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Exploring Ethical Issues in the Indonesian Mining Industry

by

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DECLARATION OF AUTHENTICITY AND AUTHOR'S RIGHTS

This thesis has been composed in its entirety by the candidate. Except where specifically acknowledged, the work described in this thesis has been conducted independently and has not been submitted for any other degree.

Signature of candidate   :

Date   :   25/09/2017

DEDICATION

This piece of work is dedicated to my wife Astri, my daughter Alyssa and my son Adly

ACKNOWLEDGEMENTS

CONTENTS

LIST OF TABLES

LIST OF APPENDIXES

ABSTRACT

The aim of this research study is to explore what ethical issues emerge in the Indonesian mining industry? What shapes the emergence of these issues and how do organisations engage with them? Many research studies (e.g. Dierksmeier, 2013; Bowie, 2002; Cragg, 2002; and Moberg, 1997) emphasise the relevance of ethical theories in understanding ethical issues in business organisations. However, there remains a significant gap in the business ethics literature in understanding ethical issues in a context-sensitive manner. There is little awareness in most of these studies of the influence of the social structure of a multi-ethnic and multicultural society like Indonesia or of the specific industrial and organisational contexts which are being explored. There is therefore a challenge for researchers to provide a conceptual framework to study ethical issues which will fit the Indonesian mining companies' situation.

This research employed Critical Realism (CR) and a qualitative approach. Data was collected from forty-eight participant interviews with managers and employees of four mining companies in Indonesia. This made it possible to understand what ethical issues emerge in the mining industry and to examine what shapes their emergence, as well as how mining companies engage with the ethical issues.

The findings revealed that the companies' ethical concerns result from the particular characteristics of the industry and the Indonesian national culture. However, their ethical concerns typically reside in risk management and regulatory compliance. The findings showed that cultural mechanisms shape the emergence of ethical issues in the industry: family perspective and paternalism, religiosity, and multi-ethnicity. The study findings suggest that the mechanisms shaping the emergence of ethical issues at the organisations presented at times conflicting cases of instrumental or possibly unethical behaviour but also evidence of set rules and regulations as well as moral awareness, practices aimed at considering others and stakeholders' interests. This research argues that to understand the ethical issues and how business organisations engage with them in a multi-ethnic and multicultural context, it is essential to ground the conceptual framework in both ethical theories and specific cultural sensitivities, as only then can the full story be grasped.

DISSEMINATION

The research findings of this thesis were presented at the following seminar, conferences and talk show:

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CHAPTER 1 - INTRODUCTION

1.1 Background

There is a question in business ethics whether business organisations have responsibilities towards society. Two different positions can be taken in responding to this question. One is to attribute to organisations moral responsibility for their actions; the other is to oppose the idea of organisations having moral responsibilities, except in performing their economic functions. Some researchers have claimed that only individuals can have responsibilities, not the organisation itself (Friedman, 1990; Levitt, 1983). Instead of seeing business organisations as moral agents, Friedman argued that they can be seen as instruments legally bound to pursue economic goals. His argument refuted the view that business organisations must be held accountable for their activities beyond what is required by the law or customs. In part, this argument resulted from the idea that organisational and individual moral agency are not the same. He argued that business organisations are privately owned; therefore claiming that their having moral responsibilities to society will take away from their profits, which are owned by their shareholders. Thus, for Friedman, the only responsibility of business organisations is to use all their resources to increase their profits within 'the rules of the game', which are open and free competition, without deception or fraud (Friedman, 1990: 33).

On the other hand, the argument that the moral responsibility of individuals can be projected onto business organisations has been theoretically proposed by several business ethicists (e.g. Phillips, 1992; Hoffman and Moore, 1990; Manning, 1984; De George, 1983; Goodpaster and Matthews, Jr, 1983); all accepting that such organisations can be held morally responsible for their actions. The critical consideration that they are moral agents starts from a certain common assumption among business ethicists that business organisations are analogous to persons (e.g. Phillips, 1992; Manning, 1984; Goodpaster and Matthews, Jr, 1983; De George, 1983). If such organisations have properties of natural persons, who are subject to moral evaluation, then they do have collective moral responsibility (De George, 1983).

Bakan (2005) too argued that business organisations are persons imbued with legal aspects. This entails their being subject to moral accountability. Further, he considered that if business organisations are granted citizenship rights, then they are equally subject to the duties of citizens to avoid harm. This means that companies are morally culpable for their faults or wrongdoings. Some business ethicists (see e.g. Sisón, 2011; Waddock, 2008, 2005; Matten and Crane, 2005) have employed the term 'corporate citizenship' to show that companies are also citizens; therefore, they have rights and duties like other citizens. Of course, business organisations cannot be literally equated with persons, because persons are sentient beings – unlike organisations. However, it must certainly be admitted that business activities are conducted in society, and they depend on society to carry out their purposes. This view is emphasised by Buchholz and Rosenthal (1997), for whom business and society meet in the marketplace. Numerous business ethicists (see e.g. Melé, 2012; Sisón and Fontrodona, 2012; Moore and Beadle, 2006; MacIntyre, 1985, 1981; Solomon, 2004, 1992) have considered the company as a community itself, existing within the larger community, and which is not merely concerned with satisfying shareholders, but also with satisfying all stakeholders materially and morally. Accepting that business organisations have moral responsibilities, this can be considered to involve a collective moral action.

Ethical issues arise in all the major contexts of business activity: with individuals, business organisations, and business environments (Donaldson, 2015; Maclagan, 2015; Melé, 2009). In business ethics there are two different approaches: the normative and the managerial. In the normative approach, much of business ethics is presented in relation to moral philosophy, seeing ethics as a question of right and wrong, prescribing what people ought to do, and enumerating specific virtues (Arnold, et al., 2010; Velasquez and Brady, 1997; Velasquez, 1996). This approach has been attracting a great deal of attention from business ethicists (e.g. Hasnas, 2013; Snoeyenbos and Humber, 2002; Bowie, 1999; Donaldson and Preston; 1998; Hartman, 1996; Freeman, 1995, 1984; Solomon, 1992) seeking to enhance ethical standards in organisations.

Various ethical theories are claimed by normative business ethicists to be relevant to actual business practice. Many studies emphasise the importance of ethical theories for business ethics because of their potential in 'guiding' and even determining ethical behaviour in business organisations (e.g. Dierksmeier, 2013; Smith and Dubbink, 2011; Whetstone, 2005; Cragg, 2002; Bowie, 2002; Moberg, 1997; Hartman, 1996; Clarkson, 1995; Solomon, 1992). They may help to resolve ethical problems that business organisations are confronted with (Collier, 1998). Deontology, Kant's moral philosophy, explains the necessity of a rational idea of duty, and considers that moral actions must accord with a universal conception of morality. For utilitarianism, the moral precept is the greater good – that is, 'the greatest happiness of the greatest number'. The theory of the social contract has developed to emphasise right, justice and fairness in society. All these moral theories are "act-centered" (see Collier, 1998). Another moral theory, Aristotle's virtue ethics, is "agent-centered"; that is, dependent on the moral character of individuals. Business ethicists have recently referred to the notion of virtue at the organisational level as an important concept in the process of moral development and ethical decision-making in organisations (see e.g. Dawson, 2015; Bright, et al., 2014; Audi, 2012; Melé, 2010; Bertland, 2009; Moore, 2008; Moberg, 2007; Arjoon, 2007; Whetstone, 2005). All these four ethical theories are dominant in recent business ethics research.

In the managerial approach, business ethics has as its purpose managerial guidance to enhance and foster ethics in business organisations. Researchers have discussed the importance of an ethically-oriented organisational culture (Ardichvili, et al., 2009; Sims, 1992, 1991); so recognising that there is a collective ethical process within an organisation (e.g. Schwartz, 2013; Melé, 2009; Trevino, et al., 1999, 1998). As a result, there is a growing interest in maintaining ethical behaviour through corporate culture, structure, decision-making and codes of conducts (see Johnson, 2016; Ladkin, 2015; Schwartz, 2013), and in relation to the community through Corporate Social Responsibility (CSR) (see e.g. Melé, 2012; Sisón, 2010; Garriga and Melé , 2004; Frederick, 1986). At the same time, this approach may become more instrumental; questions of right or wrong and of good or bad might be decided by business strategy (Donaldson, 2015). For instance, CSR has sometimes been seen as part of profit maximisation (see e.g. Fosfuri, et al., 2015; McWilliams and Siegel, 2011, 2001;

Orlitzky et al., 2011; Secchi, 2007; Mackey, et al., 2007), giving advantage to the company rather than the community. In this situation, business and ethics may appear antithetical (Duska, 2000) and the corporation fails to make a significant contribution to society (see Campbell, 2006; Stark, 1993).

While ethical theories are abstract (Trevino, 1992) and sometimes ignore or neglect the socio-cultural context (Collier, 1998), a managerial approach to ethics is problematic when it becomes instrumental as seen above. For both approaches, a challenge is also presented by the need to consider social complexity (Cohen, 2010; Heugens et al., 2006; Weaver, 2006; Collier, 1998; Dobson, 1997). Business organisations are integral to society (Buchholz and Rosenthal, 1997; and Sethi, 1975), so they cannot isolate themselves from interaction with complex societal culture (see Cohen, 2010; Collier, 1998). Business practice is embedded in the relationships of a given society and is expressed in socially conditioned ways (Collier, 1998). Thus, business practice and societal culture are inseparable from questions of ethics. As a consequence, ethical behaviour in business organisations is not solely determined by abstract theories or a managerial approach, but also driven by situational forces, such as religious and cultural beliefs and practices (Melé, 2009; Trevino, 1992).

Situational forces and cultural contexts lead to a tension in business ethics research between ethical relativism and ethical absolutism (Demuijnck, 2015; Melé and Sánchez-Runde, 2013; Rozuel, 2013; Donaldson, 1996). Ethical relativism holds that the ''truth'' of an ethical judgment is relative to a particular culture, or that there is no such thing as an independent ethical truth, but that ethical and moral standards are relative to any society and culture (Melé and Sánchez-Runde, 2013; Rozuel, 2013). Ethical relativism has been seen as relating to different cultures (cultural relativism), to individuals (moral subjectivism), or specific situations and circumstances (situationalism) (see Rozuel, 2013). Ethical absolutism, on the other hand, starts from the premise that ethics are universally valid and applicable to all cultures at all times (Rozuel, 2013), since human beings share similar ethical needs directed toward well-being, happiness, or a meaningful and dignified life (Rozuel, 2013). Moreover, as Demuijnck (2015: 819 – 822) highlights, "neither particularism nor contextualism imply moral relativism […] If the rejection of universal values and virtues were justified and/or if relativism were

undeniable, then any discussion of business ethics would in itself be pointless". If this is so, it follows that ethical and moral standards must be grounded independently on any particular society or cultural beliefs. Although cultural diversity is an inescapable reality, having impacts on organisational practices, consideration for cultural specifics in this thesis is not about ethical relativism with no place for any transcultural and absolute ethics or morals. The nature of ethics can indeed be reasonably or rationally agreed upon since all human beings have the capacity to reason.

Acknowledging socio-cultural complexity, this thesis will consider societal culture together with organisational culture as important factors influencing ethical organisational behaviour which may posit ethical issues. A relatively limited number of studies address this complexity of context. Researchers such as Crockett (2005), Melé (2005) and Hursthouse (1999) have suggested considering a culturally-sensitive framework for business ethics. Thus, this present research is concerned with exploring the ethical issues faced by business organisations in a particular socio-cultural context.

1.2 Research Aims and Questions

The aim of this research is to appreciate the complex reality of ethical issues in context for business organisations in Indonesia. The country has an essential richness and complexity of context. Its main characteristics are that it is geographically diverse in ethnicity, culture, and religion (see Munandar, 2003; Mulder, 1996). Furthermore, this research is concerned with the mining industry in Indonesia. This sector is complex, both socially and environmentally (see Jenkins, 2004), as well as being subject to potential conflicts between mining companies and local communities (see Calvano, 2008; Jenkins, 2004). Therefore, the country and the mining industry provide a deeper understanding of emerging ethical issues in particular social-cultural contexts.

The main research question for this thesis is as follows:
What ethical issues emerge in the Indonesian mining industry? What shapes the emergence of these issues and how do organisations engage with them?
Minor Research Questions:

1. What are the ethical concerns as seen by Indonesian mining companies?
2. How do organisational culture, structure, processes and policies influence ethical understanding and behaviour in the mining companies?

This thesis also sets out the following objectives:

(1) To review ethical theories in respect of their relevance to business ethics in accounting for specific ethical issues and dilemmas in a complex context;

(2) To critically review literature on the ideas of nurturing and valuing ethics through corporate culture and the fundamentals of organisations: structure, processes and policies as well as to review ethics beyond the organisation, which may influence ethical organisational behaviour.

1.3 Thesis Outline

The thesis is divided into nine chapters. The first includes the research background, defines the problem, identifies the research gap, and explains research aims and questions. Chapter two outlines and discusses the Indonesian context and culture, providing a foundation and background to the study of where aspects of culture might influence the practice of daily work in organisations. The issue of corruption in Indonesia is addressed as impacting on business organisation. Management-employee relations in terms of labour union regulations and practices are also dealt with. A contextual understanding of the Indonesian mining industry is provided in terms of its economic contributions and complex social and environmental situations.

Chapter three reviews the four dominant ethical theories as they relate to business ethics: drawing upon deontology, utilitarianism, the social contract, and virtue ethics. This helps in analysing ethical issues at the level of organisations. Chapter four completes the literature review with an examination of the literature on organisational culture and on the fundamentals of organisations. The chapter shows how ethical issues can be found within and beyond business organisations. Corporate culture, and the fundamentals of organisations which are structure, processes and policies; all four of these elements are considered to be important in facilitating and developing ethical

behaviour in the organisation. At the same time, all four can be instrumental rather than ethical.

Chapter five discusses the methodology and research strategy of this research. First, there is a discussion of Critical Realism (CR), as the ontological and epistemological positions that help to show what shapes the emergence of ethical issues in the mining industry. CR drives the research process and the qualitative methodology used. Exploratory and explanatory studies were conducted in four different mining companies in Indonesia, through 48 interviews with 12 respondents from each company, both management and employees.

Chapter six conveys the findings of this research that the companies' ethical concerns relate to the characteristics of the industry and the Indonesian national culture. The chapter analyses the main ethical concerns: internal values and culture, relations with the community, restoring the natural environment, safety at work, and dealing with the practice of bribery.

Chapter seven analyses what ethical issues emerge in the mining industry and what shapes the emergence of those issues in the four mining companies investigated, based on the key findings at the level of business organisations. This chapter examines mechanisms shaping the emergence of ethical issues conflicting cases of risk management and regulatory compliance, instrumental as well as moral awareness,

Chapter eight sets out the key findings of chapters six and seven in relation to the literature, and shows how all the various elements from the findings can be discussed in a rigorous fashion. Throughout this chapter the main contributions of the present research are highlighted, and differences from earlier researchers are pointed out. Chapter nine concludes the research study by summarising the key theoretical, empirical and methodological contributions, explaining the limitations of this research, and delineating opportunities for further research.

CHAPTER 2 – THE INDONESIAN CONTEXT AND CULTURE

2.1 Introduction

This chapter discusses the particulars of the Indonesian context and culture as the background to the study. The chapter comprises four sections. The first highlights the specific Indonesian cultural dimensions that are claimed by researchers to have an impact on contemporary Indonesian business and management. The second discusses the issue of corruption in Indonesia which is an ethical issue still faced by the country and in business practice. The third focuses on the socio-economic context of labour unions in Indonesia and deals with the historically changing government policies toward labour unions as they affect the relationship between management and the workforce. The fourth is concerned with the Indonesian mining industry: its impact on the economy, the environment and society and how it is affected by the government's rules and regulations.

2.2 Specific Cultural Dimensions

Indonesia is the fourth largest country in the world by population with 257.6 million people (World Bank, 2015). This country consists of over 200 ethnicities with their own local languages in around 17,000 islands (Goebel, 2013; Munandar, 2003). Indonesian society is, therefore, characterised by a complex interaction of different islands, ethnicities, languages - and also religions. The work of Hofstede (1980) on cross-cultural studies has been widely used to understand and address the national cultural dimensions such as power distance and collectivism. However, there have been many criticisms of Hofstede's delineation of national culture, such as methodological flaws in the sense that his concept fails to take account of the particularities and social practice of the many different ethnicities in the one country (e.g. see McSweeney, 2002; Triandis, 1993). The main characteristics of Indonesia are geographically diverse ethnicity, culture, and religion (see Munandar, 2003; Mulder, 1996). There is richness and diversity in national practices precisely because there is no cultural uniformity in

Indonesia (Mulder, 1996); while Hofstede simplifies models of national culture. Despite this, most research on the country's culture has tended to follow almost entirely his findings in *Culture's Consequences* (1984, 1980). Hofstede's cultural dimensions of collectivism and paternalism are often discussed by researchers such as Trompenaars and Hampden-Turner (1997), Mulder (1996), Schweizer (1989), and Bowen (1986) as a basis for understanding Indonesian culture and organisations, while researchers such as Rudnyckyj (2011), Munandar (2003), and Mulder (1996) discuss the religiosity in Indonesia. Therefore, all these dimensions will be considered together as they dominate the discourses in the relevant literature.

2.2.1 Collectivism

Hofstede found that Indonesia, as a Southeast Asia country, has a high score on collectivism (Hofstede, 2007, 1980). Collectivist culture in general has specific characteristics, such as a strong emphasis on social goals and social relations within particular groups (Hofstede, 1980); integrating individuals into primary groups (Hofstede, 1980); a feeling of close relationships with others (Oishi, et al., 1998); interdependence within groups such as family, tribe and nation (Triandis, 2001); and a sense of duty and obligation towards the group (Basabe and Ros, 2005). Collectivism in Indonesian culture is related to '*rukun*', translated as harmony or togetherness of people with their fellows (Schweizer, 1989). Rukun is maintained through strong personal relationships (Mulder, 1996). In this kind of collectivistic culture, friendships come about through stable social relationships and unwillingness to create any kind of conflict (Hofstede, 1980). As such, the collectivist culture emphasises social norms and expectations and the roles these fulfil in relationships with others (Husted and Allen, 2008: 301).

There is a culture of '*musyawarah'*, in the sense of mutual deliberation (Mulder, 1996) or a consensus-building process for decision-making (Dasgupta and Beard, 2007; Bowen, 1986), which expresses the meaning of '*rukun*' (harmony). Thus, '*musyawarah'* is an important mechanism for achieving the common interest. In Indonesia, decisions should be based on a consensus. However, this can involve accommodating one's views to a point of conformity in the willingness to compromise (Triandis, 2001; Mulder,

1996). As a result, collectivism in Indonesian culture sometimes has a sense of 'conflict avoidance' (Hofstede, 1980). Although people in Indonesia prefer to make collective rather than individual decisions, this is problematic in terms of autonomy if people hold personal beliefs that differ significantly from those of the group but conform and nevertheless act in accordance with group decisions with which they may in fact disagree (see Triandis, 2001).

Collectivism also exists in the culture of *'Gotong Royong'*, or mutual help (Schweizer, 1989; Bowen, 1986). Although the term *'Gotong Royong'* is a concept of mutual co-operation that comes from the majority Javanese ethnic group, it has become common to all the tribes in Indonesia, using local terms in each case, and as one single element of national Indonesian culture (Bowen, 1986). Bowen (1986) identifies the culture of '*Gotong Royong*' as being used for several different purposes. First, it refers to voluntary help between people or a sense of reciprocity (Bowen, 1986). There is a social obligation that morally obliges someone who has received aid to return help to the people who have helped him. This culture includes reciprocity in pursuing collective efforts such as helping each other in building a neighbour's home, or financial support for cultural ceremonies (Dasgupta & Beard, 2007). The practice of reciprocity can also be found where villagers engage in agricultural and other work for each other without pay (Bowen, 1986). *'Gotong Royong'* therefore means doing a favour to others without direct material compensation for the work but through being indebted to the people who have given one help. In this way, there is a hidden expectation that people can receive the same kind of assistance from each other (see Schweizer, 1989; Bowen, 1986); and so it is not quite voluntary as it seems. Helping others is implicitly a form of accepted mutual obligation.

Second, another purpose of '*Gotong Royong*' is for the authorities to mobilise people, for example to work together to improve the community's physical infrastructure, such as building and maintaining an irrigation system or constructing a district road (Bowen, 1986). This is relevant to what Hofstede (1980) characterised as community-based social order. It can be regarded as a hallmark of Indonesian local government behaviour, especially in rural areas (see Subejo, 2009). Thus, these practices of '*Gotong Royong*' are still particularly evident in areas and villages which are dominated by community-

oriented thought and action (Subejo, 2009; Schweizer, 1989). *Gotong Royong* in this sense is more of an instrumental collectivism engineered by the authorities.

However, Mulder (1996) argues that, sociologically, modern life is changing the Indonesian cultural heritage as people become more open-minded. As a result, the practice of collectivism in Indonesia in the form of '*Gotong Royong'* has begun to decline (Mulder, 1996). To explain this, Hofstede (2007) found that there is a relationship between economic prosperity and a shift from collectivism towards individualism. In urban areas, the behaviour of mutual co-operation is increasingly rare (Mangundjaya, 2013). This is because people in cities such as Jakarta have a full working schedule and family activities that make it difficult to find time to work together with their neighbours in the community (see Jellinek, 2000). By contrast, in rural and remote areas, people still practise '*Gotong Royong'* (Subejo, 2009). Nevertheless, Hofstede (2007) argues that, although prosperity is a factor in increasing individualism in Asian countries, including Indonesia, it does not mean the same as western individualism which is based on the autonomous individual. The individual in Indonesian society is seen as a member of a family and community, and therefore increasing prosperity will reduce collectivism but not change its nature.

Collectivism has profound implications for the management of business organisations in Indonesia. Even multinational companies do their best to adjust to the local context in this respect (Munandar, 2003). The values of collectivism affect the employer-employee relationship, which is like a family interrelationship (Irawanto, 2009). Husted and Allen (2008) argue that collectivistic culture pursued by an organisation may also obstruct ethical behaviour insofar as groups become cliques, cabals or instances of crony capitalism. Mangundjaya (2013) has conducted research in one of Indonesia's state-owned companies with 2025 respondents from various ethnic backgrounds, such as Balinese, Batak, Javanese, Minangkabau, Sundanese and others. She found that although there are many ethnicities and different socio-cultural factors, the culture of collectivism exists throughout Indonesia.

2.2.2 Power Distance and Paternalism

Hofstede (2007; 1980) defines power distance as the expectation and acceptance of unequal power in a society. In his studies, he found that there is an inequality of power distance in Southeast Asia countries, including Indonesia, which has a relatively high score on power distance. In addition, the majority of Indonesian people have Javanese origins (Pruetipibultham, 2012); and the character of Javanese society is highly patriarchal and hierarchical, with what appear to be great power distances between levels of the social structure. The hierarchy in Javanese culture ensures that all individuals in society know both their place and their obligations within the social structure (Pruetipibultham, 2012) and this manages not to conflict with the culture of collectivism.

In Indonesian business organisations, power distance can be found in the characteristics of Indonesian management (Munandar, 2003). It includes respecting the position of others more senior in the hierarchy (Mulder, 1992) as well as a network of in-groups based on loyalty (Swierczek, 1991). This reflects people's willingness to accept hierarchy and inequality within companies (Triandis 2001; Triandis and Gelfland, 1998). According to Munandar (2003), this kind of paternalistic culture exists in State-Owned Enterprises (SOEs) as well as in many national private companies. People have the habit of addressing superiors or elders at work, using the specific title of 'Bapak' (father) (Munandar, 2003). This term embodies the notion of someone who will make decisions for employees. It is what Hofstede (1980) called 'a vertical orientation', which maintains a hierarchy in the firm. It expresses the fact that the manager is a protector, a mentor, a father, who is regarded as being responsible for his extended family – i.e. his employees. As a result of this paternalism, organisational policies and practices are based on loyalty and a sense of duty (Hofstede, 1980). Exercising such paternalism is also a means of control, if necessary through sanctions (Hofstede, 1980). It can be described as a benevolent authoritarianism (Warren, 1999).

In the power-oriented (authoritarian) Indonesian corporate culture, the leader is regarded as a caring parent who knows better than his subordinates. Indonesian managers tend to protect the interests of the members of their 'extended families', but in return expect permanent loyalty (see Munandar, 2003). As a result, employees fear to disagree with their bosses (see Hofstede, 1980). Although, in most daily working relationships, companies are dominated by interactions among different ethnic groups, they maintain inequality through hierarchical boss-subordinate relationships (Munandar, 2003). However, Munandar (2003) argues that employees in multinational companies (MNCs) in Indonesia have a different culture from those who work in private or stated-owned national enterprises. Working relationships in multinational companies are claimed to be more egalitarian, although at the beginning Indonesian employees found it very difficult to adjust to this, according to Munandar (2003).

In the context of the organisation, different levels of authority and power between management and employees control and direct the workforce (Warren, 1999). Employees may have difficulty in disclosing their feelings and opinions directly or spontaneously in day to day working relationships (Munandar, 2003). In the decision-making process, when an agreement is not achieved, someone with higher authority such as a manager or a supervisor makes the decision (Munandar, 2003). Subordinates would rather defer to their superior in the process of decision-making than state their own view, and this corrupts the process of *'musyawarah',* the principle of mutual deliberation or a consensus-building process for decision-making. This can be related to the perspective of paternalism, which limits the autonomy of individuals by taking away subordinates' ability to make their own decisions (Husted and Allen, 2008). There is thus a conflict between beneficence and individual autonomy (Carter, 1997). Paternalism is justified by management as beneficence although it means acting on people's behalf, but this is not valid unless it does not distort subordinates' values, beliefs, or decisions (Carter, 1997).

2.2.3 Religiosity

Indonesia has a constitution that maintains belief in God with five formally recognised religions; Islam, Catholicism, Protestantism, Hinduism, and Buddhism. Religious enthusiasm is widespread and involves people in many ritual activities (Mangundjaya, 2013; Mulder, 1996). According to Cohen and Hill (2007), in collectivistic cultures such as those of Southeast Asia, religious cultures and values are seen as important as an integral element of community life. Religious behaviour is tightly regulated through ritual and tradition (Cohen and Hill, 2007). People who are religious tend to live their daily life according to their religion, and it is normal for people to organise themselves in their companies through prayer groups (Dustgupta and Beard, 2007). As a consequence, each business organisations, foreign as well as national domestic, provides a special space called a '*Musholla*' for Muslims to pray at noon and in the afternoon (Munandar, 2003); and gives extra time for religious purposes on Fridays (Bennington and Habir, 2003). Apart from religious ritual, prayer groups often exchange information and discuss broader community issues (Dustgupta and Beard, 2007). In the Indonesian context, this can be seen in congregational religion, primarily Islam, but also Protestantism and Catholicism, which are thriving (see Mulder, 1996). Thus, religious practice in Indonesia occurs in various ritual behaviours, either private or public.

Religiosity and worship are also part of modern business and management organisation in Indonesia. An example is that during *Ramadan*, most organisations reduce working hours from eight to six a day, in order to give Muslims the opportunity to get home early and prepare a meal after sundown with their families and relatives, even though this practice is deemed unproductive in modern management (Irawanto, 2009). This can be seen as related to so-called benevolent paternalism. Weaver and Agle (2002) highlight that people who have a weaker role in an organisation are less likely to act in an organisational role based on their self-identities, including religious identities. But it is more likely for people at the top of an organisational hierarchy to make decisions and judgments guided and framed by religious affiliation, along with the relevant specific values (Weaver and Agle, 2002).

The discussion of the impact of ethical training based on religion on Indonesian management has been explored by Rudnyckyj (2011). He argues that Indonesian companies, especially state-owned enterprises, often endorse traditional points of view including religious thought in their relations with employees. For instance, Rudnyckyj, in his series of articles and books (2011, 2010, 2009, 2008), explained his concept of 'spiritual economies' and of governing through affect, which means mobilising the emotions through spiritual training. This involves efforts to connect individual religious piety to projects of economic transformation and development (Rudnyckyj, 2011). He describes how Emotional and Spiritual Quotient (ESQ) training was conducted in a state-owned steel company (Krakatau Steel) in western Java. The training brings together Islamic tradition, such as Qur'anic recitation and Islamic history, and western management principles such as business leadership training and popular psychology, to create more disciplined, less corrupt corporate workforce. For Rudnyckyj (2011), ESQ training is not simply a matter of more rules, but of the formation of self-managing individuals (Rudnyckyj, 2011). It is government of the self, and is linked to government of the family and the nation.

According to Rudnyckyj (2011), the ESQ training courses in Krakatau Steel Company were designed to enhance the Islamic piety of the company's 6,000 employees. The training takes place over several sessions, totalling 40 hours over three days. Rudnyckyj's study of ESQ found that the company is using the course to train and cultivate the religious virtues of the workforce. In fact, in late 2004, the Minister for State-Owned Enterprises issued a letter recommending that employees of all state-owned enterprises complete the ESQ training program (Rudnyckyj, 2011). In this way, they claim to increase company productivity, eliminate corruption, and become more internationally competitive (Rudnyckyj, 2011). Weaver and Agle (2002), however, criticise that although religious beliefs might have a bearing on business decisions and behaviour, there is no clear evidence for whether the adherents of a religion actually address ethics in their business life. A study by Longenecker, et al. (2004) shows no close relationship between religious commitment and ethical judgment. This is how the companies train employees and managers to make judgments about such aspects as time, productivity, and the need to banish corruption based on the interpretation of religious duty. In this way, religious thought and practice are used to mobilise managers

and employees towards individual and corporate improvement. It is difficult to conclude that practising religious ritual is in itself strongly related to ethics (Longenecker, et al., 2004; Weaver and Agle, 2002). Furthermore, many researchers have noted that spirituality and religiosity can affect positive impacts such as on job satisfaction (Altaf and Awan, 2011) and on team effectiveness (Daniel, 2010). Thus, religiosity and spirituality are not only factors which can influence ethical culture and behaviour but also challenges in light of instrumental purposes.

2.3 The Issue of Corruption in Indonesia

Indonesia is a country with rampant and endemic corruption. According to Transparency International's 2015 Corruption Perception Index, Indonesia is ranked 88th out of 167 countries on the corruption scale (www.transparency.org). Corruption in Indonesia is defined as the use of public office for private gain, in ways that contravene declared rules through bribery, extortion, and fraud, when they involve the use of an official position (see Robertson-Snape, 1999). Thus, it potentially occurs through the bureaucracy, the armed forces, the courts and law-making institutions. Corruption, collusion and nepotism, or KKN, the Indonesian acronym, are central issues (Schütte, 2012; Robertson-Snape, 1999).

Corruption is often connected with traditional values and power structures in Indonesian society. It has been argued that corruption is caused by a patron–client political system (see Robertson-Snape, 1999). The culture of paternalism, and more specifically patronage, has a strong influence. The patron's role is not only to give material benefits to all clients but also to look after them in a fatherly, moral, emotional and even religious sense. As a consequence, the clients' loyalty to the patron is stronger than to the organisation they work for (see Robertson-Snape, 1999). The evidence for this is the offering of inducements to those in authority, which is said to influence the latters' decisions (Kuncoro, 2006; Robertson-Snape 1999). The culture of corruption is considered by Robertson-Snape (1999) to be a misinterpretation of the country's 1945 constitution, article 33: "the economy will be organised collectively on the basis of the

family principle". This article originally meant that the state is the corporate entity whose highest goal is to protect the common good.

According to Pisani (2015), patronage is massive in the country's democracy and bureaucracy, even though there is a Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK). The country's practice of democracy means that Indonesians vote directly for the president, national Members of Parliament (MPs), provincial governors, provincial MPs, district heads (mayors), district MPs and village heads. It is, therefore, seen by candidates as indispensable to spend a lot of money during campaigns in every election, which means borrowing money and piling up many debts as a result. And after all that, the winners in the elections cannot pay these debts, because they have such small salaries. Instead they repay with, for instance, a permit to mine or contracts for construction projects in a province or district (Pisani, 2015). Although this payback is illegal, it is common practice in the country in relation to the general understanding of patronage. All these practices are endemic in the country in the form of bribes or other improper inducements from companies to bureaucrats, politicians or government officials, in order to achieve help with specific goals (Robertson-Snape, 1999). The Indonesian government bureaucracy, from the centre to the smallest towns, made corruption a daily reality in the lives of Indonesians, from which they could not escape (Robertson-Snape, 1999).

In addition to the connection between politics and corruption, there are the decentralisation systems, where provinces and districts have powers to run their own local governments. According to Kuncoro (2006), this also influences the practice of corruption because these powers are not properly used. After the enactment of the Law of Decentralisation in 2001, local governments maximised their revenue both from legal sources (taxation and levies) and from delays in issuing business permits for example which companies attempt to overcome through bribery (Kuncoro, 2006). Thus, decentralisation makes the issue of bribery much more serious. Bribes are often given to officials by companies to obtain permits. For example, commercial shipping of goods from one district to another is subject to taxation and has to pass through each district's revenue offices (see Kuncoro, 2006). But by bribing local officials, companies can reduce all such local tax burdens. Bribery also occurs between companies and central or

local (district) government authorities, in relation to health and safety standard inspections, compliance with environmental regulations, local tax appraisals, building permits, and employment contract inspections (Kuncoro, 2006). In short, this section shows that the Indonesian government and the business community are together struggling with a massive ethical issue, namely corruption.

2.4 Labour Unions in Indonesia: Regulations and Practices

To understand management-employee relationships in Indonesia and how these are affected by government, it is necessary to look at the history of government policy towards the labour unions. Indonesian labour regulations and practices have developed in three consecutive periods, due to changes in the country's political situation. First, the post-Independence period under Sukarno when laws and regulations established during the 1950s and 1960s supported a multi-union system and were in essence pro labour (Ford, 1999). According to Tjandra (2016), the first legislation on labour unions at that time was the Labour Agreement between Trade Unions and Employers in Indonesia, Law No. 21/1954. This law permitted the existence of many unions, free from ideology (see Ford, 1999). There were only a few formal requirements needed to form and register these unions, including an organisational structure and a list of members' names (Ford, 1999).

The second period was the New Order regime under Soeharto, for three decades from 1967 to 1998. This authoritarian government implemented corporatism, in the sense of nondemocratic associations, to control unions through central regulations (Ford, 1999)[1]. According to Ford (1999), these included uniting all unions into one single labour union which was called '*Serikat Pekerja Seluruh Indonesia*, or SPSI (the All-Indonesia Workers' Union)'. New Order labour corporatism used the *Pancasila*, the five pillars of

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[1] According to Baccaro (2003), the term 'corporatism' is defined as "a particular interest group structure, characterised by monopolistic, centralised and internally nondemocratic associations, and a particular policy-making process, also known as 'concertation' or social partnership".

philosophy: 1) belief in Almighty God; 2) respect for humanity; 3) Indonesian unity; 4) democracy guided by the principle of deliberation to reach a consensus; and 5) the realisation of social justice (Ford, 1999). The government, therefore, rejected 'foreign' models of labour regulation and practice which were claimed to be incompatible with the national character (Ford, 1999). But this rejection was in conflict with its own objectives of democracy, guided by the principle of deliberation to reach a consensus as well as the realisation of social justice.

Through state corporatism, the government disallowed strikes and lockouts as 'not compatible' with *Pancasila* industrial relations, and 'disagreements' between unions and management had to be resolved using the values of *Pancasila*. The government made labour quite powerless, having a very small role in industrial relations. In this way, under corporatism, organised labour experienced severe repression in the name of socially-responsible economic unionism (Törnquist, 2004; Ford, 1999). This raised an ethical issue where the government was controlling the affairs of the labour unions.

Furthermore, under Soeharto, the government prohibited labour unions from being involved in politics (Ford, 1999).The aim was to focus only on economic issues in line with the government's goals of economic growth and political stability (Ford, 1999). Industrial relations, including labour union regulations, were therefore used to control labour and not for social justice for the workers. Since all employment matters were regulated by the central government, industrial relations practice was subject to high levels of bureaucratic, executive and military intervention (Ford, 1999). Soeharto's New Order attempted to impose structural and ideological controls on the union by appointing union representatives. Often, the government and military intervened in dispute settlements and in the internal affairs of the union, and this was widely recognised (Ford, 1999). The military took a security approach to the New Order's industrial relations strategies (Hadiz, 1997) and this involved the repression of worker activists (Ford, 1999).

Use of the term '*serikat buruh*' (labour union) was also discouraged, as having a leftist/radical connotation and was changed to 'serikat pekerja' (workers' union) (see Tjandra, 2016). The government rationalised that the word '*Buruh*' or labour is only

concerned with working people and wages with no spiritual aspect at the workplace and merely involved in carrying out orders in the production process. '*Pekerja',* or 'worker', on the other hand, was believed to have a meaning also relating to spirituality (Törnquist, 2004). Towards the end of the New Order, the government received a complaint from the International Labour Organisation (ILO) because of its one union policy; and so under the Minister of Manpower Regulations No. Per-05/Men/1987, it made a new regulation to allow more than one union (Ford, 1999). However, the government also introduced difficult requirements for establishing a union. Any new labour organisation was required to include at least 20 regional offices, 100 district branches, and 1,000 plant level branches in its application (Ford, 1999). As a result, SPSI still dominated, and it was almost impossible for other unions to become established (Ford, 1999).

In the third period of development, after 1998, the fall of President Soeharto led to changes in the government's policies towards unions which gave them theoretically greater freedom. There was a rapid change after the enactment of Trade Union Law No. 21/2000, which provided a legal basis for the development and functioning of independent trade unions which were thereby put on a legal footing that supported their historical objectives of improving pay and conditions for workers in an independent and democratic environment (Caraway, 2008). The number of labour unions increased to 90 registered by 2010 (Caraway, 2008). The new law provided for two kinds of workers' organisation: trade unions within and outside enterprises and it also provided for three levels of union organisation: trade unions; federations of unions; and confederations of unions (Caraway, 2008). The law required only 10 workers to establish a union whose membership must be open to all workers (Caraway, 2008). The law also protected union members from being discriminated against by employers.

Historically, there have been very great changes of policy, which have had an enormous effect on the ability of working Indonesians to organise themselves. Despite this, the position and influence of the unions has remained weak, hindered by the legacy of the New Order and the inability of new unions to change the previous culture (Caraway, 2008). While the government does not now control the unions, company managements maintain informal mechanisms of power and influence in the unions, a survival from

Soeharto's New Order regime (Poczter and Pepinsky, 2015). Most notably, the chiefs of the labour unions in some companies in Indonesia also belong to the companies' management (Caraway, 2008; Poczter and Pepinsky, 2016). This section has therefore explained developments in terms of legislation affecting the unions because of the persistence of New Order culture in management/employee relations in Indonesian companies in the present. It is an ethical issue which may confront companies in the Indonesian mining industry.

2.5 The Indonesian Mining Industry: the Socio-Economic Context

Mining makes a great contribution to national economies generally (Bird, 2016; Kemp, 2011). A PricewaterhouseCoopers' (PwC) report of 2013 found that the Indonesian mining industry plays a vital role in the country's economy; and in 2016, Indonesia is still a significant player in the global mining industry producing coal, copper, gold, tin and nickel (PwC, 2016). The industry has a significant impact on export earnings, economic activity and employment, and supports regional development. In 2011 and 2012, this industry contributed approximately 5% and 6% of the country's total Gross Domestic Product (GDP) respectively, and more than 17 % of its export revenues (PwC, 2013). Despite the coal price declining during 2012 and 2013, Indonesia recorded increases in coal production during those years. Demand was strong from coal-fired power plants around the world during that period, especially from plants in China and India (PwC, 2016).

The global economic crisis in 2008 affected the industry in causing a very significant fall-off of the commodity price. However, the industry slowly recovered in 2009 as a result of the high demand for coal from emerging economies (PwC, 2013). In terms of coal production, in 2010 domestic mining companies produced around 257 million tons of coal. The industry was then predicted to grow and prosper in the future and to become a dominant mineral exporter in Asia and the largest global exporter of thermal coal (PwC, 2013). Predictions for the growth and prosperity of the industry, however, run contrary to the fact that mining companies' share prices on the Indonesian stock exchange declined from June 2010 to March 2013 (PwC, 2013). The fall in coal share

prices was also due to the economic problems of the Eurozone during 2012 (PwC, 2013). These external situations have led to negative confidence for new investors in Indonesia (PwC, 2013). Since the sustainability of the industry also depends on exploration or discovery of new mining deposits, Indonesian mining companies like those throughout the world are facing an increasing reluctance to obtain energy from extractive industries (PwC, 2013).

Based on Devi and Prayogo (2013), the industry faces increasing problems for a number of reasons. First, almost all the mining deposits or reserves in the country are located in tropical rainforests which have significant biological and environmental value. Therefore new explorations of mining deposits are a major concern for environmentalists and the public. Second, mining legislation and policies for investors are unfavourable. For instance, forestry and mining areas often overlap and there are conflicts between government agencies over their control. Third, the issue of how to harmonise relationships and mutual respect between company and employees or unions is still unresolved for the Indonesian mining companies. In addition, the creation of a worker-friendly working environment is still an issue. Fourth, high demand from local communities for greater economic benefits sometimes leads to conflict between them and the mining companies. A fair share of the profits from mining companies for local communities, including local government, is often the substance of the communities' demands.

