Whether or Not Indonesia-Based Companies Consider Anti-Corruption Acts Important as Its Countrymen do

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Abstract

In Indonesia, the act of corruption is a prevalence. Anti-corruption acts have been waged for years, yet the problem of corruption remains unresolved. The rising awareness of sustainability accounting urges many companies to support anti-corruption acts. Whether or not these companies give supports is a different issue. Although GRI Standards view anti-corruption acts as an economic aspect, the corruption is an act of defiling the society's trust and constitutes as a highly sensitive issue in a democratic country such as Indonesia. This study applies sensemaking theory to determine that Indonesia-based companies should have supported the anti-corruption acts and disclose their supports in the sustainability reports. A thorough content analysis of the sustainability reports of 80 Indonesia-based companies has been conducted with a view to finding disclosures of anti-corruption acts. The result shows that most of these companies do not disclose their anti-corruption acts. In a sensible sense, their commitment to supporting anti-corruption acts results in the disclosure of such anti-corruption acts. The findings evidence how Indonesian companies still lack commitment to anti-corruption acts.

Keywords: Corruption, Sustainability Accounting, Anti-corruption, Sensemaking.

JEL Classification: D73
INTRODUCTION

Corruption has roamed the world for as long as we can remember. It is believed that as long as authority exists, so does corruption. In the present day, corruption has entrenched more countries in the world than what we could ever imagine. According to Transparency International\(^1\), the average level of corruption from 180 countries in 2016 was 43, while 100 were being very clean, and 0 was being highly corrupt. Among these countries, Indonesia has saved a spot for years now. Many parties in Indonesia do not even recognize any kind of corruption acts as a defiling act any longer. They simply regard it as a necessary method to get things done. Nevertheless, for many years the anti-corruption acts have been waged in Indonesia.

Despite the years’ lack of results, it is believed that the corruption acts are slowly getting cornered throughout these years. Celebration day might still be long but Indonesia can be more optimistic about days to come with the government authorities’ concerted commitment to anti-corruption acts.

As a democratic country, Indonesia supposedly has a high level of alertness on corruption acts committed by the government officials, however, in most of other institutions such as companies, the corruption acts are nurtured. The corruption acts prevalent in the private institutions are difficult to be controlled by the government’s authorities in light of the fact that the current government’s body is not yet clean enough from the corruption acts.

Fortunately, being part of the world-renowned sustainability accounting concept, anti-corruption acts receive a conceptual framework published by Global Reporting Initiative (GRI) enforcing companies to wage anti-corruption acts. Thus, the sustainability accounting practice enforces the Indonesia-based companies to perform a good corporate governance. In light of such enforcement, the Indonesian-based companies in their right sense should put their best endeavors to perform a good corporate governance. Discerning from the social business’s point of view, the good corporate governance committed by companies inevitably breed a credible public image to which the company will attach. Thus, companies likely win trust from stakeholders. Meanwhile, discerning from economic

\(^1\) Transparency International: a global organization working in more than 100 countries in fight against corruption.
and social perspectives, the commitment to anti-corruption acts is most likely to benefits companies’ sustainability; for example, consumers’ high trust in companies lead to repeat orders or high social trust, thereby resulting in a better partnership. However, it is only a sensible hypothesis relating to the issue. Based on the prior-mentioned elucidation, this research aims to find out whether or not Indonesian-based companies have carried out anti-corruption acts and disclosed them accountably. Moreover, this research reveals how companies’ disclosures can be used as actual-act representations, but this research does not include companies that are not committed to anti-corruption acts. Accordingly, it analyzes thoroughly the sustainability reports of 80 Indonesia-based companies and figures out “Whether or Not Indonesia-Based Companies Consider Anti-Corruption Acts Important as Its Countrymen do”.

LITERATURE REVIEW

Sustainability Reporting

The Global Reporting Initiative on its website explains that a sustainability report is a company's disclosure of the economic, environmental and social impacts arising from its day-to-day corporate practices. The report also presents a company's values and governance model and demonstrates the link between its strategy and its commitment to a sustainable global economy (Global Reporting Initiative, n.d.). It is also stated that (Global Reporting Initiative, n.d.) sustainability reporting can help organizations to measure, understand, communicate their economic, environmental, social and governance performance; set goals, and manage changes more effectively. A sustainability report is a key platform for communicating sustainability performance and impacts it may cost—whether positive or negative. The sustainability report is synonymous with other terms for non-financial reporting (Global Reporting Initiative, n.d.), triple bottom line reporting, or corporate social responsibility (CSR) reporting, and others. Furthermore, it is an intrinsic element of integrated reporting and a more recent development that combines the analysis of financial and non-financial performance.
Anti-Corruption Aspects in GRI

