The Regulations and Ethic Implementation of CSR Program in PT. Sarihusada Generasi Mahardhika Indonesia and Int3Tree Malaysia

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Abstract—Corporate Social Responsibility activities are still carried out haphazardly because the awareness of their implementation is only to avoid punishment from the central government, NGO or the society. In order to sidestep the penalty, many companies will do CSR program without any value and dedication while doing it. This research focuses on how commercial companies in Indonesia and Malaysia, which have the similarity in culture and social life, in implementing CSR programs. This study aims to determine whether commercial companies in Indonesia and Malaysia have similar regulations or code of conduct in implementing CSR. Based on those research objectives, this research will analyze CSR program carried out by PT Sarihusada Generasi Mahardhika Indonesia and Int3Tree Malaysia. This research method used case study methods and belonged to the type of qualitative descriptive research. In-depth interview was done as the primary data and highlighted the laws and ethics issues that implemented between those companies. The results show that there are some different regulations between Indonesian and Malaysian government to conduct CSR program. These differences make each company create different ethical implementation. Thus, Indonesian company is still on the secondary waves, corporate triple bottom line. On the other hand, Malaysian company moves on to business and human rights.

Keywords—ethical profession, regulations, corporate social responsibility

I. INTRODUCTION

According to Secchi [1] the meaning and the practice of Corporate Social Responsibility changes since the mid-1970 until present time. This indicates that changes in CSR activities can transform depending on social change. As stated by Ismail [2] that although the concepts and theories of CSR keep in modifications, the core of CSR is a business strategy to conduct their business activity in a way that is ethical, society friendly and beneficial to community in terms of development[3]. So the variations in the definition of CSR activities will not be able to change the basic objectives of implementing CSR as a form of responsibility that must be carried out with full integrity and ethics.

In fact, CSR activities are still carried out haphazardly because be awareness of their implementation is only to avoid punishment from the central government, NGO or the society. According to Lantos[4], CSR consist of four components; economic, legal, ethical, and altruistic duties and it makes foundation to the role of CSR as an ethical, altruistic, and strategic form. For equitable implementation of CSR, every country does have its own regulations relating to the implementation of CSR. As an evidence, in Malaysia, the implementation of Government-Linked Company (GLC) Transformation Program 2005/06 by government is one effort to promote Corporate Social Responsibility (CSR) disclosures among its government-linked companies (GLCs) [5]. Meanwhile in Indonesia there are Law No. 25/2007 concerning investment, Law No.40/2007 concern Limited Liability Company (LLC Act, 2007) and Law No. 19/2003 concern State Owned Corporation (SOC Act, 2003) [6]. Regulations made by the government have an influence on the implementation of CSR activities. The results of the research conducted by Mohamed Adnan, et al. shows a positive relationship that government and cultural regulations in the country will affect the quality of reporting of CSR activities in China, India, Malaysia and the United Kingdom. From the observations of 70 companies in 4 countries, it was proven that the quality of CSR reporting relied heavily on CSR committees, national culture as well as government structures in the country [7]. This fact shows that CSR in its definition and implementation will change according to the company's commitment to CSR, culture of the society and government regulations so that the implementation of ethics and regulations during the CSR activities needs to be reviewed.

As one of the professions that implement CSR Programs, Public Relations Officer is bound by ethics in the associations that gather them, as an example Indonesia has Perhimpunan Humas Indonesia (PERHUMAS Indonesia) and Malaysia has Institute of Public Relations of Malaysia (IPRM). Each association has its own code of ethics. However, like other professions such as doctors and judges, code of ethics in the profession of public relations is not as strong and binding as the code of ethics of doctors and judges. If a public relations practitioner violates the code of ethics, then the sanctions accepted will not be as severe as the sanctions committed by medical practitioners or law enforcement.

Almost in all cases of ethical code violations, PR practitioners are only subject to social sanctions that are not related to their work activities or do not provide punishment in accordance with the mistakes it has made. It happens in Indonesia, Malaysia and in the worldwide.
The code of ethics that has been designed in the PR association is considered to be only a fundamental requirement for the establishment of an association because it does not tie each member tightly and there is no clear control of the association to any of its members. As a result, many people feel that the code has no power. This lack of public relations code of ethics results in a lack of implementation of the professional ethics code in its own practical circles and it could even be an indication that public relations practitioners may not know there are rules for them or they are not aware of any public relations code association that houses public relations practitioners.