The Indonesian mining industry is operated by state-owned, domestic private and international companies: however, domestic companies dominate the industry. The industry is expected by stakeholders to shoulder its responsibilities in securing social harmony and economic growth for local and national communities. For instance, in the case of Indonesia, often local communities surrounding the mining operations demand to be the companies' first priority in receiving benefits from the mining, including direct employment and business opportunities.

The companies aim to achieve this through Corporate Social Responsibility (CSR). Mining companies spend most of their social expenditure on that development, compared to other expenditures such as reclamation costs and employee training (PwC, 2013)[2]. Many economic programs address poverty alleviation around the mine sites such as agriculture, animal husbandry, fishery, services, trade and numerous other sectors (Devi and Prayogo, 2013) whose purpose is to benefit local people. Educational programs through CSR also form part of mining companies' support for local communities in the form of scholarship programs given to marginalised community members. Skill enhancement training for teachers and teaching facilities and cultural programs are also provided in this way. Health programs are associated with the dominant pattern of disease in the particular areas where companies' operate, such as malaria eradication programs and HIV/AIDS treatment. Mining companies have also implemented child nutrition programs, health education and assistance to health facilities at the village level or within districts. A usual contribution of mining companies is towards local infrastructure, such as roads, irrigation/water supply, electricity, schools and health centres (Devi and Prayogo, 2013).

However, there are government regulations which demand that the extractive industry operates CSR. By Law 40/2007, the government required mining companies with limited liability to implement both CSR programs and community development. This included environmental responsibilities where natural resources were concerned. The law also required work safety, environmental management and good business ethics. For State-Owned Enterprises (SOEs), there was already Law No. 19/2003 requiring CSR programs, Law No 05/MBU/2007 for partnership program with the Small and Medium Enterprises (SMEs) and for Community Development program. Mining companies therefore work with local governments in the implementation of development in the areas where they operate.

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[2] Mining licence holders are also required to reclaim mining areas. However, the rule is not clear on whether a provision for mine closure (e.g. mine infrastructure demobilisation costs) is tax deductible. Since mine closure costs are usually spent in the later stages of a mine's life when the company is earning little or no income, proper planning is crucial to ensure the utilisation of deductions from these costs. The current regulations on reclamation reserves are silent on the question of mine closure reserves; therefore these are unlikely to be tax deductible.

The mining industry in any country faces very problematic issues in terms of social and environmental concerns, and of dealing with cultural and political sensitivities (see Welker, 2009; Andrews, 1998). The relationships of mining companies with indigenous people are not only complicated, but often involve negotiations with local governments (Bird, 2016; Kemp, 2011; Andrews, 1998). There has been worldwide concern in recent years on the part of local as well as international non-governmental organisations to recognise the human rights of indigenous people who have to negotiate with companies and other stakeholders such as governments (central and local) and the NGOs, to discuss demands and requests for land compensation (Cragg, 2002; Andrews, 1998). The interest of indigenous people is to legitimately share the economic benefits of development with the company (Cragg, 2002). Since mining sites are explored and developed in remote areas, mining companies often conflict with indigenous people who prefer to remain in their natural environment (see Bird, 2016; Andrews, 1998). On the other hand, many members of tribes who live in isolated communities with little access to public facilities are not automatically anti-development; some people want to move to have better educational opportunities (Kapelus, 2002; Andrews, 1998). The major concerns relating to the mining industry have been the effects of mining on the environment (Franks, et al., 2011); and the impacts of mining operations on the local community for example in terms of health (Bird, 2016; Kemp et al., 2011; Kapelus, 2002). Complaints are often received that mining companies destroy the environment and dump waste, and that they compromise the health and environment of workers and local communities (see e.g. Kemp et al., 2011; Kapelus, 2002).

According to Andrews (1998), there are significant practical problems with sharing mineral concessions between local and central governments when permits relate to remote areas. Direct involvement of the central government and/or a foreign mining company directly in such distribution decisions may not sit well with local authorities. In spite of these difficulties, there have been some recent attempts to codify the sharing of taxes between central and local government. In addition, mining companies often nourish local patron–client relations to keep the peace by hiring influential people and their family members for their Community Development and Community Relations offices, and rewarding them with contracts with the company (Welker, 2009). In the New Order Government, it was common for mining companies to use and pay

Indonesian mobile brigade police units (Brimob) to remain on site as a backup force for companies (Welker, 2009). This approach was questionable ethically. It was a hybrid approach to achieve security, partially militarised, and preventing strikes. The use of corporate security is claimed to be the most effective way of protecting mining operations (Welker, 2009).

In short, it has been seen that the Indonesian mining industry benefits national and local economy, especially in the area of mining operations. There are efforts through CSR to engage with communities. However, there are several challenges to the industry in terms of community relationships and environmentally friendly mining, as well as providing reciprocal benefits to stakeholders. Thus, ethical issues arise in areas which the companies have to deal with.

2.6 Summary

This chapter has provided in detail the context and background of Indonesian culture which influences business management: collectivism, paternalism, religiosity and the issues of corruption. With respect to management-employee relationships, the chapter has also detailed changing government's policies towards unions, which have gone from pro labour to authoritarian and repressive and only after the end of the New Order to supporting democracy. Even that culture persists in informal business arrangements. The significance of the mining sector in Indonesia has also been discussed for its contribution to the economy and society as a whole as well as for it challenging social and environmental problems. This complex context shows why Indonesia and the mining industry are worthwhile areas to study emerging ethical issues and how mining companies engage with these. The next chapter considers ethical theories which would help to assess and understand ethical issues emerging in the Indonesian mining industry.

CHAPTER 3 – ETHICAL THEORIES TO HELP IN UNDERSTANDING ETHICAL ISSUES

3.1 Introduction

Following on from chapter 2, this chapter discusses ethical theories to help explore the ethical issues for mining companies and what they see as their ethical concerns. To this end, four ethical theories are considered: deontology, utilitarianism, the social contract and virtue ethics, all of which still dominate research in business ethics. Each of these theories are examined in relation to business organisation.

3.2 Deontology in the Business Context

Business ethics literature has been dominated by a deontological moral perspective[3] (e.g. Dierksmeier, 2013; Smith & Dubbink, 2011; Bowie, 2002, 1999). This ethical approach to business is often derived from Kant's moral philosophy, and his duty-based ethics. Kant instructs human beings to act autonomously and morally based on their capacity for reason. For him, it is clear that through the objective power to reason, people have the ability to identify whether something is right or wrong, based on the principles of morality (Bowie, 2002, 1999). These principles are absolute; and are called by Kant the *Categorical Imperative* (CI)[4]. Kant identifies two main principles. The first is the principle of universal acceptability: "act only according to that maxim whereby you can at the same time will that it should become a universal law''. The second is the principle of humanity as an end in itself: "act in such a way that you treat humanity, whether in your own person or in the person of another, always and at the same time as

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[3] The word 'Deon' is the Greek word for duty. "We ought to make choices based on our duty to follow universal truths, which we identify through reason" (Johnson, 2016).

[4] Categorical means unconditional (no exceptions) and imperative means a command or a principle (Fisher and Lovell, 2003)

an end and never simply as a means". By stating his *Categorical Imperative,* which is independent of experience – no matter what the circumstances – Kant's idea of morality rejects relativism such as cultural issues or customs (see Bowie, 2002; 1999). In other words, the CI is universal, and so, assuming that people are rational, avoids personal bias in making ethical decisions and rejects emotional decisions as well.

The legacy of Kant leads several researchers to apply the CI to the business firm, notably in ethical decision-making and moral judgment (Smith and Dubbink, 2011; Micewski and Troy, 2006); in social relationships (White, 2009); and in stakeholder-engagement and managerial decision-making (Dierksmeier, 2013). Thus, proponents of deontology claim that the principles of Kant's ethics are applicable in the business context (Bowie, 2002; 1999). In this context, a manager or employee who accepts Kantian morality would ask, in the case of any given decision, if the principle on which it is based is universally morally permissible. If it is, then the decision could be taken and enacted (Bowie, 1999: 15). In other words, managers and employees can be held accountable by others, since their actions must be universally acceptable. For instance, Bowie (1999) cited keeping a promise in a business contract, such as with suppliers and employees, as being related to the first *Categorical Imperative* (CI) – universal acceptability. In this case, corporations need to strictly respect any contractual agreement, as long as the contract does not violate the CI. Bowie added that employees not stealing the company's property is also an example of Kantian moral theory, as it applies in business. Thus, in the view of business ethicists, Kant's ideas can easily help distinguish and assess whether some action is right or wrong (Griseri and Seppala, 2010).

However, according to business ethicists such as Bowie (2002; 1999) and White (2009), Kantian morality is often wrongly interpreted as meaning following rules and acting out of duty. In fact, Kant does not accept obedience to moral rules imposed from outside without self-recognised or fully internalised principles (Shaw and Barry, 2016); meaning that reason enables human beings to use 'rational autonomy'. In practice, for example, organisations often impose codes, policies, procedures or other managerial systems that 'condition' their employees to the point of mechanical compliance (see Bowie, 1999). As a result, the moral autonomy that Kant considered as central to

humankind is often undermined. This is precisely what Kant himself rejects: blind duty and the simplification of moral duties to mean mechanical compliance could be used to rationalise the interests of managers or companies (Bowie, 2002; 1999). This would negate freedom of choice. Kant's ideas mean that it is essential to respect and encourage the capacity of employees to choose for themselves, as moral agents who can act autonomously; and the same applies to business organisations, which are claimed by several business ethicists to be moral agents (e.g. Phillips, 1992; Goodpaster and Matthews, Jr, 1983; De George, 1983).

The descriptions of Kantian ethics provided by many researchers tend to equate to rules and regulations. Bowie (1999) considered that it is possible for business organisations to act in a paternalistic way by establishing deterministic rules, albeit for the benefit of their employees. If this is true, it means that Kant would regard such rules as being against his principle of autonomy. Kant's philosophy is the use of logical reason, rather than simply following rules and regulations. The purpose of the *Categorical Imperative* is to give employees the opportunity to decide in a rational way, without coercion. Bowie clearly noted that rules made by companies forbidding employees to smoke, and asking them to really watch their weight (see Bowie, 1999: 8) are far from Kant's *Categorical Imperative*. From a Kantian perspective, a paternalistic attitude does not reflect the ability of human beings to reason. To be autonomous rational persons, it is essential that they themselves formulate moral principles in the business context.

Kant's second principle, to always treat people as an end, never simply as a means, emphasises human dignity (White, 2009). This principle provides the basis for a moral obligation in the employment of people (Fisher and Lovell, 2003), to treat, and value people with dignity (Dierksmeier, 2013). This means with mutual respect, and having good relationships between employers and employees (Beauchamp and Bowie, 1983; Bowie, 1999, 2002; White, 1999). Thus, a company has a duty to ensure high standards of health and safety at the workplace, for instance (Chryssides and Kaler, 1996). Moreover, Dierksmeier (2013) considers that the second principle of CI applies to stakeholder-engagement and managerial decision-making; and Shaw and Barry (2016) explain its relevance to customers, in the provision of sufficient information on products. Although profit maximisation may be claimed as the goal of companies, from

a deontological perspective human beings cannot be treated as a means to this goal. Thus, in the pursuit of profits, human beings cannot be exploited. Labour, in the production process, or consumers in the consumption process, need to be regarded as ends in themselves, respecting their dignity (Bowie, 1999).

Kantian ethics has been criticised by researchers (e.g. Van Steveren, 2007) who argue that, despite claims to objectivity, his concepts are too general to apply directly to business practice. This is a very complex question, as not all ethical dilemmas can be solved by moral rules – or even identified; and the theory does not provide a solution to the problem that arises when multiple rules conflict with each other (Van Steveren, 2009). Bowie (1999) provides an example of conflicting imperatives in the case of cost-cutting through corporate lay-offs, when a company is facing difficult economic circumstances. The interests of employees conflict with those of the company. Bowie (1999), in this example, argued that protecting the company's share price as a moral imperative in its own right will conflict with protecting employment levels (Fisher and Lovell, 2003); and that giving precedence to the share price would be unacceptable because it would mean treating people as means not ends, going against Kant's second categorical imperative (Bowie, 1999).

In conclusion, it has been argued that Kant's *Categorical Imperative* is relevant to business ethics. Applying a Kantian perspective at the level of business organisations means recognising that such organisations have to formulate an 'ethical decision-making process' based on universal principles in every situation (Fisher and Lovell, 2009); treating fellow human beings, i.e. all stakeholders, as ends not means. However, Kant was confident that people can reason well; and this may not be easy for everybody, especially at the complex organisational level, when facing moral dilemmas. Kant himself would say that poor reasoning would not absolve people from moral responsibility. Moreover, Kantianism does not consider the *consequences* of ethical actions; whereas the consequentialist framework weighs the outcomes of all decisions, as will be explained in the next section.

3.3 Utilitarianism in the Business Context

Another philosophical approach to business ethics, utilitarianism – a consequentialist approach – was initially promoted by Jeremy Bentham (1748 – 1832), an English philosopher. According to Bentham's view, the two main drivers of behaviour amongst sentient beings (which include human beings) are avoidance of pain and the search for pleasure. A good action and a good life are those where the amount of pain is successfully minimised and the amount of pleasure is maximised. Bentham applied this to society as a whole (see Snoeyenbos and Humber, 2002), seeing the greatest happiness of the greatest number as the foundation of morals. Thus, actions are right if they promote the greater good or the human good and wrong if they do not. As Bentham (1961: 175) says: "Sum up all the values of all the *pleasures* on the one side, and those of all the pains on the other, [and] take an account of the *number* of persons whose interests appear to be concerned… Take the *balance;* which, if on the side of *pleasure,* will give the general *good tendency* of the act".

John Stuart Mill (1806 – 1873) was a follower of Bentham; but he elaborated and improved on Bentham's ideas. Mill agreed with Bentham about pleasure and pain and morality; but considered that his concept of pleasure was too simple and hedonistic. Mill's view was that human beings can pursue various higher kinds of pleasure. For Mill, it was necessary to consider the difference in quality between different pleasurable activities. This means that the pleasures of the intellect and imagination are of a higher value than mere physical pleasure (see Shaw & Barry, 2016). For him, the utility principle must take into consideration the relative quality of different pleasures and of different sorts of pain, not just their intensity. Mill argued that the rightfulness of an action is determined by its utility function: that is, 'the greatest happiness of the greatest number', as the moral precept. Thus, utilitarianism focuses on morally evaluating actions by looking at their consequences. To determine whether actions are moral, human beings must think about the consequences of those actions. An action is morally right if and only if its consequence is to maximise utility (Shaw & Barry, 2016), that is, pleasure, happiness or usefulness. However, Mill's formulation of the principle of utility stresses that ethics is impartial in the sense that it means for everyone. An action

is morally right if it maximises utility overall. This is, in Mill's view, what gives the moral dimension to the decision-making calculation.

Bentham and Mill's philosophy of utilitarianism has resulted in several applications in business ethics (Gustafson, 2013; Hartman, 1996). Bentham and Mill would have asked a company to act in such a way as to bring about the best consequences for all. According to Gustafson (2013), there are three fundamental aspects of Mill's thought that should be taken into account in business ethics. The first is that it has a shared goal of the common good at its heart; second, that it is necessary to achieve the prosperity of society; and third, that utilitarianism entails developing a concern for society. In business practice, for instance, a company will consider several alternative actions and all their consequences, will calculate their utility, and then will act to maximise that utility, on issues such as providing goods and services, jobs, and tax revenue (Gustafson, 2013).

Utilitarians, however, accept flexibility with regard to rules and practices; for example, claiming that breaking a company contract is allowable when this will lead to better consequences than abiding by it. To a situation given by Snoeyenbos and Humber (2002), when a company signs a contract to build a plant, but then discovers that fulfilling it will result in the destruction of an ecosystem and not maximise utility, the company should prefer to fulfil the requirements of 'act utilitarianism' to lead to moral consequences, not to harm. The company therefore decides to relocate the plant in the light of the consequences for the firm, shareholders, employees, customers, and the communities affected and the environment (Shaw and Barry, 2016). Utilitarianism would, in theory, encourage business organisations to make the 'best' decision, generating the most benefits relative to disadvantages, and benefiting the greatest number of people.

Utilitarianism is claimed to be a clear and straightforward basis for formulating and testing morality in business decisions (Johnson, 2016; Shaw and Barry, 2016; Snoeyenbos and Humber, 2002). Yet the theory does not adequately take into consideration the rights of the individual when determining whether an act is morally right. The rights of the individual would be subordinate to the greater good. It may also

be difficult to know precisely how many individuals are affected and what degrees of satisfaction or otherwise they will experience, as the result of a decision (Audi, 2007). Utilitarians have been criticised for being concerned with the sum total of happiness produced – not with how that happiness is distributed (Audi, 2007). Some people's happiness may be required to be sacrificed in order to achieve the greatest good for the greatest number. Shaw and Barry (2016) give a relevant example, where a government may legally purchase people's property or land in order to widen a highway. These criticisms relate to the issues of rights and equal respect.

Another problem arises when utilitarianism is simplified into a cost/benefit analysis[5] (see e.g. Audi, 2007; Kelman, 1990). In this case, corporations often focus on goals and the most efficient means to achieve them (Snoeyenbos and Humber, 2002): and maximising happiness is considered to be the same as maximising profit or return (see Fisher and Lovell, 2003). Right and wrong are then based on a calculation of benefits and costs in terms of money (see Shawn and Barry, 2016). This fits in with the company's economic interests, or at least with the economic realm, where utility is meant to enhance productivity in order to achieve growth and profitability (Johnson, 2016). This thinking assumes that money is an appropriate measure of utility. It indicates how utilitarian considerations can bear on managerial decisions and be applied to a managerial strategy in general (Audi, 2007).

In conclusion, utilitarianism provides a justification of actions as ethical according to their consequences: calculating which actions will bring about the greatest amount of good. However, when utilitarianism is simplified, it is not really impartial; as it fails to give equal ethical weight to all individuals' interests. It leaves the issue of impartiality inadequately addressed and uses other criteria, namely the majority good and even financial consideration, to determine utility. The next section, therefore, will discuss social contract theory which offers a different view of ethics: maintaining impartiality and avoiding favouring particular stakeholder interests.

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[5] Cost-benefit analysis is "a form of project appraisal. The cost and output of the project are identified and priced" (Fisher & Lovell, 2003: 96)

3.4 The Social Contract between Business and Society

The notion of the social contract has a long history, beginning with the thought of the philosophers Thomas Hobbes and John Locke. Hobbes (1588 – 1679), an English philosopher, considered that human beings have a natural right to preserve their life, and that they have a 'selfish gene'. Hobbes' idea was based on his assumption that people would live in a state of anarchy in the absence of a government or other entity which could organise individuals into a society. Thus, for Hobbes, there is a need for a strong government which has the power to ensure that people are peaceful and therefore an agreement between people and sovereign is needed to avoid chaos and war (Dunfee and Donaldson, 2002).

Another English philosopher, John Locke (1632 – 1704), saw the idea of a social contract as essential; considering that the rights to life, liberty and property were natural rights, i.e. God-given, and prior to any social institution. So the government's role is principally to ensure that these rights are respected by everybody, to punish any violations, and to interfere with people as little as possible. In other words, Locke's arguments were based on an understanding that the contract represented the greater good of society, and the government must reflect the will of the people. If these two elements are ignored, the citizenry have the right to break or change the contract (Dunfee and Donaldson, 2002).

The theory of the social contract, therefore, has had a long-standing and significant place in creating the idea of a particular societal agreement (Dunfee and Donaldson, 2002; Dunfee, 1991). There was communality, between the philosophers Hobbes and Locke, on the concept that human beings need an agreement based on responsibilities and rights as a consequence of living together in society. Thus the idea of the social contract provides an understanding that it is important to have a common agreement regarding the relationships among society's members.

Social contract theory has played an influential role in business ethics. Taking up the work of Hobbes and Locke, business ethicists argue that this theory is important in searching for a reasonable agreement between society and business organisations. In this way the social contract can be characterised as a relationship between business and society. Buchholz and Rosenthal (1997: 186) define social contract theory thus:

> "There are two distinct parties to the contract, namely business and society, that are separable entities with conflicting interests. These conflicting interests have to be worked out in some fashion through some negotiation process, so a mutual agreement can be reached that is satisfactory to both parties and allows harmony to be re-established and problems addressed that both agree are important".

Buchholz and Rosenthal's (1997) view, above, on the social contract implies that business and society are two isolatable entities which are in relationship with each other. In other words, they are two distinct parties to the contract. Consequently, business and society have to negotiate with each other in some way, to decide which social issues deserve attention and how many resources should be allocated to tackle those issues (Buchholz and Rosenthal, 1997). However, Buchholz and Rosenthal also maintain that the relationship between business and society is similar to that between the individual and the community (Buchholz and Rosenthal, 1997); business can only exist within society.

The social contract approach to business ethics is becoming one of the most significant tools used in analysing ethical issues in business (see Heugens, et al., 2006; Hasnas, 1998; Buchholz and Rosenthal, 1997; Bishop, 1996). Bishop (1996) has convincingly argued that companies have a responsibility to respect freedom and human rights, and that these need to be established by social contracts. Hasnas' (1998) view is that social contract theory demands that ethical businesses do not violate justice. The members of a society will authorise the existence of companies only if these agree to maintain justice (Hasnas, 1998). This view argues that business organisations are ethically obligated to understand what constitutes a fair or just agreement, between companies and society; refraining from violating accepted standards of justice and human rights. Thus, in modern business, the social contract implies that society grants companies the right to

exist in return for benefits to the community. The company will lose its power to operate if it does not act responsibly (Shaw and Barry, 2016; Davis, 1970). As companies are a part of the social system, they must live up to society's standards (Jones, 1980).

It has been seen that social contract theory has a long history, and has influenced business ethicists in considering the relationship between business and society. Recent studies of business ethics, therefore, discuss the concept of the social contract as relating to ideas of social responsibility (Byerly, 2013); to international business ethics (Neiman, 2013); and to ethics in multi-national corporations (Palmer, 2001). Relevant applications of social contract theory in business include minimising the social and environmental impacts of business operations (Blackstone, 1990). The social contract between companies and society is implicit in this respect. Companies have a responsibility to safeguard human rights and ecology in their business operations (Blackstone, 1990).

Recently, social contract theory has been shown to underlie stakeholder interactions to their mutual benefit. Contractual schemes are ideally characterised by the expectation of mutual advantage (Cohen, 2010; Heugens, et al., 2006). For that reason is necessary to discuss the idea of fairness in stakeholder theory. In the context of business organisations, stakeholders have been defined as all those individuals or groups that can influence or are influenced by organisational activity (Griseri and Seppala, 2010; Clarkson, 1995); and 'persons or groups with legitimate interests participating in an enterprise, who have relationships in order to obtain benefits' (Donaldson and Preston, 1995: 68). Earlier studies of stakeholder theory show how the theory has developed in business ethics; highlighting aspects such as a philosophical framework for understanding the necessary relationships between business organisations and their stakeholders (Buchholz and Rosenthal, 2005); 'stakeholder mapping' (i.e. within and outside the corporation) and identification based on their interests (Crane and Ruebottom, 2011; Reynolds et al., 2006; Mitchell et al., 1997; Clarkson, 1995); as well as stakeholder legitimacy (Clarkson, 1995), and understanding the relationship between stakeholder analysis and ethical values in management decision-making (Goodpaster, 1991). Nevertheless, many researchers have identified the fact that stakeholder theory

has two different perspectives: the first is the normative perspective; while and the second is a managerial or instrumental perspective (see e.g. Freeman, 2010; Crane and Ruebottom, 2010; Reynolds et al., 2006; Hasnas, 1998; and Donaldson and Preston, 1994).

The normative perspective is a sense of how to treat all stakeholders morally. This is in relation to moral responsibility: corporations operate in society, and have a responsibility to behave morally in ethical matters (Frederick, 1986). In this perspective, relations between business and society mean treating stakeholders as an end, rather than exploiting them. It is always good business practice to treat stakeholders well (Freeman, 2010). This view is related to the nature of the company, where many groups of stakeholders in society have a moral claim on the company, because it has the potential to harm or benefit them (Freeman, 1984). The normative stakeholder literature, therefore, seeks to recognise ethical obligations on the part of firms to society (Cragg, 2002).

The second perspective, the instrumental or managerial, considers stakeholder theory as applied in the context of achieving stakeholders' acceptance of the corporation (Freeman, 1984). Stakeholder theory is also argued to be a sound management strategy (Clarkson, 1995), whereby a company connects with its stakeholders and ensures its ability to meet their claims (Donaldson and Preston, 1995). As such, Cragg (2002) argued that stakeholder management is the most effective and efficient way to achieve successful business outcomes with a pragmatic goal. This perspective has led business ethicists to apply the concept of stakeholder theory in more pragmatic ways. It implies that this is a way in which the management of companies can improve business performance (Hasnas, 1998). In this perspective, business and stakeholder interactions often require companies to take all vital stakeholder groups into account when making a decision for their survival. This is more instrumental, being concerned with business sustainability (Hasnas, 1998). For instance, discovering how stakeholder capabilities can be used for value creation in the company (Garriga, 2014; Freeman, 2010); and for creating partnerships or cooperation among stakeholders (Nieman, 2013).

However, business organisations may face ethical dilemmas in that stakeholder theory and the social contract may not provide the ability to deal with specific and complex situations requiring ethical solutions in everyday business life. The next section will explain an ethical theory that contains elements of all those theories already discussed, and is claimed to be able to address ethical issues in business organisations in a context-sensitive manner.

3.5 Virtue Ethics at the Organisational Level

All the above ethical theories are "act-centered". This section considers the ideas of Aristotle, which are "agent-centered": that is, developing character in people to become virtuous and to have the judgment to be able to make moral decisions. In fact, Aristotelian virtue ethics has led many business ethicists to consistently refer to the notion of virtue in their research, as an important concept in the process of moral development and ethical decision-making (Roca, 2007). For instance, belief in the relevance of virtue ethics to business organisations could lead to pursuit ethical corporate policies (Solomon, 1992). Furthermore, the virtue ethics approach can make a distinctive contribution to everyday business ethics practices (Crocket, 2005; Koehn, 1995); especially in understanding the relations between employees and the company (Roca, 2007). Researchers such as Dawson (2015), Maclagan (2015), Audi (2012) and Melé (2009) consider virtue ethics to be the most promising ethical framework to account for the dimensions of context, giving more flexibility in examining specificities.

Organisational studies have demonstrated a growing interest in formulating and discussing the idea of virtue at the corporate or organisational level (see Smith, 2013; Gowri, 2007; Moore and Beadle, 2006; Weaver, 2006; Moore, 2003, 2005a, 2005b; Whetstone, 2005; Schudt, 2000; Moberg, 1999, 1997; Trevino et al., 1998). Recent works in the field of business ethics have applied virtue ethics to industrial relations (see Dawson, 2015), and to consumption practices (see Garcia-Ruiz and Rodriguez-Lluesma, 2014). Positive psychology researchers (see Rego et al., 2010; Bright et al., 2006; Caza et al., 2004; Cameron et al., 2004; Cameron, 2003) have developed and examined the concept of organisational virtuousness, concluding that this reflects the

virtuousness of single individuals and collective actions in and through the community i.e. organisations, as Aristotle maintained. The virtuous corporation has been defined in a variety of ways; for instance as "the perceived exercise of collective behaviour that indicates the organisation is following principles leading to some form of moral or ethical betterment" (Rhee et al., 2008: 47). The present development of virtue ethics theory still raises the question whether the personal qualities of individuals, the focus of Aristotle's attention, can be applied at the organisational level.

To explain virtue ethics theory as it was developed and understood by Aristotle: Aristotle himself stated that every art and every inquiry – and similarly every action and pursuit – exists for a specific *telos* or purpose (Aristotle, 2014). So '*telos'* is a specific end, or fulfills a specific purpose. Thus, the purpose for a lyre-player, as Aristotle says, is to play the lyre, and a good lyre-player is he/she who plays it well (Aristotle, 2014: 3). When the purpose is fulfilled well, it is said to be well-functioning, perfected or practised in an excellent way. The *telos* of human beings is, for Aristotle, to reason. The human function is different from that of animals, in that humans have the faculty of reason, through the practical exercise of reason, as well as contemplative skills or self-reflection (Bertland, 2009: 27; Irwin, 1980). The *telos* of human beings is rational thinking: the ability to reason well. These lead to the consequence that the rational principle must essentially result in *intelligent* action (Hughes, 2013: 37). Human beings are designed to think, and therefore have contemplation skills (as said above). In other words, if the *telos* of human beings is well understood, they know the right thing to do and why it is important. So a good person is someone who uses their rational abilities well. In this way, according to Aristotle, through pursuing their *telos*, human beings can embody virtue.

Using our reason or rational faculties well leads us to appreciate that virtues are desirable qualities to have. Aristotle used the Greek word *Arete* (virtue). *Arete,* as Aristotle says, means what sort of attitudes, dispositions and character traits we should aspire to. More specifically, in considering what virtue is, Aristotle starts by explaining that there are two kinds of virtue. The first has to do with moral character; for example courage, generosity, or friendship. The second has to do with skill, for example being good at planning or grasping the way to do something. Using Aristotle's example of a

lyre, the *arete* is being able to play a lyre well. Similarly, someone who possesses virtue in the sense of a skill is a person who does something well.

For Aristotle, virtue means excellence of character, based on habit – the habit of pursuing the *telos*. As a result, a virtuous life is valuable, because it is the only path towards *eudaimonia* – often translated as happiness, flourishing, or doing well. However, this concept is not the specific end or function of each person, but rather relates to their living a worthwhile life (Aristotle, 2014). Both moral character and skill are complementary in contributing to a virtuous community and enhancing the sense of good life (Hughes, 2013).

Table 1 The Difference between the Concepts of *Telos* and *Eudaimonia*

No	Elements	Definition	Relation to Human Beings
1	*Telos*	a specific end or function	rational thinking, using reason appropriately and well
2	*Eudaimonia*	the greatest fulfilment in life	happiness, flourishing, doing well, a fulfilled life

With respect to these two elements in table 1, the concept of *telos* in Aristotelian virtue ethics relates to Kantianism. Aristotle and Kant both hold that human beings are rational and need to use their capability to reason. The element of *eudaimonia* was taken up by Bentham and Mill, in their wider concept of happiness. Russell (2013: 19 - 25) defines *eudaimonia* as 'a fulfilled life'. This is to avoid giving a misleading impression that *eudaimonia* equals hedonistic enjoyment which is more strongly associated with feeling relaxed, excited, and happy (see Waterman, 1993). With respect to Aristotle's thought, however, understanding *eudaimonia* as happiness means not to think of and fulfil only one's own interests or practical concerns but also those of society and humanity as a whole. *Eudaimonia* must consist of worthwhile activities in the community (Russell, 2013). Thus, for Aristotle, *eudaimonia* in the context of the community (such as a company) would mean that individuals should exercise virtues in the community and should be supported by it i.e. the company, in developing virtues. White (1995), in

particular, has articulated the *inclusivist* view that *eudaimonia* can be considered, in a broader sense, to include *ethical* considerations and *altruistic* purposes. This means that to pursue *eudaimonia* is is fully in harmony with the happiness of both oneself and others.

Following Aristotle's thought, Alasdair MacIntyre (1981) looks to the Aristotelian virtue tradition of *'telos'* – the goal of virtue - as one in which virtue is incorporated within the narrative unity of a human life in a social structure. MacIntyre departed from Aristotle's idea that human being and his life has a *telos* which constitutes the internal value of his life, so that the primacy of an attitude or ability enables him to pursue his goals and not be diverted by anything. For MacIntyre, meaningful activities should be connected with the community. In other words, a person who conducts meaningful activities strengthens community cooperation in order to reach the standard of virtue needed. This idea is relevant to friendship and the social contract as well as Indonesian values of mutual help and harmony (*Gotong Royong*), where the good life for humanity flourishes through beneficial activities which are promoted within communities. *Eudaimonia* is not just for a man by himself, but also in relation to his or her friends and fellow citizens (Aristotle, 2014).

Virtue ethics is criticised on the grounds that virtue is too abstract to offer guidance on how to act; specifically, it cannot state what is morally unacceptable or help those who do not already know what virtue is (Dawson, 2015). The debate surrounding the virtue theory at the organisational level has barely existed because virtue theory has been taken to be at the individual level. Aristotelian virtue ethics focuses on individual agents, such as managers and employees; ethics starting with individual moral development. However, since Aristotle argued that a virtuous person achieves outstanding moral virtue through the community, it is essential at the business organisational level to see how to practise virtues well. Thus, it can be seen that business organisations may therefore be considered as places in which employees can exercise their practical judgment and develop virtues. Some business ethicists surmise that, as the business organisation is a type of community, it is an environment where virtues can be practised. For instance, Solomon (1992: 325) argues, business organisations "are real communities, neither ideal nor idealised, and therefore the

perfect place to start understanding the nature of virtues". Thus, proponents of Aristotelian virtue ethics (e.g. Moberg, 2007; Roca, 2007; Solomon, 1992) have argued that the idea of the virtuous organisation which is based on Aristotelian thought can be an approach to virtue at the group or organisational level of analysis. The following section, therefore, discusses the ideas of Aristotelian virtue ethics considering both practical wisdom (*phronesis*) and friendship (*philia*) as justifications for its relevance to business practice.

Integration between Practical Wisdom (Phronesis) and Friendship (Philia)

Aristotle espoused the concept of '*phronesis*' (literally, practical wisdom, sometimes translated as 'prudence') as the means to achieve *eudaimonia* or happiness and a fulfilled life. In book VI of his *Nicomachean Ethics*, he defines practical wisdom as "a truth-attaining rational quality, concerned with action in relation to things that are good and bad for human beings" (Aristotle, 2014). Virtue, which is achieved through practical wisdom, therefore leads to happiness. Thus, Aristotle says that virtues or excellences – i.e. moral virtues – such as courage, generosity, and friendliness are important, but these virtues need to be combined with practical wisdom to ensure the rightness of the means adopted to achieve a fulfilled life. Aristotle says, "Practical wisdom, too, is linked to virtue of character, and this to practical wisdom; since the principles of practical wisdom are in accordance with the moral virtues, and rightness in morals is in accordance with practical wisdom" (Aristotle, 2014).

For Aristotle, practical wisdom *(phronesis)* is the foundation of ethics. He classified practical wisdom as an intellectual virtue, yet it is intimately connected with moral virtue. He explains that it is not simply a skill (*technē*), such as craftsmanship: it involves not only the ability to decide how to achieve a certain end, but also the ability to reflect upon and determine good ends consistent with *eudaimonia*. Moberg (2007: 536) defined practical wisdom as 'a disposition towards cleverness in crafting morally excellent responses to, or in anticipation of, challenging particularities'. Audi (2012: 278 – 279) argues that a person having practical wisdom can attain a mean, which is defined by reason: a mean between excess and one of deficiency. Through practical wisdom a person is enabled to use virtue in pursuit of the right aims; that is, when and

how to make improvements in action in different contexts – *ongoing learning*. Practical wisdom is a process of inquiry, deliberation, and right action in everyday lived experience. The moral will to do the right thing, as well as the moral skill to figure out what the right thing is in any particular situation are both necessary in practising practical wisdom (Schwartz, 2011). Thus, practical wisdom rules out the regular application of immutable and universal norms (see Roca, 2007).

Practical wisdom involves both the scope of knowledge and the context of practice. It follows that it is achieved through thinking and experience (Schwartz, 2011; Schwartz and Sharpe, 2010). As such, *phronesis,* as an intellectual virtue, consists of life experience, learning and self-reflection in making choices based on virtues in specific circumstances (Provis, 2010; Roca, 2007; Flyvbjerg, 2001). In business organisations, a judgment about what is appropriate or right for corporations is not a purely technical matter (Provis, 2010); and general rules cannot tackle all cases (Cohen, 2013). Business organisations are complex, undertaking diverse activities (Rhee, et al., 2008). Aristotle of course does not approach business organisations directly. But he clearly indicates that it is important to focus on how organisations should behave, and the kinds of relations with communities that they should have, in the ordinary, everyday experience of trying to live in a community. This gives an opportunity for the concept of practical wisdom *(phronesis)* to play a role in organisations, where practical matters always exist (Provis, 2010; Rhee, et al., 2008). At the organisational level, corporations have to have the ability to identify and analyse specific and complex situations in their organisations, skills requiring the constant exercise of practical wisdom (MacIntyre, 1981).

In a managerial context, it follows that practical wisdom is not based on routine rules; but 'organisations can recognise a pattern in their circumstances, and see what action is appropriate in such circumstances' (Provis, 2010: 13). As such, practical wisdom plays a critical role in the process of ethical decision-making (Melé, 2010). It can support management in this process, by showing how a decision will contribute to the good human life in each particular situation (Provis, 2010; Melé, 2010), both for the organisation and its stakeholders. Therefore, the concept emphasises the need for the context of each situation to be fully considered, in order to determine what is the right

practical action. In other words, practical wisdom is morally right action, at the right moment, for the right reasons, as business ethicists commonly understand.

One of the characteristics of practical wisdom is that it can detect the moral quality of an action, and achieve moral learning from everyday experience (Roca, 2008). This means that by using practical wisdom in ethical decision-making, virtue will, in theory, indeed be displayed at the right time and in the right way for the right reasons. O'Sullivan (2005) argues that practical wisdom recognises conditions of uncertainty and ambiguity. Thus, from the process of practising practical wisdom, corporations know what they are to do and why it is worthwhile to do it, rather than acting incidentally or unintentionally since practical wisdom acts to discern in each particular situation what is impartially good and to choose the right means of achieving such good (O'Sullivan, 2005: 222).

Practical wisdom is criticised as abstract and ambiguous concept. It is not easily put into practice, especially at the level of organisations, in accordance with ethical decision-making processes. As noted earlier, ethical decision-making has to deal with problem-solving in relation to a variety of ethical problems. Business organisations might understand what practical wisdom means in the context of decision-making, but they struggle to align this knowledge with their ethical actions. In addition, as the 'master virtue', practical wisdom plays the central and overarching role. Creating excellence of character, if done well, enables managers and employees at the organisational level to respond to different contexts in a morally excellent way. However, the challenge is how to exercise practical wisdom *in human relationships*. Aristotle considers the virtue of friendship (*philia*) as essential in order to share, and ensure, the flourishing of human life. In addition, he himself says that 'in order to live well in a community, friendship is necessary' (Aristotle, 2014), this is an essence of the social contract. The central point here is how the key elements of practical wisdom and friendship can be practised together, within the company and in the wider community. This is explained in the next section.

Aristotle puts forward the concept of *philia* – the Greek term for friendship – as an essential virtue. Annas (1993: 253) has highlighted Aristotle's view that: 'friendship is a genuine concern for the other's good. Friendship, of course, is not only a state of character but also an activity. If the final goal of life is *eudaimonia*, it must include satisfying others (see Pakaluk, 2005; Irwin, 1988). Therefore, this virtue, friendship, is one element of fulfilment in life (see Liu, 2010; Sherman, 1987). Aristotle asserts virtuous friendship and states how this motivates people to act, "there is a mutual and recognized love, and those who love each other wish well to each other in that respect in which they love one another (Aristotle, 2014).

Apprehending Aristotelian friendship as an archetype of human relations can arguably be mapped into a two-fold typology of friendship, both in philosophical terms and organisational or business terms. First, in philosophical terms, friendship is derived from the nature of the human being as a *politikon zoon* (political animal) – a social being. It is an expression of virtue in the mutual pursuit of happiness and is concerned with the good life (Sherman, 1987). The happy person is self-sufficient not by being sufficient all by himself, but by completing self-sufficiency in life, which must include friends and others. This is implicitly to include understanding how best to help others anywhere in the world, in the most reassuring and pleasing ways (Sherman, 1987) to achieve a flourishing life. Hughes (2013) concisely classifies the three types of relationships as being based on: mutual admiration or love; advantage; and pleasure. However, Aristotle also included friendship where there is an unequal relationship between the people concerned: "[…] but there is another kind of friendship, viz. that which involves an inequality between the parties […] love and friendship are therefore different also" (Aristotle, 2014: 144). Aristotle's explanation of an unequal relationship between people, as above – for example, friendship between parents and children – might also refer to paternalism within a society. Paternalism is not friendship in the sense that two adults are friends. Thus, paternalism, according to Aristotle, is not *philia* and should not be considered a virtue, though paternalism is what is found in the Indonesian cultural context.

The second typology of friendship, in business organisational terms is that between a company and its stakeholders and this can be interpreted as a relationship seeking mutual advantage (Sisón, 2011). The virtue of friendship in organisational or business terms is relevant to the context of stakeholder theory. Koehn (1998) also states that in some ways, this can be applied to *commercial relations* between a company and its customers, in relation to the demand for products. In addition, Sommers' (1997) reciprocal relationships of friendship can be seen as a simple business transaction between two persons governed by explicit agreements and clearly an advantage-relationship, but 'friendly' in the sense that it is for mutual profit and non-exploitative. It is tacitly assumed that, through the virtue of friendship, a company can enter into stakeholder relationships which are sufficiently robust to maintain good relationships with all stakeholders. For Aristotle, good business virtues include trust, honesty, courage, temperance, justice, generosity, and cooperation (Solomon, 2004; 2000). If these are not respected, the practice loses its character of good business (Sommers, 1997).

