FIRM’S UNETHICAL BEHAVIOR IN INDONESIA: A PRELIMINARY STUDY USING NEGATIVE CASE ANALYSIS

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ABSTRACT

In Indonesia now, media, both printed and television pays attention to Corporate Social Responsibility (CSR) and Good Corporate Governance (GCG) more than even before. However, the reality of business life is quite different from the image presented in the media. This study tries to describe unethical behaviour of firms in Indonesia that documented in printed media and classify them to be measured qualitatively. News of CSR issued from January 2005 to December 2007 was gathered and analyzed using qualitative content analysis method with negative or deviant case analysis. Negative case analysis is an analysis to see something of the opposite. It used because of ethical relativism (ethical beliefs differ from one society to another society, even among people with one another). The results show that there are some unethical behaviors of firms. These unethical behaviors can be classified into unethical behavior directed internally to firm and those directed externally to Governments and society at large.

Keywords: firm’s unethical behavior, media, agenda setting theory, stakeholder theory, content analysis, and negative case analysis.

INTRODUCTION

In a classic study of the ethics of business managers, Raymond Baumhart in Velasquez (2011) asks more than 100 business people about the meaning of ethic. The question is: “what is the meaning of ethic to you?” The answers were then classified.
In our opinion, feeling has not been an adequate basis to make any decision. Equally are religiosity and golden rules.

To make it clear, the following is the illustration as told in Makarim (2011), about a person with good intention, good motivation, high integrity, but was punished by the Michigan court.

“Jack Kervorkian is a pathologist, visual artist, Jazz composer, instrumentalist, and euthanasia activist. Euthanasia is related to one’s right to stop his/her own life because of old age, long-lasting painful disease, and absence of possible medication. He had performed euthanasia for 130 patients with fatal diseases at their own request. He considered unfair to see the state holds the right to perform death sentence (for serial murderer, for example) but do not extend the right to the owner of life. Therefore, until 1999, he had helped some patients with fatal diseases to end their life at their own request. Some people agreed but some others disagreed with what he had done. One of the reasons of disagreement was that Kervorkian had taken the role of God. After undergoing some sessions of court, the court of Michigan in 1999 punished him 25 years on accusation that he had violated the Regulation that prohibited euthanasia.”

From what is explained it is clear that what is meant by ethic by some people will be different from what other people mean. An action is considered unethical by a number of people, but on the other hand, it is ethical. Therefore, the objectives of this study are: (1) identifying unethical behavior of firms in Indonesia; and (2) classifying unethical behavior of firms to be measured qualitatively. To answer the questions the study, we use deviant-case analysis taken from the news in mass media. What we mean by deviant-case analysis is that we collect the news on ethical behavior (publishing of firms’ CSR activity) and analyze them reversely.

AGENDA SETTING AND STAKEHOLDER THEORY

Cooke (1991) mentions that it is difficult at present time to find any magazine or newspaper without reference of ethics. Szwajkowski (1992) informs that organizational misconduct or organizational crimes (white collar, corporate and occupational crime, unethical behavior, role violations) are increasing social issues. Crittenden (2009) adds that the report on the scandals made by firms has dominated the popular mass media in the past years, and the scandals that involve government employees have endangered the economic stability in some parts of the world. Even in more explicit language, Fassin (2005) informs that actually nearly all countries in the world have the cases of Enron, Parmalat, Ahold, Vivendi, Lernout and Hauspie or MCI-Worldcom. He also mentions that unethical behavior of entrepreneurs, unfair managers, and corruptive businesses have damaged the good reputation of entrepreneurs as a whole. This condition has led to the making of such concepts as CSR, triple bottom line, accountability, sustainable development, Millennium Development Goals, Good Corporate Governance and still many others.