This problem can make the world of public relation have wide gap because there is no standard in the implementation of ethic and regulations on every aspect of PR activities including CSR Program. It is interesting to observe public relations practitioners working in Indonesia and Malaysia as these two countries have similar cultures, both socially and religiously so as to compare the implementation of the code of ethics and CSR regulations in both countries that can be a clear guide to whether the CSR Program is still done or merely an administrative requirement in the establishment of professional business, avoiding higher tax or indeed a form of corporate responsibility towards society. On the other hand, although these two countries have the same culture and language, Malaysia is one of the commonwealth countries while Indonesia is democratic country. With the cultural similarity but different system of government, the implementation of ethics and regulations on CSR must be different. This research will explore the differences of the implementation and how culture and regulations will affect its operation.

II. LITERATURE REVIEW

A. Ethical Code and Ethical Conduct of PR Practitioners

In the Main Report section of PR Indonesia issue No.32/Th III / November 2017 edition, it is clear that the national PR Code of Ethics should be a priority because it involves the PR practitioner’s own benefit. However, concocting a code of ethics that can embrace all elements of PR is not an easy thing to do because it takes a common dialogue and a big commitment to realize the Absolute PR Code of Ethics for all because many PR practitioners feel they have different characters for each company.

Elizabeth Goenawan Ananto states that the PR profession continues to evolve and is increasingly unclear its limit because this profession is open to anyone, and then the existence of a professional code of ethics needs to discipline public relations practitioners.

However, the most crucial thing right now is education to all public relations practitioners scattered across the region, as it would be futile for a code of ethics if the practitioner does not yet understand it. It also inspires Agung Laksamana, Chairman of PERHUMAS (Perhimpunan Humas Indonesia) to emphasize the need for education and awareness so that public relations practitioners can apply this code of ethics in the daily practice of profession.

As an example, in the Indonesian PERHUMAS Code of Conduct, it is listed under a publicist saying “not taking action or issuing utterly degrading remarks, clients or superiors, or former clients or former superiors,” while in fact there are many other parties, including public relations practitioners who simply move around the workplace due to disharmony with their old working environment and then tell the ugliness in a new place. So this indicates that the PR practitioner has violated the PR profession ethic code, but until now there has never been a practitioner PR shelter within public relations associations that are sanctioned in relation to the offense committed.

B. Ethics of Public Relations

In the early 20th century, Phineas Taylor Barnum founded a circus called Barnum & Bailey Circus with his business partner James Anthony Bailey[9]. Their circus business run smoothly even Barnum was regarded as the richest man in the 19th century because of his circus business. He was also referred to as Shakespeare of Advertising because of his skills of “selling” his circus performances. However in Parsons's book it says “that PT Barnum represented much of what dishonest was in the history of this field, we were quick to point out that he was a” publicist “who lived in a different era,” because according to Parsons, conducted by Barnum while promoting his circus business, he has violated the ethics of public relations practitioners[9]. Because a PR should be honest, not like Barnum who always gave hoax when communicating about the circus. Not to mention the political consultant who in fact was also a PR practitioner, while promoting his clients to the constituents, it was not impossible to dramatize even the black campaign that of course violates the ethics of public relations[10].

The philosophers define ethics as a study of the errors and moral truths of a person, limited by human ability because decisions must be based on the ability of each person. Thus, the ethics of public relations is defined as “the application of knowledge, understanding and reasoning to questions of right or wrong behavior in the professional practice of public relations[9][11]. This means that public relations ethics is a set of rules based on knowledge, understanding and arguments that will guide the actions of professional PR practitioners. Hopefully, every PR practitioner will do the ethics code because by doing so they have met the standards in working in the professionalism of a PR.

C. Regulations of CSR in Indonesia and Malaysia

As stated earlier that the implementation of CSR in Indonesia, Malaysia and other countries has its own differences due to differences in government systems, culture, social conditions, and regulations that apply in the company, then the researchers can assume that if the implementation is different then the rules will certainly be different. Unquestionably since the beginning of the emergence of CSR in business, it is indeed considered as a form of social responsibility carried out by the company as a contribution of accountability, and in return it will improve the company’s reputation so that it indirectly also increases the company's financial[12]. So the CSR carried out by each country still has the same aim even though it is regulated by various regulations according to the needs of each country. The main focus of this research is not to analyze the differences in regulations that apply in the country and then to find the best format that can be implemented in each country. However, it is more to the description of how the regulation is applied in the country and then what differences are found in each regulation.