Researchers also consider that friendship is possible within working relationships in the organisation. According to Roca (2007), virtue ethics at the level of the organisation involves understanding the relations between employees and management. Virtuous corporations focus on virtuous practices in work contexts (Manz et al., 2008); thus, practising the virtue of friendship amongst employees becomes possible (Melé, 2012). Members in the organisation will share know-how, knowledge regarding organisational values and ideals, goals, objectives, procedures, descriptions, explanations, and arguments related to the organisation (Melé, 2012). In addition, members of the organisation need others as role models (Melé, 2012); managers should help co-workers learn, grow and develop (Bertland, 2009). Using a capabilities approach in exercising virtue, 'managers can provide the environment and the encouragement for employees to grow and to find fulfilment in their jobs' (Bertland, 2009: 25) and in doing this managers would be exercising practical wisdom (Schwartz, 2011; Roca, 2007). However, the concept of friendship within the organisation may also face drawbacks when there is an imbalance of power amongst managers and employees. This could occur due to the hierarchical model that most organisations adopt. In this case, the

building of friendships is made much more difficult by the inequalities within the hierarchy.

Friendship within the organisation is also argued to have an importance role in practising business values and culture (Roca, 2007); as virtuous people flourish in a virtuous environment surrounded by virtuous friends. Thus, the virtue of friendship can be applied and assessed at the level of the organisation, where moral growth can emerge only from dialogue, and communities are the spaces within which social relations are established (Roca, 2007). However, moral character can also be corrupted if the culture surrounding it is immoral (Melé, 2012). Maintaining a moral culture within the company can ensure that, in business terms, friendship does not become clique formation[6]. The idea of the clique is far from the Aristotelian idea of friendship.

Friendship is also a way for business organisations to achieve *eudaimonia* (happiness) in the sense of their relationship to the wider community to achieve a flourishing society (Melé, 2012; Solomon, 2004; 2000). In this way, the concept of friendship can be extended through the notion of Corporate Social Responsibility (CSR); with virtuousness extending beyond this to the concept of social responsibility and citizenship (Cameron, 2003). The description of friendship above is summed up in Table 2 below:

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[6] The definition of a clique is a subset of members who are more closely identified with one another than with the remaining members of the group, and who exclude other members of the group (see Tichy, 1973).

Table 2 Typologies of Friendship

No	Typology of Friendship	Approaches	The Characteristics of Friendship	Some Key References
1	Philosophical terms	Self - Oriented (Fulfilling human nature).	- Humans are social by nature (*politikon zoon*). - Human life means living together. - Friendship is living together. - The function of friendship is inspiration and emulation.	Liu (2010); Pakaluk (2005); Irwin (1988).
		Other - oriented (The *eudaimonia* view: the shared life and a flourishing human life).	- The human character is good. - Friendship is mutual affection. - Good living or happiness includes the happiness of others. - Friendship is an essential constituent of a flourishing human life.	Brewer (2005); White (1999); Sherman (1987); Cooper (1977).
2	Organisational or business terms	Stakeholder relationships (Stakeholder Theory).	Friendship is based on different interests amongst stakeholders of organisations or businesses.	Sisón (2011); Koehn (1998); Sommers (1997).
		Corporate (business) citizenship–moral agent.	Friendship is mutual affection and business altruism extended to citizenship (e.g. Corporate Social Responsibility/ CSR).	Melé (2012); Vaccavezza (2012); Bickford (1996); Annas (1977).

To sum up, Aristotelian virtue ethics has been discussed as an ethical framework for companies if they are considered as communities. The organisation as a community itself is central to ethical decision-making. Virtue ethics has acknowledged the importance of context and social relations. The virtues of friendship (*philia)* and practical wisdom (*phronesis)* are particularly important in nurturing good ethical practices. Thus, Aristotle would say that an organisation would be most likely to flourish if it had the following characteristics: a sense of community based on friendship (*philia*); processes and practices inspired by practical wisdom (*phronesis);* and business practised in the spirit of *eudaimonia* i.e. a fulfilled life and purpose for the organisation.

3.6 Summary

This chapter has reviewed four ethical theories and shown all of them to share a belief that human beings have the capacity to reason, respecting this capacity and maintaining that human beings can best exercise their reason through the community. All of them are considered to be relevant in understanding ethical issues in business organisations. Because they explain that relevance, it is possible to assess what ethical issues do in fact emerge in the Indonesian mining industry. Therefore, those theories that have been drawn upon aim to capture how the Indonesian mining companies engage with ethical issues. It is, further, important to discuss aspects of organisational life which recognise actual and potential ethical issues. It is with these aspects of organisational life that the next chapter will be concerned.

CHAPTER 4 –ETHICS IN AND BEYOND THE ORGANISATION

4.1 Introduction

The previous chapter has discussed the relevance of ethical theories to understanding ethical issues in business organisations. It is important to then connect ethical theories with organisational settings. This present chapter therefore offers a critical literature review that aims to consider potential ethical issues inside organisations and beyond. The structure of this chapter is first, to examine some definitions of organisational culture; followed by an explanation of how this fosters ethics in organisations. Second, there is a discussion of the way ethics can be valued, practised, and nurtured in organisations, through their structure, processes and policies. Third, organisations in society will be discussed where ethics can go beyond organisational boundaries.

4.2 Organisational Culture

In much of the current literature on organisational studies, culture in organisations is defined in relation to the shared beliefs, values and expectations of the organisation's members (see Schwartz and Davies, 1981: 33), which result from experiences common to members of collectives, transmitted across generations. Beliefs and expectations in organisations produce values and norms that powerfully shape the behaviour of individuals and groups in the organisation. Some important definitions of culture have been compiled by Hatch and Cunliffe (2006: 177) from different organisational theorists as follows:

Table 3 Definitions of Culture

Researchers	Definition
Elliot Jaques (1952: 251)	'The culture of the factory is its customary and traditional way of thinking and doing of things, which is shared to a greater or lesser degree by all its members, and which new members must learn, and at least partially accept, in order to be accepted into service in the firm'
Andrew Pettigrew (1979: 574)	'Culture is a system of publicly and collectively accepted meanings operating for a given group at a given time. This system of terms, forms, categories, and images interprets a people's own situation to themselves.'
Meryl Reis Louis (1983: 39)	'Organisations [are] culture-bearing milieu, that is, [they are] distinctive social units (e.g., what we're doing together in this particular group, appropriate ways of doing in and among members of the group) and languages and other symbolic vehicles for expressing common understandings.'
Edgar Schein (1985: 6)	'The pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to these problems.'

John Van Maanen (1988: 3)	Culture refers to the knowledge members of a given group are thought to more or less share; knowledge of the sort that is said to inform, embed, shape, and account for the routine and not-so-routine activities of the members of the culture [….] A culture is expressed (or constituted) only through the actions and words of its members; and must be interpreted by, not given to, a fieldworker [….] Culture is not itself visible, but is made visible only through its representation.'
Harrison Trice and Janice Beyer (1993: 2)	'Cultures are collective phenomena that embody people's response to the uncertainties and chaos that are inevitable in human experience. These responses fall into two major categories. The first is the substance of a culture – shared, emotionally charged belief systems that we call ideologies. The second is cultural forms – observable entities, including actions, through which members of a culture express, affirm, and communicate the substance of their culture to one another.'

Source; Hatch and Cunliffe (2006: 177).

The organisational theorists cited in table 3 highlight that culture is a system, formed and shaped by people within the organisation. Thus, organisational culture is defined as a shared pattern of meaning, values, customs, beliefs and behaviour which are reflected in both formal and informal organisational systems (Ladkin, 2015; Schwartz, 2013; Meyerson and Martin, 1987; Schwartz and Davis, 1981). Organisational culture is therefore recognised as one determinant of how members of organisations behave (Sinclair, 1993; Lundberg, 1985). It is "the way we do things around here" (Bower, 2003: 117).

Sinclair (1993) says that organisational culture can be formed through organisational values; and Schwartz (2013) highlights the connection between organisational culture and values in promoting ethics. Schein (1985) considers that culture in organisations exists on three levels. The first is that of basic assumptions – the core organisational culture, which is characterised by tacit and deeply rooted beliefs about the organisation, its purpose and the way it carries out its activities. The second level is that of values and behavioural norms, which refer to the principles and standards, including mission statements, held by an organisation and linked to its claim to promote moral and ethical codes. The third level is that of artefacts, which consist of physical objects (e.g. the type of clothes people wear, office layout and the appearance of buildings), and also the observable behaviours of the organisation's members, such as the level of formality of speech and behaviour among members. Schein's view implies that there are different and simultaneous processes in the organisational culture created by management, and all three researchers agree that organisational culture has an important role in guiding behaviour.

Researchers also consider that culture in society is a crucial reference point for analysing organisational culture (see Weaver, 2001; Dion, 1996). The workplace experience is intertwined with experiences outside; such as relations with the family, social networks, and broader cultural and historical factors (Jeanes, 2011). Weaver's (2001) study of national cultural dimensions, and their impact on ethics management, shows that they have a potential influence on the ethics of organisational behaviour. For instance, there is a difference between individualistic and collectivistic societal culture, and in Indonesia the culture of collectivism, not individualism, is crucial to the understanding and practice of ethics within organisations. This means that even when the focus is on organisational culture, societal culture remains of central importance (Weaver, 2001; Maclagan, 1998). But only a few studies discuss ethical organisational culture in relation to culture in society (e.g. Dion, 1996; Weaver, 2001).

Values and Mission (Purpose) Statements

The connection between organisational values and culture (Schwartz, 2013; Schein, 1985) is such that the role of values defines organisational culture and is defined by it in turn (Bourne and Jenkins, 2013). Values themselves are generally agreed upon, like attitudes or preferable modes of conduct or desirable objectives (Manz et al., 2008). They are the bedrock of organisational culture (Manz et al., 2008) and are a reality in the minds of most people throughout a company, creating a sense of identity (Deal and Kennedy, 1982)[7]. Murphy (1989) argues that often organisational values articulate a corporate strategy, philosophy or mission, including statements about 'what kind of organisation the company will be'; a credo that can be publicised, communicated and enforced in relation to stakeholders. As noted by Bourne and Jenkins (2013), the term 'organisational values' typically refers to the value system within the organisation. In this light, Dempsey (2015) and Melé (2009a) point out that they express the preference of an organisation's members to act together within it. In this sense, they focus on the perspective of making management more effective in achieving organisational goals.

Researchers have up to now believed in the importance of ethical values in organisations, and have argued the connection of these with an ethical organisational culture (Schwartz, 2013; Svensson and Wood, 2011; Melé, 2009; Sinclair, 1993; Sims, 1992). Pedersen and Sorensen (1989: 15) highlight that "values are characterised by being highly conscious and explicitly articulated, due to their normative or moral function in leading members of the group to handle specific matters well and behave appropriately in certain situations". Ethical organisational values can be derived from religious, political or philosophical thought (Weaver and Agle, 2002; Donaldson and Dunfee, 1999). Possible common ethical values are trustworthiness, integrity, transparency and reliability; respect – including for human rights – and responsibility, accountability, fairness, impartiality, and equity (Schwartz, 2005). These guide an organisation's members in their practice and evaluation of ethical behaviour (Bourne and Jenkins, 2013).

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[7] The difference between values and virtue is that values are affected by the presence of a belief in an object's existence, shaped by culture (Hurka, 2003); while virtue is people's characteristics or traits that lay the foundation of moral good.

A mission statement, on the other hand, identifies an organisation's reason for being (Johnson, 2011), a general statement of guiding beliefs (Trevino and Nelson, 2011), or an aspiration to act (Priola and Hurrell, 2011). However, Johnson (2011) argues that often a company's mission statement is designed to maximise shareholder wealth to give minimal guidance or inspiration to its members, and is not necessarily ethical or moral. Rather, it may be designed to encourage the organisation to produce quality goods and services, for example, and so increase profitability. Maclagan (1998) considers that the wording of this kind of mission statement is deliberately positive but vague. These means, through which organisations attempt to achieve their goals, are typically instrumental (Dempsey, 2013).

4.3 Ethics in the Organisation

Many of the classical organisational theorists define the organisation as a social system (Allaire and Firsirotu, 1984; Schein, 1983; Smircich, 1983). For example, Allaire and Firsirotu (1984) hold that organisations are 'little societies', with a social system, including a socialisation process, and social norms and structures. The organisation itself is described and emphasised in the sense of organisational behaviour, being perceived as a social instrument whose members spend much of their time interacting with each other for the purpose of accomplishing certain goals in their defined environment (see Schein, 1983; Smircich, 1983; March & Simon, 1958). As such, the organisation is considered as "both the medium and the outcome of social interaction" (Denison, 1996: 635). The question is how an organisation can facilitate and develop ethical behaviour, which means an organisation taking moral responsibility for its actions.

Many researchers consider that organisational culture must be taken into account when discussing ethical organisational behaviour (Roca, 2010). Research by Sinclair (1993) put forward two different arguments for whether nurturing the ethical organisation proceeds from the individual to the organisation or vice versa. Sinclair maintains that there are two approaches to ethics in organisational culture; first, creating unitary organisational culture around ethical values; and second, fostering co-existence and

diversity within the organisation. The first approach holds that organisational culture is a form of integration, which brings about agreement between members, emphasising that an organisation's culture consists of collective values or beliefs accepted by members. The first approach is relevant to cultures with a high power distance and level of conformity, such as Indonesia's, so it is likely people will have a high acceptance of unitary approach. However, this approach is problematic in terms of theories such as virtue ethics, which rely on individual agency, and deontology where there is a moral demand to show respect for people's moral autonomy. The second approach, fostering co-existence and diversity, questions the very existence of organisational culture, implying that organisations are nothing more than shifting coalitions of subcultures. This approach is considered to enable members to maintain their own subculture.

Martin (1992) echoes Sinclair's (1993) views above, but identifying three perspectives on culture; (1) integration: considering culture as a mechanism for integrating different individuals and groups through values espoused by top management, and characterised by consistency, clarity and consensus to form a single shared culture; (2) differentiation: difference and diversity of culture in an organisation exist with various subcultures, including groups and individuals, leading to a situation either in harmony or in conflict, where members of organisations have different goals and values; and (3) fragmentation: ambiguity of culture, characterised by having no shared or integrated set of values, but neither generally harmonious nor full of conflict – culture in this case is complex and dynamic. Fragmentation applies to the Indonesian context and organisational culture because of the ethical diversity of organisations' members. However, Martin and Meyerson (1987) emphasise that integration can have a purpose of control, and therefore it is often criticised as a managerial tool for manipulating members of an organisation. In a similar vein, Willmott (1993) considers this control as "imprinting" core values and leading to "totalitarianism" because the organisation is attempting to control employees in systematic and totalising ways (Wilmott 1993: 523 - 4). Such a cultural environment seems inconsistent with ethical approaches such as virtue ethics and deontology and would not seem to be particularly conducive to ethical behaviour.

Trevino and Nelson (2011) define ethical organisational behaviour as the result of good guidance influencing members of organisations to do the right thing. An interest in ethical behaviour in the organisation has emerged in the research alongside the interest in ethical organisational culture (e.g. Trevino and Nelson, 2011; Roca, 2007; Key, 1999; Trevino. et al., 1998; Sinclair, 1993). Johnson (2016) has classified the components of ethical organisational culture into two groups; formal elements, namely, core values, mission (purpose) statement, code of ethics, structure, Boards of Directors, reward and performance evaluation systems, reporting and communication systems, and ethics officers, and informal elements, namely artefacts, including language, norms, rituals and stories. Trevino and Nelson (2011) consider that there is a complex interplay between formal and informal systems in organisations for ethical organisational behaviour. Formal systems include a selection system, policies or codes, orientation or training, performance management, authority structure and decision processes, while informal systems are organisational artefacts. The next objective is to specify how organisational culture meshes with structure, processes and policies to affect the way ethics is lived in practice.

Structure

Organisational structure is generally defined as "a means for allocating responsibilities, providing a framework for operations and performance assessment, and furnishing mechanisms to process information and assist decision-making" (Child, 1984: 17). It consists of employees of organisations being given distinct tasks and coordination being achieved among those tasks (Mintzberg, 1989). It includes regular activities, such as task allocation, supervision, and coordination (Pugh and Hickson, 1989). Child (1984) considers that there are three main aspects of organisational structure; the first is the *basic structure,* which can be a tool for management to implement their plans by allocating people and resources along with tasks and procedures, for example, to the hierarchy in the organisation, and by giving particular job descriptions. The second is the *operating mechanism,* which can set out the ways in which tasks are to be performed. For instance, management can use the organisational structure to define standards of performance or quality of achievement, followed by procedures for performance review. The third is that structure can also function as a *decision*

mechanism. However, the aim of this present research is not to focus on different kinds of organisational structure, but to assess ethical behaviour whatever the organisational structure maybe.

Organisational structure itself has for long been part of classical management theory, especially that of Max Weber (1864 – 1920). Weber delineated the concept of formal management and administration based on bureaucracy; including the division of labour, a hierarchy of authority, and written rules and regulations (Morgan, 1997). Structure was discussed in terms of efficiency. Bureaucracy, in a mechanistic perspective, has been argued to be the most efficient way to achieve organisational goals (Grey, 2013). This indicates that bureaucracy can be seen as an effective way to instil ethics – in theory at least – being rational and removing caprice, nepotism and cronyism.

However, several criticisms have been levelled at Weber's approaches, as it removes the element of human emotion from work, so dehumanising people (Thompson et al, 1991). The Weberian system has been criticised for seeing the application of rules as the primary purpose of the job, rather than as a means through which to achieve organisational objectives (Hurrell and Priola, 2011; Thompson et al, 1991). Routines of monitoring and directing are an integral part of a bureaucracy. Close supervision and hierarchical decision-making discourage autonomy, let alone risk-taking (Hurrell and Priola, 2011). In addition, work may be unresponsive to changing circumstances and may not allow for the dynamic (Grey, 2013). If this is so, it fails to respect people's ability and potential and so fails to meet Kant's categorical imperative.

The importance of organisational structure in supporting how ethics is lived in organisations has been argued by a number of researchers, such as Svensson and Wood (2011), Ardichvili et al (2009), Weaver and Trevino (2001), James, Jr. (2000), Murphy (1989), and Fasching (1981). Research into ethical organisational structure has tended to support the idea that it is expected to help members of organisations to exhibit ethical behaviour in their day-to-day interactions and decisions (Svensson and Wood, 2011), and to provide for an equal distribution of authority and shared accountability (Ardichvili et al., 2009). Attention to ethics in organisational structure is also argued to be concerned with fairness (Weaver and Trevino, 2001). Fair treatment in organisational

structure indicates that ethics is being practised. Thus, Trevino et al. (2006) argue for the important role of fairness towards employees. Formal reward and punishment systems, interwoven with an organisational structure, are claimed to play a key role in developing ethical behaviour or otherwise. They may be instrumental processes including the design of performance appraisal and disciplinary systems (Trevino et al., 2006).

Often, assessments are deemed to encourage ethical action when they attract praise and reward (Trevino et al., 2006). However, if structures are interpreted rather as routines, rules, and norms that guide and constrain behaviour (Schein, 2004), they reflect a mechanical mode of organisation where members behave as they have been ordered to do (Morgan, 1997). Thus, the organisational structure might in this way very much enforce paternalistic practices (see Weaver, 2001); emphasising a form of control or obedience. This is not consistent with moral autonomy.

Melé (2003) suggests four essentials of ethical practice in organisational structure: "(1) recognition of the person in his or her dignity, rights, uniqueness, sociability and capacity for personal growth; (2) respect for persons and their human rights; (3) care and service for persons; and (4) management for the common good, versus particular interests". His arguments also focus on the need for "concern for people", in an organisational structure where learning by the organisations' members can be achieved. James, Jr., (2000) reminds organisations to pay attention to human beings, rather than expect people to be corporate automata (Morgan, 1997). The idea that people in the organisation are valued and respected as ends in themselves, and not as means for achieving the ends set by the organisation is consistent with Kant's second categorical imperative.

Several researchers see structure as a pattern of interaction among a group of members (Smith et al., 2014; Miller, 1987; MacKenzie, 1978). Social relationships among members, acceptance of new ideas, open discussion; the ability to disagree without rancour, and a lessening of hierarchy, are all portrayed as the results of organisations practising learning to create an environment wherein members are able to express their

moral ideas (Smith et al., 2014). This is relevant to virtue ethics, which sees social relations as important in the community.

In short, there is evidence to suggest that organisational structure is relevant to ethical behaviour (Svensson and Wood, 2011; Brown and Trevino, 2006; Trevino et al., 2006), but there is a potential for structure to become paternalistic and instrumental. If not undertaken with care it will not allow members of an organisation to have ethical autonomy.

Processes

Many organisational theorists have argued that organisational processes are most likely to be the best way of living ethical behaviour in an organisation (Schwartz, 2013; Svensson and Wood, 2011). The consideration that ethics can be part of organisational processes is inspired by literature on decision-making in business ethics (e.g. Beabout, 2012; Provis, 2010; Melé, 2010; Roca, 2010; Moberg and Seabright, 2000). Decision-making is essentially deemed to be a means whereby management defines and solves problems (Melé, 2010). However, ethical decision-making is a special process, different from decision-making in general. It can be distinguished by the fact that it occurs when a moral problem arises or as preventative action to deal with ethical issues before they arise (see Arjoon, 2007).

At the organisational level, ethical decision-making has to deal with problem-solving in relation to a variety of ethical issues of every level and function (Schwartz, 2013). In fact, it has increasingly been a subject of attention in business ethics (e.g. Arjoon, 2007; Werhane, 1999; Rest, 1994; Trevino, 1986; Fasching, 1981). For instance, ethical decision-making is argued to consider and treat people (i.e. the stakeholders) as ends, not as means benefitting of business organisations (Svensson and Wood, 2011) – in fulfilment of the social contract between business and society.

Some researchers highlight the fact that ethics and ethical decisions are important in increasing organisational productivity (Vince, 2002; Moon, 1999; Schon, 1991). Ethics in this sense is a management tool for evaluating ethical performance (Svensson and Wood, 2011); although "real ethicality runs deeper than ethical programmes, codes or

guidelines" (Collier, 1998). These approaches are very much in accordance with managing ethics in business practice, by setting rules and regulations. Performance and evaluation processes within the organisation are also considered by companies to be a method for determining whether there are effective ethical practices. This is companies' own way of addressing ethical issues, and it is instrumental.

Several researchers also consider the significance of reflection in ethical decision-making processes (e.g. Rigg and Trehan, 2008; Høyrup, 2004; Raelin, 2002). According to Raelin (2002: 66), reflection is defined as 'the practice of periodically stepping back to ponder to ourselves the meaning of what has recently happened in our immediate environment'. It is considered to be a process of introspection (Høyrup, 2004) about what is being done and/or while doing it (Schon, 1991), and exploring and discovering purposeful action for the future (Gray, 2007). It involves a review of experience, an analysis of cause and effect and the drawing up of plans (Raelin, 2002). Some researchers have argued that the process of reflection can help an organisation in developmental work tasks, as part of the learning process (e.g. Vince, 2002; Moon, 1999; Schon, 1991). This is because an organisation's members consciously analyse and reassess complex or ambiguous problems in particular situations (Rigg and Trehan, 2008).

However, reflection in the practice of ethical decision-making also has other purposes; first, to give opportunities to create an atmosphere of thoughtfulness about ethical matters (Goodpaster, 2000); and a sense of shared ethical interest and vision (Raelin, 2002). These are in line with the idea of the organisation as a community embedding virtues (Roca, 2007). Second, members can enhance their experience in order to reach new understanding and develop the quality of their ethical decisions (Vince, 2002). Thus, through ethical reflection, organisations as a whole can learn and change (Vince, 2002); in fact, Smith et al., (2014) argue that learning from experience has a positive impact on ethical organisational behaviour.

For Rigg and Trehan (2008: 376), 'critical reflection blends learning through experience with theoretical and technical learning, to form new knowledge constructions and new behaviours or insights'. In business organisations, however, reflection is a complex

process involving social interaction. Høyrup (2004) and Raelin (2002) explain that in the practice of reflection, the organisation's members can make decisions together to achieve a collective undertaking. In the Indonesian context, this accords with the Indonesian practice of *Musyawarah* – a consensus-building process of decision making. Furthermore, Vince (2002) emphasises that reflective practice can enhance organisational learning processes, through peer consultancy, organisational role analysis, community of practice, and group relations conferences. Reflection can be designed either in formal classroom contexts, or through learning processes such as coaching, mentoring and action learning (Gray, 2007). Collective reflection in the workplace is necessarily practised only through the support of and feedback from others in an open dialogue (Raelin, 2002).

Moreover, collective reflection is questionable in terms of effectiveness when members of organisations lack time for this because of heavy workloads. As a result, members may be sceptical about the importance of the process (Raelin, 2002). This might also lead to a misapplication of the reflective process, where it becomes merely a matter of formality instead of bringing about change (Rigg and Trehan, 2008). Another potential disadvantage of collective reflection is that it may enable some members to blame others in the organisation for political purposes if there is no understanding that the process of reflection relates to helping others. Thus, in reality, collective reflection is not easily accomplished and is vulnerable to misuse (Raelin, 2002). With regard to these possible obstacles, Raelin (2002) describes countervailing strategies that relate to friendship in the sense of mutual advantage. These are, first, building communities where employees and managers may be encouraged and inspired by others: to share and test ideas, or for feedback and exchange on initiatives and performance. Second is a learning team to support members on a co-operative working project, exploring different experiences using collective inquiry. As Roca (2007: 81) states, "moral growth can emerge only from dialogue, and communities are the spaces within which dialogue is established".

A number of researchers, such as Warren et al., (2014), Schwartz (2013), Svensson and Wood (2011), Raelin (2002), Maclagan (1998), and Murphy (1989) include in ethical processes, delivering ethics training as a means of developing and practising ethics. Valentine and Fleischman (2004) suggest that there are more positive perceptions of organisational ethics in organisations with this kind of training than in those without it. Formal ethics training is claimed by several researchers to be a learning process (Johnson, 2016; Warren, et al., 2014; Svensson and Wood, 2011) to help employees identify moral dilemmas and offer appropriate models of ethical response (Johnson, 2016; Warren, et al., 2014). Comprehensive ethics training can also provide an opportunity for organisations to formally introduce new employees to their ethical values (Warren, et al., 2014), giving new members an opportunity to act according to those values. Johnson (2016) argues that, although there is no guarantee that after ethics training members will make better ethical decisions, such training should at least give them plenty of time for discussion and interaction.

Policies

The third aspect of how ethics can be lived in organisations is through their organisational policies. Researchers use the terminology of codes of conduct to explain organisational policies (e.g. Preuss, 2009; Silver, 2005). Others refer specifically to codes of ethics (e.g. Stohl et al., 2009; Valentine and Johnson, 2005; Adams et al., 2001; Cleek and Leonard, 1998; Farrell and Farrell, 1998; Brooks, 1989). Organisational policies are basically normative guidelines (Schwartz, 2002) or managerial and legal tools (Adams et al., 2001). Core ethical values are often made explicit in the organisation's policy documents (Schwartz, 2013) and they tend to be instructions or sets of rules governing behaviour (Schwartz, 2002). They are what organisations claim is in line with their mission statement (Johnson, 2016; Schwartz, 2013).

The explanation below will focus on ethical codes, where these are presented as organisational policies consisting of ethical standards to help guide an organisation in ensuring ethical behaviour (Schwartz, 2002). Most research on ethical codes is designed to evaluate the content of the codes and offer opinions on these (Brooks, 1989), and on the relationship between ethical codes and employees' behaviour (e.g. Adams et al.,

2001; Cleek and Leonard, 1998). Adams et al., (2001) argue that codes of ethics have a significant effect on managers' and employees' responsibilities, given the complexity of moral issues and the difficulty of finding the best way forward.

Some researchers have seen codes of ethics as having several functions. They can be a control mechanism for internal purposes, to protect an organisation's members from illegal and unethical behaviour (Valentine and Johnson, 2005; and Adams et al., 2001). They can offer legal accountability to stakeholders (Brooks, 1989); and provide an ethical audit for compliance by the organisation (Schwartz, 2002). They can be a moral compass by which individuals can *self-monitor* and regulate their behaviour, and be a reflection of a company's values (Adams et al., 2001). They can improve and promote perceptions of ethical behaviour by the business organisation in question (Valentine and Johnson, 2005; Cleek and Leonard, 1998). Codes of ethics can also meet a community's expectations that the organisation will reach high standards of ethical behaviour (McCabe, et al., 1996). A study by Adams et al., (2001: 208) revealed that "employees of companies with a formal code of ethics were more likely to feel encouraged to behave ethically than those in companies without a code".

Despite codes of ethics having received a considerable amount of attention from researchers, there has been little study of them in relation to ethical theories. Most codes of conduct are based on a deontological approach to ethics (Ladkin, 2015), and are concerned with obligations and duties. Schwartz's (2002) view, for instance, is that codes can be made ethical by setting out universal moral standards as a prerequisite by which all organisational codes of ethics can be assessed and evaluated. Performance evaluation systems are often used by organisations as a way of determining what actions are measured and rewarded, based on codes of ethics (Johnson, 2016). But this is problematic if members of organisations and organisations themselves only focus on reward and on complying with appraisal systems. Business ethicists such as Ladkin (2015) use the term "moral myopia" to refer to this phenomenon of compliance. It will undermine ethical behaviour rather than reinforce it. There will be situations where adherence to codes of practice can add to the possibility of missing the bigger ethical issues (Ladkin, 2015), as codes usually include precisely worded prescriptions. Moreover, often, organisational principles and codes are not purely concerned with

ethical issues (Hurrell and Priola, 2011). For this reason, ethical codes can be criticised for being corruptible, if organisations consider that they are being ethical so long as they do not actively go against the codes (Ladkin, 2015). In this situation, organisational policies lose their ethical purpose.

The function of these codes for organisations should not rest solely on the basis of a legal code whose purpose is to comply with regulations (Ladkin, 2015). Rather, they could provide a legal backing to ensure good ethical practice by the organisation. Blindly following them would be contrary to the principles of deontology because they actually serve a reminding role and *aide memoire* to act ethically (MacLagan, 1998). The fact is that ethical problems may not be captured and codified in documents, and therefore codes of ethics are not sufficient to support the sustaining of ethical behaviour. A further criticism is that the codes can be a way of protecting the organisation, covering up actual unethical practices (Cleek and Leonard, 1998).

In the development of ethics through organisational policies, it is expected that there will be a process of orientation, to socialise and educate new members about the codes of ethics (Valentine and Johnson, 2005). Many researchers in business ethics see an important process of socialisation and internalisation in codes of ethics. Johnson (2016) argues that organisations need systems for communicating ethical messages. He stresses that they use a wide variety of channels, e-mail, speeches, and meetings, to send messages about organisational values, the provisions of codes of ethics, disciplinary actions and so on. This orientation and socialisation would include providing education, training, and support for all employees and managers in relation to the ethics codes (Schwartz, 2002; McCabe, et al., 1996). The purpose here is for all members to have a certain level of understanding of the organisation's code of ethics before they encounter more complex problems (Brooks, 1989). It has been suggested by Schwartz (2002) that training is important because sometimes employees may not have enough time to read through the ethical codes, which can be very longwinded. Researchers such as Schwartz (2013) and Svensson and Wood (2011), argue that there is a need to tailor codes of ethics so that members of organisations receive clear guidelines and are fully informed and further are allowed to discern for themselves what is ethical behaviour. Taking a more rounded approach to ethics, members need regular opportunities to discuss ethical

issues and values, to analyse past mistakes, and to admit and rectify faults in organisation (Johnson, 2016). This relates to Aristotle's view that ethics communication systems should be seen to allow for reflection and feedback – if organisations do in fact allow that. In this way, ethical codes are considered to support the moral compass responsible for ethical behaviour in organisations.

4.4 Organisations in Society: Ethics beyond the Organisation

Davis (1975) says that the business organisation is part of the whole economic community, while Solomon (1994) argues that the social responsibility of business organisations shows their role of serving larger social purposes and 'human good'. While some researchers argue that ethics between business organisations and society is founded on an implicit social contract where justice and fairness should be maintained (e.g. Hasnas, 1998; Buchholz and Rosenthal, 1997), others stress how the relationship has been associated with the search for improving companies' good image in the sense of public relations (see e.g. Crane and Ruebottom, 2010; Maclagan, 1998).

Business organisations are expected to take responsibility which is consistent with the societies within which they operate, such as respecting the natural environment (Crane and Ruebottom, 2010), not creating pollution and destroying the environment (Blackstone, 1990) as well as taking part in the issue of climate change (Besio and Pronzini, 2014). Furthermore, based on the argument that business organisations exist with an implicit contract with society (Cragg, 2002; Buchholz and Rosenthal, 1997; Frederick, 1986), they recognise that society has the power to pressure them to act ethically (Johnson, 2016). For instance, societal pressure demands that companies be responsible for creating impacts on damage far outside their boundaries (Ladkin, 2015). Consequently, companies have obligations to a variety of groups outside the companies, who are affected by their business operations.

The relationship between business organisations and the wider community emerges in various ways. The concerns about the natural, economic and social issues are commonly brought into companies' consideration (Intezari, 2015). There is a possibility at a certain level of complexity and uncertainty for stakeholders, such as conflicting and challenging issues arising in politics, social and economic questions and the environment (Johnson, 2016). External factors such as the volatility of business environment, government policy changes and interventions, and the complexity of political, social, economic and environmental aspects have made it more difficult and complex for companies to make ethical decisions (Intezari, 2015). Those views explain ethics in the context of the relationship between companies and communities, based on how companies deal with stakeholders.

Many researchers on business ethics explain the relationship between companies and society using a stakeholder management perspective (see e.g. Freeman, 2010; Donaldson and Preston, 1995). Buchholz and Rosenthal (1997) argued that stakeholder management involves taking into account the interests and concerns of all stakeholders, and ending up with management decisions. The focus has been on emphasising the role of companies in the community (Beauchamp and Bowie, 1983), arguing that businesses should contribute to society as well as create profits (Davis, 1975), and defending the view that businesses can have a positive impact on society (Wood, 1991).

Stakeholder management, however, is often associated with strategic management rather than business ethics (Ladkin, 2015; Cragg, 2002). Stakeholders are considered as resources to be managed in the interests of companies. Thus, stakeholders in this sense are regarded instrumentally in pragmatic ways. This idea results from a situation where companies' actions in relation to what some regard as ethical obligations to society appear to result from external forces (Maclagan, 1998).

Stakeholder management is often used as a means of managing companies' interests in terms of their business performance (Crane and Ruebottom, 2010). Business and stakeholder interactions often require companies to take all vital stakeholder groups into account when making a decision for their survival. For instance, companies take into account public concerns and protests because these situations could lessen their profit

maximisation (Maclagan, 1998). As such, Cragg (2002) argued that stakeholder management is the most effective and efficient way to achieve successful business outcomes with a pragmatic goal. This perspective has led business ethicists to apply the concept of stakeholder theory in more pragmatic ways. It implies that this is a way in which the management of companies can improve business performance. This is more instrumental, being concerned with business sustainability (Hasnas, 1998). For instance, discovering how stakeholder capabilities can be used for value creation in the company (Garriga, 2014; Freeman, 2010) and for creating partnerships or cooperation among stakeholders (Nieman, 2013).

Often, stakeholder mapping is a means to benefit companies, when it identifies groups of people who have the power to stop companies' business operations regardless of whether they are ethical or not (Maclagan, 1998). Prioritising different stakeholders is often a way for companies to identify who are the most powerful stakeholders and how to manage them (Johnson, 2016). In fact, it is difficult for companies to satisfy all of their stakeholders at the same time or to specify in advance which stakeholders are more deserving when companies' resources are limited (Ladkin, 2015). As a consequence, this raises an issue of power, where a decision to please stakeholders depends on who have powerful voices in society; then their interests are generally given priority. This kind of relationship between companies and stakeholders can be interpreted as being transactional (Maclagan, 1998). Thus, several researchers argue that there is no direct connection between ethics and stakeholder theory (see e.g. Ladkin, 2015; Maclagan, 1998).

From a moral point of view, the business-society relationship is not seen from the perspective of stakeholder management in the sense of companies' interests (see Goodpaster, 1991; Buchholz and Rosenthal, 1997; Frederick, 1986). According to Goodpaster (1991), there should be a genuine motive that reflects the moral concerns of companies towards all affected stakeholders. This means that every stakeholder is to be given equal moral consideration, although in many cases they have different needs and to treat well the entire range of stakeholders, regardless of whether they have more or less power in relation to the companies (Johnson, 2016). Thus, identifying the needs of stakeholders should be part of any major decision (Goodpaster, 1991). This is how companies are considered to treat all stakeholders morally (Johnson 2016). Freeman's

idea of a good relationship between companies and society reflects Kant's idea of the categorical imperative, urging business organisations to value stakeholders and not to use any group of people as a means to companies' ends. This can be seen as justice and fairness to outside companies by treating them fairly. Freeman (2010) considers that companies' relationship with stakeholders can be analogous to webs of relationships, where there are no independent entities, and the development of networks should improve the overall good of society. So the relationship between companies and society means treating stakeholders as an end, rather than exploiting them.

A number of business ethicists have discussed the social responsibilities of business through Corporate Social Responsibility (CSR), as an application of the relationship between business and society. Thus, CSR is considered as actions of companies to make contributions to society (Maclagan, 1998) by means of activities, such as helping communities through health and education (Johnson, 2016), taking care of the natural environment and ecology (Blackstone, 1990) and creating added value through areas of social responsibility in supply chains (Ladkin, 2015).

The opponents of this view, however, have challenged the concept of CSR itself, seeing it as a way of increasing profits (e.g. Friedman, 1990; Levitt, 1983). Debates have been presented by researchers for and against the concept of CSR. For instance, Davis (1975) suggested that CSR should go beyond economic motives and legal requirements to fulfil more responsibilities; while Friedman (1970) had argued that the purpose of CSR was to increase profit. The lack of an agreed definition of CSR, or shared conceptual basis (Garriga and Melé, 2004) emerged in these discussions. This has resulted in many interpretations of CSR, according to the companies' purposes in using the concept.

Although there is still disagreement about the concept of CSR, Buchholz and Rosenthal (2002) clearly explain its main developments in business ethics. Over time the focus has shifted, from issues of the meaning of CSR (what is generally meant by the term corporate social responsibility) to current questions and debates on CSR such as creating shared values, stakeholder theory, social contract theory and social justice, including being pragmatic about CSR strategy and implementation (Buchholz and Rosenthal, 2002). Moreover, Garriga and Melé (2004) have grouped the concept of

corporate social responsibility into four categories, based on the social reality of interaction between business and society; instrumental, political, integrative and ethical. These four aspects are implicit in the concept of CSR and its implementation, and have affected the way it is implemented by corporations. In terms of the functions of CSR, however, three major functions can be discerned, as follows:

The instrumental function: From this perspective, CSR can be a means to achieve economic results (Garriga and Melé, 2004) as part of companies' interests to manage their stakeholders (Ladkin, 2015; Maclagan, 1998) and to respond to social demands. Companies themselves can benefit from their CSR implementation, for example, because of its positive effect on their reputation. In this way, they can manage their relationships with key stakeholders. This function is sometimes interpreted in relation to economic rationale and the principle of utility. Thus, it may be presented as a way for companies to appear 'as compassionate and concerned about others, when, in fact, they lack the ability to care about anyone or anything but themselves' (Bakan, 2004: 57). In this sense, relationships between companies and society through CSR programmes appear to be corporate self-interest when they relate to social pressure, a strategy in response to or in anticipation of adverse public opinion (Maclagan, 1998). CSR as an instrument to augment companies' profits is often expressed as being to improve their image (Maclagan, 1998). CSR in this sense reflects economic logic and instrumentalisation of ethics, rather than a moral rationality and adoption of ethical values. Therefore, CSR is deemed to be less difficult for companies than dealing with ethical issues and dilemmas which make more demands on the process of decision-making (Maclagan, 1998).

The legal function: This CSR function implies that the main rationale for CSR rests on the need to comply with legal requirements. For instance, corporations should act morally by obeying the law and paying tax (Shaw and Barry, 2016). The legal function is also related to disclosure in corporate social responsibility reporting (Guthrie and Parker, 1989), especially in relation to the social and environmental aspects (see Kaplan and Walker, 2002). Guthrie and Parker (1989) argue that corporations operate in society through a social contract, whereby they agree to perform various social and environmental actions in relation to the contract.

The ethical function: This function of CSR is based on the idea that business has valuable resources that could be used to tackle social problems in a more responsive and aspirational way. According to Maclagan (1999), CSR should be seen as a process respecting ethics and morality, in both its formulation and implementation. Thus, CSR is expected to have social and environmental impacts on the community. For this function, it is particularly important that CSR practice is seen to not be instrumental or legal as a way of dealing with communities (Frederick, 1986). The ethical function implies that corporations can affect the community by improving its quality of life, rather than their own business interests. Davis (1975) has expressed the goal of social responsibility as the social contract of living in harmony in the community. To function ethically, corporations are asked not only not to cause harm to society, but to contribute actively to human well-being (Hoffman and Moore, 1990). CSR in the sense of a good relationship between companies and communities reflects opportunities to allow co-operation and productive relationships (Johnson, 2016). For instance, companies create jobs and wealth as well as respecting the natural environment in society (Johnson, 2016). According to Freeman (2010), long term benefits can be generated if companies deal fairly with suppliers and serve the community. Companies can thus do more to become socially responsible through CSR.