Agenda setting theory was initially introduced by Walter Lippman in 1965. Empirical study about this theory was performed by McComb and Shaw (Rakhmat, 2007). McComb and Shaw (1972) examine the agenda setting theory in presidential campaign in 1968 and make hypothesis that mass media determined the agenda for each political campaign, that affect the projected attitude to political issues. Severin & Tankard Jr (2001) inform that agenda setting theory refers to media ability, with repeated news coverage, to raise the importance of an issue in public mind. Assumption in agenda setting theory is that mass media filter news, articles, or writings to be published. Selectively, the “gatekeepers” such as proofreaders, editors, and even journalists to determine which news deserve to be published, and which others have to be declined. Because the
readers, audience, and listeners get information mostly from mass media, the agenda of media is certainly related with the agenda of society. McQuail (2010) states that: *First*, mass media can serve as a mirror of public life. *Second*, mass media can also be viewed as a social agent or power. As a mirror, mass media is assumed to be an institution that process social facts in the society. In this context, the mass media creates agenda of social facts. In other words, what is released by the mass media is important social document that portrays the real condition of the society. On the contrary, when the events are concealed, the events are considered unimportant. Meanwhile as an agent, the mass media is assumed to be a social institution taking part in the creation of public opinion and public attitude on particular issues or events. The mass media can create the agenda of mind and perception determinant on particular issues and events. What is not released by the mass media is considered unimportant for the society.

Stakeholder theory has burgeoned in recent years (Friedman and Miles, 2002). Donaldson and Preston (1995) note more than 100 articles primarily concerned with this theory between 1984 and 1995; Gibson (2000) finds 200 articles in the 1990s alone. Mitchell, Agle, and Wood (1997) examine 27 definitions of stakeholder. They find that stakeholders are groups that have “stake” or an interest in the firm, that is bear a risk; groups that have a claim, contract, ownership or right; or groups that have a relationship with the firm, affect or are affected by, influence or are influenced by the firm. Nevertheless, Kolk and Pinske (2006) inform that the classic definition of stakeholder suggested by Freeman mostly referred in the literature. Freeman (1984) defines the stakeholder, as any group and individual influenced by the achievement of organizational objectives that in turn will influence the achievement of the objectives. Bertens (2000) notes that the successful use of the term stakeholder is partially caused by the fact that English is rhetoric in nature. This term is identical to the term stockholders, although it is actually an implicit criticism to the tendency of over appreciation to the importance of stockholders or owner of the firm. All stakeholders deserve adequate attention from the firm. Unless it is adequately attended, there will be a feeling of dislike to the firm. They may join to stop or disrupt corporate operation. However, on the other hand, stakeholder can help and support corporate operation (Frederick, Devis, and Post, 1992). Therefore, in addition to other parties, stockholders are a part of stakeholder. Etes (2005) mentions, in addition to stockholders, there are some investors. The investors include the employees, customers, suppliers, communities, nation, and the public that support the existence of firm. The investors are called stakeholder, and firm has a credit in accounting sense because the stakeholders have invested large amount of resources, which include not only money but also job, career, and sometimes their life to the firm.

Clarkson (1995) classifies stakeholder into 2 main groups: primary and secondary stakeholders. Primary stakeholder, participant stakeholder, is a person (a group of people) without their participation of which the firm cannot keep the existence (going concern). Secondary stakeholder, non-participant stakeholder, is a person (a group of people) that influence and get influenced by the firm. Keraf (2000) mentions that secondary stakeholder can be very important, even more important than primary stakeholder.

Moreover, Frederick et al., (1992) state that market and non-market are the basic classification on primary and secondary stakeholders. Meanwhile, Neville and Manguc (2006) discuss how members of different stakeholder can work in collaboration to achieve the collective objective or may be different in perspective, diametrically opposed, towards a particular issue that influence the firm.

Figure 1 shows that initially the stakeholder concept included such basic elements as customers, employees, civil society, suppliers, stockholders, Government, and compe
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titors. Freeman (2004) represents the stakeholder model in the form of map. When we observe, the map will resemble a wheel the axis of which is firm, and the rim consists of other elements. Each element is connected to the axis by dual-edge arrows representing a reciprocal relationship.

Although many researchers have classified stakeholder into small units, identifying the stakeholders is still difficult and ambiguous. A person living near the firm and works as a government employee is an example of the difficulty in classification. It is not clear also if competitors are stakeholders. Which competitors? How can competitors classified into primary stakeholder? Does each firm’s strategy have impact on competitors? These are some weaknesses of stakeholder theory. To deal with such problem, Freeman in Fassin (2009) makes some adaptation to the stakeholder concept.

