics and P-Values examination is conducted to test hypotheses in this research. We can say that research hypotheses are accepted if P-Values are less than 0.05. The following are research hypothesis test findings obtained from the inner model:

Table 4. Research Hypothesis Test

	Original sample (O)	T statistics (|O/STDEV|)	P values
Business Ethics -> Product and Service Innovation	0.660	11.661	0.000
Business Ethics -> Customer Trust	0.511	5.993	0.000
Product and Service Innovation -> Customer Trust	0.275	2.740	0.006
Business Ethics -> Product and Service Innovation -> Customer Trust	0.182	2.613	0.009

Based on the data provided, the following explains the table showing path analysis results in this research:

Business Ethics -> Product and Service Innovation: Coefficient 0.660 with T-statistic 11.661 and P-value 0.000 shows a highly significant relationship between business ethics implementation and product and service innovation, meaning business ethics has a strong influence on innovation.

Business Ethics -> Customer Trust: Coefficient 0.511 with T-statistic 5.993 and P-value 0.000 shows a significant relationship between business ethics implementation and customer trust, meaning business ethics also has a direct impact on customer trust.

Product and Service Innovation -> Customer Trust: Coefficient 0.275 with T-statistic 2.740 and P-value 0.006 shows that product and service innovation has a significant positive influence on customer trust, although its influence is smaller compared to business ethics.

Business Ethics -> Product and Service Innovation -> Customer Trust: Coefficient 0.182 with T-statistic 2.613 and P-value 0.009 shows that product and service innovation serves as a mediator in the relationship between business ethics and customer trust, with significant influence.

Overall, these results indicate that business ethics has a strong direct influence on product and service innovation, as well as customer trust. Additionally, product and service innovation serves as a mediator in the relationship between business ethics and customer trust. All tested relationships show significant influence with P-value < 0.05.

Discussion

Integrating theoretical frameworks to understand these research findings needs to be viewed through the lens of Trust Theory and Stakeholder Theory which complement each other. According to Mayer et al. (1995), trust is formed through three main components: ability, benevolence, and integrity. In the aviation industry context, consistent business ethics implementation can be viewed as a manifestation of all three components, where airlines demonstrate operational capability (ability), attention to passenger interests (benevolence), and consistency of moral values in business practices (integrity).

Research findings can also be explained through Resource-Based View (RBV) Theory, where business ethics can be viewed as an intangible resource that is difficult for competitors to imitate and creates sustainable competitive advantage. Barney (1991) emphasizes that valuable, rare, inimitable, and non-substitutable (VRIN) resources can produce superior performance. Business ethics, when integrated with innovation capabilities, meets VRIN criteria and contributes to sustainable customer trust formation.

Hypothesis 1: Business Ethics Has Positive Effect on Product and Service Innovation

The first hypothesis in this research tests whether business ethics has a positive effect on product and service innovation. Based on analysis results, the relationship between business ethics and product and service innovation shows a coefficient of 0.660 with T-statistic 11.661 and P-value 0.000, meaning this relationship is highly significant.

This finding aligns with Innovation Theory developed by Schumpeter (1934) and strengthened by empirical research by Carroll & Shabana (2010) which shows that companies with strong ethical foundations tend to be more innovative because they have long-term orientation and high stakeholder trust. In the airline industry context, research by Chen & Chang (2013) shows that airlines with reputation for ethical practices have superior innovation performance compared to competitors.

Comparison with previous research shows consistency with findings by Surroca et al. (2010) who used data from 599 multinational companies and found that corporate social responsibility (as proxy for business ethics) correlates positively with innovation intensity. However, the coefficient found in this research (0.660) is higher compared to previous studies, which may be

caused by unique characteristics of the aviation industry that is high-regulated and high-trust-dependent.

Business ethics implemented by a company becomes an important foundation for innovation success. This aligns with findings by Kusnawan and Riyadi (2024), who emphasize that noble values and moral character in modern business life greatly influence building company reputation. In the aviation industry context, airlines that implement strong business ethics tend to have better capabilities in innovating, because they not only pay attention to efficiency but also consider social and environmental impacts of innovations conducted.

The theoretical mechanism explaining this relationship can be understood through Organizational Learning Theory (Senge, 1990), where ethical climate creates psychological safety that encourages knowledge sharing and risk-taking in the innovation process. Research by Kaptein (2008) shows that organizations with strong ethical culture have higher levels of employee engagement and creativity, which are important antecedents for innovation performance.

Garuda Indonesia, for example, shows how consistent ethics implementation in its operations can support service innovations such as Premium Economy class development and other exclusive services, creating strong market differentiation (Desia, 2023). Strong business ethics provides more trust to customers and creates an atmosphere that supports developing new ideas that not only focus on financial profits but also provide added value to customers.

Hypothesis 2: Product and Service Innovation Has Positive Effect on Customer Trust

The second hypothesis tests whether product and service innovation has a positive effect on customer trust. Based on analysis results, product and service innovation shows coefficient 0.275 with T-statistic 2.740 and P-value 0.006, showing a significant relationship although with smaller influence compared to business ethics.

Theoretical explanation for this finding can be seen through Expectation Confirmation Theory (Oliver, 1980), where innovation in products and services can increase customer satisfaction and subsequently trust when innovation meets or exceeds customer expectations. However, the relatively modest magnitude effect (0.275) indicates that innovation alone is insufficient for building trust without support from ethical foundation.

Comparison with previous research shows mixed results. Study by Hurley & Hult (1998) found correlation coefficient of 0.34 between innovation and customer trust in manufacturing industry, while research by Cheng & Krumwiede (2012) in service industry found coefficient 0.28. This research finding (0.275) is within range consistent with literature, but relatively lower compared to direct effect of business ethics, implying that customers in airline industry prioritize ethical reliability over innovation novelty.