Table 4 The Three Major Functions of CSR

CSR function	Purpose	Researchers
Instrumental function	Protecting business sustainability and maximising profits or corporate performance.	Secchi (2007); Wood (1991); Friedman (1970).
Legal function	Complying with rights and duties and respecting societal norms and values.	Kaplan and Walker (2002); Guthrie and Parker (1989).
Ethical function	Performing roles of business in society such as solving social problems and treating all stakeholders in a responsible manner.	MacLagan (1999); Carroll (1979); Davis (1970); Frederick (1986).

However, the functional classification above provides an understanding that the focus or concern of CSR for corporations may vary and that these functions are not mutually exclusive: Companies may simply prioritise one rather than another. So if an organisation is concerned to emphasise a particular function, another may also occur, although it is not being pursued as the highest priority. This thesis argues that business organisations are moral agents, having moral responsibilities to the wider society; so that instrumental intentions or legal compliance are not sufficient to qualify a company as moral. Ethical behaviour is seen to be beyond legal compliance. Thus, CSR is ideally designed to perform an ethical function.

Ethics beyond organisations has also been subject to critical analysis of *polis* as a community for the sake of perfect and self-sufficient life[8] (Melé, 2012; Solomon, 2011) and political actors or entities (Alzola, 2013; Néron, 2010). Therefore, several studies have explained political societal nexus that influence organisational life, including religion (Johnson, 2016; Ladkin, 2015; Melé, 2012) and different national cultures (Yazdani and Murad, 2015). All these are considered to affect organisations in different ways and reflect the multifaceted nature of ethical living in society where there are several actors/groups/institutions involved. Studies by Yazdani and Murad (2015) and Melé (2012) highlight that business organisations face the challenges of how nations, tribes, ethnic groups and religions approach ethical issues differently. For instance, bribery in a particular society creates a conflict of moral standards (Johnson, 2016). Furthermore, in the realm of corporate political activities, there is a possibility of companies' actions, such as giving political contributions and holding lobbying activities to gain access to the government (Alzola, 2013), since the government actively sets laws and regulations.

Solomon (2004) follows Aristotle's ideas of *polis*, which is understood to be a holistic social structure, consisting of formal and informal rule arrangements (institutions) and social interactions. In this light, cultural society is an important focal point of implicit rules for social conduct (Alzola, 2013; Solomon, 2004). Empirical studies explain that

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[8] The word '*Polis*' is the Greek word for larger community, the city or the country (Solomon, 2004)

national culture and religiosity have a significant effect on ethical understanding of a society (Ladkin, 2015; Melé, 2012). From Aristotle's point of view, *polis* has a socio-political dimension and reflects the values of the community to which the individuals, as primary citizens, belong (Sisón, 2011); and therefore social relations on *polis* may lead to highly diverse social outcomes (Alzola, 2013). In this way, it is a possibility that companies operate in overlapping ethnic, cultural, and religious contexts. Ladkin (2015) and Melé (2012), therefore, explain that ethics beyond organisations is influenced by social complexities, such as a set of practices and traditions or culture which may vary from society to society.

4.5 Summary

This chapter addresses how ethical issues can be found within and beyond business organisations. Through reviewing the literature on corporate culture, and the fundamentals of organisations, which are structure, processes and policies, all four of these elements have been seen to be important in facilitating and developing ethical behaviour in the organisation. In this chapter, it has also been shown that according to many researchers, there is a relationship between organisational culture and ethical organisational behaviour. At the same time, it has been considered that all four can help to achieve a high level of organisational performance through control mechanisms rather than to improve ethical behaviour; and this implies that they are sometimes used in an instrumental, rather than an ethical way. There has been a review of how ethics goes beyond business organisations, which may influence companies' ethical behaviour. It is more challenging when companies interact with a society where there is an immensely complex set of relations because of political, social, economic and environmental aspects. Thus, in this context, it is considered to explore ethics, not only inside the organisation but also in those arenas of social interaction in *polis*. So the question is whether these four elements mainly do influence ethical understanding and behaviour in Indonesian mining companies, and also what ethical issues emerge from beyond companies in relations with stakeholders. The next chapter, on research methodology, will set out the most appropriate method for answering this question.

CHAPTER 5 - RESEARCH METHODOLOGY

5.1 Introduction

This chapter discusses the philosophical research and methodology needed to guide the study of what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues and how do mining companies engage with them. It is necessary to choose a philosophical perspective which can help the researcher to explore ethical issues in the mining companies investigated. The choice of philosophical research stances has practical implications in informing and justifying the methodologies and methods employed. The discussion starts by outlining ontological and epistemological perspectives (5.2), followed by making explicit why Critical Realism is the chosen philosophical position (5.2.1 and 5.2.2). The Critical Realism approach is explained and aligned to the methodology and methods for gathering data (5.3 and 5.4). In accordance with these research methods, the population and sampling method, data collection, and data analysis will be outlined (5.5, 5.6, and 5.7), as well as the credibility of the research, research ethics, and the limitation of research methodology (5.8, 5.9, and 5.10).

5.2 Ontological and Epistemological Perspectives

It is necessary in this research to discuss clear ontological and epistemological perspectives, in order to clarify the research methodologies and methods employed. Both are a means of identifying assumptions about reality. The difference between ontology and epistemology is best understood by considering their study concerns. Ontology is concerned with the nature of reality. It analyses questions of being, what exists in the world (Sayer, 2004; Crotty, 1998). In the social world, ontology is a particular approach to social reality which asks "what kind of social phenomena do or can exist, what they look like, the condition of their existence and the ways in which they are related" (Blaikie, 2010; Blaikie, 1993: 6).

Epistemology, on the other hand, is concerned with how we might obtain knowledge of what exists. It is concerned with what it means "to know" (Gray, 2009: 17) and provides a philosophical background in deciding what kinds of knowledge are legitimate and adequate for research. It presents "a view and a justification of what can be known, and what criteria such knowledge must satisfy in order to be called knowledge rather than belief" (Blaikie, 1993: 7). On this basis, it constitutes acceptable knowledge in a field of study (Saunders, et al., 2009). For instance, in epistemological terms, we can make an assumption as to how individuals or social entities know; or we can discover through what process individuals or social entities come to know of the world (Kroogh and Roos, 1995). Thus, epistemology enables us to gain knowledge of reality to produce sound explanations.

The following discussion will justify the particular position taken on ontology and epistemology for this present research. Assumptions regarding the nature of reality and generating knowledge will form the foundation for the methodological considerations that guide the choice of methods in this present research.

5.2.1 Ontological Assumption: Critical Realism

The interactions of business organisations with communities, cultures and social structures are complex (see e.g. Buchholz and Rosenthal, 1997; Sethi, 1975). This study recognises, therefore, that ethical issues in business organisations cannot be fully understood except in relation to that complex context. This is in line with the ontological assumptions of the *Critical Realism* (hereafter CR) approach, which best achieve the objectives of this research: to explore in depth what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues and how mining companies engage with them. For CR, social phenomena are intrinsically meaningful (Easton, 2010); and so for this research, meaning has to be appreciated in social terms. Therefore, this study does not fit with the *objectivist* view which fails to achieve comprehensive interpretative understanding. The view of Humean empiricism, for example, that A is always followed by B (see Elder-Vass, 2010), is too simplistic for the study of ethics in business organisations when ethical issues need to be studied in a

context-sensitive manner in a complex mining industry in multi-cultural society. Objectivists are unable to answer the necessary 'why' questions, which demand a richer explanation (O'Mahoney and Vincent, 2014). CR, on the other hand, maintains that an entity can exist independently of researchers; and also recognises the significance of meaning, understanding and communication among human actors (Smith and Elger, 2014; Fleetwood, 2004). In this way, the CR approach aims to discover, identify and explain hidden or not readily observable structures and objects that have causal powers to produce effects (Bhaskar, 2008).

Furthermore, social structure is dynamic in terms of relationships. According to Elder-Vass (2008) and Archer (1995), social relations can act to constrain or facilitate new cultural and structural forms. Mining companies and their members, specifically, work according to rules operating either within companies or with the wider community. As a consequence, this study eschews *subjectivist* views, such as *Interpretivism*, in that these do not sufficiently take into account social relations and social structures. Interpretivism considers that social reality is defined by social actors or members of society themselves (Blaikie, 2010; Saunders, et al., 2009). The meanings which individuals attach to social reality are respected, multiple and subjective, rather than defined simply by the expert observer (Lawson, 2006). This contrasts with CR ontology, where social structures and practices have causal powers, meaning that they may shape reality.

This thesis therefore uses the Critical Realism approach which maintains a concept of stratification (Bhaskar, 2008; 1998; 1978). This means, first that reality is differentiated into three levels: the real, the actual and the empirical (Bhaskar, 1978): as a means of understanding the deepest level, 'underlying structures and mechanisms' (Bhaskar, 2008). Second, stratification relates to the concept of emergence, where one level may emerge from the one below (Danermak et al., 2002).

In CR, the empirical level is the experience of events in the world which can be observed, experienced and understood (Danermak et al., 2002). In the case of this current study, ethical issues in mining companies are considered as observable experiences. Indeed, everything that actually happens, that can be seen or reported upon and also the elements of organisations themselves are at the empirical level including

how the researcher interrogates the experiences of respondents. However, this level can be explored further to uncover those organisations' experience of the world which entails other layers of reality, the actual and the real.

The actual level is the layer of reality which refers to what actually happens, or events that happen whether we experience them or not (O'Mahoney and Vincent, 2014; Danermak et al., 2002). However, both the actual and the empirical levels are contingent on specific conditions. They concern specific configurations of time and place or context dependency (Danermak et al., 2002). The actual level is generated by complex interactions of structures and mechanisms, meaning that something new can emerge from a lower level of reality if the inherent causal powers or underlying structures or mechanisms are activated and actualised in particular contexts (Reed, 2005: 1631). This means that there are hidden real mechanisms behind actual events and empirical experience that can be described. Therefore, Critical Realists would ask what generative mechanisms at the real level create an event (O'Mahoney and Vincent, 2014; Danermak et al., 2002).

At the real level, what is meant by the term 'real' is anything that exists that has an effect or makes a difference (Fleetwood, 2004: 29). In other words, the real level is the deep dimension where the generative mechanisms are found (Danermak et al., 2002). The concept of "mechanism" is defined as what makes something happen (see Danermak et al., 2002). Examples of mechanisms in this study are family feeling and paternalistic attitudes at the level of the real which contribute to either helping or constraining the ability of companies to be ethical. The existence of mechanisms, unlike empirical experience, is not directly observable from the researcher's perspective. Since this is the case, researchers require explanatory theory and abstraction (see O'Mahoney and Vincent, 2014; Danermak et al., 2002; Bhaskar, 1979). For this study, a set of abstractions was built up to reveal and explain generative mechanisms in any given situation. This set of abstractions can be seen as a priori. Thus, mechanisms are not totally unpredictable and this explains how the researcher was able to find a range of possible mechanisms from existing organisational studies and business ethics research to guide data collection and analysis. In this way, internal organisational structure, processes and policies have been explained in the literature review as types of

unobservable phenomena which may contain causal mechanisms generating the observable. However, this kind of abstraction in relation to mechanisms will not lead to predictable results, or suggest that the researcher correctly perceives entities. Here, the researcher is not making any prediction as to the exact nature these will take. Rather, it helps to identify causal mechanisms in understanding ethical issues and shaping ethical behaviour in Indonesian mining companies.

The researcher also needs a framework of ethical theories to explore what ethical issues emerge in the Indonesian mining industry. Although virtue ethics theory is considered by many researchers to enable and develop organisational ethical strength in a context-sensitive manner, this study is an exploratory study, allowing other ethical theories to emerge. CR researchers are required to be open-minded towards and interested in taking into account a variety of possibilities. This may uncover aspects of the phenomenon that one cannot understand with only an initial theoretical framework and may determine that several ethical theories explain how mining companies engage with ethical issues.

The second concept of stratification, *emergence* means that structures and mechanisms at the real level have the power to cause events and experiences at the actual and empirical levels (Sayer, 2004). Thus, events occur when the mechanisms become activated and exercised. Properties of the real may (or may not) be actualised in specific conditions. There is no guarantee that the powers of mechanisms will be activated, but only a tendency for them to be so (Fleetwood, 2004). It will depend on the context in which they operate. Through the concept of "cause", the researcher can identify causal mechanisms enabling ethical issues to emerge, what shapes the emergences of these ethical issues.

This study follows the argument that mechanisms involve 'structure' and 'agency', and these interact (Elder-Vass, 2010; Danermak et al., 2002). In respect of social phenomena, agency is defined as people acting in particular positions associated with certain roles (Elder-Vass, 2010: 24; Danermak et al., 2002). This current study holds that mining companies are organisational agents, in line with Elder-Vaas' (2010: 153) argument that an organisation can be defined as "an entity composed of a group of human individuals, structured by a set of relationships between them". According to

Archer (1995: 257), the concept of social agency means "collectiveness sharing the same life chances". Organisational agents have reflective subjectivity, so they are enable to make changes to their cultural and social environment (see e.g. Archer, 1995). They are reflective actors since they can decide what they prefer and do not prefer or like or dislike (Elder-Vaas', 2010; Archer, 1995). As such, the concept of the organisational agent would help the researcher to understand how mining companies from their perspective engage with ethical issues and act in dealing with them. Mining companies have the ability or power to possess material, cultural or symbolic resources; to freely make choices and evaluations; and to perform and change their actions.

Structure, on the other hand, is defined as a pattern of arrangements which enable or constrain the choice and opportunity of an agent to act (Elder-Vass, 2010). Specifically, in social research, structure is described as a system of rules such as social norms, values, traditions and policies, and resources such as skills and programs (see Elder-Vass, 2010). Business is a practice with certain implicit but well-established rules, norms and expectations. Mining companies, as organisational agents, are considered as living within a structure, namely the industry, with policies and a particular role or position within a social context. Social structures can also be seen as systems of human relationships within companies, as well as between mining companies and communities. The company is an integral part of society, and depends on society for its existence, continuity and growth (Sethi, 1975). According to Archer (1995), culture and society are generated by human activities and therefore society is continuously changing, due to the dynamic nature of human action. In culture are contained ideas and beliefs of society which influence people's behaviour (Archer, 1995). Therefore, for this study, cultural systems are also considered to be possible causal mechanisms in that they influence behaviour (Archer, 1995). Corporate culture especially has been discussed in the literature review, as aggregate behaviour which is stable over time and is considered as to whether it has powers or causal mechanisms at the real level in conditioning the ethical understanding and behaviour of the mining companies. Organisational structure, processes and policies are also considered, as to whether they affect both organisations and their members in the Indonesian mining industry.

According to Archer (1995), structure and agency are separable entities which have distinct properties and powers. Mining companies and their structures are distinct but related. The relationship between structures and the actions of agents is not deterministic; rather, agents can decide and choose to react in different ways (Elder-Vass, 2010). Archer (1995) considers that there is a meaningful interplay between structure and agency where agency may shape and be reshaped by structure. Therefore these two, structure and agency, cannot be subsumed into a single entity. Business ethics is seen as the result of human actions, decisions and relationships; and therefore it is considered that there is an interplay between organisational agents and structures (Elder-Vass, 2010; Danermak et al., 2002). The concepts of structure and agency are therefore crucial in mining companies given the complexity of ethical issues, where there are two possibilities: one, that structures can affect mining companies' actions; two, that mining companies may react differently to structures. The companies have structures within which they can make changes to and be changed by their environment. As such, the relationship between structure and agency can be seen as interactive and iterative (see Archer, 1995; Bhaskar, 1978).

These relationships between structure, culture and agency are therefore important in identifying and explaining the specific causal mechanisms that shape the emergence and transformation of powers appearing at the various levels. In other words, causal mechanisms are products of the interaction that occurs between existing cultures, structures and the powers of organisational agents. The use of the CR approach in this study suits complex phenomena such as ethical issues in a multi-cultural society and in the mining industry, which need analytical skills in theorising the relative interplay of structure, culture and agency (see Archer, 1995).

5.2.2 Epistemological Assumption: Critical Realism

The Critical Realism approach incorporates three important types of understanding of what knowledge is and how it is obtained: *first*, CR contributes explanatory knowledge from the understanding of emergent mechanisms. This means that knowledge results from uncovering causal mechanisms which are not immediately empirically evident. Epistemologically, for this study, ethical issues in mining companies can be explained by analysis causal mechanisms; knowledge of the causes of observed experience being derived from mechanisms (Blaikie, 2010). Knowledge can also be gained through understanding the distinction between the event and what causes it.

Second, the CR approach argues that there is an interplay between structure, culture and agency in the emergence of causal powers which are contextually important (Elder-Vass, 2010; Archer, 1995). Thus, an adequate understanding of specific causal mechanisms will provide knowledge of interactions between organisational agents, structures and culture in specific conditions, such as rules and regulations and the culture of mining companies. Knowledge can be gained through changes that may occur in structures or cultures and/or responses to the influence of such structures or cultures by mining companies. In this way, knowledge can be acquired in terms of how organisational culture, structure, processes and policies influence ethical understanding and behaviour in those companies.

Third, CR acknowledges the concept of *epistemological relativism,* meaning that knowledge is always ultimately fallible, and open to new evidence that might conflict with previously held positions or beliefs (Bhaskar, 1978). For CR, anything accepted as knowledge might possibly turn out to be false, because the empirical and actual levels generate unstable and unreliable knowledge. So at these two levels, knowledge is transitive knowledge (Bhaskar, 1978). The phenomena observed are produced by social interactions, and therefore empirical knowledge can be revised by reconsidering the real level which is relatively stable and called the intransitive dimension of reality (Bhaskar, 1978). In this way, the researcher has sought to explain what shapes the emergence of ethical issues in the mining industry; recognising that all insights are indeed inevitably fallible. Knowledge is produced through a continuing process of transformation, in

which generative mechanisms would explain a reality and whose existence must then be confirmed or denied at the actual or empirical levels (Bhaskar, 2008; Contu and Wilmott, 2005, Danermark et al., 2002; Sayer, 1992). The next section shows how CR's philosophical positions, ontology and epistemology, are translated into research practice.

5.3 Methodology and Research Strategy

Critical Realism (CR) has been highlighted, and the rationale discussed for a research strategy in relation to the conceptual framework introduced. This research employed both *exploratory* and *explanatory* approaches. The use of *exploratory* research is relevant and suitable for a study where the phenomenon investigated has not been previously observed (Creswell, 2009). CR allows an exploratory approach to establish the empirical level (Vincent and Wapshott, 2014). Thus, this approach is ideal for an exploration of what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues and how do mining companies engage with them. The *explanatory* approach was employed in order to explain more fully what shapes the emergence of ethical issues in these companies. This makes sense in that CR research requires particular modes of thinking to reflect not only what has happened, but what could happen or has not happened, through taking into account the situational and contingent nature of causal powers.

Researchers such as Ackroyd and Karlsson (2014) and Lawson (2006) argue that it is necessary to employ *abduction* and *retroduction* as explanatory logic. This is to go from the level of the empirical and the actual to the real level because the underlying structures or mechanisms are not directly accessible to sense experience: they have to be theoretically constructed, modelled and postulated in idealised characterisations (Ackroyd and Karlsson, 2014). *Abduction* involves the interpretation and recontextualisation of the phenomena to be explained, using competitively plausible sets of explanatory ideas and concepts to produce a new interpretation that best fits the particular context (O'Mahoney and Vincent, 2014; Lawson, 2006: 22; Danermak et al., 2002). For this study, abduction is involved when the researcher, for instance,

recontextualises ethical theories – deontology, utilitarianism, the social contract and virtue ethics – in relation to business organisations. For this study, the researcher employed abductive logic on the assumption that mechanisms may be found from theoretical pre-understanding, and from surprising or unexplained elements emerging from the data.

Retroduction, on the other hand, is a mode of inference that aims to discover the underlying structures or mechanisms producing tendencies under certain conditions, through a process of evaluation (Reed, 2005). The retroductive approach can be said to be 'backward looking' in an attempt to explain phenomena and find out what caused them (see Hurrell, 2014). Retroduction therefore focuses on understanding the continuous process by which events and experiences are produced. Mechanisms are proposed which, if they existed, would generate or cause what is to be explained. So, researchers move from experiences at the empirical level to possible causal mechanisms at the real level. In this research, various proposed mechanisms are considered – corporate culture, structure, processes, and policies – that may shape the emergence of ethical issues in mining industry. Questions to find mechanisms are, for instance, what causes the emergence of companies' ethical concerns in relation to the environment and the community? How and why do the mining companies conduct ethical trainings?

5.4 Methods

For the present research, the researcher used an intensive approach in conducting case studies which is common in CR to discover generative mechanisms. Intensive research aims to uncover the explanatory mechanisms in particular cases (Sayer, 2000), which in this study are ethical issues in mining companies in Indonesia. This differs from an extensive approach in that it looks at patterns common to certain events or actions (Ackroyd and Karlsson, 2014: 25; Danermark et al., 2002); whereas, extensive research is about testing empirical generalities across cases. This research is not concerned with the regularity of particular features and their distribution across specific groups (empirical generalisation) (Sayer, 2000). Rather, it aims to explore phenomena based on

carefully collected and rigorously evaluated qualitative material (Yin, 2003; Sayer, 1992). In this regard, there is an in-depth exploration of ethical issues based on case studies, and the research findings are not treated as empirically generalisable outcomes. Through the intensive case studies, the researcher was able to explore and understand causal mechanisms, and whether the mechanisms proposed by theories and/or concepts affect empirical outcomes.

The use of case studies, either with single or multiple cases, is workable for organisational and managerial processes (Yin, 2003). This research used multiple case studies, because ethical issues are complex and often cannot be readily separated from their context so such studies can reveal and explain specific mechanisms. The benefit for the researcher of using more than one case study is to help provide evidence of the way mechanisms operate under different conditions. Similar results from different cases can reveal how continuities and discontinuities in mechanisms and contexts affect outcomes (Easton, 2010; Danermark et al., 2002). This has been the approach of Critical Realists such as Vincent and Wapshott (2014), Easton (2010) and Lawson (2007). Case studies can help the researcher to identify mechanisms in detail, in determining what leads to the emergence of observed phenomena. They also help in understanding the interaction between structure and agency at different levels (Kessler and Bach, 2014); considering what mechanisms there might be and how they might operate. They provide an understanding of the dynamics present in the situation or in the meaning of phenomena (Creswell, 2009; Eisenhardt, 1989). According to Yin (2003: 22), case studies are considered to be useful when the research demands answers to "how" or "why" questions. In the context of CR, how and why questions can be a path to understanding mechanisms that generate observed phenomena (Easton, 2000). For this study, case studies were a suitable method for identifying and exploring causal mechanisms in a specific context and also for understanding in depth how Indonesian mining companies engage with ethical issues.

The intensive case studies in this study are inherently qualitative in approach. According to Danermak et al., (2002), qualitative research often focuses on particular cases. It is in the multifaceted nature of a case study that the opportunity arises to relate one aspect of the study to another and offer explanations. CR accepts that "both qualitative and quantitative methodologies can generate valid and reliable data that enable researchers to explore issues and to seek out causal explanations" (Mearns, 2011: 360). However, a qualitative study, as Brown and Robert (2014: 304) say, can be used to understand human actions, meaningful beliefs, and symbolic practices, to which individuals and groups attach importance in their social relations. For this research, a qualitative study was conducted, to appreciate and understand the complexity of the phenomena i.e. the ethical issues observed, as well as their embeddedness within the Indonesian context.

5.5 Sampling Strategy

As explained above, intensive case studies were employed with the purpose of exploring in great detail what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues and how do mining companies engage with them. As a consequence, there was a need to select a particular industry and companies which could provide rich data in relation to the research questions. In general, choosing the Indonesian context in exploring ethics in business is relevant because there has been a lack of research in this field up to now in relation to developing economies, including Indonesia. The researcher chose the Indonesian mining industry as a worthwhile subject of study since this industry contributes significantly to the Gross Domestic Product (GDP) of the country (PwC, 2013; 2016) and is also, as an industry, facing social and environmental problems. Selecting this industry enabled the researcher to obtain a deeper understanding of ethical issues and dilemmas.

Since case study research is not sampling research per se (Stake, 1995), the size of the sample is not an issue. In terms of selecting companies, purposive sampling was used in the case of this study. It is important to select cases using some rational and feasible criteria (Yin, 1984). The first step was to select companies based on a judgment as to which organisations it would be most appropriate to study. The researcher's purposive sampling strategy was to select leading companies in the mining industry, both private and state-owned: mining companies which are listed on the Indonesian stock exchange, and which have large-scale operations, including export activities. The procedure was then to check their annual reports to see if they have received awards for corporate social responsibility (CSR), sustainable development, health, safety and environment (HSE), corporate governance or other achievements related to ethics. These sampling criteria were necessary to identify large scale mining companies whose contribution to the industry is particularly great. Based on those core criteria, eight selected companies were approached to participate in the study.

The second step was to gain official access to the companies. The researcher sent formal letters, via email and post, to the external relations officers of the eight mining companies; together with a one-page research overview, a letter of support from his supervisors and his personal profile. In the letters, the researcher introduced himself, and the aims and objectives of his research project, to each company; requesting an appointment with their management to discuss possible participation of the companies in the study, and address, any questions or queries they might have regarding the research project. However, this study was conducted at a time when the price of mineral commodities had just fallen, and the government had introduced a new regulation banning the export of raw or unprocessed mineral resources. In this situation, access to the companies was more difficult: they had their own problems, so the researcher received no response from some of them. Due to time constraints, he decided to go ahead on the basis of the responses he did receive.

Gaining research permission and access from mining companies in Indonesia, especially for research which focuses on ethical issues, is a tough assignment. Mostly, mining companies resist being investigated in the area of ethics since the topic is often considered 'sensitive'. Seeking the views of a former director of a mining company, at an informal meeting, the researcher was told that mining companies often fear researchers' producing information which could destroy a company's good reputation or give it a bad reputation. The former director concerned referred to a case where research was conducted on her mining company in Indonesia in which the company was adversely criticised without being given anonymity. The researcher experienced this kind of suspicion when he had formal meetings with potential companies to participate in the study.

Negotiations with two of the mining companies were particularly difficult. First, in Company X (anonymised) the management did not give a clear decision on whether the researcher would receive permission or not, although he had a three hour meeting with the Director of Corporate Secretariat and the Manager of External Relations. The management was reluctant to either accept or reject participation; and finally, it made no decision, although the researcher had explained and highlighted confidentiality and research ethics. In Company Y (also anonymised), the researcher was invited by the Vice President (VP) of Investment and External Relations to have a formal meeting in his office (in Jakarta) to discuss research access, and he said that the researcher would obtain access and permission to do research in the company as long as he did not adversely criticise the company in his report. As a consequence, in both cases the researcher withdrew those companies from the research samples. Another instance of difficulty in gaining access was that the researcher did not receive any response at all from W and Z Companies (both also anonymised names).

Thus, there were four mining companies left. To anonymise these, they are referred to as the Yellow, Orange, Blue and Mauve Companies. For the Yellow Company, the researcher contacted a manager whom he already knew on a professional basis; so the CEO readily agreed to participate. For the Orange and Blue Companies, the researcher communicated by email, letters and through face-to-face meetings; and this took a

couple of months, since those two companies are state-owned and have to follow particular procedures to receive approval from their Boards of Directors.

For the Mauve Company, the researcher needed ten whole months to get official organisational permission for access: from October 2013 to July 2014. Finally, after a research proposal presentation was given to the Director of Government Relations and the Manager of External Relations, the management agreed to give access. This was because the company decided that research on business ethics and corporate culture were important; since the company was in a transition stage after a process of takeover. For this reason, the Mauve Company was interested in the results of the research. All four companies and the respondents from them were anonymised (see research ethics, 5.9).

By the end of July 2014, the researcher had finally gained official permissions from these four mining companies; Yellow, Orange, Blue and Mauve, located on four different Indonesian islands; Java, Sumatra, Kalimantan and Sulawesi, and involved in the mining of coal, nickel, and gold. All four companies agreed to participate in this study.

Table 5 Sample Composition

No	Company's name	Type of ownership
1	Yellow	Private national
2	Orange	State-owned enterprise
3	Blue	State-owned enterprise
4	Mauve	Multi-national corporation

After gaining the companies' acceptance, the researcher made arrangements with their corporate secretaries for more technical matters such as schedule, interview location, and agreement with employees and managers as to participation by the respondents who the researcher chose, as will be explained below.

5.6 Data Collection Methods

The use of interviews in these intensive case studies was designed to uncover ethical issues emerging in Indonesian mining companies, to see what shapes their emergence and how companies engage with them. For Critical Realists, interviews are an interactive process with respondents, in order to generate a set of responses which formulate perspectives and experiences (Smith and Elger, 2014: 119). Interviews were useful as a means to investigate ethics at the organisational level, in a way that cannot be done through a formal questionnaire. According to Arksey and Knight (1999: 7), qualitative data is essentially collected through semi-structured interviews using open-ended questions, as a process of human interaction to access human thought, opinion, and experience.

The researcher gained understanding of the events, experiences, and underlying conditions or processes which represent different facets of a complex and multi-layered social reality (see Smith and Elger, 2014). Throughout the semi-structured interview, the researcher used main questions and scripts were fixed, but he was still able to improvise probing follow-up questions, and then to explore the meanings and areas of interest that emerged. So, the researcher had prepared a list of themes and questions in relation to the kinds of mechanisms that he had already identified. For this study, there were two stages in collecting data through interviews, given below.

Stage one: Pilot Study

In the last week of July 2014, four pilot interviews were conducted, in order to test the interview questions and style in relation to the research question. The four participants, to be called for the purposes of this research Joni, Octa, Elang and Nanda, were personally known to the researcher. All the names of the participants in the pilot study have been changed to respect their confidentiality. Each interview took between 60 and 90 minutes, guided by a pre-determined set of questions, as well as a probing process which was consistent with semi-structured interviewing; giving the opportunity to interviewees to talk in greater detail about particular concerns.

The pilots were essential in enabling the researcher to learn the best interview arrangement and process. The researcher learned to find ways to keep the interview moving naturally and to encourage spontaneity and honesty while keeping the interview on track. He also learned more about the interview topic, and to be familiar with the semi-structured questions. For Critical Realists, one function of the pilot study is also to make sure that any unusual terms are explained in non-technical language (Smith and Elger, 2014). Thus, for this study, the interview questions were about practical and understandable matters rather than abstract ethics. However, the researcher made sure that interviewees understood the interview questions and he avoided leading questions.

For the pilot studies, the researcher recorded the interviews, with the consent of the interviewees, and transcribed and analysed the data. Technicalities had to be considered: in relation to tape recording, sufficient spare batteries; and planned timings of interviews, as well as finding ways to put participants at ease. The transcripts from the pilot study were then examined to decide whether further adjustments in the wording of questions were necessary before the start of the main study. The pilot interviews therefore helped the researcher to refine questions, and to manage the time and style of interviews; as well as to learn the skill of follow-up questions (probing), in order to generate more answers from interviewees. As a result, some questions were refined, and so misunderstandings were avoided.

On post-interview reflection, the researcher realised that there was a need for a particular approach towards interviewing people in a specific culture like Indonesia. And this enabled him to most suitably prepare for the main in-depth interviews. For instance, the researcher had to be aware of which tribes the interviewees came from, so as to avoid cultural misunderstandings. Details of pilot study interviewees are given in Table 6 below:

Table 6 Overview of the Four Participants in the Pilot Study

Name	Type of Company	Position	Date/Place of Interview	Profile
Elang	Oil, gas and mining equipment supplier (multi-national company)	Employee, information systems department	26 July 2014/ Coffee shop	Background in information technology (IT), and working for more than 3 years in multi-national companies.
Joni	Manufacturing (private national)	Manager, Finance and Tax department	28 July 2014/ Office	Master's in Business Administration from overseas, and working in the finance and tax department for 15 years.
Octa	Oil and Gas (multi-national company)	Employee, Environment department	29 July 2014/ Coffee shop	Background in agricultural studies, and working experience with international NGOs focusing on community.
Nanda	Mining (state-owned company)	Manager, Human Resources department	31 July 2014/ Office	Background in management, and working in a state-owned company for more than 3 years.

Stage two: the main in-depth interviews

Field work took place from mid-August to mid-October 2014. Each of the four companies chose a time for participating in the interviews; the Blue, Yellow, Orange and Mauve consecutively. Face to face interviews were conducted with 48 interviewees: 12 informants from each company, both management and employees. Informants were chosen who had different backgrounds: they have roles and responsibilities in Human Resource Management (HRM), Health, Safety and Environment (HSE), Corporate Social Responsibility (CSR), mining operations, strategic development, and labour unions. Others are responsible for supervising a particular project or task within the company. These respondents were chosen based on roles where they would often face ethical issues and dilemmas. This provided variety and accuracy as to what ethical issues emerge in the Indonesian mining industry; what shapes the emergence of these issues; and how companies engage with them.

The researcher first explained explicitly, to each interviewee, the aims and objectives of the study and the research policy and ethics of the University of Stirling; as well as any possible risks and benefits from their participation in the study. All participants were audio-recorded with their consent; audio-taping being an appropriate method for recording interviews (Arksey and Knight, 1999). The audio-taping gave the researcher opportunities to take notes and to ask probing questions in natural conversation. It also helped the researcher to give richness to the data at the stage of analysis listening to the recorded interviews several times in order to hear respondents' answers correctly and precisely (Arksey and Knight, 1999).

All four companies allowed the researcher to interview participants in their own offices, which were generally very quiet rooms, comfortable and ensuring confidentiality. However, several interviews, particularly with employees and managers in the mining operations department, were conducted in the mining sites. This was because those employees and managers wanted to show the researcher their mining operations. As a consequence, the clarity of recordings was lessened by background noise such as from machines and trucks. During interviews generally, there were often minor interruptions, because interviewees received other visitors, phone calls or requests from their

assistants or their bosses. This situation meant that the length of time for answers from respondents varied.

Table 7 List of Respondents in the Four Companies

Company	Name	Position	Length	Work experience
Yellow	1) Reza	Health, Safety and Environment (HSE) Manager	180 Minutes	12 years
	2) Agus	An officer in the Learning and Development department	75 Minutes	5 years
	3) Rosy	The Community Empowerment Manager	120 Minutes	20 years
	4) Indri	An officer in the Local Business Development department	75 Minutes	8 years
	5) Sari	An officer in the Community, Health and Education department	90 Minutes	15 years
	6) Eko	Manager of the Project Management department	75 Minutes	20 years
	7) Anton	Chief Representative of the Labour Union	75 Minutes	10 years
	8) Haji	An officer of the Project Management department	75 Minutes	5 years
	9) Raja	An officer of the Maintenance and Services department	60 Minutes	5 years

	10) Joni	An officer in the External Relations department	75 Minutes	8 years
	11) Rio	Manager of the Reclamation department	120 Minutes	12 years
	12) Toni	An officer of the Health, Safety and Environment department	90 Minutes	12 years
Orange	1) Dodo	An officer in the CSR department	120 Minutes	6 years
	2) Ambar	The Manager of the Health, Safety and Environment (HSE) department	75 Minutes	25 years
	3) Ari	The Manager of the CSR department	120 Minutes	22 years
	4) Danu	The Manager of the Legal and Compliance department	60 Minutes	8 years
	5) Tari	The Manager of the Risk Management department	90 Minutes	18 years
	6) Hadi	Chief Representative of the Labour Union	90 Minutes	20 years
	7) Udin	Manager of the Government Relations department	120 Minutes	22 years
	8) Beni	Manager of the Mining Operations	120 Minutes	22 years
	9) Todi	Manager of the HR department	90 Minutes	25 years

	10) Rama	Manager of the Strategic Development department	90 Minutes	15 years
	11) Susi	Manager of the Organisational Effectiveness department	120 Minutes	20 years
	12) Riko	An officer in the CSR department	90 Minutes	3 years
Blue	1) Boim	Manager of the Port Unit	90 Minutes	22 years
	2) Romi	Manager of the HR department	60 Minutes	20 years
	3) Kia	An officer in the HR department	90 Minutes	18 years
	4) Bunbun	An officer in the Legal and Permit department	60 Minutes	10 years
	5) Alisa	Manager of the Health department	60 Minutes	8 years
	6) Santo	Manager of the CSR department	75 Minutes	22 years
	7) Anto	Manager of the Mining Operations department	90 Minutes	15 years
	8) Hasan	Manager of the Legal department	60 Minutes	25 years
	9) Bobo	Chief Representative of the Labour Union	75 Minutes	22 years

	10) Probo	An officer in the Technique and Operations department	90 Minutes	12 years
	11) Alex	Manager of the Strategic Development department	90 Minutes	20 years
	12) Darma	An officer of the CSR department	60 Minutes	10 years
Mauve	1) Purba	Chief Representative of the Labour Union	75 Minutes	22 years
	2) Nata	Manager of the HR department	75 Minutes	12 years
	3) Rosa	Manager of the Health, Safety and Environment (HSE) department	60 Minutes	8 years
	4) Dara	An officer in the Legal department	90 Minutes	5 years
	5) Feby	An officer of the Engagement department	120 Minutes	8 years
	6) Didi	Manager of the Production Systems department	60 Minutes	8 years
	7) Toto	Manager of the CSR department	120 Minutes	5 years
	8) Sapta	An officer in the People Development department	90 Minutes	6 years
	9) Juda	Manager of the Legal department	90 Minutes	5 years

	10) Jaka	Manager of the Environment and Mining Permits department	120 Minutes	8 years
	11) Tuti	An officer in the Production Systems department	75 Minutes	3 years
	12) Bram	Manager of the Mining Operations department	60 Minutes	15 years

Interview questions aimed to explore ethical issues at the organisational level. The researcher's main interview questions were designed to find out what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues and how do mining companies engage with them. In order to meet the aims of the research study, respondents were asked to state the companies' ethical goals (e.g. 'Are you familiar with your company's purpose and mission statement? and 'Are there ethical values enacted by the company?'), followed by probing questions. The researcher asked questions in relation to what the companies' ethical concerns were understood to be. To receive an answer about those concerns, the questions were about their understanding of business ethics (e.g. "Is operating business ethically important for your company?"), also followed by probing questions.

To elicit answers on proposed mechanisms identified by the researcher at the real level, he asked respondents whether their mining companies consider ethics in their decision-making and policies (e.g. "Are ethical considerations important in decision-making in your company?", "Does your company accommodate ethical issues within corporate policies?", "Followed by asking in more detail: If yes, why so?, If no, why not?"). Participants were particularly asked to describe social relationships within their companies and between mining companies and communities, through a set of open questions such as, "How would you describe working relationships between employees and managers?, "How would you describe relationships amongst employees?", and "Is your company attached to the community in which it operates?". Most respondents connected this with their activities in relation to Corporate Social Responsibility (CSR).

In searching for relationships between structure, culture and agency, the researcher asked about corporate culture: whether the interviewees' companies consider ethics within the corporate culture. Questions on structure and agency were also addressed in relation to companies' policies on ethics. Answers on ethical policies emerged, for example, when interviewees reflected on their companies' policies on the community, health, safety and the environment and on good mining practice. Here, interviewees often used words such as safety standards, reclamation, and regulations. The researcher followed these descriptions by posing more questions like "Can you tell me more about the reclamation that you just mentioned"? Thereby, the researcher gained an in-depth knowledge of the dimensions of ethical concerns and operational matters.

In every interview, the researcher avoided leading questions such as, "How does your company set ethical policies?" Interview questions were open and motivated interviewees to discuss and recount events and crucial situations. Probing questions in response to answers often enabled interviewees to relive their companies' situations. Through the semi-structured interview, the researcher could explore how mining companies reflected on and understood their situation; and this provided, thereby, opportunities to the researcher for understanding the causal mechanisms.

In every interview, after the main interview questions were finished, the researcher and interviewees engaged in informal conversations, such as asking whether all relevant features of mining work had been covered in their answers, and if the interviewee had further comments regarding the study (e.g. "Would you like to add anything to what we have discussed?, and "Do you have any questions you would like to ask about this research?"). In this process, in the context of the mineral commodities, prices crisis and ongoing redundancies in the mining industry, many participants highlighted to the researcher the importance of the research topic, namely business ethics. As a consequence, the majority of interviewees asked about the benefit to their companies of participating in the study; although they had been informed beforehand of the benefit to the company through an official email. This stated the objectives and aims of the research where the companies would be able to consider ethical issues and how this was relevant to their day to day business practice. An assurance was also given of confidentiality and anonymity. In addition, respondents also asked the researcher,

rather, about his experience of living in the UK, and what he would do after finishing his studies. For reflective purposes, such informal conversation offered helpful advice and feedback in regard to interview style for the next round of interviews, and thereby enhanced the researcher's skill in managing time and probing questions. This process was also important for the researcher to establish a good rapport not only at the beginning of every interview, but also at the end.

5.7 Data Analysis

The researcher transcribed the interviews to provide the basis for data analysis. The time spent in this way enabled him to immerse himself in the stories and narratives of the data. Transcriptions were essential for the researcher since they are an interpretation of the participant's account (Arksey and Knight, 1999). Some recordings needed to be listened to several times, especially when there was background noise. This was particularly the case for mining employees and managers who were interviewed in their cars or on mining sites, and also interviewees' tribal dialects meant that some respondents spoke faster than others. For these reasons, they needed to be listened to several times, for clear understanding.

