

Conference Paper

Business is Unusual: Discussing the Philosophy of Astra Code of Ethics

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Abstract

Purpose – This study aims to explore the foundation and philosophy of Astra in building Astra Code of Conduct.

Design/methodology/approach – The review is run by conducting theoretical review through references related to ethics and code of ethics as well as reviewing the Astra Code of Ethics published through the Astra website (www.astra.co.id). In addition, some other materials relevant to this study is also used, among others: Annual Report, Sustainable Report, and books under the title “Astra: on Becoming Pride of the Nation”. The result of the theory and data/information obtained is synthesized by using content analysis approach.

Finding– Astra has the foundation and philosophical basis that comes from the personality and character of William Suryadjaya, Astra’s founder. Astra adheres to the thought that business is unusual.

Practical implication– The results of this study can be used as a theoretical framework for conducting further studies or research related to Astra Corporate Ethics.

Originality/value– This review provides value for the development of Humanism Management.

Keywords: Astra, Philosophy, *Catur Dharma*, Sustainability, Good Corporate Citizen

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1. Background

PT. Astra International Indonesia, Tbk (Astra) has a strong ethical foundation. An ethical foundation laid out and confirmed by Astra founder William Soeryadjaya. According to William Soeryadjaya, the existence of Astra is not to accumulate family wealth, but also provide benefits for the nation. The foundation is what reinforces the ideals of Astra as a company that wishes to “ Prosper with the Nation”. (Liman, 2017, p.402)


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Strong ethical foundation and ideals for "Prosper with the Nation" are not just jargon, but also as ideals in Astra's strategy. In that strategy, there are specific steps that Astra takes to become "Prosper with the Nation" based on a solid ethical foundation. The strategy is called by the name of Triple-P Roadmap Strategy.

In the Triple-P Roadmap Strategy, Astra assigned 3 forms of a roadmap to achieve the goals of "Prosper with the Nation". The three forms of the roadmap are the Roadmap Portfolio, People Roadmap and Public Contribution Roadmap (Liman, 2017, p 86). Triple-P Roadmap Strategy conducted by Astra aims to increase the value for Astra shareholders, build *Insan Astra* and contribute to the wider community. A strategy that not only focuses on the interests of shareholders but also on the interests of corporate stakeholders.

The Astra Strategy looks almost identical to the Triple Bottom Line concept, where a company is not merely oriented to good (positive) financial performance, but also considers ecological sustainability and social sustainability [10, 11]. However, Astra does not adopt the Triple Bottom Line concept in a whole. Instead, Astra has its own ethical foundation. The ethical foundation is what requires Astra to develop its strategy.

Ethical awareness owned by Astra through Triple-P Strategy Roadmap Strategy is realized by the preparation and release of Astra Sustainability Report publication since 2002 until now. The report is an integral part of Astra Annual Report. Astra's Sustainability Report can be said to be the responsibility of Astra to the public for the implementation of the Triple-P Strategy's Triple-P commitment and strategy. This report is also a real effort in achieving the goals of "Prosper with the Nation".

Astra, currently, has a range of businesses that include: automotive, financial services, heavy equipment and mining, agribusiness, infrastructure and logistics, information technology and property. The business series is tied up by Astra with the ethical foundation contained in the motto, ideals, philosophy, vision, and mission of the company and the code of ethics of the company. (Yearly Report of Astra International, 2016).

Astra has the motto "*Per Aspera Ad Astra*". This motto has a meaning that is one is struggling and penetrating the challenge to reach the star. Astra's ideal is "Prosper with the nation". Astra has 4 philosophical foundations called "*Catur Dharma*" or the "Four Obligations", which include: becoming a useful company for the nation and country, providing the best service to the customers, appreciating individuals and building cooperation, and always trying to achieve the best.

Astra has the following vision: (1). Being one of the best-managed companies in Asia Pacific with an emphasis on sustainable growth with competence development. This

is achieved through human resource development, solid financial structure, customer satisfaction, and efficiency, (2) Being a company that has social responsibility and care for the environment. In addition, Astra's mission is to "prosper with the nation by giving the best value to the stakeholders".