In the previously published GRI-G4, anti-corruption act is categorized as a social aspect with indicators code of G4-SO3, G4-SO4, and G4-SO5. Meanwhile, in the newly developed GRI Standard, the anti-corruption act is moved into the economic aspect with indicators code of GRI 205-1, GRI 205-2, and GRI 205-3. The content for each indicators are the following:

a. GRI 205-1, the reporting organization shall report the following information:
   1. Total number and percentage of operations assessed for risks of corruption.
   2. Significant risks related to corruption identified through the risk assessment.

b. GRI 205-2, the reporting organization shall report the following information:
   1. Total number and percentage of governance body members that the organization’s anti-corruption policies and procedures have been communicated to, broken down by regions.
   2. Total number and percentage of employees that the organization’s anti-corruption policies and procedures have been communicated to, broken down by employee categories and regions.
   3. Total number and percentage of business partners that the organization’s anti-corruption policies and procedures have been communicated to, broken down by types of business partners and regions. Describe whether the organization’s anti-corruption policies and procedures have been communicated to any other persons or organizations.
   4. Total number and percentage of governance body members that have received training in anti-corruption, broken down by regions.
   5. Total number and percentage of employees that have received training on anti-corruption, broken down by employee categories and regions.

c. GRI 205-3, the reporting organization shall report the following information:
   1. Total number and nature of confirmed incidents of corruption.
   2. Total number of confirmed incidents in which employees are dismissed or disciplined for corruption.
3. Total number of confirmed incidents when contracts with business partners are terminated or not renewed due to corruption acts.

4. Public legal cases of corruption against the organization or its employees during the reporting period and the outcomes of such cases.

**Sensemaking Theory**

The sensemaking theory literally means the making of sense (Weick, 1995). How they construct what and why they construct and with what effects they construct are central to questions of people having interest in sensemaking (Weick, 1995). It is one of those terms that lends itself to rapid adoptions and applications. It seems so easy to understand. It’s about making sense (Mcnamara, 2015). In order to understand what such events mean and how we should respond to them, we engage in a sensemaking process. The sensemaking process models how people adjust their knowledge structures as they notice and interpret an equivocal event and coordinate a response to clarify what the event means (Kudesia, 2017). Weick in his book stated that the sensemaking process has seven properties that distinguished it apart from other explanatory process. The sensemaking process (Weick, 1995) is understood as a process that is:

a. Grounded in identity construction
b. Retrospective
c. Enactive of sensible environments
d. Social
e. Ongoing
f. Focused on and by extracted cues
g. Driven by plausibility rather than accuracy

Weick had argued that sensemaking process is about such things as placement of items into frameworks, comprehending, redressing surprise, constructing meaning, interacting in pursuit of mutual understanding, and patterning (Weick, 1995). If “organization” is a pattern of interlocking group behaviors, then sensemaking process is the pattern formation process (Weick, 1979). And if equivocal events disrupt these patterns of interlocking group behaviors, then organization can only be restored through a sensemaking process. If a sensemaking process fails, organized groups can rapidly disintegrate into disorganized individuals who lack the capacity for action (Weick, 1993b).
METHODS

Research Framework

This study constructed research framework which visualized into the following figure:

![Figure 1. Research Framework](image)

Referring to the research framework, sensible courses are completely either clean or dirty in all respects. If a company starts to against corruption; accordingly, it automatically supports anti-corruption practices, wages against any corruption acts, and disclose its commitment to anti-corruption acts. Being aware of the prevalence of corruption in Indonesia, companies—unless they committed to the corruption acts—are required to support anti-corruptions acts, carry on actual actions, and disclose their commitment to anti-corruption acts on proper media. The course of actions is on the basis of a good reputation companies must build. Accordingly, if companies do not disclose their commitment to anti-corruption acts, the sensible conclusion attached to companies is neither do they against corruption nor support anti-corruption acts. It means they support corruption acts.

The sense of corporate representation by the top management either chief executive officers or superintendents and the corporate commitment to sustainability amid the prevalence of corruption are central to this research’s framework.
Research Methodology

Based on the idea explained in the research framework, the researchers apply a content analysis of 69 accessible sustainability reports of Indonesia-based companies. Most of them were published in 2017. Indeed, some companies had yet to publish their sustainability reports of 2017, and therefore ones published in 2016 are the substitute. The list of those companies is presented in the attachment.