For this study, subjects arising and potential mechanisms were coded manually, using a coding form so that the various mechanisms could be identified. Initially, the researcher had set up NVivo software to organise data, but he then decided to use manual coding instead. This was because he had learnt from analysing the data from the pilot study, that manual coding was a less constrained and more creative method for interpreting data. In the process of coding, the researcher used labels to group together mechanisms and discrete events (see Blaikie, 2008). The researcher understood that the greatest challenge in qualitative research is to analyse and present data in a way that captures the dynamics and tensions of large volumes of data (see Bryman, 2008). For this research, the data was analysed in relation to the research questions, and the data was allowed to speak for itself. The data was thematically coded and analysed using the steps of Critical Realism to identify possible influential mechanisms, as explained below;

Step 1: The researcher classified the themes that emerged, having read the transcripts multiple times in order to ensure familiarity with the data. Many of the themes were associated with particular categories at the empirical level: internal values and culture; relations with the community; restoring the natural environment; safety at work; and dealing with the practice of bribery. The researcher carefully selected quotes from respondents and also, if necessary, reduced the length of quotes. He chose the key emerging themes showing evidence related to stated ethical concerns.

Step 2: This step concerns the identification of mechanisms; in the sense of asking what are the possible mechanisms shaping the emergence of ethical issues, and how does the researcher decide on those that are the most important. The researcher chose which mechanisms operated at the real level: more than one mechanism might be relevant to a given causal relation. In this way, the researcher placed the emphasis on substantiating the existence of the causal mechanisms. He identified the causal mechanisms that he believed accounted for ethical issues and behaviour. He linked the mechanisms back to his working framework and proposed those which constituted abduction. The retroductive approach was also required at the interface of the empirical context and causal mechanisms. Higher strata phenomena may react back on the lower (see Sayer, 2004) since each level is formed by powers and mechanisms from the underlying level. Thus, he investigated for instance, whether organisational culture shaped the way ethical issues were understood and responded to. The richness of the context became evident; as well as the researcher's making sure that the proposed mechanisms within organisational structures, policies and processes exist and whether they are enabling or constraining ethical behaviour in the companies. The retroductive approach to causal mechanisms aimed to explain the interplay between structural forces and the companies' capacities of corporate culture, organisational structure, processes and policies. In this step, therefore, the researcher played an active role in the process of identifying causal explanations.

During the step 2 process, the researcher had the opportunity to present his findings, especially in relation to emerging mechanisms, at the Scottish Graduate Student conference at Aberdeen University and at a series of Management, Work and Organisation (MWO) divisional seminars at Stirling University. The conferences and

the feedback from other participants as well as from PhD supervisors helped the researcher to critically reflect on the empirical data and the theoretical framework. As a result of this process, the interplay between mining companies and national culture became the focus of his analysis. He decided to go deeper in investigating the importance of national and organisational culture in the stories of interviewees as he looked for generative mechanisms. It made him focus on the drivers and developments issues, and try to look for what was going on, in some way, beneath the surface of ethical issues and behaviour in the companies.

Step 3: The researcher made sure that the evidence was available confirming the existence of the mechanisms theorised. At this stage, he made final decisions regarding the causal mechanisms under study. Here, he checked precisely whether the empirical data corroborated the mechanisms and their effects, in order to evaluate the theory examining the implications of all the mechanisms considered. At this stage, the researcher established that all those found were necessary to research questions, and that together they sufficiently explained the emergence of ethical issues at the empirical level. The researcher gave a presentation on these mechanisms at a conference of the Association of Southeast Asian Studies in the United Kingdom held at SOAS, University of London, contributing to the panel on 'Managing People and Resources in Modern Indonesia'. After that, he moved from isolated mechanisms to the analysis of the entire research questions. He therefore considered ethical theories which might explain how mining companies engage with ethical issues; and found that all four ethical theories considered might contribute to an understanding of how mining companies engage with those issues.

5.8 Credibility of the Research

Research credibility involves good research procedures and generating solid knowledge that is systematically cross-checked and verified (Creswell, 2007; Kvale, 1996). According to Silverman (2011: 367), the credibility of qualitative research rests not only on the reliability of the data and methods but also on the validity of the findings. This present study addresses several aspects of credibility: *first*, the researcher had original, authentic data from the field and conducted systematic analysis of this data. Credibility refers to the degree of quality of the data (Silverman, 2011), including the quality of the coding process (Creswell, 2007). This study went from conception and construction through selecting appropriate methods, and to organising the interviews of respondents. Pre-testing of interviews was conducted through a pilot study.

The quality of case studies was achieved through a robust sampling strategy as described above. In this way, the case studies were chosen in line with the researcher's aims and objectives. The sample of companies used included people acting as respondents who had a variety of different roles, ranging from managers to employees and also labour unions. Thus, interviewees' understanding of their companies' ethical issues offers a variety of insights. However, there was a de facto problem of the dual roles of respondents who were active union leaders and also had position in management. It seemed to indicate that there could be a bias in giving answers within interviews in the sense those labour unions' responses were always in line with management positions. Nonetheless, it has to be said that the practice of having these dual roles is common in the Indonesian labour union system. It can mean that respondents are not always straightforward in explaining their companies' situations; but even so the labour union representatives in fact provided a rich source of explanation of organisational and workplace dynamics. The sample therefore represents a source of credibility in understanding ethical issues in the mining companies and in explaining mechanisms that shape the emergence of those issues. In addition, a comparison of data from one company to the others was instrumental in increasing the quality of the research. It enabled increased reliability in gaining a greater understanding of ethical issues in mining companies.

Second, in order to maintain this credibility, the researcher wrote up and analysed the findings using respondents' detailed descriptions. In his data analysis, the researcher paid attention to 'theoretical transparency', by making explicit the theoretical stance from which the analysis takes place. The transparency of the research was also ensured through data analysis, by following the CR approach. Through the abduction and retroductive approaches, causal mechanisms can be understood. The next section will discuss the research ethics involved in the study itself.

5.9 Research Ethics

The study was concerned with research ethics from the very start to the conclusion. First, the research received ethical approval from the University of Stirling, after being assessed with respect to ethical standards and practices. Second, in the interview process, all interviewees read the participant information sheet and signed a participant consent form. Through this process, all the interviewees were made aware of the purposes of the study and agreed to participate on that basis, as provided in the information sheet (see appendix 1). Each participant in this study was informed before the interview was conducted about the aims and objectives of the research, and their consent was gained for the recording and transcribing of the interviews. Consent also means that people agree to take part; so potential respondents must have the option not to take part if they so decide (Brinkmann and Kvale, 2015; Thomas, 2011). Since the data collection was conducted by interviewing people, the researcher ensured that respondents were treated with respect, and he did not do or say anything that would harm any participant or company. Informed consent also means that respondents have the right to know that they are being studied, and are aware of the purposes, procedures, risks and benefits of the study (Brinkmann and Kvale, 2015). In this way, mutual trust was achieved between researcher and respondents.

Third, the participation of all interviewees was voluntary. This was evidenced by their giving informed consent and having the right to withdraw at any time without needing to give reasons. The mining companies also did not force respondents to participate and allowed them to decline. The function of the companies was to allow respondents time in working hours to participate in interviews. As Thomas (2011) highlights, the interviewee has to agree to give up their time and energy, while any possible discomfort to them must be considered, and any invasion of their privacy prevented. That was the case for this research. Every effort was made to ensure that participants in this study benefited from self-reflection, gaining deeper insights into working practice, and this was the result of their discussing their perceived ethical experiences.

Fourth, in data analysis, respondents and organisations are anonymised or given fictional names in the interests of confidentiality. Accordingly, the names of interviewees and companies have been changed. All participants were informed that the findings of this research will be published after the researcher's PhD is completed, and so care will be taken to maintain anonymity with regard to individuals and institutions in any publications. All paper-based data, such as respondents' consent forms and transcriptions, have been kept under lock and key, and all electronic materials such as interview records have been password protected. Fifth, in the process of reporting his findings, the researcher performed independently and without personal prejudice; in such a way that what was analysed was only what had been said by interviewees. The findings have in no way been influenced or ordered by other parties, such as the mining companies investigated. As a consequence, there can be no external right or power of veto over the findings, whose authenticity will therefore be protected.

Reflexivity

The importance of reflexivity in qualitative research is that it makes clear potential sources of bias (Hardy and Clegg 1997) and therefore is a process whereby the researcher reflects on his research. For instance, he is aware and conscious of how he might project his beliefs onto the research itself. Thus, reflexivity means explaining the position of the researcher in his research process by disclosing the elements that led him to make choices in data analysis and discussion, based on the phenomena examined. He

also needs to look inwards, to disclose his belief in a particular approach to data analysis. Reflexivity was important for this researcher because he had made the ontological, epistemological and theoretical assumptions underpinning his analysis of the data.

Reflexivity is therefore necessary in conducting research such as on marginalised peoples, or people with different identities, experiences, and resources than those of the researcher (Mauthner and Doucet, 2003). For this current study, the cultural and social context of researcher and respondents was similar; therefore objectivity was paramount in analysing the data. Although the researcher had experience of visiting mining companies' areas before conducting this research, he had never lived permanently in remote mining areas. His home is in an area close to the capital of Indonesia, so the social location of the researcher and his emotional connection with respondents can be said to be neutral. Thus, reflexivity also refers to the ability of the researcher to avoid drowning the respondents' voices with his own subjectivity (Hardy and Clegg 1997). In fact, respondents enjoyed being interviewed and having a chance to raise their concerns about their organisations.

The researcher found that he needed two different interview approaches. First, the majority of interviews with the employees and managers of state-owned enterprises were more formal, because the research focused on moral issues, a theme usually considered 'sensitive'. It was thought that it might take more time for the researcher to gain the trust of these participants. But after several minutes the interviewees became more relaxed, and spoke openly about the companies' ethical issues and dilemmas. However, some interviews with managers were difficult; since initially they said they had very little time to be interviewed, being too busy. In fact, they finally spent an hour or more on the interviews, because they appeared to find them interesting; especially when the researcher asked about the working relationships in their companies. A manager from the Blue Company, for instance, said that he had almost no time to do an interview, "Just 15 minutes". But when the researcher reminded him that 15 minutes had already passed, the manager said, "No problem, I am interested and enjoy your questions". Some managers tended to lecture the interviewer on religion, national politics (because of the change of government at that time), mining policies and the

trouble they had with CSR and HR implementation. When the researcher reflected on this, it appeared to him that these interviewees were looking for a way to gain control over the conversation and shape the interview according to their interests. Nevertheless, they provided invaluable insights for this study since they were quite happy to discuss ethical issues with the researcher.

Second, in the case of privately owned national and multi-national companies, the interviews were from the outset more interactive and were more like a conversation than a formal interview. This was manifest in the way participants showed that they had understood the researcher's information sheet and responded to the questions accordingly. These responses indicated that all interviewees were confident to talk about their organisations' situations, and their answers involved more and more detailed examples in response to the researcher's questions. This process showed the mutual interests of both researcher and respondents.

According to Mauthner and Doucet (2003), reflexivity also refers to the ideological standpoint or worldview of the researcher, because these can shape research questions, methods, and even data analysis. In this current study, the researcher came from a position of theoretical and methodological neutrality, as he has degrees in business administration and has worked in a Non-Governmental Organisation (NGO) aiming to further youth education. His understanding of business ethics emerged gradually, beginning with a course on this subject at university and after a few years work for the above NGO while lecturing in an Indonesian university. These then combined with his later interest in reading business ethics literature. Subsequently, this influenced his choice of subject for his PhD. During his PhD journey, the researcher was introduced to a number of ethical theories. Through intensive reading he reached the conclusion that ethical theories helped him to understand ethical issues and dilemmas in the context of the mining industry. The researcher became aware that Critical Realism (CR) was an appropriate ontological approach in investigating ethical issues in mining companies in the multicultural society of Indonesia. CR would help the researcher to achieve a deeper understanding of what ethical issues emerge in the Indonesian mining industry. In this way, reflexivity has contributed to the integrity the researcher's data analysis.

5.10 The Limitations of Research Methodology

The researcher notes that the study was bound by time and cost constraints, which required him to conduct interviews within particular mining companies. He only selected mining companies which have large-scale production and those which have received environmental or CSR awards, so these do not represent the whole of the mining industry. Therefore, the researcher understands that the study of more mining companies would have helped in considering the mining industry more generally, where there are different contexts and characteristics. Although the aim of this study was not to generalise the findings, using a purposive sampling strategy still enabled him to understand the causal mechanisms shaping ethical issues and behaviour in Indonesian mining companies. As such, by investigating different cases, the researcher could understand the forms of generative mechanisms to better explain the emergence of ethical issues in the mining industry. One more limitation is that the concept of structure, culture and agency are all derived only from organisational agents. Ideally, the researcher needs to obtain the views of other stakeholders such as government (central and local), communities, contractors and suppliers. However, the focus of this study is on the emerging ethical issues and how mining companies engage with them.

5.11 Summary

This chapter has explained the ontological and epistemological positions employed for this present study; and has stated the methodological choices for data collection and analysis. The qualitative approach has been given as the strategy of inquiry. Chosen methods were conducted based on the Critical Realism approach along with the research aims, objectives, conceptual framework, and extensive literature reviews. This thesis argues that CR is pertinent in addressing the central questions of what ethical issues emerge in the Indonesian mining industry, what mechanisms shape them and how the mining companies engage with them. Through the CR approach, the researcher was able to reveal the interaction of social structures and culture as well as organisational agent.

The method of data collection was through semi-structured interviews. The potential ethical issues arising from this type of research have been addressed. This is also a response to the limitations of empirical observation as a means of uncovering causal mechanisms shaping ethical issues. The following chapter will analyse the findings in relation to the four mining companies investigated to show their ethical concerns.

CHAPTER 6 – ETHICAL CONCERNS WITHIN THE MINING COMPANIES

6.1 Introduction

This chapter explores the main areas that are understood as 'ethical' by the four companies: Yellow, Orange, Blue and Mauve. The data has shown the companies to have five main ethical concerns: internal values and culture; relations with the community; restoring the natural environment; safety at work; and dealing with the practice of bribery.

6.2 Internal Values and Culture

The Yellow Company has set out and formalised its values, claiming that in this way ethical practices within the company can be enhanced. All the interviewees at the company easily recalled their company's values related to either ethical or managerial goals, namely, excellence, integrity, transparency, agility (adaptability to changing circumstances), empowerment, teamwork, and caring. The company's approach to corporate culture is determined by their designated values. A program called 'Value Talk' is conducted with everyone in the company as a regular and routine activity to embed the company's values. The Learning and Development department of the company sends out the materials or contents of the Value Talk session every week, to all departments in the company. In practice, there is always one person presenting, followed by discussion. The company's aim is, through the program, to teach all members to strive for the same company goals; to impart its culture to its members, and then expect members practising accordingly in every division or department. By means of storytelling, the company wants to increase members' understanding of values, communicating the values to them and inspiring them to act likewise, as explained by Anton, the Labour Union representative at the Yellow Company.

"We were told a story about a taxi driver who found a bag containing 8 kg gold in his car. When there was a TV broadcast announcing that someone had lost her bag containing 8 kg gold, the taxi driver returned the bag. In this way, the company is aligning the value of integrity with the practice of honesty. So we should not take something that does not belong to us".

When the company is having a 'Value Talk' session, it claims that it can take examples from the company itself. Reza, the Manager of the Health, Safety and Environment department at the Yellow Company explained when the session discussed integrity:

"The presenter gave us as an illustration a story about a young boy who sales newspapers at the traffic lights. A man in his car buys a newspaper. Unfortunately, the newspaper seller does not have change, but he promises to give the change the next day. The man who bought the newspaper is a busy man and the change is not much, and he does not believe that the young boy will fulfil his promise. When he passes by the next day, the young boy comes to return the change. It was an excellent example of integrity. Once we have been told this story, we associate it with a real instance of what happened in the company. Again, last month there was a situation where someone fraudulently used the name of the CEO of the company to ask numerous contractors for money. But none of the contractors believed that the CEO would allow his name to be used in this way. This is because the company's integrity has been maintained by the CEO and the management who would never ask be involved in bribery".

The majority of interviewees explained that the company's values are the foundation of its corporate behaviour and culture, expressed through the formal system of 'Value Talk'. These sessions, in each department, were also claimed to be helpful in enabling newcomers to internalise the company's values. A manager in the Yellow Company explained his experience on a 'Value Talk' program set up by the Learning and Development department, where he was telling a story with a moral to his employees,

"Every week we conduct the Value Talk program. I, as a manager, present a moral case such as about honesty, which comes from the department of Learning and Development. We can exemplify the role of the manager in the value talk so that after I tell such as a story, I give an opportunity to discuss it. So, my role as a manager is to make a link between the value and the work that we are doing. Teaching values to employees is important, because every manager here has more than 100 employees on average in one division". (Rio – Manager of Reclamation department)

The Orange Company has also set up a value system in order to guide the company's members in their behaviour at the workplace. This is claimed to be a desired mode of ethical practice that its members are expected to follow. Rama, the Manager of Strategic Development at the Orange Company, highlighted that the company aims to have a united and cohesive culture through imparting its values to all members, to be acknowledged and then consistently practised. This means that everyone works with what the company claims to be 'ethical culture'.

"We believe that the company holds values which will unite us. If we talk about integrity, we must agree on our interpretation of integrity in achieving our vision. If we speak about professionalism, what level of professionalism do we want? And what is a global mentality? And what is meant by harmony?"

From the interview data, it also emerged that the Orange Company has implemented an informal practice of discussion in relation to ethical issues, called the program of Skoday (Sharing Knowledge of the Day). The respondents said that its purpose is to establish 'a culture of learning', and to share experiences and knowledge of ethical issues. This practice uses the company's portal every day, and is run by the Learning and Development (LD) department. One of the respondents said that this activity helps employees to understand the values of the company, and they always remember what they have learnt every day about the company's values.

> "We are building a culture of learning through Skoday. We look to all the employees to share their experiences and knowledge, including in terms of ethics. Then the Learning and Development (LD) department chooses which experiences are the best to share in the company, and we ask the employees for permission to upload these in our portal. Skoday is carried out routinely every day". (Susi - Manager of the Organisational Effectiveness department, Orange Company)

It has been claimed by Susi that every employee and manager can write down their experiences in terms of work and ethics. This was claimed to be very efficient events without the need for face to face meetings. In the practice of Skoday, however, the question is which kinds of experience are shared with the company: mainly ethical or mainly on work matters. The data from interviewees does not clearly provide any answer to this question. Does the company allow the employees or managers to share criticism of the company, in order to change the existing culture? And also, what criteria are there for an article to be uploaded in the system?

Similarly, the Blue Company has both ethical and managerial values of integrity, professionalism, and cost- and environmental- consciousness. These last two mean that the company's members are aware that they must minimise cost and energy in their work. Interviewees claimed that it is ethical if they work in accordance with company values. In other words, if the company makes a decision based on its own values, it will have made an ethical decision.

> "When we are going to make a decision, we must not make it contrary to the company's values. So the company encourages its members not to violate or act in opposition to the company's values as defined. These values are believed to be based on ethics". (Alisa - Manager of the Health department, at the Blue Company)

The company has created what they believe is an ethical culture through Emotional and Spiritual Quotient (ESQ) training, with company values as the reference point. The company believes that its values form the basis of ethical decision-making. Thus, through ESQ training, the company claims that these values can be embedded and internalised in the company's members, through what they call emotional, intellectual and spiritual powers. However, the approach by the Blue Company of ESQ training

seems controlling and prescriptive, in the sense that members of the company only receive the ideas from the training and do not have an opportunity to express their own ideas.

For the Mauve Company, core values are prescribed by headquarters to standardise the practice of management in all its mining operations across the world. Interviewees claimed that the company's ethical and managerial values are valuing company members, doing the right things, and improving together. And all these are in line with the company's goals. However, the company has had difficulty in automatically applying its values to its corporate culture, since the company has changed ownership. A gap in acceptance of values may occur when the company is attempting to replace the values of the previous ownership with new ones. Interviewees said that the company is facing a problem when its values are not aligned or synergised with its practices. Thus, the company is still figuring out how to build an ethical culture in Indonesia. Dara, an employee representative of the Legal department at the Mauve Company, explained that the company's ethical culture since the process of merger and acquisition has not yet become clear. It is said to be provoking increasing dissatisfaction amongst the company's members who benefited economically but illegally under the previous more lax management.

> "Under the company's previous ownership, there existed vision, mission and values, existed but enforcement by the leaders was lacking. As a result, employees and managers who worked under the previous ownership for a long time feel that the current management is regulating more strictly: employees and managers can no longer take personal advantage of the company"

One of the main issues to emerge from the company's change of management is that the new management are enforcing more ethical behaviour and this is claimed to be creating tension. Although the company has a set of values and ethical principles such as integrity and honesty, it seems that there is still a problem with employees who benefited from previous less ethical practices.

Most respondents in fact stated that ethical standards are set up through reward and punishment systems. For instance, the punishment system used by the Maintenance and Services department at the Yellow Company stresses the need for punctuality and that reward and punishment system is agreed with all members at the start of their work project.

> "The value of discipline, for instance, applies in all areas, such as in the Maintenance and Service department that I work with and we all agree with that discipline. So there is a regulation on punctuality for a meeting. The department uses the company's computer clock. If we come more than 5 minutes late, there are three types of sanctions: 1) sing a song for 10 seconds, 2) do ten push-ups, and 3) pay a fine of 10.000 Rupiah (c. 50 pence)". (Anton - Labour Union Representative, at the Yellow Company)

Reward and punishment system to handle discipline is, however, problematic where leaders in the labour union are also part of the management and so are actively 'managers' too[9]. This means that members may actually disagree with a punishment system but are reluctant to do so openly.

In maintaining ethical values, the Orange Company has set out a formal system called the Key Performance Indicator (KPI). This is written rules which are developed to monitor company members' behaviour, and they are reviewed and signed by all employees and managers every year. As a result, values are maintained through 'formal performance management systems', such as in the Key Performance Indicator (KPI) of individuals. Susi, the Manager of the Organisational Effectiveness department at the Orange Company explained how the company measures values by carrying out a comprehensive survey of members' understanding of these. One of the criteria of this assessment is implementation the company's values at every department and division, as explained by Dodo, the CSR officer:

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[9] Anton - Labour Union Representative at the Yellow Company – plays two roles: as a leader of a labour union and as part of the management.

"Every year the culture of togetherness is measured by randomly surveying the relationships between managers and employees. This is incorporated as a generic Key Performance Indicator (KPI) for every individual, in line with the main goal of togetherness which is generally defined as being tolerant and respectful of others". (Dodo, an employee of the CSR department, at the Orange Company)

The KPI system also implies that company members are monitored by a reward and punishment system. However, this practice is in question whether this can really support employees and managers in developing a full awareness of the value of togetherness, rather than being a matter of orders that they have to obey. A problem here is also how the company can make sure that members really practise the company's values, and this is nowhere explained.

Similarly, at the Blue Company, there is a formal system known as the Balance Score Card (BSC) and one of assessments in this system is to monitor the implementation of company values, where the management can influence and control company members' behaviour. The values are enacted through this formal system of BSC to make sure that its members practise them.

"The company always campaigns for its values to be linked to its Balance Score Card (BSC). The most important thing is that all employees and managers understand the values. We have a guideline as to how to behave in order to achieve the company's vision and how not to act against the company's values". (Bunbun - Employee Representative of Legal and Permit department, at the Blue Company)

Sony, the manager of mining operations at the same company, confirmed that BSC really is an evaluation system.

"In this company there is a regular individual assessment as part of the Balanced Score Card performance, which appears in written form every three months. In that test, we are asked about our understanding of company values, such as what is the meaning of professionalism in the company. And this evaluation test is reviewed by our internal auditors".

Moreover, in the Blue Company, rewards and recognition have also been introduced in the company. For instance, the company has a practice of using its culture to select an employee of the month, who can therefore be figure of admiration in the company and is chosen and presented as an example of how consistently values are practised by individuals. However, this practice can also be viewed as paternalistic and controlling of employees or managers, as the company includes in the assessment members' social activities in the neighbourhood, to find out whether they are actively involved in the community or not and whether they are good parents or not. Here, it seems problematic if the company is intruding into the private lives of its members. Darma, an employee representative of the CSR department at the Blue Company:

> "The agreement between employees and management includes the practice of 'the employee of the month; where the best employee of the month is chosen from assessment criteria. For instance, if some of those members have been appointed as chair of community councils, they get higher scores in the assessment. The company also asks members' neighbours whether they often go to the mosque or church, ask for evidence of how the employees treat their children, and also about their children's achievement at school. Where there are employees who perform well in the office but never communicate with their neighbours, these are not chosen. And there are others who are sociable at home but are very quiet and do not socialise in the office, so these too cannot be chosen as the best".

The case of the Mauve Company in relation to a reward and punishment system is related to the company's collective work agreement. But Juda, a Manager of CSR department said that such a system is not only for rules and regulations but for guidance. Besides having a reward and punishment system, the company's members also need to have a reason for acting in accordance with its values, not simply obeying the rules.

"How the company enforces its values in clear rules is through a 'collective work agreement' between the company and employees. This includes what we can and cannot do and also rewards and punishments. However, ideally, the values here are practised consciously and rationally, not because of rewards and punishments or fear of the boss. In this way, they should become our culture. Even though no one is watching, we are aware of them and practising them". (Juda - Manager of Mining Operations department)

In short, the companies perceive that internal values and culture can help them to strengthen ethical behaviour by setting up ethical values and conducting ethical training, and reward and punishment systems.

6.3 Relations with the Community

Mining is an industry which brings people together from a wide area. Ari, the CSR Manager at the Orange Company, said, "Mines in developing countries such as Indonesia were originally operated in the middle of forests; and when they were developed, it was like sugar attracting ants". There was a common understanding among interviewees that their companies do not just mine minerals from the area but also develop the community. Over time local communities have grown up around the mining companies and become much larger. This means that where there was wild forest, because of the mining companies there is now a sizeable community. Rosy, the CSR Manager at the Yellow Company, stated:

"I need to tell you about the population of this area. There are approximately 150,000 people in the region. The company itself has 5,000 employees. Then, the contractors who deal directly with the company have 21,000 people, so there are 26,000 people. If we assume that each person has two dependent children – although there are some employees who are not yet married but some people have 5 children - so 26,000 times 5 is more than 100,000 people".

All four companies claim that they have good collaboration with their local communities, especially in the areas of mining sites which have been operating for a long time. Local communities have grown up together with the companies from the

beginning. But in some areas, especially in new areas of mining operations, the companies really need to make a great effort to achieve collaboration. Thus, the process of engaging the community often takes time. They understand that becoming part of the local community was a very long process. For instance, Tari, the Manager of the Risk Management department at the Orange Company, explained:

> "In one of our mining sites, for instance, we had a problem with illegal miners[10], who are a bad influence in terms of the company's relationships with the community, because they influence other people to mine illegally. At first there were only a few illegal miners but then more and more people joined them. We decided to cooperate with the police and forest services in this area in the arrest of illegal miners. Then we conducted discussions to dissuade people from mining illegally".

The companies stress that the community is their focus. They recognise local culture at the mining sites to be important and make efforts to respect that culture. The companies claimed that not every way of approaching the local people can be appropriate for all the areas of mining operations. There are differences of culture and in people's characters. Therefore, in community relationships, the Orange Company, for example, wants to act in accordance with the community's norms: "It is important not to make decisions that are contrary to the norms of the community. That would be dangerous. Then the public would react", said Ari, the Manager of the CSR department at the Orange Company.

Relationships between the mining companies and local communities are claimed to be very strong. This is especially when mining sites are located in remote areas, where they are a local source of power that people can go to for help. For instance, Ambar, the Manager of the Health, Safety and Environment (HSE) department at the Orange Company said that people are prepared to ask the company for help with their personal

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[10] Illegal miners: Miners without permits who are mining in the Orange Company's mining areas, leaving the land open and abandoned.

problems. This kind of respect for power in the community is relevant to Indonesian paternalistic culture.

> "Since I often work at the unit of operations in mining sites, I have had the experience when I was on an island at our nickel-mining operations, that a lot of community matters are addressed to the company, even family problems such as relationships between husband and wife, who are not employed in the company but who came to a unit manager of the company to ask for advice. That is because we are close to the community. The island is very small and there is only one company, this one. The community often communicates with us rather than with local government". (Ambar - Manager of Health, Safety and Environment, Orange Company)

A similar case arose with the Mauve Company where people had more confidence in the company than in local government. This relationship is strengthened because both the company and the local community live close together in the same area. Feby, an employee representative of the Employee Engagement department detailed his company readiness to interact with the surrounding community. The company has removed all fences in their housing complex, in order to increase interaction with the community. "There are no barriers between employees' houses and the community. There is also a traditional market in a public place, which everyone in both community and company can access. This is one way in which the company can live together with the community".

Close interdependence between the company and local populations is often analogised as a relationship between neighbourhoods: "[…] it is like with our daily life, when we have neighbours, we cannot be selfish, and we need others. For instance, if we have the biggest house in a run-down area with a broken-down road and we use our own car every day driving along that road, in the end, our neighbours will hate us. We have rather to fix the road", explained Rosy, the Manager of Community Empowerment at the Yellow Company.

The four mining companies claim that they implement Corporate Social Responsibility (CSR) programs to contribute to rural development and to improve standards of living in rural areas. Their aim is to benefit surrounding communities. Sapta, an employee

representative of the People's Development department at the Mauve Company explained that: "The purpose of the company is to manage mineral resources for prosperity and sustainability. What is taken from the earth by the company must give benefits to our shareholders, employees and the community […]".

Supporting evidence for this policy comes from the chief representative of the Mauve Company's labour union, who claimed that the company provides economic benefits to the local community by giving business opportunities for local people and creating a skilled workforce: "The company is good at being ethical: for example, giving priority to local people to improve economically, and providing opportunities for local contractors to work for the company's projects", said Purba, the Chief Representative of the Labour Union. In another instance, the Blue Company is assisting communities to set up businesses. "We purchase company food supplies from the surrounding community. Light engine spares for machines and fertiliser for the reclamation process are also purchased from the local community. We give opportunities for tailors to make company uniforms. All this means that there is a multiplier effect when we empower communities in the economic sector", said Bunbun, the employee representative of the Legal and Permit department at the Blue Company.

The companies' relationships with the community throughout the mining operations also relate to how they can help local communities in the post-mining situation. Through the post-mining project, the companies have reclaimed and totally handed over some ex-mining areas to local government; and the community is able to be economically self-sufficient once the companies are officially out of the area. This action is considered ethical by the companies when there is a smooth process of closure, enabling the community to sustain itself. It was claimed by respondents to go beyond their legal responsibilities, which are limited to reclaiming the natural environment of the former mining area. "[….] we cannot see how ethical a mining company is until it is closed. It has to create post-mining community empowerment programs. So after we have said goodbye to our mining areas which have been closed, the communities can continue to grow. They can continue their regional development", said Ari, the Manager of the CSR department at the Orange Company.

Involvement with local communities is thus seen by the companies to be an ethical concern especially when they have mining sites in remote areas, where infrastructure and market activity are relatively underdeveloped. The companies are, in their rhetoric, ultimately trying to be 'a prosocial force in the community' by giving it practical help. They provide guidance for small and medium enterprises, and assistance and training or education to groups of farmers, so that they can continue working when the companies are no longer there. To this end, the companies conduct programs for small businesses giving opportunities for local contractors to handle company projects and to learn work safety. Mining companies accept ethical responsibilities to benefit local communities by focusing on empowering them economically. They live in close proximity to each other so the companies consider the communities' norms.

6.4 Restoring the Natural Environment

Environmental issues are particularly important for mining companies because it is taking resources from nature, as interviewees understood. Toto, the CSR Manager for the Mauve Company, pointed out that "mining is often considered a business that destroys the environment". Not only are resources being taken from the ground, but mining operations result in myriad adverse consequences, such as local environmental degradation, and spreading coal dust and chemical pollution. The location of many mining sites in remotes areas, often of wild forest means that there is a high level of attention to the natural environment and increasing challenge to the companies. They therefore recognise the great environmental problems that result from their business operations; and have to find a way to manage them. Dodo, an employee representative at the Yellow Company said that: "Caring for the environment is important for mining companies in general. Therefore, we have green mining practice". This practice means reclamation of ex-mining sites. Dodo's answer is similar to that of Anto, Manager of the Mining Operations department at the Blue Company, who claimed that reclamation is a systematic strategy to recover the natural environment: "After the mining operations have come to a close we provide humus or topsoil, and we replant, which means we reclaim or re-vegetate the land", explained Anto. Thus, for all companies, concern for environment includes the responsibility for reclamation projects.

A number of the interviewees spoke about their companies' goals and mission statements providing guidance and principles for action in accordance with planned reclamation. "When mining companies get licences to mine in forest areas, people think that they will destroy the forest area. In fact, they will also reclaim the environment after the mining operation ends. If they don't do this, they shouldn't be running a mining company", said Nata, HR manager at the Mauve Company. Thus, there is an understanding by the companies when they obtain mining permits from the government: a reclamation project is recognised as their responsibility.

For all companies, reclamation is designed and implemented to minimise environmental damage. Interviewees claimed that, while the project cannot restore the natural environment to be exactly the same as before, it at least bears a close resemblance. For instance, Rosy, the Community Empowerment Manager for the Yellow Company, explained the importance of having a 'visual map' to guide them before they start mining activities: "[…] it is like we need a map or image before we do something. It is also like putting together the pieces of a puzzle: before we start we already know which pieces to put where. So when we have finished the mining activity, the landscape will be similar to the way it was originally". Mining companies therefore associate their ethical concerns with the very nature of mining by accepting that they are responsible for degrading the environment and so for reclaiming it.

6.5 Safety at Work

Work safety is another important ethical concern for the mining companies. They claim to put safety first, which would be good mining practice because their operations are very high risk and one of the potential hazards at mining sites is work accidents. As Bram, the Manager of the Mining Operations department at the Mauve Company talked about the hazards of nickel mining:

> "Our business involves the dangers of nickel mining work in foundries. The material is smelted at a high temperature. So we make sure that everything is safe, using the appropriate safety standards. A good company is one that puts its workers first and considers them the priority asset for the company. Safety is its moral responsibility. It is not a product but a long-term investment. In case of accident, the company's production will stop. But if we make safety our priority then there won't be any accidents. And the opportunity to earn profits will come by itself".

Juda, a Legal manager at the same company, considers that company's members need to always be aware of safety at the workplace in the same way as they practise religious rituals. Taking action on work safety is of equal value to performing religious activities, according to Juda. "If you care about safety, in return it will protect you. We do not need to be told to pray either, since we have understood consciously the need to worship".

Safety at work is not only a priority for internal staff but also for the contractors who work for the companies. They too have to comply with safety practices. The companies state that they have to impose safety practices on local contractors whose level of safety awareness is low. Local contractors differ from those who have national and international levels of recognition in implementing safety standards. The Yellow Company, for instance, claims that local contractors need to be made aware of the procedures in working with safety equipment, as Eko, the Manager of Project Management and Evaluation, explained:

"In carrying out our projects, we use local contractors. We also carry out safety briefings, not only in the company or within the boundaries of our areas. If we have a project beyond these we must convey to people who do not have sufficient knowledge of safety how important this is. In the community, workers are still using ladders made of bamboo, wearing sandals, and are not wearing safety helmets. We often make unannounced visits to project sites and do an immediate briefing with the workers. We also discuss with them the risks if you do not wear gloves when you are digging. So, we encourage them to come home safe and sound so that they can return to work the next day. In this way, they will get another contract from the company".

The case of the Yellow Company above provides a picture of how work safety as an ethical concern is multi-layered. There is first a legal obligation to meet safety standards to prevent work accidents. Second, there is an appeal to business advantage: staying safe in order to get further contracts. Third, the company seems to understand the morality involved in a commitment to safety for the good of the workers and the community. This is what the Yellow Company claimed is an ethical concern beyond rules and regulations.

6.6 Dealing with the Practice of Bribery

Many common ethical issues and dilemmas for the mining companies arise because of the practice of bribery; in a situation where corruption is still a crucial national problem. Often, there are dilemmas because bribes can influence the government to issue licences to operate mining sites. Interviewees explained that the Indonesian political system is rapidly changing, in terms of both central and local government. Sometimes there is reluctance or a delay in giving mining permits. The system organised by central government was claimed by interviewees to be working well; but the mining companies feel that they suffer from the decentralisation system. This is because they have to follow the bureaucratic systems of both central and local governments. But often the policies of these two do not match, in the sense that local government also controls the issuing of mining licences and demands illegal payment for this.

"The political gap between central and local governments is very wide. We do not give them money, and so getting a licence or permit to mine is a very long process. They tend to delay our documents. We say to the local government representative, "Sir, we will be recruiting local people to work with us". What we are giving is a promise of economic development. But there is no guarantee that the local government will accept our proposal because we have not offered cash in hand." (Udin, the Manager of Government Relations department at the Orange Company)

Moreover, there is a difference between national (state-owned and private) and multinational companies in the way obtaining mining permits are dealt with. Mining licences for foreign mining companies are given directly by the central government, through the Minister of Energy and Mineral Resources.

As a result, foreign companies have relatively few problems with the local authorities, since it is clear that they receive their legal documents centrally[11]. National private and state-owned companies, on the other hand, must obtain mining permits from local government as well as from central government. As a result, they sometimes struggle to obtain permits from the local government. For instance, the Yellow Company claims that some individuals who represent the government do not act ethically in respect of mining licences, because they expect to receive bribes. But never to bribe is claimed to be an essential watchword for the four mining companies investigated.

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[11] Based on Indonesian Government regulations (Indonesian Law Number 4/2009), Mining Permits (= IUP) are given by a mayor if a mining area is located in his/her territory. A governor can also grant a mining licence if it is located in his/her province. And it is given by the Minister of Mineral Resources if it spans more than one province. All these permits are valid for a maximum of 5 years and can be renewed. As for foreign mining companies, a mining permit (the contract of work = Kontrak Karya / KK) is granted directly by the Minister for 20 years and can be renewed every 10 years. This gives an enormous advantage to the multi-national companies which the Indonesian government wants to encourage investment.

"[…] there is a dilemma as to how to deal with the licences to operate our mining sites. In many cases, if we do not give money to the local government, they delay the decision – maybe for a very long time; and even then they may not give us the permit. We cannot give money as a bribe in order to get a permit. This would be against our principles of Good Corporate Governance. This corruption is contrary to our corporate values and culture". (Hadi – Chief Representative of the Labour Union, Yellow Company)

Similarly at the Blue Company,

"[...] we cannot bribe the local government to make our business arrangements easy in relation to mining permits: it is against our code of ethics. No, it is not allowed. Although one of our mining sites was annexed by a mayor in a region, we cannot pay the court". (Darma, an employee representative at the CSR department)

While state-owned and private companies have different governance structures, an interviewee from the Orange Company explained that state-owned companies are monitored by the Corruption Eradication Committee (KPK), whereas private companies are more independent. The KPK will only intervene in private companies if the bribing of central or local governments has been discovered. It was claimed by several interviewees that small private companies *could* potentially negotiate fraudulently with local government. These companies are said to be able to give cash under the counter to local government officials.

"The reason why some private companies can get licences easily is because they have a large slush fund which can be given directly to local government (in bribes) and to the community (in CSR programs), without needing any approval from central government. But we, as a state-owned enterprise, are very strict, because we have to obtain permission for what we spend from our board of directors and the bureaucratic management. If we misallocate our funds, we will be imprisoned by the KPK". (Udin, the Manager of Government Relations department at the Orange Company)

The situation of private companies is complex: there are issues of integrity and independence on the one hand, and of inadequate control by the authorities on the other. In addition, there are several cases where licences or permits for mining operations have

been issued to one company, but then local governments have given that same permission to another company, seemingly because it has offered a bribe. Although central government makes good decisions in terms of mining licences, the local governments' decisions might be different. This is an example of the friction caused by the bureaucracy in Indonesia, as a result of the decentralisation system. For example, the experience from the Blue Company: "One of our mining areas was annexed by the private sector which bribed the local government. So the company is aware that such things can happen and now it has a special team for monitoring the relevant legal documents", said Kia, an officer in the HR department. It seems that there is unfair practice by local authorities.

Problems with local governments also potentially arise with export royalties. Tari, the Manager of the Risk Management department at the Orange Company, spoke of a dilemma faced by her company because of the government classifying as export production what is in reality movement from different islands to the company's one smelter in Indonesia. It seems that in this case local government simply wants to obtain more money in tax from the company.

> "We also face a dilemma because central government has released a new regulation banning unprocessed ore exports. This means that we have to process our raw materials before exporting them. We have one smelter to process our ore; but we have to send the ore to this smelter from other areas. Local government considers this shipped ore as a kind of export. So we are asked for export royalties. But we know that we are not exporting the ore; we are simply sending it to our smelter. Our directors have often asked us what we think about this problem. We have told them that if the local company gives export royalties to the government, but in reality we are not exporting the ore, the consequence is that we get into trouble with the KPK for acting fraudulently and that does not help anyone".

The dilemma of bribery for both private and state-owned enterprises means that they feel it necessary to have a 'smart' way to approach local government. The mining companies have to be vigilant and clever, to know how to act and behave in an environment of bribery and corruption. They have to find a way to act, while not succumbing to that system and culture.

