

The Implementation of Anti-Bribery Management System Designed to Mitigate the Bribery Risk in State-Owned Enterprises: A Case Study of the Indonesia Agribusiness Industry

Kartika Trisna Putri

Department of Industrial Engineering
Faculty of Engineering
Universitas Indonesia
Depok, Indonesia
kartika.trisna@ui.ac.id

Novandra Rhezza Pratama and M. Dachyar

Lecturer in Department of Industrial Engineering
Faculty of Engineering
Universitas Indonesia
Depok, Indonesia
novandra@ui.ac.id , mdachyar@ui.ac.id

Abstract

From 2004 to 2020, bribery has been known as the highest type of corruption that occurred in Indonesia. At the level of organization and corporation, bribery might affect the execution of tenders and contracts. It also increases costs and risks faced by the organization. Bribery has been known as one of the important issues that might lead to the deterioration of business operations and also the reputation of companies. Anti-bribery management system (ABMS) is expected to be one of applicable bribery mitigation strategies that can be implemented widely especially in state owned enterprises (SOEs). ISO 37001:2016 is one of the ABMS that is implemented by SOEs in Indonesia. The Joint Decree or Surat Keputusan Bersama (SKB) of the Indonesia's Corruption Eradication Commission (KPK), the Indonesia Office of the Presidential Staff (KSP), the Ministry of Home Affairs of Indonesia (Kemendagri), the Ministry of National Development Planning Agency of Indonesia (BAPPENAS), and the Ministry of Empowerment of State Apparatus and Bureaucratic Reform in 2018 stated that the implementation of ABMS in the government and private sector was part of the focus to prevent corruption in 2019-2020. Thus, the ministry of SOEs in Indonesia released a regulation that encouraged all SOEs to implement ABMS immediately in 2020. This study is intended to study the implementation of the ABMS in an SOE operating in industry, specifically state-owned companies in the agribusiness industry. The implementation of the ABMS is expected to contribute to the effort to minimizing the risk of legal problems, improve cost efficiency, and also increase company competitiveness as a long-term vision. In this research, the analysis is carried out by analyzing the importance of variable in ABMS implementation in SOEs.

Keywords

Anti-bribery Management System, Bribery, State-Owned Enterprise, ISO 37001:2016

1. Introduction

Bribery is a type of corruption that occurs a lot in Indonesia, both within the scope of ministries, institutions and business entities or companies and organizations. According to statistical data on case handling by the Indonesia Corruption Eradication Commission or *Komisi Pemberantasan Korupsi* (KPK) in the period 2004-2020, bribery was the case that was handled the most, with a total of 708 cases in mid-2020 (Komisi Pemberantasan Korupsi, 2020).

The rampant practice of bribery that has occurred is one of the things that encourages various organizations to try to design strategies that can help prevent and overcome bribery. According to Veselovska et. al (2020) the practice of bribery is closely related to the breakdown of ethical principles and criminal activities which can then bring serious problems to organizations. At the organizational and corporate level, bribery affects the execution of tenders and contracts, and increases costs and risks.

Corruption issue has become a very serious problem in Indonesia. This is reflected in the value of Indonesia's Corruption Perception Index (CPI) for 2020 at a score of 37 with a ranking of 102. This score is down 3 points from 2019, as released by Transparency International. The CPI score is an illustration of the situation and condition of corruption at the country or territory level (Transparency International, 2021). The CPI compiles data from different sources that provide perceptions among business people and experts about the level of corruption in the public sector, which includes government agencies and state-owned enterprises (SOEs). On the CPI score, the higher a country's score, the cleaner the perception of corruption. Among the corrupt acts studied at the CPI include acts of bribery. So far, the CPI is still one of the index studies related to corruption that is comprehensive and robust (Suyatmiko 2020)

With the relatively high number of bribery cases, the Anti-Bribery Management System (ABMS) is expected to become one of the mitigation strategies that can be carried out, one of which is in the SOEs sector. A well-implemented ABMS can also support the realization Good Corporate Governance (GCG) which underlies a strategy in managing a company based on regulations, law and business ethics and is expected to improve the performance of SOEs. According to the Project Management Institute (2017) it is stated that in risk mitigation, actions are taken to reduce the likelihood of occurrence and/or impact of a threat. Early mitigation measures are often more effective than trying to repair the damage after the threat has occurred.