Because the nature of this research is qualitative, it applies a descriptive method describing the characteristic of persons, events, or situations to collect data (Sekaran & Bougie, 2013).

RESULTS

The analysis of 69 sustainability reports on anti-corruption acts results in a low commitment. The following table summarizes the disclosure of 69 companies:

Table 1. Anti-Corruption Aspects Disclosure

| Indicator | Number of Companies Disclosing Anti-Corruption Aspect | Percentage of Total Companies Researched |
|-----------|--------------------------------------------------------|------------------------------------------|
| GRI 205-1 | 14                                                     | 20.3%                                    |
| GRI 205-2 | 31                                                     | 44.9%                                    |
| GRI 205-3 | 19                                                     | 27.5%                                    |
| Overall Percentage |                                              | 30.9%                                    |

Source: Researchers

The content analysis of the 69 companies’ sustainability reports results in a considerably low level of anti-corruption aspects disclosed by the respective companies. A more detail indicators disclosed by each of companies are presented to the table below.
DISCUSSION

Indicator Based Discussion

According to the result, the overall disclosure is 30.9% of the total sustainability reports analyzed in this research. The result unfortunately leads to the negative side of options referring to the research framework. In the sub-section, each of indicators will be discussed separately as follows:

a. GRI 205-1

This indicator specifically covers a prevention action carried out by a company. Prevention acts should have a higher value despite the difficulties in measuring such acts and high probability of corruption in Indonesia’s environment and social life. Following the previous statement, this indicator supposedly receives more attention in Indonesia because among the other two indicators, it is the first to be completed. However, the actual result shows that this indicator is the least disclosed as merely 20.3% of total sample. The disclosure percentage is considered very low.

b. GRI 205-2

This indicator discusses mainly information on the distribution of anti-corruption acts in a company. It can be considered as the easiest-to-apply indicator among the rest. Regardless of its easy feature, it has an inextricable connection with the GRI 205-1 indicator. Some of information distributed in this indicator require the preliminary completion of GRI 205-1. There are 13 companies disclosing both GRI 205-2 and GRI 205-1, and the number is equal to 18.8%—a lower percentage compared to the number of companies disclosing GRI 205-1. Also, 18 companies disclosing this indicator without prior disclosure of GRI 205-1 have raised questions in relation to the credibility of the information they disclose. Additionally, the training in anti-corruption practices given by a company to its employees can be categorized as a prevention action. In relation to the aforementioned explanation, the actual percentage of GRI 205-2 disclosure is 44.9% higher than the actual percentage of GRI 205-1 disclosure of 20.3%. It is underlined by companies’ preference for disclosing GRI 205-2 without prior disclosure of GRI 205-1. Despite the lowest disclosure of GRI 205-2, the content and motive of GRI 205-
2 indicator disclosed by companies are questionable in term of credibility.

c. GRI 205-3
This indicator basically explains about corrective actions concerning corruption. In the practical application, it is the easiest indicator applied because of its lucid practices. This indicator, however, will not exist without actual case; accordingly, it is inversely proportional to the effective content of GRI 205-1. A company which does not disclose GRI 205-1 is likely to get accused of being committed to corruption acts in light of the prevalence of corruption in Indonesia. Paying a thorough attention to the aforementioned explanation, the actual result of GRI 205-1 disclosed by companies is 20.3% and GR1 205-3 was 27.5%. Meanwhile, the number of companies disclosing GRI 203-5 without disclosing GRI 205-1 is 18.8% (13 out of 69 companies). It evidences that more than half of companies disclosing GRI 205-3 do not disclose GRI 205-1 and provide a relevant result to the explanation in prior paragraph, albeit the lowest disclosure of GRI 205-1.

**Overall Company Based Discussion**

The analysis of sustainability reports shows that only 10.1% (7 out of 69) of those respective companies actually disclose three of all anti-corruption indicators. Those are the best example of companies committed to anti-corruption acts even though their number only constitute the smallest percentage of the total sample. The remaining results are as follows:

a. Twenty-seven companies (39.1%) disclose one to two out of three indicators. Those companies show their actual commitment to anti-corruption acts, but their commitment are partial. It is true that such companies are better than other companies that give no support to anti-corruption acts, but such partial commitment actually raise question: what are the motives of their disclosure. Based on the research framework, any form of disclosure is sufficient to indicate anti-corruption acts; nevertheless, taking a closer look into the detail, it might not be the only case.