"How to face the dilemmas arising from licences? It is hard, actually. But we use intensive approaches such as direct communications with both central and local government. We cannot cover up what goes on. I think fraudulent approaches are still made to the companies. As a state-owned company, we often say to the government that we work for the country, and of course, the profits from the company are all intended for the country. Our communications with local governments usually end up with them understanding our position". (Ambar - Manager of the Health, Safety and Environment department at the Orange Company)

The issue of bribery for private mining companies also arises when attempts to bribe are made by contractors and suppliers. This is because many contractors and suppliers want to get a job or an order from the companies. Agus, an employee in the Learning and Development department at the Yellow Company, claimed that his company is always trying to eliminate the possibility of being bribed by contractors. "We take preventive action, such as refusing when our contractors want to pay for us at restaurants. Rather than being paid for by the contractors, it is better for *us* to pay for *their* meals […]". Similarly with the Mauve Company: Danu, the Legal Manager said, "When contractors want to work at this company, and ask me to choose their bid over a competing bid, it is difficult to make them understand that we have a code of ethics and each employee has to hold to that. All the company's tenders are dealt with in a transparent way". This shows that the company recognises the importance of code of ethics and transparency.

In short, bribery is still a major issue in Indonesia and therefore for the mining companies. This results from a complexity of business arrangements in obtaining from central and local government licences and permits to mine. Decentralisation too gives local government the power to delay and deny the issuing of permits and licences and potentially to demand bribes. Not only local government but also contractors and suppliers try to undermine the companies' policy on bribery. As a consequence, the companies' ethical concern in this situation is not to get involved.

6.7 Summary

This chapter has analysed the four companies' main ethical concerns as they have been found to emerge from the data: internal values and culture; relations with the community; restoring the natural environment; safety at work; and dealing with the practice of bribery.

Table 8 The Four Companies' Ethical Concerns

No	Companies' Stated Ethical Concerns	Stated Activities
1	Internal values and culture	- Ethical trainings (e.g. Value Talk, Skoday, ESQ)
2	Relations with the community	- Involvement with and benefit to the community
3	Restoring the natural environment	- Reclamation of ex-mining sites
4	Safety at work	- Preventing work accidents
5	Concerns over bribery	- Refusing to bribe (e.g. to authorities) - Avoiding being bribed (e.g. by contractors and suppliers)

Table 8 above shows how the companies' ethical concerns relate to the characteristics of the industry, the structure of the companies' governance and the complex structure of Indonesia's government. Company values and culture are the way mining companies address ethical issues, by setting up ethical values and conducting ethical training and reward and punishment systems. The way companies see their role in the community has been shown in their efforts to benefit the community. The four companies emphasise how they coexist with the community. They accept the need to reclaim ex-mining sites as their responsibility towards the natural environment, because of the damage caused by mining operations. Safety at work is recognised by the companies as a necessity particularly in view of their very high risk operations. The companies are addressing bribery as an ethical concern with the policy of refusing any involvement. While these are the companies' stated ethical concerns, it is necessary to see what shapes the emergence of those issues. This will be the subject of the next chapter.

CHAPTER 7 – WHAT SHAPES THE EMERGENCE OF ETHICAL ISSUES

7.1 Introduction

This chapter profiles and analyses each company case by case in relation to what mechanisms shape the emergence of ethical issues in the mining industry. It provides a better sense of what happens in each of those companies, how different or alike they are, and further, how ethical issues are more broadly apprehended and manifested in the mining industry and in the country.

The chapter brings to the fore the mechanisms that explain and reflect the influences as between what is observed and reported in the data and at the real level in the organisation. The structure in each case study is based on the three main themes that emerged from the data: the environment, company-community relations, and culture.

7.2 Case Study 1: The YELLOW Company

The Yellow Company is a private national company which engages in the coal mining sector. All its mining operations are open-cast coal mining and are conducted in only one island in Indonesia, providing coal for both domestic and international customers. Based on a mining concession agreement with the Indonesian government, the company carries out its operations in an area of almost 91,000 hectares. It employs over 5,000 people and also works closely with its mining contractor partners, domestically and internationally. The company has received national and international awards in the areas of the environment and Corporate Social Responsibility (CSR), including community empowerment projects.

7.2.1 The Environment

Reclaiming mining areas is considered by the company to be its responsibility. The Indonesian government has created rules in this regard; and the company recognises that it is essential to comply with these rules as good mining practice. The government also requires a reclamation deposit to be paid by mining companies[12]. In addition, the authorities have to approve the mining companies' plans for their post-mining programs. Rio, the Environmental Manager of the Yellow Company explained:

> "We have our grand design for a post-mining program that has been approved by the government. Basically, this is how our post-mining sites will be used; whether for economic purposes or for forest reclamation. For example, we have a lot of deep pools of water in former mining areas and a few of them are close to the community. So we have agreed with the government that part of the post-mining area will be used for fishing, irrigation and tourism. This is in line with government rules, regulations and sustainability programs".

Restoring the natural environment is, as stated by Rio, required by government regulations. However, in addition to complying with these, the Yellow Company does voluntary due diligence: for instance, in relation to the practice of taking home the company's and contractors' oil drums, which involved a potential risk to people and the environment, because there might still be oil inside the drums. The company recognises the dangers of people bathing using drums formerly containing chemicals. This indicates that the company has the ability to see a potential risk, and realises the need for action to make people's lives safer.

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[12] Based on Regulation of the Ministry of Energy and Mineral Resources Number 7 Year 2014, mining companies in Indonesia "have to conduct reclamation, which shall be an activity executed during the phase of mining business, to arrange, restore and improve the quality of the environment and the ecosystem so as to be able to function again, in accordance with the purpose agreed" (PwC, 2016). A deposit has to be paid at the start of mining to ensure that mining companies reclaim the areas mined.

"The company banned employees from taking away the company's oil drums. Suppose they became ill from the chemicals, the company would be at fault. People use the drums for bathing and that is very dangerous, because the chemicals that the drums formerly contained can trigger skin irritation, for example. But then there are other drums which belong to the contractors, who still allow people to take theirs away. We do not have rights over their goods. But what we *can* do is to enforce our procedure that the drums must have environmental department verification, to ensure that they are free of oil". (Toni, an employee representative of the Health, Safety and Environment department)

The company knows why there is a problem and through what actions it hopes to fix that problem. The only question that remains is whether the company's environmental department verification can really ensure that the oil drums are absolutely free of chemicals as well as oil. From Toni's answers, it is morally problematic if the decision by the company was determined by a fear that allowing people to take drums home would be perceived as an admission of guilt. In other words, the company may simply be avoiding disasters to keep good relations with the community. Considering other people may result from an awareness of the impact of the company's business operations; and this also applies in the case of blasting vibrations in the mining area of the Yellow Company.

"Before local people started building houses in the mining area, the company managed blasting vibrations by constructing wooden buildings and housing for employees, as these are less sensitive to the vibrations. Now the local people use concrete, which is more sensitive. So the company has to use a different blasting technique, involving lower levels of vibration generally. And it monitors vibrations using a detector. The vibrations are sent in other directions than the housing and are fragmented. Research is also being done on a mixture of explosives for blasting so that it does not create a high level of vibration within a certain distance". (Reza - Manager of Health, Safety an Environment department, the Yellow Company)

The Yellow Company also claimed that it has experience in considering the local community at the mining site, called PIT J. The company says that it does not want to cause environmental impacts, even though there is a lot of coal in that area. Although to blast the area might seem economically viable, deciding not to do so was stated by the

company to be a way of avoiding a huge impact and environmental problems in the future.

> "[…] if PIT J were blasted, there would be an outbreak of dengue fever in the mining area, because there is a cave there containing thousands of bats, and every night the bats eat the mosquitoes. The impact of blasting this would be a disruption of the ecosystem. We are not going to ruin the place and make the people there seriously ill". (Indri, an employee representative of the Local Business Development department)

The company's decisions not to blast the cave may mean that it understands ethical issues, sees the ethical dilemmas raised, and perceives the possibilities of the impact on others of its decisions. If the company is really willing to take upon themselves ultimate responsibility for decisions that can have a profound impact on the lives of people and environment, then it is vital that it clearly understands the possible or likely moral implications of its decisions. However, the decision not to undertake blasting may also imply that the company needs to avoid the complaints from the community that would arise from blasting the cave.

The mechanisms shaping the emergence of ethical issues in relation to the environment are compliance with rules and regulations and preparedness to take on ethical responsibilities beyond this. Further mechanism may also be a wish to avoid complaints from the local community.

7.2.2 Company-Community Relations

In its relation with the community, the Yellow Company meets global and national standards on Corporate Social Responsibility (CSR) programs. Through CSR, it considers the community in its efforts to achieve sustainability, which is stated as an aim in those standards for CSR.

Rosy, the Community Empowerment Manager, said that the company refers to ISO 26000[13] in conducting CSR: "If we talk about CSR to the standard ISO 26000, there are seven aspects: one of them is community empowerment. We understand that CSR is the way a company adds value to the surrounding community". According to Haji, an officer in the Project Management department, the company needs to make a sustainability report under international standards as the company's ethical indicator in relation to CSR. "We have made a sustainability report using the GRI and the UN Global Compact, asked for by our stakeholders", said Haji. The company's relations with the community through CSR are thus based on standard of accountability, i.e. the International Organization for Standardization (ISO). ISO 26000 on social responsibility is considered as the primacy of the moral case for the company.

In the relationship with the community, the company prioritises vulnerable people. Sari, an employee representative of the Community, Health and Education department, explained.

> "When deciding who will be assisted through our programs, such as for health facilities or medical assistance, we prioritise those who are not able or are in need, not rich people. However, it is possible for the company to give health facilities or health care to those who frequently or always support our programs in the community. We consider them, too. Another instance is a scholarship program that we have set up, giving scholarships not to employees' families and the families of people who have retired from the company, but sometimes to children of retired employees who really need our support to fund their studies. The company gives the scholarships on the basis that their parents used to work at the company and have had illnesses such as stroke. Although we have clear company rules and criteria in giving scholarships, we need to consider every situation".

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[13] ISO 26000 is the international standard for addressing and assessing organisational social responsibilities related to a corporate mission and vision, operations and processes, and environmental impacts; as well as for considering all stakeholders (PwC, 2016).

Sari's explanations above show that the company's social policy depends on need. Rosy, the Manager of the Community Empowerment department, explained this otherwise: that the company prioritises stakeholders according to the limits on its budget, the number of staff dealing with local communities, and the time when they can be on duty. She said, "[…] so with all our limitations in terms of our human resources, costs and time constraints, we consider which stakeholders are our priority. Which of them are really vulnerable?"

The Yellow Company's practice of involving the community was claimed to develop mutual relationships between the company and local communities, through specific programs giving benefits to both the community and the company. Toni, the Employee Representative of the Health, Safety and Environment department, said that: "In planting trees for reforestation programs in the area of mining operations, the company invites people in the mining areas to provide seeds, and then purchases the seeds from the community. The program uses 10,000 seedlings from the surrounding community. Although we have our own company nurseries, the purpose of using the community's nurseries is to build a good relationship or symbiotic mutualism between the company and surrounding communities. All the workers who carry out the re-vegetation for the company are from the local community".

However, involving local communities in the replanting seems to be associated with the company's purpose of minimising corporate risks. As Joni, an employee representative of the External Relations department, stated: "We are now working with the community and we get social support from the community. Above all, the company can operate properly. The indicator of this is that we operate smoothly with no interference from the community. For instance, there are no blockades or strikes". This concern for the local communities promotes their acceptance of the company; giving it the advantage of strike-free operations, because of the good relationship detailed by Haji, an officer in the Project Management department: "When we provide a program to the community, it will support us, and later we hope there will be mutual assistance". This shows that, although the company is willing to involve local communities, instrumental reasons may be appearing as the company aims to protect its operations.

The issue of community engagement arose for most interviewees in relation to how the local community was advantaged by the company. There was a correlation between community engagement and business sustainability. Haji said that: "If we only pursue profit and do not pay attention to our community, then our advantage is just temporary and will not be sustainable. We may get a lot of money, unless we give good benefits to the community".

The company-community relationship through CSR reflects the company desire to help the local community including through its own initiative.

> "The community empowerment department has a program of dairy farming, and my department is in charge of community health; and it is good to use milk from the department to give to schools in the mining sites" (Sari – Employee Representative of Community, Health and Education)

Reza, the Manager of the Health Safety and Environment department, explained the practice when the company creates a pilot hydroelectric project providing power on a micro scale to a village that had no electricity. "The purpose is not only to give the village a supply of electricity but also to show how the company campaigns for clean energy which does not cause pollution".

The mechanisms that shape the emergence of ethical issues for the Yellow Company in relation to the community are the requirements of CSR and ISO standards together with the company's proactive policies to priorities the vulnerable and its initiative in health and electrical power provision. At the same time, there is another mechanism which is the company determination to avoid conflict and protect its mining operations.

7.2.3 Culture

Family Perspectives and paternalism

Family feeling and closeness among Yellow Company members are perceived as essential and as governing workplace relations. The relationship is to some extent as informal as a family relationship. "When an employee's son or daughter is ill, we visit them. When there is a family birthday party, we also celebrate it at the office. Departmental meetings take place not only at the office but also outside, such as in practising sports together. We also have outings for members and their families so that there is a family atmosphere in our company", said Joni, an Employee Representative of the External Relations department. For the company, being ethical means togetherness with others in the company and with members' families.

Family gatherings conducted by the company are not only a matter of socialising but also to discuss work matters with members' wives. This shows the wives that they are respected and involved in the company's business. In other words, wives feel more valued by the management, although this seems to be a utility relationship, where the company involves family members to benefit itself. This practice is consistent with the collectivist culture of Indonesia, where personal interest should conform to the goals of the larger work group. There is loyalty of employees' whole families to the company. Anton, the Labour Union Representative, explained: "One of our routine meetings is a program to check for fatigue. In this program, the employees' wives are also gathered together to receive explanations and guidance from the health department on how they can help their husbands regarding diet and rest. This is very helpful to us and the families support this". Although involving members' families is to show respect and belonging, the explanation above from Anton means that the company could be said to be imposing on members' families responsibilities for members' training that it should be accepting its- self. This can be considered an instrumental practice in the context of working relationships.

As there is an acceptance of family feeling, so there is an understanding that the manager is a father figure. Managers are expected by employees to perform actions that qualify as moral or ethical. They are demanded to be moral exemplars and to have a caring attitude. Paternalism, in the Indonesian context, is perceived as a way to encourage employees to act morally. Thus, it is acceptable and practised as a legitimate way to insist on 'moral order', where managers are encouraged to coach and mentor their employees. Interviewees claimed that employees respect the advice of managers, and seek guidance from them to keep 'morally' on the right track. In this sense, paternalism and ethics meet insofar as they both aim for morality.

Anton, the chief of the Labour Union, claimed that it is very important for top management, down to supervisors, to provide a good moral example to their employees. He emphasised that "if managers do not give a moral example, then we do not want to follow their instructions. In such a situation, managers would lose their employees' respect or the employees might actively show disrespect if the managers do not behave as role models". In fact, there was a high turnover of employees when they could not regard the manager as a father figure. Thus, in a paternalistic culture, there is likely to be a problem of trust if employees cannot admire the managers. Agus, the Learning and Development officer, explained that employees are more likely not to want to work with uncaring managers. Even so, too great a reliance on the managers' character might also create a pattern of dependency by employees on their managers. As Agus said:

> "There was a manager who was much loved by his employees because he gave his time to guide them. When he moved, the turnover rate became high in that department. The first manager was really caring toward his employees. But the one who replaced him was always very busy with his own work, so he had less time to give guidance to his employees".

At this company, 'Value Talk' is used to help managers talk formally to their employees to give them moral awareness or ethical understanding. A manager in the Yellow Company explained his experience on a 'Value Talk' program set up by the Learning and Development department, where he was telling a story with a moral to his employees.

"Every week we conduct the Value Talk program. I, as a manager, present a moral case such as about honesty, which comes from the department of Learning and Development. We can exemplify the role of the manager in the value talk so that after I tell such a story, I give an opportunity to discuss it. So, my role as a manager is to make a link between the value and the work that we are doing. Teaching values to employees is important, because every manager here has more than 100 employees on average in one division". (Rio – Manager of the Reclamation department)

A form of paternalism in the Yellow Company is where Value Talk is conducted using metaphors to draw moral illustrations, as shown by Anton, the Labour Union representative, who likens teamwork to the working of the limbs of the body. The employees are expected to learn from the metaphor and from their managers how to interpret and respond to it in ways that are consistent with their company's values of working together. Anton explained that the maintenance and mining operations is a single unit in which the various parts have to recognise their interdependence as well as with other aspects of management: finance, HR and Health and Safety.

"Sometimes there are employees who complain that working as mechanics, cleaning oil from machines, they get a lower salary than those in the finance department, who are working in a clean and tidy room. So the value of togetherness is exemplified as the working of our limbs. For instance, the legs and the mouth do not feel any direct connection when we eat. There are complaints from the legs because they are tired of walking, and from the mouth because it is tired of chewing. Finally they take a decision together to go on strike. The legs decide not to walk to find food. The mouth agrees not to eat. This is because the organ which gets the most benefit from action is the stomach. Within one or two hours they are all sluggish. The next day, they continue on strike until they realise that if they don't work together again, they will not have any energy, and soon after that they will die. All the work done according to their functions to deliver food to the stomach benefits not merely the stomach but all the body's organs, to make them strong".

The paternalistic idea above within the Yellow Company seems to be that members can learn moral lessons from managers as quasi-role models, through metaphor. But the metaphor of the limbs may not be a moral lesson. It may be a justification for the company's paying lower wages to technicians than to office workers. Nevertheless, the

above statements show that employees in the company accept a culture which respects role models, even if the metaphor is a bit obscure and the values taught may be instrumental.

Thus, paternalism may also be a part of a managerial strategy to engage employees, and remind them of the company's values and common goals, such as achieving profits through high working performance. An appraisal system for managers with regard to the practice of coaching and specific rules has also been developed to this end. Mentoring and coaching are encouraged formally from the top but they are not a voluntary choice because they are systematically checked and reinforced by this system. A respondent stated that the practices of coaching and mentoring are codified in appraisal systems or procedures aimed at fostering the company's values. In this way, they may be said to be instrumental, in being directed towards the company's benefit. "When we talk of a value of care, managers will be monitored and assessed as to whether they conduct the practice of coaching their employees or not", said Agus, an Employee Representative of the Learning and Development department.

In short, a family approach to working relationships is considered as ethical in the company; in line with collectivist culture, where togetherness is a goal to be achieved through either formally or informally. It can be seen that company members prefer to look to others for guidance and so the managers' paternalistic role could be said to meet a cultural expectation in which care, protection and nurturing are considered essential. It would seem that paternalism as a mechanism raises ethical issues when the managers at the Yellow Company control employees through coaching and mentoring and through value talk.

Religiosity

Ethical standards derived from religion permeate the Yellow Company's working relationships and managerial systems. It is a fact that Indonesian culture is strongly attached to religion and appreciation of the value of ritual. This attachment is seen when the company uses a religious approach, and this relates not only to Islam but to Christianity (Protestantism and Catholicism), Hinduism and Buddhism. This is recognised in the Indonesian constitution. The role of religion was claimed by interviewees to maintain togetherness and the religious spirit of company members and their families: "[...] we conduct religious gatherings after Ramadan for employees and managers and their families to interact in the company", said Ana, the manager of strategic development at the Yellow Company.

Religious activities in general are encouraged in the company. Members can use the company's facilities for religious gatherings, though not for political party activities: "I have never seen the company forbid its employees to affiliate with political and religious communities. But there is a rule that they cannot use the company's facilities for political activities", explained Anton, the Labour Union Representative. In fact, some labour unions are associated with political parties so the company wants to prevent them from using company's facilities for political purposes.

Furthermore, from the company's viewpoint, religion is a relevant approach not only for members but also for the community. "We can feel togetherness with the community through religious gatherings with the people around the mining sites", said Joni, an officer in the External Relations department. However, there is an indication that the involvement of the company in religious events in the local communities is a way to get close to the community in that it is a good way to interact with local people. As a result, the company's managers and employees usually participate in communal religious activities as representatives of the company.

"Often, the company's management comes to religious events, visiting several mosques and churches in the community. The company also invites local government, heads of villages or community leaders, small and medium enterprises in the community to religious gatherings such as in celebrating Christmas and Eid Fitri and these events are funded by the company and attended by the General Manager and CEO of the company".

In summary, there is a tendency for religion and belief in God to be used in the company as a way to achieve togetherness. Although there is evidence that the company gets involved in religious events both inside the company and in the community, this could have an instrumental purpose in satisfying social needs and achieving acceptance of the company by the community. Thus, religiosity is a mechanism shaping the emergence of ethical issue because it is used by the Yellow Company instrumentally as substitute for ethics.

Multi-Ethnicity

The Yellow Company considers the diversity of workers' tribal origins as an important phenomenon, emphasising respect for all cultures, as exemplified by Agus, an officer in the Learning and Development department. He said, "When new members are inducted, they are asked to respect cultural diversity". It is clear that the company does not want to have a problem in relation to tribal identity. Therefore, from the first working day, it wants to make sure that its employees will not bring ethnic factionalism into the company. In fact, ethnic origin makes a great difference in how much members are prepared to give feedback to others in the company, some ethnicities being much more reluctant than others. "If we want to give feedback to others in the company, we often need to consider a person's character and origin. We cannot give feedback directly or openly to some people; sometimes we need to be diplomatic in giving and receiving feedback", said Toni, an employee representative at the HSE department.

The problem of feedback is as a matter of different ways of relating with people by different ethnicities, which can cause cultural misunderstandings. Most mining companies are located in remote areas and so most of the employees come from the local tribe in that area. Newcomers are mainly managers and they mostly come from

outside the area and so from different tribes. Yet the local people see themselves as more powerful.

> In this company, people respect different members' tribes very much, including their different cultures. But, sometimes there is a bit of polemic or conflict among members, especially between newcomers and local people who work at the company. The local people consider themselves more powerful, so newcomers are reluctant to give them direct feedback if the local people are wrong. (Raja, an employee at the Maintenace and Services department)

For these reasons, ethnicity is considered by the Yellow Company to be problematic. It is a mechanism that shapes ethical issues of understanding between company members of different ethnic groups, despite the company's efforts to promote tolerance and peace between ethnicities.

7.3 Case Study 2: The ORANGE Company

The Orange Company is one of many state-owned enterprises in Indonesia. The company's main activities include the exploration, exploitation, processing and refining a number of minerals and metals. Therefore, it operates several different types of mine. It is based on several islands in Indonesia, and has both open-cast and underground mining projects. It is listed on the Indonesian Stock Exchange. The company has almost 3,000 permanent employees and contractors, all Indonesians. It has received awards in the categories of Good Corporate Governance (GCG), environmental management and community development initiatives.

7.3.1 The Environment

In relation to reclamation, the Orange Company claimed that it more than fulfils its obligation to give the government the amount of money agreed for reclaiming the site. Ambar, Manager of the Health, Safety and Environment department, claimed that there is a different attitude between large scale and smaller mining companies in the matter of reclamation. Smaller mining companies abandon their mining sites after the completion of operations, claiming that they have complied with the regulation on paying a reclamation deposit to the authorities.

> "Smaller mining companies would rather just pay the compulsory reclamation guarantee than reclaim their own mining sites. And then, after finishing their operations, they say, 'We have given a reclamation deposit to local government'. But the fact is that local government does not reclaim the abandoned sites, because the money may have been used for other government expenses, such as financing a local election for a mayor or governor. But why does my company pay the reclamation guarantee to the local government and then also reclaim its own mining areas once they are worked out? Because the company wants to ensure good mining practice, not only pay for reclamation guarantees".

Ambar's explanations above do not acknowledge that conducting reclamation is imposed under Government Laws, including in relation to Good Mining Practice. Danu, the Manager of the Legal and Compliance department, considers that having good mining practice (i.e. reclamation programs) is a matter of attracting and keeping investors.

> "Investors do not only look at our financial performance but also consider whether the company is ethical or not. If it is not, they do not want to invest in our company. To be honest, at this moment the company is not performing very well financially, but there are still many investors who want to invest in our company because of reclamation work".

So complying with rules and regulations and satisfying shareholders are mechanisms shaping the issue of reclamation. Reclaiming mining sites is, therefore, seen as a benefit for the company itself.

7.3.2 Company-Community Relations

Involvement of the Orang Company with the community mainly takes place through its CSR programs. Most interviewees explained how their CSR has evolved in terms of how the company organises and structures its CSR management through a special department. Dodo, an employee representative of the CSR department, said that: "Previously we undertook CSR as a simple 'firefighting exercise'; meaning that when a new problem arises, we respond. But now, our CSR programs provide answers or preventive actions to deal with social problems and the needs of the community. We are no longer working as firefighters". What Dodo was saying was that the Orange Company makes an effort to be proactive socially through its CSR.

In managing community expectations, Dodo explained that it is important for the company to be involved in the community's development plan and strategy through formal discussions including with the local government. It is a process whereby the company comes to understand the needs of the community. The company will then

design programs through its CSR department. It will come back to the community with its programs and ask the community to collaborate.

> "When we want to conduct an activity or program related to CSR in our mining areas, the first thing that we need is a community assessment. One way to know the community's needs is by taking part in a formal meeting known as a 'Musrembang' to discuss local developments at the level of either villages, sub-districts or districts".

At the same time, demands are made to the company both by the community and local government. The company is required to make a commitment towards regional development. Rama, the Strategic Development Manager, described how his company had to meet high expectations from the community as its ethical obligation as well as from local government on financial contributions, both of these being legal obligations. He explained that:

> "Our company is expected by the government and the community to be an agent of regional development. This means that the local community has high hopes of the company. And local government expects to receive taxes and royalties from the company's business operations".

It was claimed by interviewees that the company has difficulty satisfying all the demands of the community; and social problems with the community can occur if the company does not take into account and respond to all its needs. In the end, people in the community could ask the company to close its mines. Whether the company has had a positive attitude towards the community will determine its response. "If we don't manage the mining and the community properly, soon the public will react. The worst result would be if the community shut down our business operations", said Dodo.

Having good relations with the local community is understood by the Orange Company to be important. But the mechanism shaping this ethical issue is the demands the community makes on the company and the consequences that the company sees of not meeting those demands.

7.3.3 Culture

Family Perspectives and Paternalism

The Orange Company appears to be much concerned with interpersonal relationships, where members tend to be seen as part of an extended family. A 'family feeling' among them is encouraged by organising regular gatherings for all staff and their families in order to get to know each other, share activities, give mutual help, and do sports together. As a result, bonding between members is very evident in the company. Not surprisingly, the family perspective influences the practice of working relationships not only in formal interactions but also in an informal way. There are unofficial meetings which sidestep the formal meetings. There is a preference for group work, which means employees and managers perceive that to get along with their group is more important than the need for individual responsibility for their own actions. This indicates that dependence on a group is regarded as something positive. Working relationships, therefore, are aligned with a culture which considers that ethics consists in members of the company working collectively as much as possible.

Riko, an employee representative of the CSR department said that "Work tasks can never be performed by individuals alone. We really need to help each other when we have a task to accomplish". This is relevant in a collectivistic culture where the company's members working relationships are mutually helpful. It is why they accept a relationship of solidarity with each other. Because, as Udin, the Manager of Government Relations explained, it is commonly understood that close relationships between company members can lead to solidarity which each other: "Also, in Indonesia, alumni associations are very strong. The director general here is a great friend of mine. We were at the same university". This kind of closeness might, however, be seen as nepotism.

Beni, the Manager of Mining Operations, explained that employees' families are invited to formal events. He said that, since underground mines in the company are very high risk, inviting workers' families to the mining sites will help support them in ensuring work safety. But this idea might also benefit the company in its efforts to achieve good

performance on production targets; because in this way, it encourages the families to take great care of the workers.

> "There is an event to bring the families of employees together for mining tours to look at safety in our mining areas. The purpose is to show how the risks for employees who work in the mines are very great, so they need support from their families. By showing our mining operations to the families, we hope they will give the workers enough food in the house, and employees should also get enough sleep at home".

This attitude on the company's part is acceptable in the Indonesian collectivist culture. The families feel respected by the company. However, this is a company tour, not organised as a health care program.

From the company's perspective, it is important that through its leaders, i.e. managers, ethical values are transmitted to its employees. Ari, the Manager of the CSR department, said that "we believe in the importance of leadership; so the top level of management should give an example in practising ethical values. If our leaders do not act ethically, the consequence is that their example will not be followed". Paternalism by management is seen as permissible or as a legitimate practice within the company. It is imposed through coaching and mentoring policies which are designed to emphasise caring relationships and the embedding in employees of the company's values. Thus, a good manager in the Orange Company is expected to be a role model for his or her employees. However, there is a practice where managers are being paternalistic by setting out their personal values and expecting the employees to abide by those values. For instance, by using religious legitimation, a manager may promote the company's interests. Employees will accept a situation that may be against their interests because the ideal of order and obedience are powerful motivations in Indonesian culture.

> "As a manager I tell a story about an employee who is desperate about his income. He always feels that his wages of 5 dinars (Middle Eastern Islamic currency) are not enough. So he goes to an imam to ask for advice. The imam says; "ask your boss to decrease your wages". You and I think that this does not make sense, right? So the employee goes to his boss to ask him to reduce his wages to 4 dinars. But the employee still feels that 4 dinars are not enough to cover his living costs. He goes to

the imam again, and receives advice to go back to his boss and ask for 3 dinars instead of 4. Then finally the employee says alright, this amount of money *can* support him. The employee is confused as to why he is happy with only 3 dinars. He goes back to the imam and asks 'Why is 3 dinars enough for me?' The imam says, "It is because what you give to your company is only worth 3 dinars". That is what I as an HR manager say to the employees in this company: "Please do not just demand high wages but also look to your contribution to the company". (Todi – the Manager of HR department)

Although Todi may be positively appreciated by the employees as a result of 'taking care' of him, his suggestion of accepting lower wages sounds instrumental. He expects his employees to make large sacrifices in the company's interests. It is hard for the employee in the story to resist what is 'morally' expected by his manager. He is regarded as the property of the company and can simply be manipulated because of his obedient attitude. The HR manager intervenes in his employee's understanding of ethics and moral perspective based on the manager's own ideas. As a result, his personal views may lead to hardship for the employees.

Family perspectives are seen to be ethical by the Orange Company in the sense that they can maintain togetherness among members and enhance ethical understanding and practices through coaching and mentoring. At the same time, the Orange Company does not recognise that paternalism is a mechanism shaping the emergence of ethical issues in the form of control mentoring which is instrumental.

Religiosity

Rama, the Manager of the Strategic Development department, said that the company's members often conduct worship together, such as praying before starting a meeting, based on each individual employee's religion and beliefs and followed by singing the company song together. These practices are believed by the company to give a blessing and motivation to all company members at the workplace, and also to remind them of the values of the company, which are reflected in the company song. Thus, the company considers praying together as a moral activity, which is believed to reinforce the

employees' ethical behaviour. It is likely that the company's members agree to this because they work as a way of worshipping God.

> "We always conduct spiritual activities together. For instance, we take a minute for silent prayer followed by singing the company song before we start a general meeting. This is so that all the employees will always remember our values (expressed in the company song)".

From a religious perspective, members consider that a good person is characterised by frequency of religious observance, and their amount of prayer and involvement in religious-related activities. Todi, the HR Manager, claimed that he often talks to his employees using a religious approach, to heighten their ethical awareness: "I provide an example based on religious ethics: I invite my employees to pray together, I suggest that they do not smoke. I remind them every day". God is seen to be the source of the members' ethical obligations. The Orange Company recognises morality as being based on the worship of God. The practice of religious rituals and religious belief are perceived as enhancing ethical practice in the company. So in the Orange Company, ethics is seen in terms of religious observance and ritual rather than in terms of ethical behaviour because the managers are treating ethics in this paternalistic way. The company encourages employees to their positions, duties and responsibilities through a religious approach. Susi, the Manager of the Organisational Effectiveness department, said "[…] we should work well for God. God will not accept us if we don't do well at work. Thus, the Orange Company considers that religiosity can maintain togetherness among members, but the way the company uses religiosity seems instrumental and paternalistic.

Multi-Ethnicity

Given the fact that many tribes in Indonesia are culturally different from each other, managers and employees in the Orange Company typically come from diverse ethnic backgrounds. As Dodo said, "Our company is heterogeneous, with a very varied background of culture and tradition". Different ethnicities are also characterised by different languages or dialects. Although in the company the national language, Indonesian, is used to unite different ethnic groups, the differences still influence communication styles among company members in the workplace. The result of this is that the company places the utmost importance on minimising ethnic conflicts.

Susi, the Manager of the Organisational Effectiveness department, said that "the company's members need to understand the value of harmony in interacting with each other". The purpose is to integrate members and to prevent ethnicity from being an issue, instead promoting tolerance and avoiding conflict in a collectivist culture. In this way, the Orange Company claims to be able to accommodate the different backgrounds of its members. The fact that there is multi-ethnicity means that the Orange Company understands respect and tolerance to be really important for the company.

7.4 Case Study 3: The BLUE Company

The Blue Company is also a state-owned enterprise in Indonesia, but it is only concerned with coal mining, serving both the domestic and international markets. It operates under the Indonesian Mining Business Permit for coal production, within more than 90,000 hectares of mining area. Almost 3,000 permanent employees work for the company as well as several Indonesian contractors. The Blue Company is listed on the Indonesian Stock Exchange. It has received several awards for Corporate Social Responsibility (CSR) among listed mining companies in Indonesia. It has also been given the Gold rating on environmental performance and awards for its water resources savings program, the best sustainable business innovation in the Green Action Program, as well as partnership and community development awards.

7.4.1 The Environment

In managing the environment, the Blue Company accepts that a physical impact from the ex-miners water is inevitable, since those waters eventually go into the river. But what the company does is that, before those waters flow into the river, they are made to enter mud-settling-ponds for water treatment purposes. In ensuring this, the company to take moral action: "[…] there are several compartments where the mud is settled and the water comes out clear. Then we examine the level of acidity: if the water is still acid we add calcium to neutralise it so it will be safe", said Anto, the Manager of the Mining Operation department at the Blue Company. Another explanation of how the company deals with the environment is in response to environmental standards, as Bobo, Chief Representative of the Labour Union said: "We have systems such as quality management, environmental management, risk management, safety management, and laboratory management. All these are our guidelines".

Two interviewees were concerned with risk management:
Alex, the manager of the Strategic and Development department explained that: "We see stakeholders such as the government, demand that the company has good mining practice such as managing our water pollution". Santo, the Manager of the CSR

department, stated that the company benefits if it complies with government regulations: "If we do not follow environmental standards, the public will resist and we can no longer operate". The company initiative to manage water pollution is actually under government rules and regulations for good mining practice. Thus, complying with rules and regulations is the mechanism shaping ethical issues with the environment.

7.4.2 Company-Community Relations

The Blue Company claims that it has good relationships with the local community. Anto, the Manager of Mining Operations explained that these are achieved and maintained by providing public facilities such as mosques and sport centres for the community. "We provide sport facilities and mosques that can be used by the local community, if we have good relationship with the community, in return they will respect our company without any conflict". Anto's answers are similar to those of Hasan, the Legal Manager, when he considered helping the community is the way the company is avoiding conflict with the local community. Hasan explained that this relationship is like a relationship with neighbours, which demands respect and helping each other in the Indonesian culture. "Let's say there is someone in the community and he does not help other people, others in the community will hate him. This is what we do not want: we don't want the local community to interrupt our mining operations".

Boim, the Manager of the Port Unit, gave other reasons why the company needs to be close to the community: expecting that the community will help the company if other stakeholders complain to the company: "If the company has a good relationship with the local community, it will benefit us and they will not steal the company's property. We also give people in the community jobs, as cleaners for example. There is mutual advantage; people can work for us and we do not need to pay high wages. When we have problems with an NGO for instance, people in the community will help us.

Responding to demands from the local community, the Blue Company has what they call 'social mapping' in deciding who will be helped and what kind of programs the company will support. Darma, an officer of the CSR department said:

"Using our social mapping, we can see what the community needs. We will help the community by selecting their proposal request, then we double check with our internal rules or standards on CSR. Usually the local community asks the company to help in constructing public facilities such as mosques, public toilets and roads"

The company claims that it has a strong relationship with local communities through CSR programs. One of the respondents explained that if local communities complained about pollution by the company, the Community Development Officers (CDOs), who are part of the CSR department, would immediately report this and the company would immediately seek a solution.

"Our mining sites and ports are located near communities which have a low level of economy and education. We have to go straight to these communities to have discussions with their leaders, so that people do not complain to the company, for instance about pollution. We employ the leader of the community to be the company's Community Development Officer (CDO). The CDO's main task is to report any problems in the community in relation to the company". (Boim – Manager of the Port Unit)

Good relationships with the wider community are understood by the company to involve some element of calculation, such as protecting the company from protest by local communities. In other words, it can be seen that the purpose of CSR as a strategy is to maintain relationships with the community in order to protect the company's business operations. If the community accepts the existence of the company, the company will benefit. These good relationships are therefore mutually protective, especially when community leader is used as a CDO. This will minimise the risk of conflict with the community. Community engagement will be different if it is used only to ensure that the community does not react negatively to the company. In this case, the company is considering the consequences of being ethical for its own interests. Probo, an officer in the Technique and Operations department, said that the company benefitted from closeness with the community; as it was claimed that the company had no problem in displacing people:

"The company has just moved a number of head of families who live near the mines to a new location further from the area of the mine. We disseminate the company's plans with dialogue, we provide new houses for free, and people do not react negatively".

Thus, the Blue Company's relationship with the local community is determined by the community's demands and complying with government regulations. However, what the company gives to the community is based on its own interests.

7.4.3 Culture

Family Perspectives and Paternalism

In the Blue Company, working relationships include informal interactions where work matters may be discussed. It was explained by interviewees that it is common practice for a manager to enter the private sphere, coming to an employee's home to discuss job performance. According to Romi, the HR Manager, the company sees informal relationships as a way of dealing with its members' work performance. "When there is an employee who has low work motivation and performance, his manager sometimes comes to his home to discuss the problems; and this practice is acceptable to both parties as employees feel that they are being taken care of; and this a way to create a positive emotional connection". Although entering the private sphere looks unprofessional, it is perceived on both sides as engendering a family-friendly atmosphere in the organisational context, according to Romi.

Moreover, members' families are also involved in the process whereby staff internalise the values of the company. ESQ training sessions are provided on corporate values, not only for staff but also for their families, in order to make sure that they too will practise the company's values. From the company's side, the reasoning is that members spend half of their time with their families at home. So training has to be given to their families as well. This relates to collectivism which requires that values, goals, and thought transcend work-life boundaries.

> "We have a strategy of using an ESQ program for all employees, managers and their families about corporate values. Why do we involve the family? Because half of members' time is spent at home living together with their families; so the values of the company can be synergised and mutually supportive". (Hasan – Manager of the Legal department)

The sense of family is also used by the company in the process of promotion and rotation of its members. Thus, the management will ask whether the character of the person concerned is good or not, as Anto, the Mining Operations Manager, explained. "The management always asks for the opinion of the employee's managers and colleagues as to whether he has a good character before he is promoted or rotated to another department". The company considers that asking colleagues to give information about a person who may be promoted will result in the ethical or right decision. Thus, for the Blue Company, HR using family feeling is considered ethical. The practice of seeking the opinions of other members in a promotion process is considered to be related to collectivist culture, which requires someone who will be promoted not only to have capability or skills for the job but to fit in and appropriately engage in the context of social relationships. There is, however, a possibility that colleagues will be reluctant to give feedback of poor performance, especially in relation to a person they like; and also personal grudges may come into play when a colleague feels wronged by someone else. This can be problematic if the management mainly considers the promotion or rotation process on the basis of social relationships. Gathering information about members from other colleagues and seeking to find out whether a person will get on with the others in their department may be helpful, but it should not determine the choice of the best person for the job.

In the Blue Company, family feeling to some extent becomes paternalism when it is a question of considering the need for moral exemplars given by leaders. Managers have the power to be exemplars and also company members demand it. Therefore, according to Boim, the Manager of the Port Unit, it is a matter of trust, because a manager needs to be consistent, and so a concrete example of ideals. What managers say must be what they do so that their employees will believe in them and follow them. As Boim said, "If what we say and what we do are different, we will not be trusted by employees".

There are coaching and mentoring practices at the Blue Company which are deemed to a way to provide ethical guidance to employees. However, advice from managers to employees often reflects their own views. Santo, the CSR manager, for instance, tells his employees that they are supervised by God, so they should work hard every day at the office. This practice illustrates how personal views are used in coaching employees and ensuring a good working performance. As a result, the employees are made to work harder than before. This benefits the manager: he sees that his views may affect not only his employees' moral attitudes but also their work performance. Although this seems to be instrumental, the employees being used for the advantage of the company, they apparently accept this. The reason is that they feel that work is a spiritual activity: that is why they want to work hard.

> "I explain to other managers and employees that work is not just a matter of structure and job descriptions but also worshipping God, meaning we should work well for God. God will not accept us if we don't do well at work. This understanding will lead employees and managers to perform better at work. Employees will not procrastinate even though they are not monitored every day by their managers". (Santo – Manager of the CSR department)

Family perspectives and paternalistic practices at the Blue Company are mechanisms shaping the emergence of ethical issues in company and work relationships.