Figure 2 shows that competitors can be excluded from primary stakeholder category. Freeman made a square contains only primary stakeholder, which is the direct factor of input-output of a firm. Freeman also put pressure group in the concept of stakeholder. This pressure group consists of NGOs, environmental observers, the government, media, critics, and others. Although Freeman has adapted his concept of stakeholder, there is still a dispute about how stakeholder influences firms’ decision and behaviour. To overcome the problem, Fassin (2009) proposes a

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**Figure 1**
The Original Stakeholder Model

**Figure 2**
The Adapted Version of the Stakeholder Model
stake model of three kinds: real stakeholder, stakewatcher, and stakekeeper. The 3 categories have substantially different profiles. For real stakeholder power and influence are reciprocal; the firm has responsibility for them. The firm has no responsibility for stakewatcher and stakekeeper.

Figure 3 provides a framework of stake model. Stake model enables management to map and, ideally, manage the firm’s relationship (present and potential) with groups to reach “win-win” collaborative outcomes. Weis (2008) notes that “win-win” means making moral decisions that benefit all constituencies (parties) within the constraints of justice, fairness, and economic interest. Figure 3 shows the difference of Freeman’s previous concept. The figure shows that the management is the center (axis). In other words, Fassin (2009) differentiates between firm’s management and firm itself. Another difference is that he replaces the square that limits the border of primary stakeholder and secondary stakeholder, with oval. This oval form does not limit the border between primary and secondary stakeholders, but limits the border between “real stakeholder” and “stakewatcher”. The relationship between management and “real stakeholder” is reciprocal. Meanwhile, the relationship between the stakewatcher and stakekeeper is described beyond the oval and does not have any reciprocal relationship, but rather, unilateral. Such this unilateral relationship has the nature of influencing and controlling. An interesting thing is that each real stakeholder has minimally one specific stakewatcher. Stakekeeper may influence more than 1 real stakeholder and stakewatcher.

**RESEARCH METHOD**

Brodsky (2008) mentions that negative case analysis is a central data analytic approach in qualitative methods and is essential to the rigor of most data analytic plans. It is necessitated by purposely sought or spontaneously appearing pieces of data that differ from the researcher’s expectations, assumptions, or working theories. In this study, we collect data from mass media about CSR and make a negative or deviant case analysis for unethical behavior.

**Population and Sample**

The population at this phase is all news in KOMPAS. This study selects KOMPAS for several reasons: (1) KOMPAS is a national daily newspaper; (2) KOMPAS is the daily with the largest circulation; (3) KOMPAS is independent. Independent means “existing separately and not influenced or controlled by other people, organizations, or the govern-
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ment” (Longman, 2003). Until the data was collected, KOMNAS was not listed in the stock exchange. Furthermore, in reporting KOMNAS always covers both sides. It refers to the balanced reporting that involves both sides. In other words, KOMNAS gives opportunities to different sides in viewing the issues or reports about boycott; and (4) KOMNAS has all-Indonesia coverage, both the news content and the distribution. This can be seen from the fact that KOMNAS has remote printing system, KOMNAS update, as well as the website www.kompas.com. Meanwhile, the scope of the study is the news that meets the following criteria: (1) the news is about boycott product; and (2) the news is put in KOMNAS since the beginning to the end of the observation. Meanwhile, the scope of the study is the news that meets the following criteria: (1) the news is about CSR; and (2) the news is put in Kompas since the beginning to the end of the observation, that is from 1 January 2005 to 31 December 2007 or during 3 years. The observation took long time because it took long time to pass the Law of Limited Liability Corporate (Perseroan Terbatas), since it was in the form of Draft proposed by the government (12 October 2005), until it was passed (20 July 2007) (see Appendix 1).

Sampling is crucial to all forms of the content analysis (Sumser, 2001). If we want to discuss the relatively weak roles that women have in film, we cannot mention only those films in which women have weak roles. We must choose a sample that represents a population, which means we must select films that are representative of the kind of films we are talking about. The sample used at this phase is saturation sampling. Black and Champion (1976) mention that saturation sampling is defined as the gather of all sample elements in a particular population having the characteristics needed by the researcher.