Companies acknowledging corruption as a common business method for personal gain or corporate interest remain to jostle for a good reputation. In light of such paradoxical fact, they strive best to
create alibis covering their back-door business method. One of the alibis likely creates an anti-corruption regulation. This backdrop makes such companies unease to disclose any of anti-corruption indicators; indeed, the fact that each of indicators is appropriate differently for a certain company makes each of them unlikely viable to be disclosed. The companies committed to corruption likely use the lack of standardization and regulation of sustainability reporting as the grounds of their alibis.

b. Thirty-five companies (50.7%) disclosed none of the anti-corruption indicators. More than half of the samples do not disclose anything in relation to anti-corruption. Referring to the research framework of this study, no disclosure of anti-corruption acts leads to supporting corruption. This might not be a 100% guarantee, but these 35 companies are the main suspects concerning corruption. Supports for corruption acts may vary in practices—individual or communal acts, and in support of others corruption acts while gaining part of the prize.

CONCLUSION

The discussion leads to conclusions as follows:

a. Most of Indonesia-based companies undervalue anti-corruption aspects in their business. This research finds that more than half of the sample do not disclose any of anti-corruption indicators. The findings indicate that Indonesia-based companies have low responsibilities for supporting anti-corruption, and it is exacerbated with the prevalence of corruption in Indonesia’s social environment. Additionally, applying sensemaking theory, it can be concluded that more than half of those companies actually support corruption.

2. Although most of Indonesia-based companies show no support for anti-corruption acts, the companies committed to anti-corruption acts still persist. The persistence is supported by the research findings of only 10.1% of companies disclosing the three indicators for anti-corruption acts. Furthermore, the other findings of small number of companies supporting anti-corruption acts lead to two possibilities. The first possibility is those companies acting in accordance with what they disclose, while the second possibility is companies skillfully covering their corruption acts. If the second possibility—the less likely happen compared with the first possibility—is proved, those
companies get the penalties of being accused of committing corruption acts, thereby undermining their sustainability. The sustainability reporting has yet to be responded appropriately by Indonesia-based companies as most of them do not disclose some of indicators. However, to disclose some of indicators is better than to not disclose any of them. The “identity” used to generalize such companies is mainly concerned about their reputation instead of the incline or decline in anti-corruption acts. It means such companies are not in compliance with the GRI 205.
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### ATTACHMENT

List of Companies used as the sample in this study:

| Angkasa Pura I | Angkasa Pura II | Pelabuhan Indonesia II | Kereta Api Indonesia | Garuda Indonesia |
|----------------|-----------------|------------------------|----------------------|------------------|
| GMF            | Vale            | AKR                    | ANTAM                | ITM              |
| Indika Energy  | Bukit Asam      | Pertamina Drilling     | Mitrabahtera Segara Sejati | Pertamina EP CEPU |
| Petrosea       | G-Resources     | Agincourt Resources    | Kaltim Prima Coal    | Badak LNG        |
| Astra Internasional | PT Pupuk Kujang | PT Indocement Tunggal Prakasa | Pupuk Indonesia     | PT Bio Farma     |
| Petrokimia Gresik | UNILEVER       | Semen Indonesia        | Semen Padang         | Pupuk Kaltim     |
| APP            | Holcim          | United Tractor         | BNI                  | Maybank          |
| Mandiri        | Permata         | BRI                    | BJB                  | Mandiri Syariah  |
| BNI Syariah    | Bank Jateng     | BTN                    | CIMB                 | Danamon          |
| Pegadaian      | Adira Finance   | PT PJB                 | PLN                  | Indonesia Power  |
| WIKI           | Wijaya Karya Beton | TOTAL Bangun Persada | Perumnas             | ICON+            |
| XL Axiata      | Telkom          | Pertamina              | Golden Agrie Resource | Pertamina PHE WMO |
| Pertamina PHE ONW | Pertamina Rantau | Field                 | SKK Migas            | Bakrie Sumatra Plantation |
| PT ASABRI      | Jasa Marga      | Jasando                | Indoagri             |                  |