2. Literature Review

The literature review is the study of several theories of corporate citizenship from Camilleri (2017), Carroll (1979), Carroll and Shabana (2010), Svensson and Wood (2007), McWilliams et al. (2006), Porter and Kramer (2006), Yadong (2007) and Lipman and Lipman (2006).

The study is also conducted on Shareholder Theory. The study of the Sustainability Concept is done by discussing the results of Dryzek (2005) Diesendorf (2000) and Lozano (2008) study on the results of a study conducted by Oruc and Sarikaya (2011), Jamali (2008) and Carroll and Buchholtz (2008). While the study of Good Corporate Governance is based on the results of a study by Ardalan (2007), Kooskora (2008), Cadbury (1992).

Results and exposure to the literature review are presented in the result and discussion section.

3. Methodology

This study attempts to taxonomize the Astra Code of Conduct. This study is a conceptual analysis through theoretical analysis of references related to ethics and code of ethics. A review of the Astra Code of Conduct published through the Astra website (www.astra.co.id) is also conducted. Other materials relevant to this study include Annual Report, Sustainability Report, and book entitled "Astra: on Becoming Pride of the Nation". After the theoretical and data/information is obtained, the synthesis with the content analysis approach is also implemented.

4. Findings and Discussions

4.1. Astra Idea-Ideology

In the Astra Code of Conduct document, there are several concepts used by Astra in compiling the code of ethics. The concepts are corporate citizens, good corporate

citizens, stakeholders, shareholders, "Prosper with the Nation", sustainability, good corporate governance and "Catur Dharma".

4.2. Astra as Corporate Citizen

Astra declared itself a corporate citizen. According to Camilleri (2017), Carroll (1979) and Carroll and Shabana (2010), as corporate citizens, the company establishes itself as a social institution that not only acts in accordance with market demand but also concerns social and environmental interests. As a corporate citizen, the company always has a commitment to the community. The Company has obligations not only of economic obligations but also legal obligations, ethical obligations, and philanthropic activities. The company must also provide benefits not only to its business but also its social.

Next, Carroll (1991) built the pyramid as follows:



Figure 1: CSR Carroll Pyramid.

By declaring itself as a corporate citizen, Astra must perform the economic responsibilities required by the community and become a profitable company. Astra also has a legal obligation in accordance with the wishes of the community by complying with all applicable laws and regulations. Astra also has an ethical duty as expected by the community by doing its business activities well and avoiding any kind of actions that "hurt" the community. Lastly, Astra has a philanthropic obligation in accordance with the will of the people, and it also needs to become a good corporate citizen.

4.3. Good Corporate Citizens

In addition to those already presented by Camilleri (2017), Carroll (1979) and Carroll and Shabana (2010), Good Corporate Citizen also has some additional characteristics, namely: running everything right in harmony with the moral and ethical duties [19, 22], contributing to sustainability [21], building good relationships with suppliers, and having a commitment to community protection and empowerment, which includes building good relations with workers and unions [23]. Good Corporate Citizen also includes good corporate governance where processes and structures are directed and controlled for the achievement of long-term goals by taking into account the interests of all stakeholders [14, 17, 23]. The concept of the Carrol Pyramid and the characteristics of a good corporate citizen can be focused as follows:

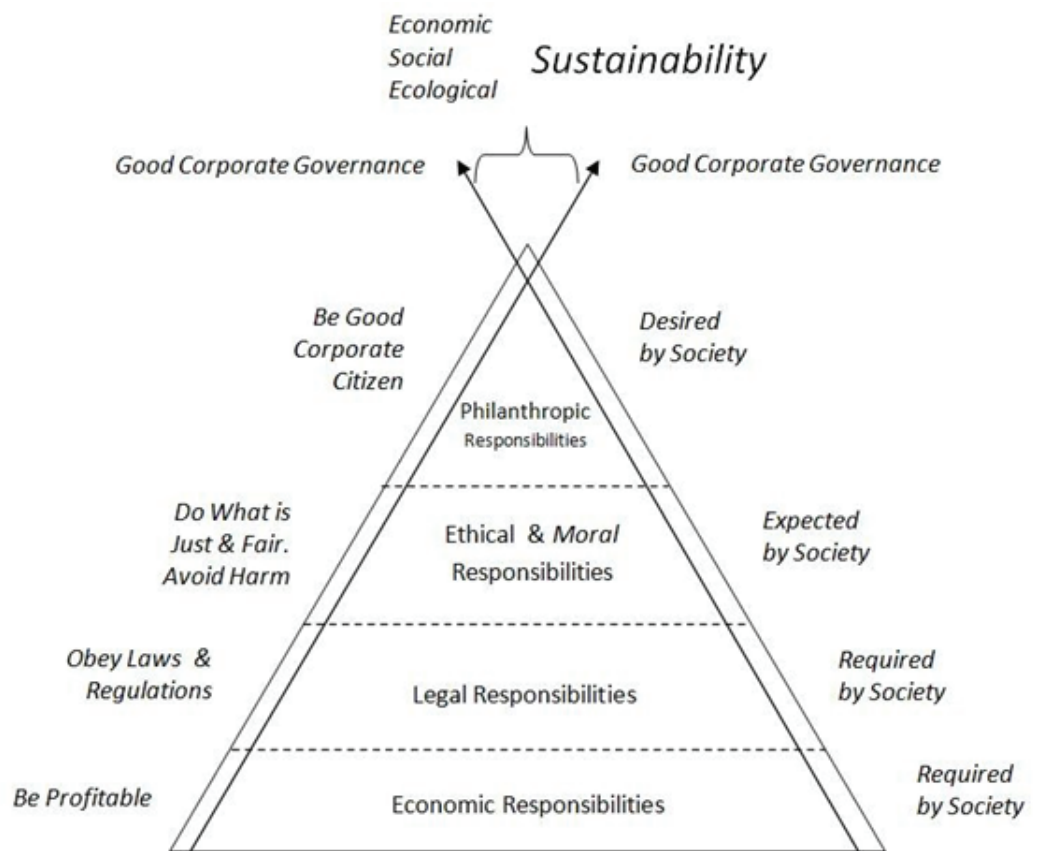


Figure 2: Good Corporate Citizen Model.

From this Good Corporate Citizen Model, Astra in carrying out its role as a corporate citizen must perform the task with the aim to achieve sustainability, both economically, socially and ecologically. Efforts to achieve sustainability must be based on good corporate governance.

4.4. Shareholder + Stakeholder = Astra Orientation

Astra is committed to being a business institution that has benefits not only to shareholders but also benefits to stakeholders in general. In this context, Astra does not conduct its business benefit dichotomy between shareholders and stakeholders. Astra brings them together both in Astra's business strategy and operations. The absence of dichotomy in the perspective of Astra's business benefits can be seen from the perspective of Stakeholder Theory.

The stakeholder concept is known after the publication of a book entitled "Strategic Management: A Stakeholder Approach" written by Edward Freeman in 1984 [20]. Freeman defines stakeholders as individuals or groups that influence or be influenced by the business of achieving company goals. With the understanding of stakeholders as explained, then the meaning of shareholder is covered in the terms of stakeholders and become part of it.

A company in the business process must establish good relationship and cooperation with all stakeholders, and the results obtained by the company must provide benefits to the brand [12]. The needs or interests of shareholders will not be achieved before the needs or interests of stakeholders are met. Thus, taking into consideration the interests of stakeholders in a broad sense, as well as establishing connections and interactions with all stakeholders will yield better results than just profit-oriented maximization [13]. In the Stakeholder Theory, the company must understand the expectations of the community, and it must meet those expectations effectively. Stakeholders may have legal rights to the company as well as rights in an ethical context [6]. Exposure above can be made in a figure as follows:

By using the model, when Astra stated that Astra does not just pay attention to the interests of shareholders but also concerns the stakeholders, Astra must establish good relation and cooperation with all stakeholders in the business process. Astra should also take this into account as it handles the results of his business operations. Astra has concerns about the social environment and ecological environment, and on the other hand, it also meets the expectations of stakeholders. In another word, Astra is faced with meeting the needs, interests, and expectations of all stakeholders.

The concept of Shareholder + Stakeholder = Astra's Orientation is actually the actualization of Astra's ideals of "Prosper with the Nation" (Prosper with the Nation). This aspiration of Astra was initiated by William Soeryadjaya on the basis of the possibility that in the case that Astra makes the nation prosperous; In return, the nation will make Astra's business grow. (Liman, 2017, p.402).