Operational Definition of Variable

An operational definition of variable tells how we will measure something and forces us to explain how we understand or interpret a concept (Berger 2011). Barelson (1952); Kassarjian (1977) informs that in content analysis, unit of analysis can be word, themes, characters, items, and space-and-time measures. In this study the variables were the items or the observed unit of analysis which operational definition are:

a) Stakeholders are any groups and individual having the interest in the achievement of organizational objectives and thus influence the achievement of the objectives. Stakeholder can be classified into real stakeholder, who possess a legitimate claim, power and influence are reciprocal, the firm has responsibility for them; stakewatchers, who look after a stake with care, attention, and scrutiny, just as watch dog do; stakeholders, who have no stake in the firm but have influence and control.

b) Unethical is the behavior that is not in accordance with the prevailing norms and regulations. Because this study uses stakeholder theory, then unethical behavior of firms here is meant to be the behavior of firms that does not put serious attention to stakeholder, or in other words the firms’ behavior merely focuses on the owner but neglects other stakeholders.

c) Names of firm can be a trade mark, legally registered to differentiate it from other products.

Data Analysis

Berelson (1952) informs that validity in content analysis is not a big matter. By carefully defined operational variables and carefully selected indicators, the coding sheet is assumed to be able to measure what it has to measure. Meanwhile Kassarjian (1977) informs that validity in content analysis can be tested by face validity. Neuman (2009) informs that face validity is a judgment by a scientific community that the indicator really measures the construct. The reliability of the study was tested by inter coder reliability test. The testing was made to ensure objectivity and reliability of the analyzed data in analysis technique of the news studied. In the
study, reliability was measured by the value of Holstis's coefficient of reliability (1963).

\[ R = \frac{2(C_{1,2})}{C_1 + C_2} \]

where \( C_{1,2} \) = the number of category assignments on which all coder agree; \( C_1, C_2 \) = the sum of all category assignments by all coder.

The obtained results of the coding were then analyzed by descriptive analyses. Descriptive analysis was performed by contextualizing the news. Contextualization was performed by coding the consensus and difference among the text and presented some citations from the news to strengthen arguments.

RESULTS

The preparation of the coding sheet was consulted to a researcher at the Pusat Kajian Budaya and Media Populer (see Appendix 2 and 3). Then, with the assistance from a researcher from the Lembaga Pengabdian pada Society UGM, the reliability is tested. There is a difference in determining the threshold score of acceptance of the reliability coefficient. Krippendorf (2012) reports that the lower limit of acceptance of reliability coefficient is 0.80; Scott in Hasrullah (2001) put it over 0.75; while Berelson (1952) put the coefficient score between 0.79 and 0.96. The calculation of reliability at this study is 0.89 or above the score proposed by Krippendorf and Scott, and between the range suggested by Berelson (See Appendix 4).

Mass media portrays firm unethical behavior

Of the total 69 news reports, there were 21 news reports presented in the format of opinion, and 48 titles of news was in the format of news/features. About the column of presentation, 2 news reports were put at the headlines, 1 news report at the editorial column. From the collected samples of news, some firms have had unethical behavior (see table 1).

![Figure 1](image.png)