When campaigning for CSR activities began to be encouraged, there were still many companies that refused to
carry out these activities because they thought that CSR was entirely in the government and would not get any benefits for the company\cite{13}. The misunderstanding occurred globally, so that finally governments in each country began to provide policies that require companies to carry out CSR activities, and to impose reward and punishment for companies that do or violate these rules. In Indonesia and Malaysia, including governments that have high regulations, including regulations governing the implementation of CSR for companies in their countries, even this CSR is considered important for both countries because it can suppress the occurrence of corruption\cite{14}. In addition, CSR for both countries has a contribution as a form of the company's internal commitment, as transparency in corporate communication and also for mutual understanding of the wider stakeholders such as customers, employees, investors, NGOs, the media and the government\cite{15}. As a result, a strong CSR regulation is needed for the implementation of CSR, in addition to require each company to carry out CSR as a form of its responsibility to the community, the regulation is also a guide for companies when implementing CSR so that each company has the same CSR program standards.

Indonesia and Malaysia are two countries dominated by Muslims, so there are still many regulations that apply in their countries that are influenced by Islamic law. Therefore, they believe that CSR is a rule that meets the values of Islamic values.

Because in implementing CSR activities a company is required not only to prioritize profits for the company but also to contribute positively to the environment, it can integrate Islamic teachings both in the daily context of work and daily life\cite{16}. It is supposed that those sharia law can be those sharia Law can be implemented in CSR such as trust and justice. In fact, CSR activities are considered to be a preventive step for corruption in both countries in two ways, namely emphasizing supervision and giving penalties, providing motivation and emphasizing integrity and self-monitoring\cite{16}. So, it is natural that late indeed the two countries with the majority of Muslims believe that they can synergize Islamic teachings in their company's CSR activities.

In Malaysia, the rules regarding CSR are infancy, because it is mandatory when the government represented by the Prime Minister and Minister of Finance in a state speech on 1 September 2006 stated the obligation for companies registered as public companies to report CSR activities that has been done in the annual report\cite{17}. CSR activities carried out by the company must be in line with the objectives of the government's socio-economic policies including providing business opportunities to domestic entrepreneurs, awarding contracts to Bumiputera vendors; ensuring ethnic diversity of employment; as well as developing human capital\cite{17}. With these recommendations, the government will provide a tax reduction of 5% - 7% for companies that have carried out CSR activities. Although these rules have been implemented in Malaysia, it is difficult to directly change the traditions that have taken place in Malaysia. Including CSR activities in Malaysia is overseen by foreign institutions, which sometimes do not meet the expectations of local residents.

In Malaysia, the community is considered passive and weak so that CSR activities are dominated by the wishes of the company which is not necessarily the CSR activities needed by the community\cite{18}. Because CSR in Malaysia is dominated by charity activities, activities that focus on reducing environmental damage are still very minimal. On the other hand, the form of CSR activities submitted to each company has no specific rules from the Malaysian government.

### III. Result and Analysis

#### A. The Implementation of CSR Program and Regulations in Indonesia and Malaysia

As a company that has business in the food supplement PT. Sarihusada Generasi Mahardhika has 2 commitments namely business commitment and social and environmental commitment. The commitment is an implementation of PT. SGM's vision. They have the vision of One Planet One Health, so they do not only increase capital or profit but also contribute to the health of the community and the planet that the people must protect together. One of the practices of PT SGM's social responsibility through the CSR program is the Logede Village community empowerment program that has been successfully implemented from 2014 to 2017. The success of this program began with the initiative of PT SGM itself that previously had good relations with the local government, namely the Karangnongko sub-district Government. The CSR program began with a survey and assessment during program planning and the result was that Logede Village was eligible to make the location of the CSR program for 3 years.

At the beginning of Logede Village CSR program, PT SGM also found various obstacles that came from the community as well as the regional government. They got rejection from the Karangnongko Health Center because the community thought the company would distribute formula milk. The company also faced a problem with the villagers because there was a resistance from the local community. It was due to the lack of knowledge and understanding of the objectives of CSR programs. Moreover, communication process that took place between PT SGM and the Logede Village community was carried out through facilitator and mediator.

On the other hand, in Malaysia, Int3Tree in implementing CSR programs is with the motives of socially responsible business practices, namely business practices that have social responsibilities according to the community needs. This is done by providing support in the development of a very community with business or business activities owned by the community, in this case the beneficiary, the person closest to the company, the agent, adjusting the potential of the community and their needs related to training and designing business strategies. For the community development, it is carried out in various fields of life, especially in the economic field.

They realize that there is financial potential that can be done by the community by doing business of buying and selling. However, many of the people feel that relying on their lives as traders will not provide much convenience in life so they prefer to work in the office to become employees. Seeing the high likelihood of success by trading, the company decided to provide training in the business of buying and selling with conventional methods through e-commerce.