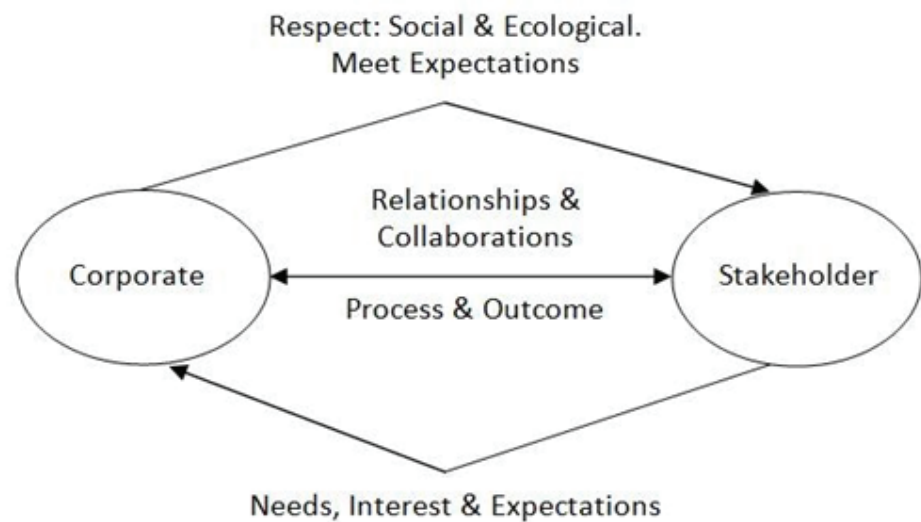


Figure 3: Stakeholder Model.

4.5. Sustainability

The concept of sustainability according to Dryzek (2005) is said to be "the capacity to continue". Based on long-term orientation, sustainable concepts are related to ethical principles to maintain a balance between present time and future generations [8]. With these two opinions, the concept of sustainability has at least the following conditions: having the capacity to continue, having a long-term orientation, maintaining a balance between current achievements and future generations, and having ethical principles that can guard capacity and balance.

Lozano (2008) develops the concept of sustainability through 3 dimensions, namely society, economy, and environment. If the concept of sustainability initiated by Lazano, coupled with the concept of sustainability of Dryzek and Diesendorf, it will produce figures as follows:

With reference to Figure 4, Astra's sustainability concept is built on the desire to ensure internal sustainability (corporate entity), as well as ensuring the sustainability of 3 dimensions, namely economic dimension, social dimension and environmental dimension. Such sustainability guarantees must be met to provide space and power as a capacity to continue, as well as the needs and interests of future generations. The sustainability guarantee is sustained by the application of ethical principles.

Astra measures business success not only from indicators of profitability, but Astra sees itself as part of the society so it must perform social functions. However, such social contributions are not interpreted as merely "donations" but must be realized through the provision of funds for sustainable programs. (Liman, 2017, p 47).

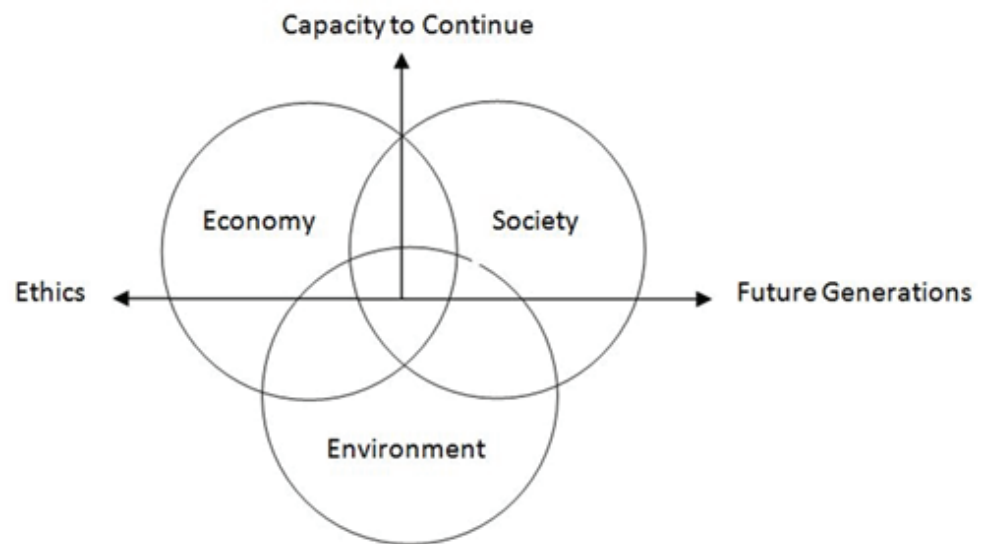


Figure 4: Modification of Venn Lozano Diagram Model.