**Figure 1**
Time Line Sample Collected

<table>
<thead>
<tr>
<th>No</th>
<th>Publishing Date</th>
<th>Reported</th>
<th>Type of Unethical Behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29/6/2006</td>
<td>The firm caused mud flood in Sidoarjo Advertisement goods/services that made the society stupid</td>
<td>External (society at large)</td>
</tr>
<tr>
<td>2</td>
<td>1/9/2006</td>
<td>Social Inequity. The society around the firm is in poor condition, while the region is rich of natural resource.</td>
<td>External (society at large)</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Responsible Party</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------</td>
<td></td>
</tr>
<tr>
<td>7/9/06</td>
<td>Implementing the programs not needed by the society. Unsustainable programs.</td>
<td>External (society at large)</td>
<td></td>
</tr>
<tr>
<td>8/9/06</td>
<td>Government and entrepreneurs collaboratively endanger natural environment and social environment, system, and institution. Class action to the contamination of Teluk Buyat. After the signing of memorandum of commitment between the government and the firm, the class action was abrogated.</td>
<td>External (Governments)</td>
<td></td>
</tr>
<tr>
<td>13/9/06</td>
<td>Use of force by the government apparatus in exercise control over natural resource.</td>
<td>External (society at large)</td>
<td></td>
</tr>
<tr>
<td>4/10/06</td>
<td>The firm insisted the government to state that “Sidoarjo mud” is a national disaster. Silent collusion. Robbery of state money by the scandal of Indonesian Bank Liquidity Subsidy. Cost externalization. Ecological damage, stealing of governmental budget and tax, community evacuation.</td>
<td>External (Governments)</td>
<td></td>
</tr>
<tr>
<td>6/10/06</td>
<td>Use of such idioms as “difficult moment”, “it is lucky that the firm is still operating” to suppress the rights of the employees to receive the Hari Raya allowance.</td>
<td>Internal</td>
<td></td>
</tr>
<tr>
<td>26/10/06</td>
<td>Ignoring the community around the firm. Land is returned in damaged condition. Damage of local custom and tradition. Potential horizontal and vertical conflict.</td>
<td>External (society at large)</td>
<td></td>
</tr>
<tr>
<td>24/3/07</td>
<td>Use of force by the government to take over the management of mud disaster. Cost recovery, delayed accountability that potentially resulting in chaos; limited responsibility as specified in the Presidential Decision.</td>
<td>External (Governments)</td>
<td></td>
</tr>
<tr>
<td>24/5/07</td>
<td>Damage of Citarum Watershed Flow (damage of agricultural land and protected forest in watershed (water capture region). Employing local criminals to secure the property from public protests. Companies and the activities are basically greedy, cruel, and heartless to do anything to maximize capital.</td>
<td>External (society at large)</td>
<td></td>
</tr>
<tr>
<td>28/5/07</td>
<td>Racial discrimination, xenophobia and intolerance, contemporary racism, women being the largest group discriminated in work opportunity and wage, outsourcing (contractual laborer). High turn over because even professional workers are just like unimportant component of production machines.</td>
<td>Internal</td>
<td></td>
</tr>
<tr>
<td>22/7/07</td>
<td>Many companies ignore the surrounding community.</td>
<td>External (society at large)</td>
<td></td>
</tr>
<tr>
<td>2/8/07</td>
<td>Conglomerates nag the government to overcome the financial crisis through the Indonesian Bank Liquidity</td>
<td>External (Governments)</td>
<td></td>
</tr>
</tbody>
</table>
Subsidy, on the other hand, they violate the regulations made by the government.

14 4/8/2007  Disobey fair trade (if possible)  
External (society at large)

15 4/8/2007  Destroying public social structure and inhibiting any attempt to create safe, healthy, and joyful world.  
Mark up of over 40% as compensation given to the tour guide leading the tourists to their shops. Use of dual standard of domestic and foreign behaviors. Domestically, the enterprises are ethical firm, in foreign countries they are unethical. Damaging the environment and exploiting the laborers, bribing to win projects, manipulating financial report (cost recovery and transfer pricing), tax embezzlement, corruption. Exploiting the laborers for years. Environmental pollution. Assassinating and toppling the authorized government and replacing with the person willing to work on behalf of them.  
External (society at large)

16 15/8/2007  Ignoring social affairs matters, human right issues, and community development.  
Causing global warming, economic discrepancy, expensive education and health.  
External (society at large)

17 4/10/2007  Disposing liquid waste directly or indirectly to rivers  
External (society at large)

18 16/11/2007  Environmental damage resulting from mud flow. Advertisement with false claim.  
Environmental damage causing the people to lose their public rights such as land possession, profession, and welfare.  
External (society at large)

19 10/12/2007  Minimal reclamation causing severe environmental loss for the society. Disorganized reclamation of mining regions.  
External (society at large)

Table 1 shows that of 69 news in the sample, 19 (27.5%) reported firm unethical behavior. Clement (2006) informs that some behaviors may be perceived unethical for someone, but may be perceived differently by another. Having nearly similar opinion, Frederick et al. (1992) inform that law may be similar to ethics, but sometimes the similarity is not identical. In general, law is the basic formulated ethical principle specifying what is right and what is wrong. Table 1 shows that some unethical behaviors such as outsourcing have been in accordance with the prevailing law, but ethically or morally it is not ethical.