Although this activity is a positive activity when it will start the activity, there are some parties who look cynically at
the plan of this CSR program. Because selling products is not something that is considered to be prestigious for the people in Kuala Lumpur.

The rejection process carried out by the community did not last long because after discovering that there were benefits that could be taken from the activity, many people were curious, asking questions and then deciding to join the training and even helping inform the benefits of attending the training to people around it, more and more people joined because of the word of mouth effect from the participants.

Another interesting thing received by the researcher is that Int3tree carries out CSR activities, but they do not conduct evaluation activities regarding their activities, for example counting the number of participants in each period or just documenting the activities they have done. Usually, many companies do communication blending through advertisement collaboration, personal selling, sales promotion, public relations, sponsorship, and many more to achieve sales goals. One strategy that can be used is to utilize CSR activities because by doing this activity the company can obtain benefits from the company's image, maintaining relationships with new customers, avoiding sanctions from unethical actions to maintaining the company's good image as an investment in the future [21]. Contrary with that statement, Int3tree did not provide a report or news releases to media partners to get publications in order to gain public sympathy. However, it is understandable why they were reluctant to publish and to document their CSR activities. It was because their company was still new, and also because they held those activities with religious purposes.

As stated earlier, CSR is indeed a relatively new thing in Malaysia. So, Int3tree is like most other companies in Malaysia that do not have a special division for CSR activities. However, even though at that time the government did not yet have strict rules regarding CSR and the company did not have a special division that handled CSR, they continued to carry out CSR activities. It was all done because there were religious teachings that were indeed held by the leadership of the company, as stated in the interview of Mr. Haziq Bin Shezali as the following Marketing Executive: "We realize that there is a lot of work that must be done by our fellow humans, may provide material assistance such as food donations that we also do for the poor and orphans, but it is better to employ something for the community so that they can be more independent and dignified."

From the statement, it is clear that many companies in Malaysia have carried out CSR activities even though at that time there were no regulations from the government. That is all done because they as Muslims must contribute to society. Even when the Malaysian government has rules for CSR programs by providing tax deductions for companies that have carried out CSR activities and reporting on CSR activities carried out, this does not interest the company to report to the government. This is because they practice the Islamic values that if they give something, should have because it becomes showing off and reduces reward. This further confirms that in Malaysia the implementation of CSR regulations depends more on the teachings of Islam that they believe in. It is evidenced by the high implementation of CSR based on sharia law and belief in Islamic values compared to government regulations.

In the practice, the CSR program in Indonesia under Article 74 concerning Limited Liability Company Law which contains the rules on social and environmental responsibility implies that the business enterprise must perform CSR. In addition, the Law of Investment no. 25 of 2007 article 15 and 34 states that companies that do not implement CSR will be subject to administrative sanctions in the form of written warning, cancellation of business activities, freezing of business activities, and even revocation of business license. In addition to SOEs (State Owned Enterprises), there is a Regulation of the Minister of State Owned Enterprise. It is PER-05/MBU/2007 dated April 27, 2007, where State-Owned Enterprises are required to set aside funds for the partnership program as much as 2% of the company's net profit and 2% for the Community Development Program.

PT SGM is held as responsible business practices which are social in nature (Social Responsibility Business Practices) and as a commitment of the company in accordance with the vision of PT SGM namely business commitment and social and environmental commitment. The commitment is an implementation of Danone's vision. Danone has the vision of One Planet One Health, so people do not only increase capital or profit but also contribute to the health of the community and the planet that people must protect together.

B. An Ethical Implementation of CSR Program in Malaysia

Before discussing about ethic implementation, it is important for the researcher to examine the background of the informant to assess the capability of the informant as a PR practitioner. Haziq Bin Shezali representing PR practitioners in Malaysia before plunging into the world of public relations does not have any educational background in Communication Sciences because he earned a bachelor degree of Economic and Business. Thus, he is not incorporated in the association of PR profession in Malaysia namely Institute of Public Relations Malaysia (IPRM). Similar with Haziq, Endah Prasetioningtias does not have any educational background in Communication Sciences and inactive in the Indonesian PR profession association, or Indonesian Public Relations Association (PERHUMAS). Both of the informants said that they admittedly inactive in PR association due to have a busy occupation to handle in the company. Nevertheless, both of them always keep up to date with the latest news updates of PR association within PR workshop, seminar and bulletin.