Religiosity

Religious beliefs and practices have been found to be important elements in the understanding of ethical practices, embracing a religious approach at the workplace in relation to working relationships and managerial practices. Interviewees explained that the company regularly organises religious activities for Muslims during Ramadan and celebrates the feast of Eid at the end of Ramadan. Moreover, religious orientation plays an important part in promoting particular sets of values and attitudes in the company. Often, the company encourages employees to understand of their roles, duties and responsibilities in religious terms. For instance, religious gatherings are used to discuss work matters when there is an issue that cannot be resolved in a formal meeting. The HR manager explained that when the company faced the problem of becoming less

profitable, there was a formal dialogue between management and employees with no consensus. Then, the company conducted a religious gathering to solve the problem by motivating employees to implement their religious convictions in daily life, including at the workplace. "If formal meetings cannot solve problems, then the company conducts religious gatherings in the department. And the company often involves the employees' families as well", as Romi, HR Manager of HR, said.

For the company, ethics training based on spirituality and religiosity at the workplace is considered to be a way to instil good character into members. It is meant to build in them perception and understanding of the company's values. However, it is also designed to encourage in members discipline, hard work, integrity and thrift. ESQ training is given to members in a very structured and scheduled program. It is given to groups of employees as well as their families.

Religious thought is often used by members in the workplace. An instance is that Boim advised his employees to feel monitored by God while they were working. He asked them to work professionally because God was always watching them. The fact is that belief in almighty God is formally stated in the Indonesian constitution and is accepted by the population.

> "We have Almighty God who always oversees everything. If the supervision is left to managers, it may not work properly. But if we feel watched by God, we feel an obligation and responsibility to work professionally even though there is no direct supervision from our managers. That is the advice I give to remind my employees".

Boim's way of asking employees to be professional in the workplace based on this religious approach is instrumental, but it also reflects a religious way of thinking in Indonesia. The effect is that people will work even without any supervision in accordance with a specific company target. In addition, Hasan, the manager of the Legal department, has identified that it is important to provide moral stories to employees by using religious illustrations.

"We can imagine that we work very hard and get very tired because we dream of giving a present to our loved ones. Then if the money from all our hard work is stolen by someone else, what are our feelings? We will be completely disillusioned. It will be similar if we steal from others: we will always remember and understand why we cannot do this, because they will certainly feel the same. So this conveys the reason why all the company's members should not steal […]". (Hasan - Manager of the Legal department)

Religiosity is used by the Blue Company in order to achieve ethical behaviour as they see it but they do not see that this may be instrumental since they are really concerned with working performance. Thus, religiosity shapes ethical issues in the company which may go unrecognised.

Multi-Ethnicity

The Blue Company has employees and managers from various ethnicities: "At this company, many employees and managers come from different islands and that situation naturally encourages them to socialise with each other using their own social relations skills", said Probo, an officer at the Technique and Operations department. Santo, the CSR manager at the company, said that there is no openness among members. He explained that: "the culture of people in the company is not too open, especially when they are asked to speak in public or at meetings". Bobo, the Chief Representative of the Labour Union, greed with this. Bobo claimed that there is a situation where "members of the company employees and managers only understand their own departmental responsibilities".

7.5 Case Study 4: The MAUVE Company

The Mauve Company is a multinational company, whose headquarters are located outside Indonesia. This company was formerly owned by another international company. It operates open-cast mining of nickel in Indonesia from laterite ores, and mines more than 190,000 hectares. It directly employs 3,300 people and more than 3,000 personnel are employed by associated contractors, domestically and internationally. It is listed on the Indonesian Stock Exchange. The Mauve Company has been given several awards, both by the Indonesian government and by independent organisations, for the best environmental management of mineral mining and for safety management.

7.5.1 The Environment

Regulatory compliance emerges as the Mauve Company's interpretation of being ethical, where the mining sector regulations have to be complied with. Reclamation of the environment, claimed by the company to be an ethical concern is, in fact, demanded by the authorities. The company has contracts with the government which depend on this compliance. "So the company is always in the spotlight. This means that it absolutely must maintain the principles of good mining practice (i.e. reclamation) contained in our contract with the government", said Dara, an Employee Representative of the Legal department at the Mauve Company.

Environmental concerns are clearly a question of attitude where the company claims to do more than simply abide by the rules and regulations. Jaka, the Manager of the Environment and Mining Permits department, stated that the company was practising voluntary due diligence, where its actions went beyond mere compliance with rules and regulations. He explained about the water coming out of the company's mines. The water goes into a lake; but the company prefers to measure the water twice to check for chemical contamination before it enters that lake, instead of only once as required by the government.

"Chromium 6 means contamination and is dangerous. Chromium 3 is safe. What can happen is that over time this Chromium 3 can re-oxidise with oxygen and become Chromium 6. The government's rules are to make one measurement and we can easily do that. So we are always discussing internally where we should measure, why, and so on. We believe the most important thing for us in our situation is to protect the lake, so what is our goal here? If it is compliance with rules, we just need to measure once. Of course, we measure twice […]".

The argument above of protecting the lake seems to show that the company is aware of potential impacts on the environment from its waste. At the Mauve Company, therefore, complying with rules and regulations according to its contract with the government is one mechanism and its own company standards are another, shaping the emergence of ethical issues regarding the environment.

7.5.2 Company-Community Relations

The Mauve Company considers the importance of having good relationships with the local community. However, the company sometimes prioritises stakeholders based on their power or influence. "We must understand which people have high expectations of the company, whether they are important for the company, very influential individuals in the community and government, or people who work with the company's programs such as contractors or NGOs", said Didi, the Manager of Production Systems. The question is then how can the company maintain its ethical position in the community when it does not recognise the equality of stakeholders, when the company selects stakeholders whose influence may mean that they have strong political connections that the company needs to benefit from. The company's system of prioritising stakeholders may also not help the community where there are other less demanding stakeholders or the community is timid.

Didi's explanations above are echoed by Toto, the CSR Manager: "Talking about the previous management of the company, it was in the New Order Era under Soeharto's presidency, and the company used to prioritise people in the community based on their power or influence and the company tended to co-operate with them. I can tell you that at that time, the company often used police and the army to protect the company from demonstrators in the community who had complaints against the company".

7.5.3 Culture

Family Perspectives and Paternalism

The Mauve Company has informal gatherings at a place called 'the Town Hall' in the mining site, which was developed by the company and actually designed to create closer relations between the management and its members. Managers and employees hold group meetings there, showing the quality of their social interactions through sharing. The idea behind this practice is to make the relationships among the company's members more cohesive. In the Town Hall Meeting, as Dara, an employee representative of the Legal department, said: "The management comes for gatherings with employees so as to listen directly to their concerns".

In addition, there is a practice whereby employees visit managers in their home.

> "I think it is complicated. In our Jakarta HQ we spend 8 hours a day at the office. But in the mining sites we have supervisors and employees, and they interact with each other even after they finish work. Sometimes, managers and employees bring work matters to each other's homes. When members have problems, they often come to the home of the HR manager or supervisor at night". (Nata – Manager of the HR department)

This shows that there are close social relationships in the company and informal social relationships outside working hours are appreciated. However, company members may find it difficult to distinguish their relationships as friends and as work professionals. There may be an overlap between the two. Where employees visit their managers'

homes, the managers have to be consistent with their decisions as between home and office. In turn, managers need to respect their employees because they live in the same area or housing complex as neighbours.

Answers given by most respondents alluded to the importance of the company's setting up guidelines for relationships at work. There is an ethical guideline set up by the HR departments called the collective working agreement. However, it is not a detailed agreement. Certainly, it is difficult to define the practice of working relationships. This may cause a lack of clarity in practice, if the guidelines do not address the question of non-work time visits. In fact, this cultural obligation of discussing work matters outside work time can be extremely frustrating for managers whose employees come to them at home. In Indonesia's collectivist culture, it is not polite to turn away a colleague who comes to your home, even when you are actually needing to rest.

Paternalistic attitudes seem to appear where managers cultivate employees' ethical characters. This is consistent with the collectivist culture which is vividly explained by Toto, the CSR manager: "If employees get an order to go to the right, everyone goes to the right; and if they are ordered to go to the left then they all go to the left". Most respondents claimed that managers need to give a good example to employees so that they will follow their lead. In other words, the behaviour of a boss must be exemplary. Toto emphasised that in Indonesian culture people still look to their leaders to set an example. He said, "I can say that Indonesia is unique in that the character of people is to follow a role model. This means that people are quick to imitate and easily influenced by a father figure". Employees, therefore, expect an attitude of care from their managers. This is relevant to the idea that managers can act 'in loco parentis', as moral guardians, as Nata said:

> "Actually, employees want to talk about the good things at work, so they also need someone who has the character of a teacher rather than a boss. If working relationships are based only on superiority, managers simply rule and order employees to work hard. But ideally, having the character of a teacher means giving attention and coaching to employees. And in this company, not many people have it". (Nata – Manager of HR department)

However, there is a possibility that a paternalistic attitude in the company is a form of instrumental strategy. This can be seen from Nata's explanation, "After managers were asked to conduct coaching and mentoring, and then created surveys asking employees the question, 'which is more important, safety or production?' Their answer was production". Safety did not feature in the answers because managers always require employees to focus on performing good work in order to achieve production targets. So production is the word that employees most understand. Thus, the practice of mentoring seems to be 'pseudo mentoring' because it is in fact a vehicle for asking employees to work hard. And this seems to erode personal relationships.

> "The employees said that the company really puts production first. In every meeting the first thing that managers ask us is about production". (Feby – Employee Representative of the Employees Engagement department)

Sometimes, in reality, the excuse of 'not having the time' leads managers not to mentor employees in any meaningful way. According to Sapta, an employee representative of the People's Development department, employees' needs for mentoring may not be met because of a lack of mutual understanding. Managers are often accustomed to working towards targets rather than showing care towards employees. In fact, coaching and mentoring are mostly considered by managers to be part of how they consistently oversee employees' performance. Mentoring practices are, they say, more about career-related functions or work matters than willingness to offer counsel over the in-depth needs of employees.

> "If the relationships between managers and employees are a matter of achieving working standards or targets, they more than achieve these each month. But is this what they should be doing? Here, I can say that we still need to work it out because the 'personal touch or human touch' is important in the process of achieving the goals. Our higher management still does not understand the importance of the personal touch to employees. Perhaps mentoring is eroded by work routines and our efforts to just comply with government laws and regulations and respond to changing stakeholder expectations".

The explanation from Sapta above shows that there is a contradiction between what management are trying to achieve – coaching and mentoring – and how they are trying to achieve it, which is through instrumental means. This can also be a problem when ethical standards in the company are not merely designed to encourage the pursuit of values but to take advantage of employees and managers by demanding their commitment to defined targets by means of the values. This means that there are certain values that are not only related to morality but to employee work targets, as explained by Nata, the HR Manager. He stated that the aim of his company's values is also to identify committed and capable employees. He explained: "Our reason for having those values is that when the company wants to achieve its goals and objectives, the employees must be competent to carry out their tasks, roles and accountability".

Family feeling in the Mauve Company is expressed in meetings of all companies' members and in visiting by employees to managers at their home. This can lead to a lack of professionalism. Mentoring in this company is being used instrumentality to improve production rather than to address ethical issues.

Religiosity

The Mauve Company encourages religious practices among members to influence their understanding of ethic. Juda, the Legal manager, also considers that managers should use religious thought to make employees understand the importance of safety standards and procedures. He said that the company's members need to always be aware of safety at the workplace in the same way as they are aware of practising religious rituals, without any orders from others. He said that taking action on work safety is of equal value to performing religious activities: "If you care about safety, in return it will protect you. We do not need to be told to pray either, since we have understood consciously the need to worship". In short, it is easy for management to use religious belief in an instrumental way.

Multi-Ethnicity

The Mauve Company takes into account the local culture in each mining area, as stated by Purba of the company's Labour Union[14]: "[…] they (the management) should consider the culture of this island, not just create and use their management system". The company has policy guidance from HQ; but implementing it depends on the local culture. The existence of a variety of ethnic groups and cultures results in a problem when members of different group are working together. The interviewees claimed that there will be more tension if managers do not understand the cultural habits of the local employees, because these vary. For instance, employees and managers are reluctant to give or receive feedback in case this may lead to conflict. There is a problem with the practice of sharing among departments when misunderstandings arise between people of different cultures. Many employees and managers coming from different islands naturally make relationships between people of their culture. Thus, they tend to avoid conflicts because they think that giving real feedback could create negative feelings in people of the local culture in each case.

> " […]. There is an informal understanding that we don't want to disturb other departments and we also have a culture of fearing to express an idea or a criticism because cultures differ among employees and managers who come from different islands and different tribes [...]". (Feby – Employee Representative of the Employees Engagement department)

The company seems very concerned with taking into account the ethnic differences of their members. They unite members through ensuring that different tribes are willing to compromise. Individuals have an informal understanding of how to consider other cultures at the workplace and possible negative feelings are restrained. The plurality of languages and ethnicities, the differences in geographical origins altogether are relevant in considering questions of respect and tolerance. However, compromise can involve members keeping silent or being reluctant to give feedback in case this raises problems of ethnicity. But this only ends up with a bottleneck of undiscussed problems. "There is

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[14] Purba is a native of the island in question.

something strange when the company encourages implementing the value of openness but, in reality, we have difficulties in achieving it. In fact, we have a culture of fearing to express an idea or a criticism because cultures differ between employees and managers. But if employees know the leadership style and culture of their managers, it is easy for them to communicate", said Rosa, the manager of the Health, Safety and Environment department.

7.6 Summary

This chapter has analysed mechanisms emerging from the four mining companies. Those mechanisms are embedded in the environment, company-community relations and culture.

Table 9 Mechanisms Shaping the Emergence of Ethical Issues

Company	Mechanisms	
Yellow	The environment	- Legal compliance - Acting from ethical awareness
	Company-Community Relations	- Community engagement strategy - Community demands
	Culture	- Family perspectives - Paternalism - Religiosity - Multi-ethnicity
Orange	The environment	- Legal compliance
	Company-Community Relations	- Community engagement strategy - Community demands
	Culture	- Family perspectives - Paternalism - Religiosity - Multi-ethnicity

Blue	The Environment	- Legal compliance
	Company-Community Relations	- Community engagement strategy
		- Community demands
	Culture	- Family perspectives
		- Paternalism
		- Religiosity
		- Multi-ethnicity
Mauve	The environment	- Legal compliance
		- Acting from ethical awareness
	Company-Community Relations	- Community engagement strategy
		- Community demands
	Culture	- Family perspectives
		- Paternalism
		- Religiosity
		- Multi-ethnicity

From table 9 above, mechanisms that shape the emergence of ethical issues in the mining industry can be explained as follows. First, the mechanisms shaping the emergence of ethical issues in relation to the environment such as reclamation are: compliance with rules and regulations and acting with ethical awareness. A further mechanism is avoiding complaints from the local community. Second, mechanisms shaping ethical issues in relation to the local community are: the demands from the community, avoiding conflict, protecting mining operations and complying with government regulations. Third, cultural mechanisms are: paternalism, religiosity and multi-ethnicity, all of these mechanisms shaping the emergence of ethical issues in the form of control and instrumental purposes.

CHAPTER 8 DISCUSSION

8.1 Introduction

The primary objective of this thesis is to explore what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues and how mining companies engage with them. This chapter sets the key findings of this thesis in a context of broader debates on business ethics and ethical organisational behaviour. This discussion chapter is structured as follows: first is to discuss the complexity of the ethical issues in mining companies. It is argued that context-sensitivity is important. Industry-specific issues and national culture shape the emergence of ethical issues. Second is the role of organisational culture in ethical understanding and behaviour. It is argued that cultural mechanisms, family perspective and paternalism, religiosity and multi-ethnicity, are central in the Indonesian mining industry, and can shape ethical issues through organisational culture, structure, processes and policies. In line with this, how mining companies engage with cultural mechanisms is also discussed.

8.2 The Complexity of the Ethical Issues in Indonesian Mining Companies

At the beginning of this thesis, it has been argued that business organisations have responsibilities towards society (Manning, 1984; De George, 1983; Goodpaster and Matthews, Jr, 1983; Hoffman and Moore, 1990; Phillips, 1992). In this context, findings showed that the mining companies institutionalised business ethics practices and incorporated ethics into their management. Even so, they have to deal with environmental problems, since they are taking mineral resources from the ground. Therefore, this thesis argues that the characteristics of the mining industry shape the emergence of ethical issues. Consistent with Bird (2016), Kemp, et al. (2010), Kapelus (2002), Cragg and Greenbaum (2002) and DesJardins (1998), the issue of the environment and work safety, and relations to the community, are embedded in the characteristics of the mining industry.

This thesis recognises that the mining industry is inherently problematic from an ethical perspective. A central element for this argument is that the mining companies face social and environmental issues. Findings suggest that the companies accept responsibility to restore the environment after mining is completed. The fact is that reclamation is designed to minimise environmental damage, because the mining business poses potential hazards for the environment, and thus ethical standards for dealing with harm have to be maintained. Further, rules and regulations in the industry entail compliance of the mining companies with every mandatory requirement for conducting good mining practices, including paying a fee or deposit to mine. As a result, the companies have mining contracts with the government which depend on this compliance. The mining companies must obey environmental regulations. This reflects the companies taking primary responsibilities, which refers to the duties and obligations in the sense of honouring contracts (Byerly, 2013; Guthrie and Parker, 1989), a responsibility to safeguard ecology (Blackstone, 1990) and complying with laws once mining companies get licences to mine (Melé, 2009). The mining companies can operate their business if they agree to perform various environmental actions in relation to the contract. In this case, responsibility of the mining companies involves a duty inherent in the characteristics of the mining industry.

In practice, the companies carry out their responsibilities towards the environmental issues in different ways. This thesis highlights that a decision to conduct environmental restoration, including managing waste and pollution from business operations, is morally problematic if the policy employed by the companies may simply be to avoid costs in the future. The language of cost/benefit analysis often appears in calculations on whether the companies' actions cause environmental impacts (Audi, 2007; Kelman, 1990). This is manifest, for instance, in the Blue Company when its ethical concerns on the environment are a matter of avoiding complaints and potential associated risks. This reflects the risk management logic that is used to define the company's benefits over its environmental responsibility. Findings also showed that managing pollution is actually mandatory under government rules and regulations. In this context, similar to Melé's (2009) and Ladkin's (2015) argument, this thesis stresses that acting in compliance with just laws expresses a legal perspective derived from the authorities.

The decision at the Yellow Company, for instance, not to blast a cave containing bats, can be seen from several perspectives. The company agreed not to blast in spite of having a permit or contract to mine in that area (which contained large-scale coal reserves) because the company understood that not blasting would result in better consequences, protecting the environment from the damage that would have been caused by blasting, especially in terms of an outbreak of dengue fever. This shows that the decision highlights a conflict between economic and moral reasoning. Findings, therefore, support claims that a few narratives indicate moral awareness, where there is a possibility that the mining companies consider the environment even when rules and regulations are not present and the consequences of their actions do not relate to profit making. Considering there is an involvement of a potential risk to people and the environment, the Yellow Company demonstrates its efforts on the environmental issues by deciding not to mine in a certain area. However, the decision not to blast the cave also relates to what Snoeyenbos and Humber (2002) call 'act utilitarianism': deciding not to harm the environment where the local communities would be affected. If the company's decision-making in that case was made in terms of financial benefits and minimising costs, the language of cost/benefit analysis and "economic rationality" are seen to underpin decision-making when the companies make decisions (Audi, 2007). In this regard, this thesis ascertains that a calculative assessment of cost and efficiency in order to minimise risks as well as to obtain good working performance and reputation leads to the emergence of ethical issues. Thus, the borderline between the company considering the environment and avoiding potential complaint is often unclear.

Findings showed that voluntary due diligence is conducted in relation to the environmental issues with or without guidelines from the authorities. In this sense, caring for the environment derives from how the companies consider making a contribution to environmental improvements (Shawn and Barry, 2016). For instance, the ethical decision to ban employees from taking oil drums home from the Yellow Company shows that it has taken a moral initiative, valuing its moral responsibility in finding an ethical solution to a problem. Moreover, decisions such as choosing to measure ex-mine water twice show how the Mauve Company figures out what the right thing to do is beyond legal requirements. This is a question of attitude, where they aim to do more than simply abide by the rules and regulations.

This thesis, therefore, argues that the way the mining companies engage with environmental issues is multi-layered. It is a mixture of meeting rules and regulations set by the authorities, ensuring they avoid complaint as well as considering the morality involved in engaging the environment. In this sense, a decision on environmental issues is either an opportune solution or an instrumental device.

One of the main findings of this research is that it is relevant where mining companies create impacts outside their organisational boundaries. This study, therefore, suggests that there is an implicit contractual relationship between the mining companies and the surrounding communities, to thrive together in the same area. This supports Cragg (2002), Buchholz and Rosenthal (1997) and Frederick (1986) that companies need to hold an implicit contract from society to exist. Dunfee and Donaldson (2002) note that the implicit contract involves mutual acceptance. This view is related to the nature of the companies, where many groups of stakeholders in society have a moral claim on them, because they have the potential to harm or benefit them (Freeman, 1984). This argument indicates that society has a power to pressure mining companies to act in accordance with social demands. As the literature review shows, demands from the community mean that there is the public expectation of acting ethically, and business organisations will lose their power to operate if they do not act responsibly (Buchholz and Rosenthal, 1997; Jones, 1980).

However, findings show that the mining companies investigated are the more powerful in terms of company-community relations. The case of the Orange and Mauve Companies shows that they are a place for local people in the communities to ask for help. This reflects that bonding between company and community in mining areas is influenced by collectivism in Indonesian society. Company-community relations in this sense reflect that there is confidence in companies by communities, who consider companies as their extended family. Moreover, the role of governments, by themselves, has not always been able to effectively deal with social problems. Company-community relations may result in an imbalance of power leading to a situation where the companies use their powers to control communities, which is instrumentality. Consequently, an inequality of power distance in society leads someone to make decisions for others. Triandis (2001) and Triandis and Gelfland (1998) have explained

that the practice is accepted in the Indonesian culture as a form of being family and accepting hierarchy within society. In this regard, this thesis reveals that it is problematic if there is an unequal relationship without reciprocity.

The sense of control is evident when the company's social policy, for instance, depends on the priority as to who will be helped, being based on the power of stakeholders and limited resources of the company. This study illustrates that stakeholders are considered as resources to be managed in the interests of companies (Clarkson, 1995). In this context, stakeholders are regarded instrumentally in pragmatic ways. It was found that selecting which people in the community will be given more attention and help by the companies is a pragmatic policy when it means fitting with the companies' economic interests, rather than a way for them to really maintain moral responsibility. How the companies implement an assessment of who will be helped in the community is based on criteria of calculation; and therefore cost/benefit analysis is often maintained in the sense that helping the community is equivalent to gaining profit or return (Fisher and Lovell, 2003) or at least to avoiding conflicts (Snoeyenbos and Humber, 2002).

This thesis highlights that the role of Corporate Social Responsibility (CSR) is essential for the companies as its purpose as an economic rationale and the principle of utility. The issue of community engagement arose for most interviewees in connection with the relationship between community engagement and business sustainability. An expectation of mutual assistance can be an instrumental reason, as the companies aim to protect their operations. The mining companies may protect the interests of local communities of their 'extended families', but in return expect an acceptance of the company; mining operations as well as minimising corporate risks. Findings suggest that 'community mapping' is not only designed to identify the community's interests but also to know who will be helped based on the power of stakeholders. Thus, the findings contradict the argument that community mapping, in terms of prioritising the vulnerable, is a way to be more focused on the target to determine the right decision (Melé, 2009). Instead, this thesis illustrates claims that community mapping is a way to identify the interests of stakeholders (Crane and Ruebottom, 2011; Reynolds et al., 2006; Mitchell et al., 1997; Clarkson, 1995). This reflects a managerial or instrumental perspective of stakeholder engagement (Freeman, 2010; Crane and Ruebottom, 2010;

Reynolds et al., 2006; Hasnas, 1998; and Donaldson and Preston, 1994). Thereby, this study proposes the concept of contractual schemes which are ideally characterised by mutual advantage (Cohen, 2010; Heugens, et al., 2006).

The study demonstrates that the practice of CSR by the mining companies is often a way to temper and lessen potential conflicts with the local community, as Kapelus (2002) agrees. In this sense, the companies are seen as cooperating with society in attaining and fulfilling a minimum moral function, and this is similar to what Bowie (1999) says: that CSR is conducted in order to avoid harm and to seek profit. Indeed, this thesis has ascertained that the companies' approach to CSR, which aims to gain business advantage, is far from the duty-based ethics, having empathy to the wider community. Considering Maclagan's (1998) argument regarding relationships between companies and society through CSR programmes appearing to be a strategy in response to or in anticipation of adverse public opinion, this thesis argues that CSR is not only an instrument to augment companies' profits, as often expressed as being to improve their image, but also relate to social pressure. The evidence presented in this study suggests that CSR reflects economic logic, an instrumentalisation of ethics rather than a moral rationality or awareness.

The findings imply that the mining companies' consideration of and respect for local culture is part of the process of engaging people in communities. Recognising local culture often demands that the companies find different ways of approaching the community. It is a fact that a mining company operates in different islands with different local cultures, so respecting the norms of the community is a necessity. However, this thesis underscores that ethical issues emerge from practice when the companies think of how they should get closer to the community in the lens of economic rationale – avoiding conflict with local communities, and giving the company the advantage of strike-free operations. So this study supports claims that instrumental or managerial consideration not to challenge the local norms is a way to temper public reaction.

As a consequence, all the companies are often involved in religious events or congregations. The religious beliefs of society influence people's behaviour (Archer, 1995). Findings suggest that the companies consider the communities as resources to be managed closely: a strategic consideration rather than an ethical one (Ladkin, 2015); although the practice of engaging the communities through religious activities is an effective way to achieve successful business outcomes. Therefore, religiosity plays a vital role in being possible causal mechanism in that it influences behaviour.

Findings also suggest that the company-community relationship through CSR reflects the company's desire to help the local community, including through its own initiatives. Encouraging members to participate in community projects is a kind of initiative taken by the Yellow Company. Moreover, the findings in the Yellow Company in terms of health and education initiatives show how stakeholder capabilities can be used for value creation in the company (Garriga, 2014; Freeman, 2010); and for creating partnerships or cooperation among stakeholders (Nieman, 2013). This confirms the views of Solomon (1994), who argues that the social responsibility of business organisations shows their role of serving larger social purposes.

The fact is that the mining companies recognise that local communities are important, and therefore CSR is often used to create harmony between the two sides. A strategy of CSR for community engagement is pursued by all the companies. As a result, the companies achieve their goal of being accepted by the surrounding communities. This reflects that there is a mutual advantage between the two parties: the companies and the communities are in a good relationship to enhance the quality of life. All the mining companies investigated ensure that the surrounding communities survive after the mining operations come to an end, through CSR programs such as by developing areas, creating jobs for local people and restoring the environment. However, findings suggest that there is a tendency for the mining companies to consider having CSR programs because of ISO standards. Thus, it is problematic if the companies rely solely on the basis of a legal code whose purpose is to comply with regulations. Ideally, rules and regulations, including standards, on CSR could provide a legal backing to ensure good ethical practice by the mining companies. But this is problematic if the mining companies only focus on complying with appraisal systems (Ladkin, 2015). The mining

companies consider that they are being ethical since they comply with rules and regulations and do not actively go against the government laws. The fact is that there are several government regulations such as Law 40/2007, Law No. 19/2003 and Law No 05/MBU/2007 which demand mining companies to have CSR programs including environmental responsibilities. This phenomenon of compliance would be problematic if the companies cannot see the bigger picture of ethical issues. The findings indicate that implementing CSR, especially in relation to social and environmental aspects, is a question of complying with rules and regulations, so that legal requirements are in fact the companies' main consideration. Thus, the companies are performing a legal function of CSR (Kaplan and Walker, 2002).

Another important example of company-community relations which can lead to ethical issues is the case of displacing local tribes to an area far from mining sites. This is problematic if there is no choice for the people in the community being moved. It is an instrumental decision if displacing indigenous peoples from their original areas is a means of ensuring the companies' economic interests, which are to enlarge mining areas and enhance productivity. This situation is questionable from the point of view of impartiality, which is inadequately addressed. Thus, this study illustrates that freedom and human rights are essential in relation to the social contract. Echoing the argument of Hasnas (1998), Buchholz and Rosenthal (1997) and Bishop (1996), this thesis argues that displacing peoples in the surrounding communities could be inimical to the social contract and lead to a perspective management strategy.

This research study emphasises that the mining companies face very problematic issues in terms of dealing with cultural and political sensitivities. The relationships of mining companies with indigenous people are not only complicated, but often involve negotiations with local governments (Bird, 2016; Kemp, 2011; Welker, 2009; Andrews, 1998). Interviewees explained that bribery is still a major issue in relations with the government issuing licences to operate mining sites. Findings showed that the mining companies are still facing the issue of bribery in the way of obtaining mining permits. This practice involves the role of central and local governments. Thus the findings suggest that it is a complex industry where mining companies may bribe governments and be bribed by contractors. These findings show the complexity of business

arrangements in the Indonesian mining industry, confirming the argument of Johnson (2016) that business organisations may face conflicting and challenging issues to arise on politics, social and economic questions and the environment. This situation reflects that external factors, such as government policy and the complexity of political, social, economic and environmental aspects, have made it more difficult and complex for companies to make ethical decisions (Intezari, 2015).

To sum up, this thesis argues that a community-company relationship is complex in practice and in the Indonesian context; cultural aspects in society influence the emergence of ethical issues and the way the companies engage with the communities. It suggests that ethical issues emerge easily when the companies utilise their relations with the communities in an instrumental way. Responsibility to the community is interpreted by the companies in instrumental and managerial ways to achieve their economic goals and business sustainability (Freeman, 1984). It becomes more complex and pigeonholed when paternalism and collectivism are involved in community-company relationships. Company-community relations are expected to be mutual advantage (Cohen, 2010; Heugens, et al., 2006).

8.3 Culture within Organisations

This thesis highlights that mechanisms shaping the emergence of ethical issues are found in corporate culture, and the fundamentals of organisations, which are structure, processes and policies. This confirms Sethi's (1975) arguments that business organisations are an integral part of society; thus the companies have to deal with social structures. The findings are relevant to what Sinclair (1993) says, that organisational culture can be formed through organisational values; and what Schwartz (2013) highlights on the connection between organisational culture and values in promoting ethics. Indeed, it is argued by Melé (2003) and Sinclair (1993) that internal values help to promote ethical behaviour. However, the findings showed that the companies' values are a means not only of improving ethical behaviour, but also of increasing work performance. It is a fact that companies have both ethical and managerial values, but they do not differentiate between the two. Thus, this thesis shows that corporate culture

has powers or causal mechanisms at the real level, in both enhancing or obstructing ethical understanding and behaviour of the mining companies. More specifically, how the mining companies engage with ethical issues which emerge from structure, processes and policies is discussed below:

Family Perspective

The findings ascertain that views on the notion of family feelings and interpersonal relationships enable positive steps to build a social cohesion and togetherness in an organisation, which also has been argued by Hartman (1996). This study confirms Melé's (2003) argument that the need for "concern for people" in an organisational structure is important, where through interactions, ethical behaviour can be strengthened. However, interactions within the organisational structure are problematic when working relationships are maintained or influenced by family feelings; extending to informal interactions where work matters are discussed at members' homes, invading the private sphere, out of working hours to discuss job performance. Equally, employees take their private problems to managers at home. These findings confirm prior research by Pedersen et al., (2012) on the area of work-life boundaries – blurring boundaries between friends and work. This thesis argues that work-life boundaries have been engineered to conform to collectivism and this can be seen to benefit the goals of business as well as togetherness among members. But this also raises the possibility of interpersonal relationships becoming unprofessional. Family perspective as a pattern of arrangements enables or constrains the choice and opportunity of an agent to act (Elder-Vass, 2010).

In addition, this study is also relevant to the idea of meaningful work in a collective society where togetherness enables members and their families to be valued. But trying to enter the personal sphere and to regulate what employees do in their own time have their negative aspects and dangers too such as giving advice imperatively or helping others to do things that are unworthy or even nepotism. Thus, family feelings and interpersonal relationships puzzle members of the mining companies in dealing with dilemmas in the workplace.

Findings on the notion of family feelings show that the need for conformity within the companies could cause individuals to be discouraged from dissenting or standing up for their ethical beliefs if these differ from the consensus. This study argues that interpersonal relations may therefore lead to deficient reciprocal relationships if these are considered to be part of how management consistently oversees employees' performance. Thus, interpersonal relationships in the companies can be a matter of expediency. From a Kantian perspective, family feelings and interpersonal relationships should recognise and maintain the dignity of members, not exploit members as economic resources. The findings suggest that social relationships in the mining companies are lacking in the sense of building communities where employees and managers may be encouraged and inspired by others: to share and test ideas, or for feedback and exchange in the sense of moral autonomy. Taking an Aristotelian approach, the idea of friendship begins from a perspective of impersonal interest rather than personal self-interest, including an attempt to exploit employees as economic resources. Instead Aristotle would say that interpersonal relationships should be a way to learn good character and do good things in impersonal relations (Aristotle, 2014).

Paternalistic Culture in Ethical Training and Mentoring

This thesis argues that although Bowie (1999) makes clear that ethical actions must be grounded in and coherent with the categorical imperative, Kant's first principle, this remains hard to practise in the context of Indonesian culture, where paternalistic attitudes are involved. The companies' organisational structures and practices, such as companies' ethical trainings and mentoring, show the relevance of paternalism which can powerfully shape and control the behaviour of company members.

Findings suggest that the practice of ethical training conducted by the companies creates the possibility of managers understanding and expressing differently a particular ethical case, because they possess their own values and perception through a paternalistic attitude. The case of the Orange Company, where a manager clearly told members not to smoke and taught members morality through an inappropriate metaphor, does not acknowledge the ability of members to reason for themselves. Rather, it is a paternalistic approach in the sense that 'the manager considers that he or she knows

best, and the employees are like children who are irresponsible and unable to make their own decisions in a sensible way. The practice of paternalism is carried out or interpreted as control. It is the same in the case of the Mauve Company, where members are considered only as links in the chain of the production process or commodities in the goal of obtaining company profits. The lesson from the ethical training given by management is that the mechanism is a means to enhance working performance and production levels.

Findings showed that storytelling is used in a process of ethical trainings, which helps members discuss ethical issues. However, ethical training programs, value talk at the Yellow Company, and ESQ at the Orange and Blue Companies lack a dialogue about moral values and are concerned with metaphors that may not be at all apt; and this can in turn lead to management not allowing employees their autonomy. This fails to respect members' dignity (Bowie, 1999). Those mechanisms contradict Kant's second categorical imperative, to treat members as ends not means. Even where those mechanisms are proposed in connection with fostering ethical behaviour, it remains difficult to see that these mechanisms would bring such behaviour about. Although Warren et al., (2014), Schwartz (2013), Svensson and Wood (2011), Raelin (2002), Maclagan (1998) and Murphy (1989) argue that delivering ethics training is a means of developing and practising ethics as well as a learning process, findings suggest that the practices of ethical trainings in the mining companies are problematic since there is a strong paternalistic attitude by not giving plenty opportunity to think ethical autonomy. Thus, it is necessary to consider intelligent action which results from having rational principles (Hughes, 2013, p. 37). If ethical trainings conducted by the mining companies are understood as a way to determine the right thing to do and why it is important, members can use rational abilities well. Thus, as Aristotle (2014) says, it is a kind of employing rational thinking to reason well as well as for contemplation skills.

There is an inequality of power in the companies between managers and employees, when ethical training programs are conducted such as value talk at the Yellow Company and ESQ training at the Blue Company. The control of members through those mechanisms may make it difficult for the members to represent their interests; managers will not persuade other members by only behaving as superiors and denying members

their autonomy, discouraging them from speaking out. Thus this research argues that recognising members' ethical autonomy would result in shared accountability (Ardichvili et al., 2009), as would enabling members to reflect based on their shared experience of ethics (Roca, 2007). Without autonomy, members' responsibility may be limited and be subordinated to the companies' interests. Thus, this study points toward the social relationship with strong paternalism obstructing members from being able to express their moral ideas. This also illustrates the importance of the ideas of people in the organisation being valued and respected as ends in themselves and not as means for achieving the ends set by the organisation, in order to be consistent with Kant's second categorical imperative.

In moral paternalism i.e. a caring working relationship, paternalism is perceived as the relationship of a caring parent. However, paternalism is a multifaceted practice: both moral and managerial. In the moral sense, it provides a moral exemplar, as recognised by Moberg (2008; 2000) where it significantly influences employment relations in the guise of caring parent. On the other hand, there are several possible moral critiques of paternalism. It can be negative, involving instrumentality by business organisations. Employees are considered as subordinate and top management and/or managers are perceived as 'protectors, mentors as well as fathers' to whom subordinates show their loyalty out of a sense of a duty. The evidence that this is one of its potential negative aspects is that paternalism puts too great an emphasis on the mentors' personal beliefs, and denies the moral autonomy of employees. Indeed, inequality of power can be used to legitimise managers' steering and looking after 'the ethical understanding' of employees. Thus, mentoring is vulnerable to misuse. The case of the Orange and Blue companies, where employees are demanded by their managers to act in a particular way, provides ample evidence that employees are being denied their ethical autonomy by paternalistic managers (Bishop, 2000; Donaldson and Dunfee, 1994). These practices are contentious: the members of organisations should have their ethical autonomy respected (Bowie, 1999).

The findings show that the management/employee relationship includes an economic dimension. When employees are regarded as commodities, the relationship with management becomes contradictory, despite the aim of moral development through mentoring. In other words, paternalism is more of a system of legitimated authority and has an element of managerial strategy, rather than being caring and benevolent. Mentoring in this sense is used as a form of managerial domination of labour, to demand economic productivity on the one hand, and morality on the other. Then paternalism through mentoring becomes a vehicle for controlling production instead.

Mentoring practices are more about members' career-related functions or work matters than managerial willingness to offer counsel or understand the in-depth needs of employees. Findings also suggest that there is lack time for mentoring because of heavy workloads. Raelin (2002) says that members may be sceptical about the importance of the process of mentoring. In addition, if mentoring is just to tick boxes and comply with official expectations about an appraisal system, it may also be said to be instrumental in being directed towards the companies' benefit. The practice of mentoring becomes merely a formality instead of bringing about ethical behaviour. The imbalance of power between members and management creates a lack of adequate allowance for the moral agency of members, and erodes their moral autonomy. The legitimate authority of managers and the obedience of employees to managers are used as instruments to maximise labour productivity. Managers tend to impose rather than encourage. Thus, this study suggests that there is a need for companies to encourage the capacity of members to act autonomously without coercion. Then they will confirm the necessary mutual respect and ensure good relationships between management and other members (Bowie, 1999, 2002; White, 1999; Beauchamp and Bowie, 1983).

Paternalism leads to problematic practices when employees are considered as subordinate and top management and/or managers are perceived as protectors, mentors as well as fathers, and the subordinates show their loyalty out of a sense of duty. Inequality of power can be used to legitimise managers steering and directing 'the ethical understanding' of employees. In this sense, role models or moral exemplars are flawed, because they misinterpret that moral autonomy as a challenge to managerial authority (Moberg, 2008). Thus, this study suggests that in a paternalistic culture,

members' moral development cannot be left to the managers, since the power of managers can be misused when they consider that they know better; and that employees are like children, irresponsible and unable to make their own decisions in a sensible way. That members are demanded by their managers to fulfil certain demands of behaviour provides ample evidence that the question of autonomy is problematic. Thus, this study also argues that although role models can inspire others, moral development cannot be modelled simply by giving rules and instructions to employees. The thesis, therefore, points towards the importance of respectful relationships between managers and employees, so that members of the mining companies should be allowed to exercise and improve their practical power to reason.

Several notable theoretical attempts have been made by Roca (2007) and Moberg (2000) to consider mentoring as important for moral development. This present research argues further that in a collectivist culture, company members easily cooperate with management and commit themselves loyally to the companies. Ideally, this type of relationship can make it easy to build a system of mentoring if employees and managers may be encouraged and inspired by others: to share ideas or to give feedback on ethics. If this is the case, mentoring can be a mechanism for a moral exemplar (Annas, 1993). However, findings also suggest that in business, the notion of family feeling refers to relationships of obedience to management by members that have been engineered by paternalistic attitudes when mentoring is the province of managers. This thesis argues that friendship in a paternalistic sense contradicts Aristotle's ideas of friendship, unless it really is between parents and their children. Friendship within companies should be a two-way mutual relationship in the sense of respect and allowing the potential of members to reason.