“The results of the study conducted by Forum Pendamping Buruh Nasional (FPBN) in 2005-2006 in Tengerang and Bekasi showed that of 92 firms studied, 62% used out-sourcing (contractual laborer) and 50% were women. The contracts were made on monthly basis, even some others are weekly. It means that approaching the end of the current month, there is uncertainty about another term of employment. This study also showed that laborers who were recruited by labor supplier have to pay the
fee of Rp 300,000-Rp 600,000 for a three-month contract and up to Rp 900,000 for six-month contract. The condition gets even more complicated when the labor supplier is also the employer. They get double benefits. Contractual employment system prevents the laborers are dismissed without any termination compensation, while the labor suppliers charged fee from laborers’ wage,” (Hartiningsih, 28/5/07).

Mass media writes names of firms having engaged in unethical behavior

Of the sample of 69 articles collected, there are 20 names of firms reported to be engaged in unethical behavior. The detail of names, reported unethical behaviors on printed media, and dates of report are presented in table 2.

Table 2 shows that not all firms engaged in unethical behavior in Indonesia were the domestic firms. Some firms such as PT. Newmont Pacific Nusantara, PT. Freeport, PT. Nusa Halmahera Minerals, Nike, Nestle, 3M, DuPont, and Shell were multinational firms whose capital partly invested by the citizen of Indonesia. Meanwhile, such firms as Enron, Athur Andersen, WorldCom, Global Crossing, Tyco, Gap, Levi Strauss, although not operating in Indonesia, were reported to be the firms engaged in unethical behavior.

It is interesting to see what Priyono (4/10/2006) had written. He urged boycott to the firms, as a legal way of public movement:

“... If a performance of a firm endangers the environment and local society, we can take a piece of paper and make some columns. The first column contains the names of firms. The second column contains trademarks of goods/services along with the visual display. The fourth column contains detail of market, buyers, local, national, and global targets. What for? For public movement of product boycott until the firm makes betterment...”

Table 2

<table>
<thead>
<tr>
<th>No</th>
<th>Firms, Unethical Behaviors Reported on Media, and Published Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enron, Athur Andersen, WorldCom, Global Crossing, Tyco</td>
</tr>
<tr>
<td></td>
<td>Not mentioned. However Latief (2006) wrote that Enron went bankrupt because it engaged in window dressing, that was manipulating financial reports to camouflage its poor performance</td>
</tr>
<tr>
<td>2.</td>
<td>PT. Newmont Pacific Nusantara</td>
</tr>
<tr>
<td></td>
<td>It was reported that it disposed environmental pollutant (tailing) at Teluk Buyat. The government claimed PT Newmont to civil court, but the claim was abrogated after the government and PT Newmont signed the agreement of compensation of $ 300 million.</td>
</tr>
<tr>
<td></td>
<td>Conflict between the enterprise and the society, but then left not resolved because of silent collusion.</td>
</tr>
<tr>
<td></td>
<td>Damaging environment and exploiting laborers</td>
</tr>
<tr>
<td>3.</td>
<td>PT. Freeport</td>
</tr>
<tr>
<td></td>
<td>Conflict between the enterprise and the society, but then blurred by other issues because of silent collusion.</td>
</tr>
<tr>
<td></td>
<td>Resulting in negative impact of exploration.</td>
</tr>
<tr>
<td>4.</td>
<td>PT. Nusa Halmahera Minerals</td>
</tr>
<tr>
<td></td>
<td>The people live in poverty, low education, reduced income of fishermen, decreased income from copra, nutmeg, and clove, more illegal miners. Ironically, a multinational enterprise of Australia is operating the exploration activity in the region.</td>
</tr>
</tbody>
</table>
5. Lapindo

Uncertain compensation for the victims of hot mud Lapindo.