Public Relation is one of the professions owned by almost all companies who work in the field of government, private, education, banking, economics and even non-profit companies such as NGOs / NGOs. From these data, it can be interpreted that the high need for practitioners with educational background and expertise in the field of public relations are so as to force people who may not come from public relations education to obtain public relations education. From the data obtained in educational institutions in Yogyakarta, Indonesia from 10 colleges only 1 person has the educational background of public relations [22]. Based on the research, it is suggested that PR practitioner should have an educational background in the field of communication because it will provide a strong foundation in the design, implementation and evaluation of CSR activities.
Edward L. Bernays in 1953 predicted that the public relations profession would be filled by people who did not necessarily have an educational background in public relations so that required licensing standards and criteria and codes of ethics for each profession must be made and enforced[23]. Bernays said PR needs to code ethics like lawyers’ profession, doctors, and so forth to meet the standards of decent service when working. This is where the important role of the professional code of ethics that is owned by each professional association such as association PERHUMAS or IPRM. Because the two associations have been there, rules of edition binds its members to behave well according to the rules of the profession.

The preparation of each chapter in the code of ethics of the profession certainly has some differences because it is tailored to the local wisdom of each country. As stated in the code of ethics of PERHUMAS, there is Article IV Behavior Against Peers containing:

1. Not intentionally damaging and defaming the reputation or professional acts of their peers. However, if a colleague is guilty of unethical, unlawful or dishonest acts, including a violation of the Indonesian PR Code of Ethics, the evidence must be submitted to the Honorary Board of PERHUMAS INDONESIA.
2. Not offering or urging clients or superiors to replace their peers.
3. To assist and to cooperate with colleagues throughout Indonesia to uphold and comply with this Code of Ethics.

The composition of the code of conduct directly related to the relationship with colleagues is not clearly stated in the professional code of conduct in IPRM. The code of ethics in the association of IPRM explains that each member “as a whole is appraised, “meaning that wherever it may be, in a private state, even if a PR must be aware of all its good conduct to the client, superiors, partners, including colleagues he will certainly reflect itself when doing his profession, so he must respect everyone or colleagues.

Similarly, other professional codes of ethics, such as journalists are prepared by article to maintain the professionalism of journalists, and it is necessary to establish a regulation that binds the journalist's profession so that the Indonesian Journalist Association (PWI) finally develops a special Journalistic Code of Ethics for journalists who are under the auspices of the PWI association and the Journalism Code of the Press Council which are for non-PWI journalists. It is because at that time there were many journalists who chose the association of journalists other than PWI. The most important thing is that every person who works as a journalist must be under the auspices of the Journalistic Code of Ethics because the code of ethics designed by the association of journalists is a disclosure of contracts made by journalists for the common good.

Having designed and inaugurated a Journalistic Code of Ethics in a black and white rule, every journalist must be consistent and adhere to the rules, while the honorary council of the press must also continue to exercise continuous supervision because the code of conduct must have consequences for the offender, and the moral sanctions or sanctions are being excluded from the organization.

However, in the implementation, the application of professional code of ethics for public relations or for journalists is not going well, because of the lack of oversight of both the supervision to his colleagues. This negligence has implications on the Code of Ethics of Professions that are deemed to be regarded merely as mere patches, having no binding force to their members. Whereas, one of the goals of this professional code of ethics is to uphold the dignity and become standardization for professional holder. It is very unfortunate if they run their profession without knowing the standard of the implementation of their profession.

IV. CONCLUSIONS AND RECOMMENDATION

The results of this study conclude that as a professional practitioner both residing in Indonesia and Malaysia both informants do not have any education background as public relations scholars or joined to public relations association, but they have prepared themselves well to plunge into the world of public relations. It can be concluded based on the data that both informants can solve the communication in the beginning of the CSR Program, give the suggestion for the program, and decide the way they do the program. However, it would be better for the informants and all of PR practitioners to join PR association because it will sharpen their ability in communicating with all stakeholders as well as in facing issues and crises during implementing CSR program.

Both companies which are in Indonesia and Malaysia should begin to realize that the prioritized person to fill the job as a public relations personnel is someone who has educational background in the field of Communication Study because he is qualified, has a communicative character, and is able to establish two-way communication. In addition, it also supports public relations workers to join the association of public relations profession so as to add soft skill and hard skill from the workers because of the association environment that will continue to monitor the performance of each member. This suggestion also aims at optimizing their expertise so that PR practitioners can be more able to keep up with the shifting situation such as cultural changes or government regulations, hence scholars of communication science are considered more adaptive to the changes that occur.

V. ACKNOWLEDGMENT

It is an independent study with the help of the informant and expert on Corporate Social and Responsibility. They are Haziq Bin Shezali as Public Relation of Int3Tree Malaysia and Endah Prasentioningtias as Public Relations of PT. Sarhusada Indonesia Branch Yogyakarta. We would thank to Department of Communication Science University Muhammadiyah Yogyakarta.

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