Reward and Punishment

Findings suggest that there is a sense of paternalistic management, which leads to and is associated with prescriptive attitudes; and this confirms what Bowie (1999) said: that there is a possibility of the management of the companies establishing deterministic rules which members have to follow. These often fail to recognise members' dignity and their moral capacity. The role of reward and punishment systems is foremost in

managing ethical corporate culture in the four companies. These systems to handle discipline are perceived by the companies as promoting and fostering ethical behaviour. This research substantiates the views of both Schwartz (2013) and Sinclair (1993); most specifically, the view that there is a connection between paternalism and organisational culture, especially when it is imposed top-down, as is the case in all four companies investigated. This study provides ample evidence that reward and punishment systems still dominate the companies as a means of ensuring obedience to moral rules and with the intention of enhancing members' ethical behaviour. This applies especially in the mining industry, where work demands discipline and the achievement of production targets and work safety standards. These mechanisms can be viewed as a misinterpretation of the deontological approach, to mean obeying rules and regulations. These demands by management are deeply flawed, simple expedients to ensure that employees behave according to managers' demands (Bowie, 2002, 1999; Bishop, 2000).

Findings suggest that reward and punishment are very much in accordance with managing ethics in business practice, by setting rules and regulations, although ethics runs deeper than rules and regulations including codes or guidelines (Collier, 1998). This research also provides evidence that formal reward and punishment systems, interwoven with an organisational structure, as claimed by the companies, become instrumental processes (Trevino et al., 2006). The fact is that this situation is what Bowie (2002; 1999) and White (2009) have identified: obeying rules and regulations is often wrongly thought of as meaning acting out of duty, if those rules are imposed from outside without self-recognised or fully internalised principles. More specifically, the system of punishment at the Yellow Company might very well lead to blind obedience, and the simplifying of moral duties to a matter of automatic compliance, actually in the interests of management (Bowie, 2002; 1999).

Findings suggest that behaviour assessments are deemed to encourage ethical action when they attract praise and reward. However, if structures are interpreted rather as routines, rules, and norms that guide and constrain behaviour (Schein, 2004), they reflect a mechanical mode of organisation, where members behave as they have been ordered to do (Morgan, 1997). Thus, the organisational structure might in this way very

much enforce paternalistic practices (see Weaver, 2001); emphasising a form of control or obedience. This is not consistent with moral autonomy. In short, there is evidence to suggest that organisational structure is relevant to ethical behaviour (Svensson and Wood, 2011; Trevino et al., 2006; Brown and Trevino, 2006). However, if not undertaken with care, it will not allow members of an organisation to have ethical autonomy.

Routines of monitoring and directing through the companies' values fail to respect people's abilities and potential, and so to meet Kant's second categorical imperative. It is argued that in the case of appraisal systems or procedures for performance review for ethical behaviour conducted by the mining companies, organisational structure is more a matter of hierarchy of authority (Morgan, 1997) and of standards of performance or quality of achievement (Child, 1984). Thus, there is not an equal distribution of authority and shared accountability (Ardichvili et al., 2009). This thesis, therefore, argues that reward and punishment systems which are underpinned either by a formal system or paternalistic attitude of managers are problematic in the sense of fostering an ethical culture.

However, this can raise several issues: it shows that the companies mistrust their members, and feel a need to control them to get an ethical commitment from them. The systems are really about having a 'one size fits all' policy, not acknowledging that the individuals in the companies are different. In all the companies, performance evaluation systems are used to measure ethical conduct, and problems arise if members of the companies and management mainly focus on reward and on complying with ethical appraisal systems. Policies and the way they are applied become what business ethicists refer to as "moral myopia" (Ladkin, 2015). This undermines ethical behaviour rather than reinforces it. This is problematic because of the instrumentality of these systems. The mining companies' practice of complying with rules and regulations can add to the possibility of missing the bigger ethical issues (Ladkin, 2015) – of course, laws are insufficient to cover the whole field of organisational life.

Religiosity

The evidence from the four companies confirms that religion has a role and place in business ethics which is a similar idea to that of Melé (2016), Weaver and Agle (2002) and De George (1986), where religious beliefs might be deemed salient to business decisions and behaviour. From these, it can be seen that mining companies aim to make judgments about ethics and morality based on the interpretation of religious duty. The findings confirm the argument of Rudnyckyj (2011) and Cohen and Hill (2007) that ethical training is often combined with the concept of using religious thought to enhance performance at work, involving efforts to connect religiosity to economic demands. This thesis also confirms the arguments of Weaver and Agle (2002) that organisational hierarchy makes decisions and judgments guided and framed by religious thought along with the relevant specific values. As a result, this can permeate working relationships and managerial systems. For this thesis, it can be argued that a religious approach is embraced at the workplace, especially in relation to working relationships and managerial practices, as well as in the companies' relationships with the wider community. This thesis points toward that close interdependence between company-community relations also results from the religious aspect which appears through rituals in the community. The companies' actions in relation to what some regard as ethical obligations to the community appear to result from external situations (Maclagan, 1998), such as understanding that religiosity can have consequences for their business operations.

The findings of this research show that members of the mining companies are encouraged to prize metaphysical obedience where religiosity functions as a solid basis for ethical behaviour in the mining companies. Ethical standards derive from all religions practised in Indonesia. However, this study reveals that understanding of roles, duties and responsibilities by the organisation members is connected to religious terms which are falsified through instrumentality. Religiosity may support ethical behaviour at the companies, but it may also become instrumental if employees are expected to work professionally even without being supervised except by God. The companies encourage employees to work productively and ensure a good working performance by convincing members that they are directly supervised by God. Thus, the use of religion is to

increase organisational productivity (Longenecker, et al., 2004; Weaver and Agle, 2002). Therefore, this thesis argues that religion may not only affect employees' moral attitudes, but also their work performance demanded by management, since they accept what is required of them as part of their spiritual beings. The companies accept the practice of engaging in ritual behaviour and holding to certain beliefs based on religion. In this way, the role of religion in the companies is multifaceted and not only a matter of encouraging ethical behaviour, but also an instrumental tool for the companies to use to their own advantage. Religiosity can be a mechanism for the emergence of ethical issues when the companies use religious thought and practices to mobilise members towards better working performance and the formation of self-managing individuals (Rudnyckyj, 2011). It is government of the self, and is linked to government of the family and the nation (Rudnyckyj, 2011). However, this thesis suggests that religiosity can be used not only to cultivate religious virtues at the workplace but also to increase company productivity and become more internationally competitive.

Multi-Ethnicity

This thesis highlights that cultural diversity posits the existence of a wide variety of people with their different behaviours, values and beliefs. Findings show that the diversity of workers' tribal origins is an important phenomenon in the four mining companies investigated. It is a fact that there is no cultural uniformity in Indonesia. The heterogeneous society and in its very varied background of culture and traditions eventually encourages company members to respect each other. As a result, members are aware of how to consider other cultures at the workplace and to accord them respect and tolerance. This may reflect the culture of '*rukun*' or harmony (Dasgupta and Beard, 2007; Mulder, 1996; Bowen, 1986). However, findings showed that awareness of cultural diversity is a matter to avoid cultural misunderstanding among members of the companies and to remove ethnic factionalism, which potentially leads to conflict. Members are reluctant to give and receive feedback to others in the companies. Consistent with Hofstede (1980), the culture of collectivism has a sense of 'conflict avoidance', respecting for all cultures is a way to avoid problems relating to tribal identity. However, respecting different cultures presents the challenge of either to keep

respecting other cultures but to maintain universal ethical principles, or to adopt whatever moral values and standards prevail in a particular socio-cultural environment where the company operates. This thesis, however, suggests that everyone has a capability to reason well and discern between good and bad.

Multi-ethnicity, therefore, can be considered a mechanism for the emergence of ethical issues, which depends on the context in which it can be the "cause" of enabling ethical issues to emerge. Multi-ethnicity can be a generative mechanism shaping the emergence of ethical issues when there is no openness, especially on discussing ethical problems. Raelin (2002) noted that reflection is difficult to achieve where there is the possibility of cultural diversity. This also reflects the arguments of Triandis (2001) and Mulder (1996) where decisions which are based on a consensus can involve conformity in the willingness to compromise. Keeping silent or being reluctant to give feedback on ethics can lead to a culture of fearing to express an idea or a criticism in the companies. This would be more problematic when a member holds ethical beliefs and understanding but conforms and nevertheless acts in accordance with the companies' decisions, even when they compromise his or her beliefs. Thus, this thesis argues that in order to pursue the aims of togetherness in the context of ethnicity, company members have to be open-minded towards diversity, allowing for the indispensable dialogue between different positions within the companies.

To sum up, cultural aspects are inescapable realities in the Indonesian mining industry, where they can be generative mechanisms leading to ethical issues. The mining companies exist in structures i.e. cultural aspects. However, it can be argued that the relationship between cultural aspects and the mining companies is not deterministic; rather, the companies can react in different ways in how they engage with ethical issues, either instrumental or acting from ethical awareness. Thus, this thesis confirms a meaningful interplay between cultures and the mining companies.

8.4 Friendship and Practical Wisdom in the Indonesian Context

The findings of this research point towards the importance of the social structure of a multi-ethnic and multicultural society like Indonesia, and of the specific industrial and organisational contexts in understanding what shapes the emergence of ethical issues and how business organisations engage with them. A wide range of researchers on business ethics agree that, virtue ethics is the most promising ethical framework to account for the dimensions of context, giving more flexibility in examining specificities (see e.g. Audi, 2012; Melé, 2010; Bertland, 2009; Roca, 2007; Whetstone, 2005). However, this study uncovers the complex reality of ethical issues in context. Findings show that there are cultural mechanisms which can influence the emergence of ethical issues. These complexities and particular situation pose a challenge for virtue ethics.

This study departs from Aristotle's (2014) argument that understanding and exercising virtues should ideally be through the community. Virtues of friendship and practical wisdom are intermeshed in a social relationship. Collective actions for conducting worthwhile activities can be promoted within the organisation and with the wider community (Russell, 2013; Roca, 2007; Solomon, 1992). In this regard, findings suggest that understanding the virtue of friendship is particularly evident in narratives of the companies' structure, processes and policies, such as from working relationships between employees and managers. However, this thesis argues that friendship within the companies has several drawbacks when an imbalance of power exists between managers and employees. This study suggests that exercising virtue of friendship is often constrained to some extent by paternalistic attitude of managers toward employees in the practice of mentoring. Thus, mainstream virtue ethics literature (e.g. Melé, 2012; Bertland, 2009; Moberg, 2008, 1997; Roca, 2007), which portray how moral and ethical awareness at the organisational level can be raised from dialogue through mentoring process, is challenged. Instead, findings illustrate that managers often navigate the process of mentoring in the interests of the companies as a matter of working performance.

The fact is that Indonesia has a high power distance, where people accept unequal power in a society. Hierarchical and collectivist cultures in the mining companies are perceived as close relationships with others in interdependence within the companies and in a sense of duty and obligation towards the companies. In this regard, a manager is considered a mentor who knows better than his/her employees. In this environment, friendship in the sense of a mutual relationship is difficult to practise. As a consequence, the manager will take the decision if an agreement is not achieved. This may reflect a paternalistic attitude, in the sense of limiting the autonomy of individuals to make their own decisions (Ladkin, 2015; Melé, 2012). This entails considering the virtue of friendship in the sense of giving employees an opportunity to express their ideas in relation to ethics through daily conversation in the organisations, which results in a comfortable feeling of employees and managers in talking ethics in the companies, and discussing whether a decision is the ethical one or not. This study, therefore, suggests that paternalism reflects a normative order in society, where obligations and duties are prescribed by management for members, aiming to influence and govern their behaviour and beliefs. Moral reality is complex, and any attempt to direct employees through a blinkered managerial attitude fails to recognise that reality.

Findings show that members of the mining companies feel that they are being recognised as extended family by the companies. At the same time, friendship in the sense of a relationship between managers and employees occurs in more paternalistic and instrumental way rather than providing equal relationships with ethical autonomy. Thus, this thesis argues that the concept of the virtue of friendship in the sense of mutual advantage in developing ethical astuteness is absent from the mining companies' descriptions due to paternalistic attitudes related to control systems, turning mentoring into measurable working performance as part of managerial performance evaluation. In this regard, different levels of power between managers and employees control and direct the workforce (Warren, 1999). It is suggested that this finding contradicts the research that mentoring and peer group interaction aim to share and ensure the flourishing of human life (Melé, 2012; Moberg, 2008), only by engaging with wise ethical others can members become wise themselves (Ladkin, 2015).

Based on findings, this thesis draws attention to mentoring and coaching practices at the mining companies which are not friendship of virtue in growing ethical awareness because job evaluation was cascaded down on employees through measureable production targets and standardisation of work. In this sense, close supervision and direction could corrupt moral character (Melé, 2012). The power of mentors becomes apparent with management-employee relationships in Indonesian context, where managements maintain informal mechanisms of power and influence in the unions. The fact is that the labour unions in some companies in Indonesia also belong to the companies' management. As a result, it can maintain and strengthen paternalistic culture in the companies. This thesis, therefore, suggests that friendship in the context of mentoring needs to provide ethical guidance rather than direction so that members will share know-how and knowledge regarding ethical awareness.

Findings suggest that the friendship of utility appears in Indonesian context, where a relationship is based on some benefit received by the other. This differs with Aristotle views the perfect friendship based on wishing the best for others regardless of utility and pleasure. Borrowing from Aristotle (2014), that ethics is universal and reasonable with true state of capacity to act with regard to human goods, this thesis consider that in multi-ethnicity and diversity of culture, applying friendship is necessary to consider both universal principle of law and specific situations. Thus, practising friendship at the core of dealing with paternalistic culture is important to always hold the ethical consideration which is respect for human dignity and rights so that long term benefits can be achieved.

This thesis also departs from literature highlighting that the relationship of the organisation to the wider community is to achieve a flourishing society (Melé, 2012; Solomon, 2004; 2000). In this light, virtue ethics is considered as an essential idea to maintain good relationships with the wider community (Solomon, 2004). This study highlights the importance of relationships between the mining companies and the communities, which are essential for exercising virtues of friendship in the context of human relationships. However, findings showed that the mining companies' relationships with the wider community through Corporate Social Responsibility (CSR) programmes are frequently connected with strategic management. The relationship

between the companies and the communities through CSR occurs after the companies identify their factions of stakeholders that could stop the companies from doing business. Further, this study presents ample evidence of the issue of power in relation to the company-community relations, where sometimes less powerful voices in the community can be ignored, resulting with no equal moral consideration in cases where perspective and the needs of stakeholders differ. This relationship may fail because of mutual distrust. This also contradicts wider claims made by Cameron (2003) and Sherman (1987) that society would flourish when the companies engage with the communities through social and ethical relationships and they know how best to help society. Again, this thesis argues that friendship occurs most frequently in the context of the Indonesian mining companies where both parties, i.e. mining companies and communities seek mutually profitable and useful or agreeable relationships.

This thesis is evidence of social and environmental complexities in business organisations. This is observed in the way that the companies have to deal with environmental damage, surrounding communities, central and local governments as well as suppliers, which are not based on routine rules. As several researchers such as Provis (2010), Gibson (2008), Roca (2007), Flyvbjerg (2001) and MacIntyre (1981) suggest, business organisations have to have the ability to identify and analyse specific and complex situations and therefore practical wisdom is believed to have the ability to deal with the complexity of context. Practical wisdom, therefore, requires the need for maximising the potential technical skills of the companies and moral imagination, such as to see a potential risk, making people's lives safer. The case of blasting vibrations in the mining area of the Yellow Company reflects that consideration of other people. It is expected to be the ability of the mining companies to decide how to achieve a certain end as well as to reflect upon and determine good ends. In the narrative of not allowing members to bring home oil drums, it is shown that the company knows why there is a problem and through what actions it hopes to fix that problem. Thereby, this thesis presents empirical support for practical wisdom in the sense of cleverness in crafting ethical responses to, or in anticipation of, challenging particularities (Schwartz and Sharpe, 2010; Schwartz, 2011; Moberg, 2007) through thinking and experience (Schwartz and Sharpe, 2010; Schwartz, 2011) using rational attention and ethical awareness (Flyvbjerg, 2001). It is argued that the mining companies are supposed to

know what they are to do and why it is worthwhile to do it, rather than acting incidentally or unintentionally.

However, it cannot be claimed that the mining companies use life experience, learning and self-reflection in making ethical decisions in specific circumstances as a way to decide the best action in those specific circumstances, as Schwartz (2011) and Roca (2007) amongst others have suggested. Findings suggest that a strong paternalistic attitude and the absence of ethical discussion within the companies could discourage members of the companies to identify and analyse ethical issues in specific and complex situations. Lack of ethical discussion which could provide a mirror to the blindspots, results from a situation with no openness in the companies in discussing ethical issues. The fact is that members of the companies are reluctant and fear to give feedback due to conflict avoidance. In this way, findings also contradict the prerequisite of practical wisdom in having a wise community and maximising a resourcefulness of mind leading to moral imagination in dealing with ethical matters (Aristotle, 2014; Audi, 2012).

Nevertheless, this study highlights the argument of Aristotle (2014) that acting both ethically and economically is indispensable for business organisations, but above all the companies need to support the common good. On this basis, business organisations need to have a combination of skills on knowing how to balance business sustainability, including supporting profitability, with maintaining integrity or common good (Flyvbjerg, 2001). This study also supports the general claim that organisational life is not structured by purely technical matters (Provis, 2010 and Roca, 2007); rather, it is structured by both technical aspects and the social environment in which the organisation operates. Findings suggest that the complexity of the mining industry is also influenced by a patron–client culture in the country and the endemic practice of bribery in the process of issuing mining permits. Governmental regulations on double taxes for commercial shipping of mining commodities from one district to another also make the issue of bribery much more serious. In this regard, there is a possibility that ethical issues are not only business failures but also governmental failures. Thus, the exercise of practical wisdom aims to find the right balance between ethics and business matters in the social and cultural context. From this view one might infer that these particular situations require the companies to find the right balance between general

principle and context- specific, such as dealing with the bureaucratic systems of both central and local governments when the policies of these two do not match in the issuing of mining licences. Indeed, the study provides evidence that it is important to choose the right balance between upholding universal principles and compromising with cultural specifics. As a consequence, moral reasons and technical reasons interact to direct conduct towards the most appropriate result by use of the right means.

To sum up, this study highlights the importance of human relationships within the organisation and with the wider communities through the virtues of friendship and practical wisdom. This thesis points toward practising virtues as inextricably linked with moral character, skill/technique and knowledge of socio-cultural context. However, these virtues encounter cultural aspects and a specific-context in the context of human relationships which make challenges for business organisations to find the best way and an appropriate decision. Thus, the concept of practical wisdom should be amended in the Indonesian context where cultural aspects and specific-contexts within the context of human relationships pose challenges for business organisations to find the best way and make appropriate decisions.

8.5 Summary

This study recognises, therefore, that ethical issues in business organisations in a complex-context cannot be fully understood except in relation to the characteristic of the industry and culture. Internal organisational structure, processes and policies have been seen as places for the emergence of ethical issues. Cultural mechanisms exist and contribute to either helping or constraining the ability of the mining companies to be ethical. In this light, the social sciences are deeply contextual in nature (Flyvbjerg, 2001). Crucially, this thesis highlights that organisational agents have reflective subjectivity, so they are able to make changes to their cultural and social environment. Mining companies have the ability or power to possess material, cultural or symbolic resources; to freely make choices and evaluations; and to perform or change their actions. Thus, this thesis holds that ethical issues are ambiguous and paradoxes, which can be shaped by the context in which they occur. The description of mechanisms and their possible contributions, either enhancing or obstructing ethical behaviour is summed up in Table 10 below:

Table 10 Mechanisms and Possible Contributions to Ethical Behaviour

Possible effect	Environmental issues		Company-community relations			Culture		
	Legal compliance	Ethical awareness	Community engagement strategy	Community demands	Ethical awareness	Family perspectives and paternalism	Religiosity	Multi-ethnicity
(+) **Foster or improve ethical behaviour**	(1) The duties and obligations in the sense of honouring contracts. (2) Legal compliance as a legal backing to ensure good ethical practice.	Taking a moral initiative and valuing moral responsibility in finding an ethical solution to a problem.	A mutual advantage and harmony between business organisations and society.	Acceptance of business organisations by society.	Value creation in business organisations and serving larger social purposes.	(1) Build a social cohesion and togetherness in an organisation. (2) Sharing ethical ideas, or for feedback and exchange in the sense of ethical matters.	Metaphysical obedience where religiosity functions as a solid basis for ethical behaviour.	Consider other cultures at the workplace and accord them respect and tolerance.
(-) **Obstruct ethical behaviour**	A calculative assessment of cost and efficiency and a matter of avoiding complaints and potential	-	An unequal relationship without reciprocity leading to a pragmatic policy with the	A sense of powers to control communities.	-	(1) Interpersonal relationships becoming unprofessional even nepotism.	(1) A means to enhance working performance and production levels.	(1) No openness on discussing ethical problems is a matter to avoid cultural

196

	associated risks so that business organisations cannot see the bigger picture of ethical issues.		companies' economic interests.			(2) Individuals to be discouraged from dissenting or standing up for their ethical beliefs if these differ from the consensus. (3) Paternalism is carried out or interpreted as control, exploiting employees as economic resources and lack of opportunity to think ethical autonomy.		misunderstanding among members of the companies which potentially leads to conflict. (2) Members are reluctant to give and receive feedback to others in the companies lead to a culture of fearing to express an idea or a criticism.

CHAPTER 9 CONCLUSION

9.1 Introduction

This chapter provides an overall conclusion for this study and reflects the central aim of the research in exploring what ethical issues emerge in the Indonesian mining industry, what shapes the emergence of these issues, and how mining companies engage with them. The chapter also identifies the contribution of this research to knowledge and the limitations of the research, and considers areas for future research.

This thesis has reviewed four ethical theories in Chapter 3, concluding that the perspective of each ethical theory discussed offers a different insight relevant to understanding ethical issues in business organisations. All have commonalities in appreciating that human beings have the ability to use their powers of reason, and all see the community and relationships within it as important elements in the practice of ethics. In Chapter 4, it has been argued that the importance of the community is translated into how ethics can be lived through organisational culture and the three basic elements of the organisation, namely structure, processes and policies. Through those aspects of organisational life, actual and potential ethical issues can be recognised. Research strategies of Critical Realism (CR) were used to find what mechanisms applied in seeking to determine the ethical issues that emerge in the mining industry and what shapes these; and this was done through qualitative research with semi-structured interviews.

This chapter is presented in four sections: the first provides the overall research conclusions in relation to the questions (9.2); the second explains the contribution of this research (9.3); the third outlines the limitations of the research (9.4); the fourth identifies needs for future research (9.5).

9. 2. The Overall Conclusion of the Study

This thesis explored the emergence of ethical issues in the Indonesian mining industry, finding that industry specific and context specific influence the emergence of these ethical issues. This exploratory research conveys that five ethical concerns of the companies reflect the characteristics of the mining industry and Indonesian national culture. The first is internal values and culture, meaning that the companies set out and formalise their values, which are claimed as ways to enhance ethical behaviour in the companies. Conducting ethical programs, including reward and punishment systems, are deemed to be means to strive for ethical culture in the companies. The second is restoring the natural environment. Third is work safety, recognising that the companies operate in conditions with high risk of accident and hazard. Fourth is good relations with the community, emphasising the companies' coexistence with the community. Fifth, addressing the practice of bribery is through refusing any involvement.

Using Critical Realism (CR), this thesis has managed to reveal hidden mechanisms which have causal powers to produce ethical issues. A deeper understanding of what ethical issues emerge in the Indonesian mining industry has been identified. The thesis argues that the emergence of ethical issues is in relation to the environment, company-community relations, and cultural mechanisms, which are clearly seen in organisational culture, structure, processes and policies. It is argued in this thesis that the complexity of the sector, both socially and environmentally as well as in its cultural aspects, provides a deeper understanding of ethical issues in the Indonesian mining industry. Thus, this thesis provides ample evidence that the emerging of ethical issues is not solely determined by required laws and/or a managerial approach, but also driven by cultural mechanisms. Thus, generative mechanisms also come from the culture in a society. This is relevant to the argument that social structures and practices have causal powers which can affect reality (O'Mahoney and Vincent, 2014; Danermak et al., 2002).

More specifically, the companies' actions on reclaiming ex-mining sites and relationships with the communities show mechanisms shaping the emergence of ethical issues; the companies engage with those ethical issues by ensuring that they comply with rules and regulations, avoiding complaints from the local community as well as acting with ethical awareness. Meanwhile, generative mechanisms shaping ethical issues in relation to the local community are; the demands from the community, avoiding conflict, protecting mining operations and complying with government regulations. Thus, how the mining companies engage with ethical issues is multi-layered, where their decisions reflect instrumentality and compliance, although there is sometimes an ethical awareness.

This thesis argues that although organisational culture and the three basic elements of organisation, namely structure, processes and policies, can be a place to cultivate ethics at the organisational level, those elements are mainly utilised in particular ways to achieve a high level of organisational performance. Further, this thesis argues that cultural mechanisms – family perspectives and paternalism, religiosity and multi-ethnicity – are central in the Indonesian mining industry, and can shape ethical issues through those four elements in the organisations in the form of control and instrumental purposes. Based on findings, it has been seen that cultural mechanisms can help to achieve a high level of organisational performance through control mechanisms rather than to improve ethical behaviour, and this implies that they are sometimes used in an instrumental rather than an ethical way. Thus, this thesis appreciates the complex phenomena of ethical issues in a multi-cultural society and in the mining industry. The role of organisational culture, structure, processes and policies do not always contribute to the development of ethical behaviour. Instead they can be seen as important in either improving or obstructing ethical understanding and behaviour.

Critically, this research provides an understanding that cultural contexts enable and prevent ethical culture in the mining companies. Thus, this thesis suggests that ethical issues in business organisations cannot be fully understood except in relation to that complex context where there is an interplay between structure, culture and agency. For instance, family feelings or collectivism as well as paternalism can oil "the wheels",

producing positive effects on the pace of ethical organisational behaviour. But, they can also be barriers in achieving levels of ethical behaviour.

In addition, this research is not as such stating that virtue ethics is the best ethical theory, nor 'testing' virtue ethics as a theory in any way, rather, this thesis draws attention to the importance of practical wisdom and friendship to be practised and integrated adequately to enhance ethical awareness. Although many researchers in business ethics argue that the virtues of friendship and practical wisdom play roles in context-dependence, this thesis contributes to a debate on the challenge of virtue ethics to provide guidance on how business organisations act ethically in family perspective and paternalistic culture. Those cultural aspects pressure and result in making virtue ethics difficult to practice, unless there is capability of moral thinking to identify and understand an action whether it can affect negative effects or not. This thesis therefore adds the argument that practical wisdom requires human relationship skills and the ability to assess a situation, to evaluate options and to make the best decisions.

9.3. Research Contributions

Empirically, the thesis is original in that it explores ethical issues in specific industrial and organisational contexts. A relatively limited number of studies on business ethics address the complexity of context. Thus, this thesis provides support for the research that has maintained the relevance of ethical theories and managerial ethics, but for which there has been little empirical evidence, especially in the mining industry which is a sensitive industry and has unique social and environmental challenges. This thesis is in line with the suggestions of Crockett (2005), Melé (2005) and Hursthouse (1999) in considering a culturally-sensitive framework for business ethics – there is more need for contextualised approaches. This study does more than has been done up to now, showing awareness of the business ethics literature, such as exploring ethical issues and ethical organisational behaviour, particularly in relation to mining and emerging economies. In short, this thesis brings insights into an under-explored, complex, and at times paradoxical context, outlining what ethical issues are prevalent in the mining industry and in Indonesia.

Many research studies emphasise the relevance of ethical theories to business ethics (e.g. Dierksmeier, 2013; Bowie, 2002; Cragg, 2002; Moberg, 1997). However, the present research adds an understanding of ethical issues in a context-sensitive manner not only from ethical theories, but also through the lens of the theory of organisation and context, and culture. Theoretically, this research argues that to understand the ethical issues and how business organisations engage with them in a multi-ethnic and multicultural context, it is essential to ground the conceptual framework in both traditional ethical theories and specific cultural sensitivities, as only then can the full story be grasped. In other words, by pulling together ethical theories, managerial ethics and culture in exploring ethical issues in business organisations, the key findings of this thesis point forward to an understanding that ethical behaviour in business organisations is not solely determined by abstract theories or a managerial approach, but also driven by societal culture. The discussion of the cultural mechanisms further yields novel insights into what shapes the emergence of ethical issues and contributes to conversations about ethical organisational behaviour. Thus, this thesis also provides valuable knowledge in business ethics studies and adds interest to the debate on the extent to which the organisation succeeds in creating and fostering (or not) ethical behaviour in a complex context.

Methodologically, it is original because ethical issues on business organisation have not previously been conducted through a Critical Realist approach in the Indonesian mining industry. This research identifies and highlights social structures and practices that have causal powers and shape the empirical level. Thus, it obtains a deeper understanding of ethical issues at the real level.

Furthermore, this thesis, practically, provides a valuable insight for business organisations especially business leaders, Human Resources (HR) and CSR practitioners, as it offers practice on how to avoid moral lapses in their organisational culture, structure, processes and policies as well as their relationships with stakeholders. This means that the key findings will be of great interest to business organisations to improve their understanding and ethical behaviour where there is a dynamic interplay between the organisation as an agent and structure in the society as a whole in shaping the emergence of ethical issues and how the organisation engages with them ethically.

Another key strategic implication of the research findings is that ethical organisational behaviour is increasingly attracting attention in both academia and practitioners. Given the increasing focus on ethical organisational behaviour, this study adds the importance of societal culture in ethical organisational behaviour.

9.4 Limitations to the Research

In order to avoid mistakes or bias on drawing overarching conclusions from this thesis, limitations to the research are discussed. This research provides valuable insights into how ethical issues emerge in the three different types of company: state-owned, private national and multi-national. However, as the research aimed to explore ethical issues in the mining industry in general, particular features of how governance of the companies influences the emergence of ethical issues and how it affects the way they engage with those issues, are not discussed in great detail.

Another limitation of this research is that, even though ethical theories are often used to examine ethical issues and to argue the relevance of ethical theories in fostering ethical behaviour, this thesis is not designed to test ethical theories whether they work or not. Rather the thesis employs them in helping to identify causal mechanisms in understanding ethical issues in the mining industry.

There is an essential abstraction to help the researcher to identify causal mechanisms in understanding ethical issues, meaning that the researcher is able to find a range of possible mechanisms, from existing organisational studies and business ethics research to guide data collection and analysis. The limitation appears when this study only interviewed the companies, not other actors such as people in communities, central and local governments and suppliers. So there may be more mechanisms emerge from different stakeholders if the research is expanded into interviewing those actors.

9.5 Future Research

For the academicians and organisational researchers who are interested in ethical theories, managerial ethics and cultural diversity, there is much scope for further research. Bringing to the fore ethical issues in a multi-ethnic and multicultural context, this research paves the path towards further discussions and studies on management to set a conceptual framework in both ethical theories and specific cultural sensitivities for business ethics. As the study revealed, the role of organisational culture and the three basic elements of the organisation, namely structure, processes and policies, is significant in either improving or obstructing ethical behaviour in the organisation; future studies should do an in-depth research regarding the importance of various ethical issues in each basic element of organisational life and how business organisations engage with them. For instance, family perspectives or closeness among organisations' members are perceived as essential and as governing workplace relations in a country with a highly collectivist culture. Thus, future research would be interesting to address a question of whether collectivism and ethics meet insofar as they both aim for morality. The question whether strong solidarity of working relationships can help ethical organisational behaviour is an open question for future research.

Similarly, this study can further debate whether paternalism can foster organisational ethical behaviour. This is essential in a strong culture where members prefer to look for guidance or to a role model. The fact is that people in collectivist culture expect to have a role model who can take care, protect and nurture. At the same time, there is a possibility for managers to facilitate practical wisdom or moral understanding through the practice of mentoring. In addition, it is also interesting to consider the different genders where there may be feminine approaches to nurturing ethical behaviour. Through studying workplace mentoring in a paternalistic culture and gender differences, it is necessary to formulate the practice, especially using virtues of friendship and practical wisdom. These virtues would be interesting as anchors, aiming to help foster members' ethical behaviour rather than to control them in relation to working performance.

Moreover, findings revealed that the mining companies use metaphors or storylines in their ethical trainings as a way to draw moral illustrations. It is important to conduct further research on how these practices could help understanding ethics and improve moral awareness of organisations' members by developing moral imagination and sensitivity in decision-making. As the study revealed, the mining companies are instrumental in using metaphors. Further research can also be done in the area of religion and ethics, where there is a tendency of organisations to utilise religion in encouraging ethical behaviour. Findings also suggest that the aspect of religiosity exists in shaping the emergence of ethical issues. Therefore a study should focus more on this 'metaphysical obedience' as a phenomenon and a way of developing ethical organisational behaviour.

Further research can be conducted in a more comprehensive way as business organisations being integral to society (Buchholz and Rosenthal, 1997; and Sethi, 1975). Involving not only the organisation but other agencies or stakeholders will express a better narrative of the emergence of ethical issues in the mining industry. Particularly, from Critical Realists perspective, widening the scope of the research to include other stakeholders can help understand human actions, meaningful beliefs, and symbolic practices, to which individuals and groups attach importance in their social relations (Brown and Robert, 2014: 304). This is relevant to the argument that business practice and societal culture are inseparable from questions of ethics (Collier, 1998). So more research is still needed, using Critical Realism (CR), but focusing on the relationship between structure and agency to provide a complete overview of country- and industry- specific issues, not only from organisational agents i.e. the mining companies, but also, for instance, from other stakeholders. Ethical behaviour can be understood by looking more deeply at the structure and agency relationship. For example, the study would investigate how structures such as government policy, the behaviour of buyers and society relate to the emergence of ethical issues. Employing CR using the quantitative method can give additional evidence of causal mechanisms and is therefore to be recommended. This current research used an intensive approach in conducting case studies to discover generative mechanisms, not concerning the regularity of particular features or empirical generalisation. Thus, future research can further investigate generative mechanisms using an extensive approach, looking at

patterns common to certain events or actions (Ackroyd and Karlsson, 2014: 25; Danermark et al., 2002).

The research also calls for further studies on the role of management support and commitment to the successful implementation of corporate ethics programs. An area worthy of future examination in this regard is the relationship between managerial ethics, as manifested in an organisation's code of conduct, its policies, processes, and ethical organisational culture. Thus, additional research needs to be done in the area of managerial ethics which focus on the various mechanisms by which management support and commitment influence ethical behaviour in the organisation. In addition, it would be interesting to examine the content of various organisational statements and their practices. For example, researchers can conduct a content analysis of the mission statements of the organisations, followed by studying whether the organisations have changed their performance assessments which reflect an emphasis on ethics.

Currently, empirical work on ethical theories has begun, and Western ethical theories still dominate business ethics. There is a need to discuss Eastern culture and ethical beliefs. At this point, this study appears promising to stimulate others to follow suit. The reason is that ethical understanding and behaviour of the four companies investigated are strongly attached to paternalism, collectivism, religiosity and ethnicity. Indonesian culture is already established, and those dimensions are perceived as moral, as explained in Chapter 2, Indonesian context and culture. So it is essential to address in future research how Eastern society perceives ethics in their own terms, given the lack of research into question of to what extent Eastern and Western concepts of virtue ethics are similar and different. All this obviously calls for further research to see how practical wisdom and friendship play roles in different cultures between East and West. It is also a fact that there is still lack of research to foster mutual understanding and appreciation of the work on Eastern business ethics.

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Appendixes

Appendix 1 : Participant Information Sheet

Title of the study : Exploring Ethical Issues in the Indonesian Mining Industry
Being conducted by : Unang Mulkhan, PhD student
Supervised by : Dr Cécile Rozuel and Dr Scott Hurrell

Introduction
For my doctoral studies at the University of Stirling (UK), I am interested in exploring ethical issues in the Indonesian Mining Industry.

Why have you been invited to take part?
I am looking for current managers and employees of mining companies in Indonesia. The information you provide will help me understand ethical issues in the Indonesian mining industry. What I learn from this study will provide benefits to companies, employees and researchers in understanding ethical business practice.

Do you have to take part?
You have no obligation to take part in this study. If you wish to take part you will be invited to complete a consent form. You have the right to withdraw at any point during the interview without reasons.

What will you do in the project?
You will be asked to respond my interview questions about your company in a semi-formal interview.

What are the potential risks to you in taking part?
There are no risks anticipated in taking part if you decide to participate in this research study.

What is the data and how will it be used?
All data collected will be used anonymously. This means that there will be no identifying information kept with the data. You also have the right to ask for sensitive information to be removed from the transcript, even after the interview is completed. I hope to use the analysis in my PhD thesis and there is the possibility that it could be used at a conference or published in a journal.

What happen next?
Please ask any questions you may have. If you are happy with the information provided, you will be invited to complete a consent form and then we may start the interview. If you have decided that you do not wish to be a part of the study, I thank you for your time.
Ethics: This study was granted ethical approval according to the University of Stirling, Division of Management, Work and Organisation (MWO). If you have any questions or concerns, during or after the study, and wish to contact my supervisors: Dr. Cécile Rozuel, e-mail: cecile.rozuel@stir.ac.uk and Dr. Scott Hurrell, e-mail: s.a.hurrell@stir.ac.uk

Appendix 2 : Participant Consent Form

Title of the study   : Exploring Ethical Issues in the Indonesian Mining Industry

Being conducted by : Unang Mulkhan, PhD student
Supervised by   : Dr. Cécile Rozuel and Dr. Scott Hurrell

1. I confirm that I have read and understood the information sheet for the above study and the researcher has answered any queries to my satisfaction.
2. I confirm that I am aware of what participation involves.
3. I understand that there are no risks involved in the participation of this study.
4. I understand that my participation is voluntary and that I am free to withdraw from the study at any time, without having to give a reason and without any adverse consequences.
5. I understand that I have the right to ask for sensitive information to be removed from the transcript, even after the interview is completed.

I have read and understood the above, and give consent to participate:

Participant's Signature: _____

Name: _____**Date:** _____

I have explained the above and answered all questions asked by the participant:

Researcher's Signature: _____**Date:** _____

Researcher:
Unang Mulkhan, School of Management, Management Work and Organisation Division, University of Stirling E-mail: unang.mulkhan@stir.ac.uk telephone: +447770252624

Title of the study: Exploring Ethical Issues in the Indonesian Mining Industry

A. Organisational Values and Culture:

1) Are you familiar with your company's purpose and mission statement? If yes, what are they / can you mention them? If no, why?

2) Are there ethical values supported by your company? If yes, what are they? If no, why?

3) Are there ethical values enacted by the company? Give examples or details of practices or policies

4) Are ethical issues considered within organisational culture? How so?

5) And how about your company's efforts to develop ethical culture between the company and the wider community? Please provide examples.

6) How does corporate culture help support the ethical values of the company? Can you give me examples of ethical practices that are explicitly integrated into your company's culture?

B. Business Ethics:

1) Is operating business ethically important for your company? If yes, why? If no, please elaborate? What is your understanding of a business operating ethically?

2) Does your company take into account the stakeholders' expectations regarding ethical issues? If yes, why and in what way (s)? If no, why?

3) What is the impact of your company's ethical activities on the business and the stakeholders? How is it assessed? How is it monitored?

4) Does your company find that having a social responsibility team or committee works best for the company? If so, how does this team/committee work and how are they organised? If no, why so?

5) Does your company work together with the community? If yes, how? If no, why?

6) Can you describe the relationships between the company and the community? Are they generally friendly, cooperative or confrontational?

7) Is it important to have friendly relationships with the community? If yes, why? If no, why so? What are the implications of having a friendly relationship with the community for your company and its employees?

C. Organisational Structure:

1) How would you describe working relationships between employees and managers (vertical relations)? Has it worked properly and effectively? Please provide some examples.

2) How would you describe working relationships amongst employees (horizontal relations)? Please provide some examples.

3) Does the company provide any guidance as to how to develop work relations with one's colleagues? If yes, please provide details or examples. If no, how would the employees learn about good behaviour in the workplace?

4) Does your company's organisational structure allow employees to contribute to the company i.e. sharing ideas within their divisions and with other divisions in the company? If yes, in what form? If no, why?

5) Does your company provide opportunities for employees and managers to share their ideas about ethical issues in the workplace? Please provide some examples.

6) Does your direct supervisor provide guidance on ethical issues? If yes, in what way (s)? If no, why?

7) Are giving and receiving feedback from and to others important for the company's decisions? If yes, why and in what form? If no, why?

8) Are there any obstacles that prevent feedback being shared? How so?

D. Organisational Processes:

1) Are ethical considerations important in decision-making in your company? If yes, why so? If no, why not?

2) Does your company encourage employees and managers in making ethical decisions? If yes, how? If no, why?

3) After making and implementing decisions, does your company provide opportunities to evaluate the decisions? If yes, why and in what form? If no, why?

4) Do you think learning from past experience is important in a process of making an ethical decision for your company? If yes, why so? If no, why?

5) Does your company consider and recognise problems before making decisions i.e. how they would affect other people? If yes, how so? If no, why?

E. Organisational Policies:

1) Does your company accommodate ethical issues within organisational policies? If yes, can you give any examples? If no, why?

2) Does your company have written organisational policies related to ethical issues? If yes, please provide some examples. If no, why?

3) Does your company support employees and managers in understanding the company's legal rights and responsibilities? If yes, in what way (s)? If no, why?

4) Are employees and managers of the company encouraged to take part in ensuring that the organisational policies, such as codes of conduct, are respected and maintained? If so, how? If no, why?

F. Additional:

1) Would you like to add anything to what we have discussed?

2) Do you have any questions you would like to ask about this research?