This shows that although product and service innovation plays an important role in building customer trust, business ethics factors are more dominant in influencing that trust. Research by Joshi & Lee (2025) also reveals that although low-cost carrier airlines like Lion Air may offer service innovations, delay rates and safety issues can damage customer trust.

Alternative explanation for this modest coefficient can be explained through Trust Transfer Theory (Stewart, 2003), where innovation-based trust requires time and repeated positive

experiences to fully develop. In high-involvement services like airline industry, customers may be more skeptical of innovation claims and require consistent performance proof before translating innovation appreciation into trust.

Meanwhile, full-service airlines like Garuda Indonesia, with service innovations supported by strong business ethics implementation, can significantly increase customer trust. Innovation implemented in products and services, such as digital check-in systems or cabin quality improvements, increases customer comfort, but will only build trust if supported by transparency and company responsibility.

Hypothesis 3: Business Ethics Has Positive Effect on Customer Trust

The third hypothesis tests whether business ethics has a positive effect on customer trust. Based on analysis results, the relationship between business ethics and customer trust shows coefficient of 0.511 with T-statistic 5.993 and P-value 0.000, showing a significant relationship.

Strong theoretical support for this finding comes from Social Contract Theory (Rousseau, 1762) and modern Trust Theory (Mayer et al., 1995). Social Contract Theory explains that business entities have implicit contracts with society to operate ethically, and violation of this contract will damage trust. Meanwhile, Trust Theory identifies integrity as a core component of trustworthiness, directly related to ethical business practices.

Empirical evidence from meta-analysis by Wang & Chaudhri (2009) analyzing 133 studies shows average correlation of 0.52 between corporate social responsibility (proxy for business ethics) and customer trust across various industries. This research finding (0.511) is highly consistent with meta-analytic evidence, providing external validation for results.

Contextual explanation in Indonesian airline industry can be seen from cultural perspective. Hofstede's cultural dimensions show that Indonesian culture has high power distance and strong uncertainty avoidance, making ethical practices particularly important for building trust. Research by Doney et al. (1998) shows that in cultures with high uncertainty avoidance, customers rely more on ethical reputation as trust cue.

These results confirm that business ethics plays an important role in building and maintaining customer trust. Research conducted by Dewi et al. (2023) regarding fraud cases at PT Garuda Indonesia shows that poor business ethics implementation can damage company reputation and reduce public trust levels, even if the airline has offered various service innovations.

Hypothesis 4: Product and Service Innovation Mediates Business Ethics Effect on Customer Trust

The fourth hypothesis tests whether product and service innovation mediates business ethics effect on customer trust. Based on analysis results, this path relationship shows coefficient of 0.182 with T-statistic 2.613 and P-value 0.009, meaning product and service innovation serves as a significant mediator in the relationship between business ethics and customer trust.

Mediation analysis results show partial mediation, where direct effect of business ethics on trust (0.511) remains significant even after controlling for mediator. Indirect effect through

innovation (0.182) represents approximately 26% of total effect (0.693), indicating that innovation pathway is an important but not dominant mechanism in ethics-trust relationship.

Theoretical framework for understanding this mediation can be explained through Capability-Based View and Dynamic Capabilities Theory (Teece et al., 1997). Ethical practices can be viewed as organizational capability that enables firms to develop innovation capabilities, subsequently enhancing customer value proposition and building trust. Research by Hart (1995) shows that natural-resource-based view of the firm, including ethical resources, can create competitive advantage through innovation pathways.

An interesting finding is the relatively modest mediation coefficient (0.182), which can be explained through several alternative explanations: (1) Innovation in airline industry may have long gestation period so trust-building effects are not yet fully realized; (2) Customers may be skeptical of innovation claims without proven track record; (3) There are unmeasured moderating variables such as customer loyalty or previous experience affecting mediation strength.

Comparison with similar studies shows variance in mediation effects. Research by Luo & Bhattacharya (2006) in retail context found mediation coefficient of 0.24, while study by Sen & Bhattacharya (2001) in service industry found 0.19. This research finding (0.182) is in the lower end of range, possibly reflecting unique characteristics of airline industry with high safety concern and regulatory complexity.

This shows that business ethics not only influences customer trust directly but also through product and service innovation implemented by companies. Innovation conducted by airlines, whether in the form of service digitalization, cabin quality improvement, or new product development, will be more trusted by customers if supported by transparent and responsible business ethics.

Practical implications of this mediation finding are that airlines should not only focus on either ethical practices or innovation in isolation, but integrate both in coherent strategy. Ethics-driven innovation or innovation-supported ethics can create synergistic effects that are more powerful for building customer trust compared to standalone approaches.

Research by Desia (2023) reveals that product and service innovation promoted without strong ethical foundation is often considered cosmetic strategy that does not provide real added value to customers. Conversely, innovation supported by solid business ethics will be more accepted and trusted by customers.

CONCLUSION

This research concluded that business ethics significantly influence both product and service innovation and customer trust, with business ethics playing a direct role in building trust and supporting effective innovation. The findings showed a strong positive effect of business ethics on innovation and a direct increase in customer trust, while innovation also mediated the relationship between business ethics and trust, indicating that ethically grounded innovations are more readily accepted and enhance trust. For instance, airlines like Garuda Indonesia have successfully built customer trust by aligning innovation with responsibility and transparency. Therefore, business

ethics and innovation mutually reinforce each other to strengthen customer trust, loyalty, and corporate image. Future research could explore how specific ethical communication strategies impact customer perceptions of innovation and trust across different cultural or industry contexts.

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