Uncertainty and frustration potentially result in more chaotic actions such as the blockage of roads by the residents of Tanggulangin Anggun Sejahtera (Perumtas) some time ago.

Shareholders’ limited liability enables the enterprise to generate unlimited profit. But when they have to deal with problems, their liability is limited in the capital that they invest.

Claiming through advertisement that the mud outpouring was not because of mis-drilling, and that the victims are properly treated.

6. PT. Energi Mega Persada

The firm overtly stated that it will claim the cost expended by Lapindo to the government through the scheme of cost recovery.

7. PT. Aneka Tambang (Antam)

After the mining, proper reclamation was not made.

Although it has been in operation for decades, it failed to increase the Local Indigenous Revenue of Purworejo.

Leaving unfilled dangerous holes.

The vegetation in the reclamation is not as specified in the initial plan.


Environmental damage and labor exploitation

9. PT Timah

Negative impact of exploration in former mining areas

ANALYSIS AND DISCUSSION

Neoclassic view suggested that the objective of firms is merely improving the welfare of the owner. In stricted competition, it is possible that firms behave unethically to reach their objective. This is apparent in the firms dealing with public welfare, where governmental authorities play important role (business to Government). Paul Ricoeur in Pieris & Jim (2007) relates the term moral and ethic in two different philosophical streams. The term moral is related to the philosophical tradition of Imanuel Kant (deontologist), while ethic is related to the thought of Aristoteles (finality and objective). Velasquez (2011) suggests that although ethic is closely related with morality, but not fully similar to morality. Ethic is a kind of analysis, while morality is the subject.

Talking about ethic is talking about decency of an action; not about whether it is right or wrong. Thus there will always be a difference between a person and another. Stone in Weiss (2008) informs that ethic is “a grey area”. Legal rules cannot cover all aspects of ethic. Likewise the question of whether ethical standard can be applied to firm. Can the firm be accountable for the consequence of an unethical action? Can ethic and business be mixed? Velasquez (2011), quoting John Searle, informs that:

1. Firms “exist” only if: (1) there are particular individual humans in the particular scope and relation; and (2) our linguistic and social convention suggested that when such individuals are there in such scope and relation, they can be called be a firm (corporate organization).

2. Firms “exist” only if: (1) there are particular individual humans in organization taking particular action in particular environment; and (2) our linguistic and social convention suggested when such individuals take such an action in such an environment, this can be called firms’ action.

Meanwhile, DeGeorge in Weiss (2008) argues that “business is immoral” is merely a
myth. Business is human activity. It is not merely knowledge so that it can be evaluated from moral perspective. For example, Rao & Hamilton III (1996) examine the correlation between ethic and profitability. They find that firms with unethical behavior published in mass media have lower profit than the average share index; Frooman (1997) has a meta-analysis to 27 studies using event study method and finds that firms with socially irresponsible and have illicit behavior have a negative shareholder wealth. On the other hand, firms with socially responsible behavior have a positive shareholder wealth (I.e: Meznar, Night, & Kwok (1994); Davidson, Worrell, and Cheng (1994); Hendricks and Singhal (1996); Pusnikoff (1997)

By taking the publication of firms’ CSR activity in a national daily, that according to majority of people CSR is a form of ethical behavior, this study attempts to describe firms’ unethical behavior by performing deviant-case analysis. In this study, deviant-case analysis is performed by describing firms’ behavior not related to CSR but is publicized at the same time as the news about CSR. By using stakeholder theory to describe the unethical behavior, we can state that if there is firms’ behavior that ignores the interest of one of stakeholder the firm has done unethical behavior.

To classify this unethical behavior in order to be measureable, we use moral attitude standard of human as the analogy. Humans’ moral attitude can classify into 4 classes. They are humans’ moral attitude to God, personal, society and Governments. In religion, it is known as Hablum Minallah and Hablum Minannass.