The conceptual framework of Astra's sustainability is similar to the Triple Bottom Line concept, but Astra makes a little adjustment. (Liman, 2017, p. 52). The adjustment is based on Triple P, which are Profit (with emphasis on customer and technology aspects), People (with emphasis on human capital), and Planet (with emphasis on environmental and social capital aspects). Astra establishes the choice and sustainability through sustainable programs.

Ongoing programs are underway in the Triple-P Roadmap Strategy. Some of these programs include Astra For Healthy Indonesia or *Astra Untuk Indonesia Sehat*, Astra For Smart Indonesia or *Astra Untuk Indonesia Cerdas*, Astra For Green Indonesia or *Astra Untuk Indonesia Hijau*, and Astra For Creative Indonesia or *Astra Untuk Indonesia Kreatif*. (Astra Sustainability Report 2016). As a commitment to the concept of sustainability, Astra began in 2002 to periodically develop and publish Sustainability Reports by referring to the reporting guidelines set forth in the Sustainability Reporting Guidelines of the 4th Generational Global Reporting Initiatives (GRI G4).

4.6. Good Corporate Governance

Ardalan (2007) divides corporate governance in 4 paradigms, functionalist paradigm, interpretive paradigm, radical humanist paradigm and radical structuralist paradigm. In the functionalist paradigm, corporate governance is a way of reducing agency-cost efficiency. The interpretive paradigm views corporate governance as a social construct within the framework of social processes. The radical humanist paradigm sees corporate governance as a point of democracy. The radical structuralist paradigm

sees corporate governance as a historical trajectory in the determination of social class and class struggle.

The corporate governance framework relies on legal aspects, rules, institutions and ethical principles. Corporate governance is seen as how management should serve and meet the interests of stakeholders and not just shareholder interests. (Kooskora, 2008). Cadbury (1992) states that corporate governance is a system that regulates how a business is run and controlled. The system includes contracts, organizational designs, and legislation.

The concept of Good Corporate Governance, as said by Ardalan with its four paradigms, as well as Kooskora and Cadbury, can be formulated as follows:

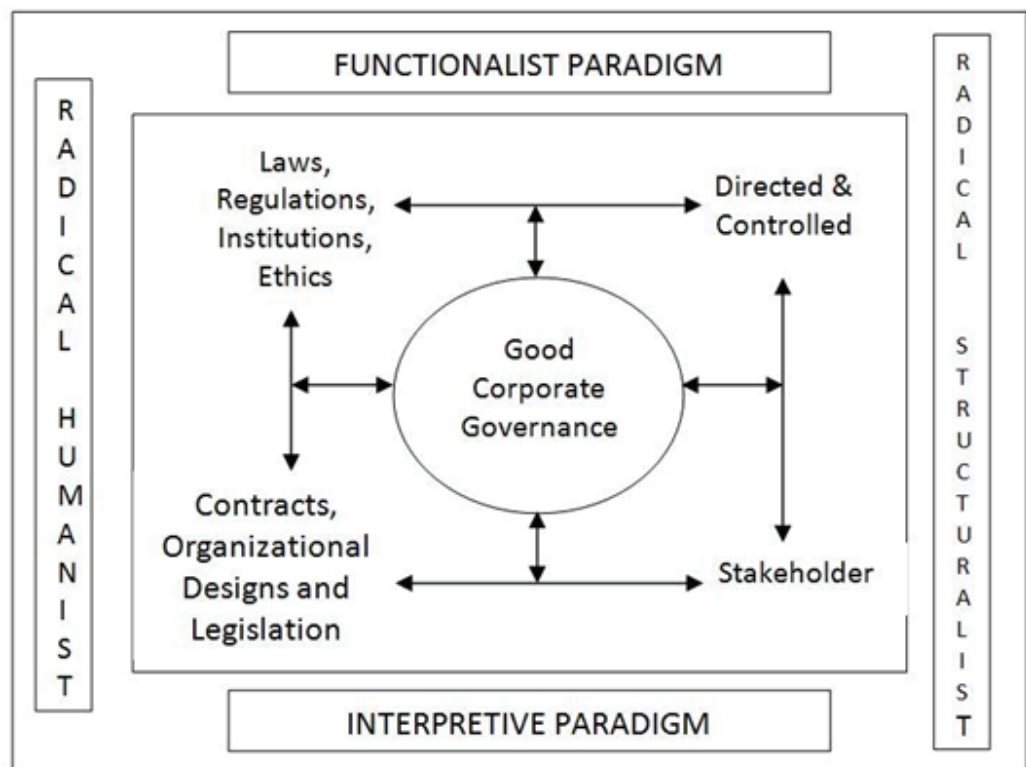


Figure 5: Good Corporate Governance Model.

With this Good Corporate Governance Model, Astra develops corporate governance based on internal and external driven, in the form of legal rules that must be obeyed by Astra, all relevant regulations, institutional and ethical principles in the community. Furthermore, the drivers are responded by Astra by making Contracts, Organizational Designs and Legislation as guidance in running (directed) company, and control and supervision of the company (controlled) which all done in the framework of the fulfillment of stakeholder interests. In this context, Astra gives meaning to Good Corporate Governance in certain paradigm. Viewed from the 2016 Astra Annual Report and the

2016 Sustainability Report, implicitly, the paradigm used by Astra is the Functionalist Paradigm and Interpretive Paradigm.

4.7. "Catur Dharma"

Catur Dharma is the value and accumulative wisdom that is the key to Astra's success to survive across the ages (Liman, 2017, p 473). *Catur Dharma* was born from the personality and character of William Suryadjaya which is then poured in the guidelines reflecting the collective values, beliefs, and principles (Liman, 2017, p 474). Astra value contained in "*Catur Dharma*" is born from the personality and character of the leader in accordance with the opinion of D'Amato et al. (2010) which states that leadership figures and models will be decisive in organizational motion.

"*Catur Dharma*" was born on December 20, 1982, with the following formula: (1). Providing benefits to the nation and country, (2). Providing the best service to customers, (3). Establishing relationships that value and nurture cooperation and (4). Providing utmost effort to achieve the best. (Liman, 2017, p 472).

"*Catur Dharma*" was changed in 2007. The change was done by adding verbs with the same substance. This change makes "*Catur Dharma*" the accumulation of the implementation wisdom. The change changed the "*Catur Dharma*" to: (1). Becoming a company that benefits the nation and country, (2). Providing the best service to customers, (3). Respecting individuals and fostering cooperation and (4). Giving the effort to achieve the best (Liman, 2017, p 473).

Furthermore, "*Catur Dharma*" became the foundation and motivator for the implementation of Astra Good Corporate Governance and made Astra as a Good Corporate Citizen that ensures sustainability. Finally, the foundation is delivering Astra to achieve its goals, namely "Prosper with the Nation". This is illustrated by Astra as follows:

Astra's "*Catur Dharma*" philosophy becomes the guide and guide to Astra's behavior in running the business. For Astra, the concept of Business is Unusual in Astra's philosophy makes Astra consistent in its commitment to "Prosper with the Nation".

5. Conclusion

Astra has established the foundation as a meaningful philosophical foundation as the driving force and guide of Astra motion. This philosophical foundation comes from the personality and character of William Suryadjaya, the founder of Astra.



Figure 6: "Catur Dharma Astra" Philosophy. Source: Astra Code of Conduct Document December 2015

Astra can be an example in the context of business ideologies, based on ethical principles, virtues, and wisdom. Astra is not only oriented solely on Single Bottom Line, by only looking at the maximum profit achievement, but also using Triple Bottom Line which is concerned with sustainability.

A follow-up review of the implementation of Astra-ideology is interesting to do. The limitations of this study are remote observations using only documents published on the Astra website at www.astra.co.id. A close observation was made only through a review of the book entitled "Astra: On Becoming Pride of the Nation" written by Yakup Liman on the assignment of President Director of Astra, Prijono Sugiarto.

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