#### Complete Companies Disclosure

| No. | Company               | GRI 205-1 | GRI 205-2 | GRI 205-3 |
|-----|-----------------------|-----------|-----------|-----------|
| 1   | Angkasa Pura I        | ✓         | ✓         | ✓         |
| 2   | Angkasa Pura II       | ✓         | ✓         | ✓         |
| 3   | Pelabuhan Indonesia II | ✓     | ✓         | ✓         |
| 4   | Kereta Api Indonesia  | ✓         | ✓         | ✓         |
| 5   | Garuda Indonesia      | ✓         | ✓         | ✓         |
| 6   | GMF                   | ✓         | ✓         | ✓         |
| 7   | Vale                  | ✓         | ✓         | ✓         |
| 8   | AKR                   | ✓         | ✓         | ✓         |
| 9   | ANTAM                 | ✓         | ✓         | ✓         |
| 10  | ITM                   | ✓         | ✓         | ✓         |
| 11  | Indika Energy         | ✓         | ✓         | ✓         |
| 12  | Bukit Asam            | ✓         | ✓         | ✓         |
| 13  | Pertamina Drilling    | ✓         | ✓         | ✓         |
| 14  | Mitrabahtera Segara Sejati | ✓ | ✓         |
| 15  | Pertamina EP CEPU     | ✓         | ✓         | ✓         |
| 16  | Petrosea              | ✓         | ✓         | ✓         |
| 17  | G-Resources           | ✓         | ✓         | ✓         |
| 18  | Agincourt Resources   | ✓         | ✓         | ✓         |
| 19  | Kaltim Prima Coal     | ✓         | ✓         | ✓         |
| 20  | Badak LNG             | ✓         | ✓         | ✓         |
| 21  | Astra Internasional   | ✓         | ✓         | ✓         |
| 22  | PT Pupuk Kujang       | ✓         | ✓         | ✓         |
| 23  | PT Indocement Tunggal Prakasa | ✓ | ✓        |
| 24  | Pupuk Indonesia       | ✓         | ✓         | ✓         |
| 25  | PT Bio Farma          | ✓         | ✓         | ✓         |
| 26  | Petrokimia Gresik     | ✓         | ✓         | ✓         |
| 27  | UNILEVER              | ✓         | ✓         | ✓         |
| 28  | Semen Indonesia       | ✓         | ✓         | ✓         |
| 29  | Semen Padang          | ✓         | ✓         | ✓         |
| 30  | Pupuk Kaltim          | ✓         | ✓         | ✓         |
| 31  | APP                   | ✓         | ✓         | ✓         |
| 32  | Holcim                | ✓         | ✓         | ✓         |
| 33  | United Tractor        | ✓         | ✓         | ✓         |
| 34  | BNI                   | ✓         | ✓         | ✓         |
| 35  | Maybank               | ✓         | ✓         | ✓         |
| 36  | Mandiri               | ✓         | ✓         | ✓         |
| 37  | Permata               | ✓         | ✓         | ✓         |
| 38  | BRI                   | ✓         | ✓         | ✓         |
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| No. | Company                     | GRI 205-1 | GRI 205-2 | GRI 205-3 |
|-----|-----------------------------|-----------|-----------|-----------|
| 39  | BJB                         |           | √         |           |
| 40  | Mandiri Syariah             |           | √         |           |
| 41  | BNI Syariah                 | √         |           | √         |
| 42  | Bank Jateng                |           |           |           |
| 43  | BTN                         |           | √         |           |
| 44  | CIMB                        |           |           |           |
| 45  | Danamon                     |           | √         |           |
| 46  | Pegadaian                   |           | √         |           |
| 47  | Adira Finance               |           |           |           |
| 48  | PT PJB                      |           |           |           |
| 49  | PLN                         |           |           |           |
| 50  | Indonesia Power             | √         |           | √         |
| 51  | WIKA                        |           |           |           |
| 52  | Wijaya Karya Beton          |           |           |           |
| 53  | TOTAL Bangun Persada        |           |           |           |
| 54  | Perumnas                    | √         |           |           |
| 55  | ICON+                       |           | √         |           |
| 56  | XL Axiata                   | √         |           |           |
| 57  | Telkom                      |           |           |           |
| 58  | Pertamina                   |           |           | √         |
| 59  | Golden Agrie Resource       |           |           |           |
| 60  | Pertamina PHE WMO           |           |           |           |
| 61  | Pertamina PHE ONWJ          |           |           |           |
| 62  | Pertamina Rantau Field      |           |           |           |
| 63  | SKK Migas                   |           |           |           |
| 64  | PGN                         |           |           |           |
| 65  | Bakrie Sumatra Plantation   |           |           |           |
| 66  | PT ASABRI                   |           |           |           |
| 67  | Jasa Marga                 |           |           | √         |
| 68  | Jasando                     |           |           |           |
| 69  | Indoagri                    | √         |           | √         |