As previously mentioned, we make analogy of firms’ moral attitude as humans’ moral attitude. Because moral attitude to God is too abstract to be applied in firm, then this moral attitude can be eliminated. Therefore, firms’ moral attitude only consists of moral attitude to personal, society at large, and Governments. Moral attitude to firm’s personal is the behavior related to internal parties in the firm. Meanwhile moral attitude to society and Governments is the behavior related to external parties of the firm.

Figure 3 shows that unethical behavior of firms can be directed to internal parties of firm (owners, suppliers, employees, creditors, and customers), and to external parties (Governments and society at large). It is classified unethical to Governments when the firm’s behavior is solely related with prevailing legal rules. Unethical to Governments here covers bilateral relationship (relationship with other Governments beyond the Governments where the firm operates). Meanwhile unethical behavior to society at large is more general and is usually not related with legal rules. In other words, unethical behavior to society at large is solely related with customs, tradition, and norm prevailing in the society.

CONCLUSION, SUGGESTION, AND LIMITATION

Conclusion

The objectives of this study are: (1) identifying unethical behavior of firms; and (2) classifying unethical behavior of firms in order to be qualitatively measurable. Because of ethical relativism (different perception about ethical values in different societies), this study used the method of deviant-case analysis.

Deviant-case analysis is made in the release of news about CSR in mass media. The results of the analysis showed that there are some unethical behaviors of firms. These unethical behaviors can be classified into unethical behavior directed internally to firm and those directed externally to Governments and society at large. Because these unethical behaviors can result in disadvantages to the firm (for example, labor strike in PT Freeport, the blocking access to the mining site of di PT Newmont) it would be better that individuals in a firm predict the consequence that may result from the firm’s action plan.
This study uses news in mass media as the data source, which is analyzed by content analysis, why? Wright (1985) mentions that although we are frequently faced up to mass communication, the personal experience is limited and selective in nature. It means that it is not possible for us to take all contents of mass media (reading newspaper, listening to the radio, watching television, browsing internet sites). Furthermore, because we are very selective in responding to communication blow, our knowledge about what is being reported is biased by our personal preference. Performing content analysis in mass media will systematically and objectively describe the content of the ongoing protest. Stokes (2006) states that one of the benefits of content analysis is that content...
analysis enables us to result in reliable facts and numbers to support and prove our arguments. Adiputra (2008) states that some of the advantages of content analysis include (1) it does not use humans as the object of study. Content analysis is a non-reactive analysis because nobody is interviewed, asked to fill up questionnaires, or requested to go to laboratory; (2) it is cost-effective and data source is easily accessible. Such this advantage depends very much on the scope and dimensions to be examined. However, in general content analysis does not require large sum of costs; (3) it can be employed when survey study is not possible to perform, for example the study about political conflict, religious conflict and many others; and (4) it is operationable quantitatively and qualitatively.

This study contributes to improving our understanding that business is closely related with ethic. From the perspective of agenda setting theory, we can see that there is a positive correlation between agenda of society and agenda of media. When there is a polemic in the society about whether or not CSR is regulated to the firms dealing with natural resources mass media capture that issue and release the news. Implicitly, in order to support the policy, mass media also release newas about firms’ unethical behavior as comparison. From the perspective of stakeholder theory, we can see that there are any group or individual influence and are influenced by firms’ operation. Unfair behavior to the stakeholders can result in a problem for the firm. Firms can be accused of having unethical behavior that finally results in protest from the stakeholders.

Limitation and Suggestion
As a preliminary study, we do realize that this study has some limitatation. Only one print media was used, the Kompas Daily, which is a national general newspaper (not newspaper special for economy). It will be better if the study used more print media and used economic newspaper for comparison. In addition, the use of electronic media will give more comprehensive analysis. The results of analysis show that some firms were reported to have engaged in unethical behavior but also reported to have ethical behavior (CSR) at once. This phenomenon gives an opportunity to have further study about consumers’ attitude to the firm and the products. In addition, it is also necessary to study about whether or not consumers will give either reward or punishment to ethical or unethical firms. Reward can be in the form of purchase intention, while punishment can be in the form of social movement of boycott. For the firms listed in the stock exchange, this can be seen from how shareholder wealth of the firms with either ethical or unethical behavior.

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Firm’s Unethical Behavior In Indonesia

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Hendarto

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