The Anti-Bribery Management System that is widely used is ISO 37001:2016. In Indonesia, in 2016, Indonesia Presidential Instruction No. 10 of 2016 was formulated concerning the Actions to Prevent and Eradicate Corruption in 2016 and 2017 (Inpres 10/2016) in which one of the policy materials is to give responsibility to the National Standardization Body (BSN) to carry out initiating anti-corruption certification efforts, so that later BSN adopted ISO 37001: 2016 into the Indonesian National Standard (SNI) ISO 37001. The Indonesia government concern towards anti-corruption strategies, especially in the field of anti-bribery management in Indonesia continues to grow. In 2018, the KPK Joint Decree (SKB), Presidential Staff Office (KSP), Ministry of Home Affairs (Kemendagri), Ministry The Republic of Indonesia's National Development Planning/National Development Planning Agency (BAPPENAS), as well as the Ministry of Administrative and Bureaucratic Reform (Kementerian PANRB) Number 01 SKB/M.PN/10/2018 state that the implementation of anti-bribery management in the government and the private sector is part of of focus and action on corruption prevention in 2019-2020 (Stranas PK 2018)

1.1 Objectives

This research discusses the application of an anti-bribery management system designed to mitigate the risk of bribery in State-Owned Enterprises (SOEs) in the Indonesian agribusiness industry. The research was conducted in company X that is operating in holding farming industry and has 13 major subsidiaries. In particular, it is hoped that this research can contribute to being taken into consideration in recommendations for system improvements related to the implementation of the anti-bribery movement which has recently been actively promoted by both the government and the private sector.

2. Literature Review

2.1 Bribery

Basically, there are various definitions that explain the meaning of bribery. Several international conventions namely The Organization for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, Council of Europe Convention on Laundering Search, Seizure and Confiscation of Proceeds of Crime, and United Nations (UN)) The Convention on Transnational Organized Crime, describes bribery as an improper advantage for public officials to act or not act according to their duties and functions. This advantage can be in the form of money or non-monetary, as well as in the form of tangible or intangible. These benefits can be in the form of money, loans, shares in a company, vacations, food and drink, sex, enrollment in schools for officials' children, or promotions (OECD 2007). In the Business Principles for Countering Bribery released by Transparency International, according to Wilkinson (2015), bribery is defined as the activity of offering, promising, giving, receiving, or asking for benefits as a form of inducement to take illegal actions or breach

of trust. Meanwhile, according to Sanyal (2005), bribery occurs when illegal payments are made to state officials or parties who have authority over something, to gain profit and reduce costs.

In Indonesia, regulations related to acts of bribery are regulated in the Indonesia Corruption Crime Act, namely In Indonesia Constitution Law number 31 of 1999 juncto number 20 of 2001. In general, types of corruption be classified into 7 (seven) categories (Transparency International Indonesia 2014). The categories are actions that causes the loss of state finances, bribery, embezzlement, extortion, fraudulent acts, conflict of interest in procurement and gratuities.

2.1 Anti-Bribery Management System (ABMS)

Historically, there are various management systems used by organizations and companies in various types of industrial activities to manage operational-related activities, for example related to production activities, finance and so on. One of the management systems used by the company is the anti-bribery management system. Wilkinson (2015) stated that it is stated that efforts to fight bribery require a strategic approach to ensure cultural integrity within the company and, based on continuous risk assessment, design, implement and maintain various prevention policies and procedures. According to Sartika and Arieasmieta (2020), previously the quality management system (ISO 9001) was the most widely implemented management system in organizations in relation to potential bribery. Furthermore, in 2013, along with the development of understanding of the context related to bribery, ISO 37001 began to be developed which aims to prevent bribery and increase the application of an ethical business culture in the public and private sectors.

According to ISO (2016) ISO 37001 can be applied in all sectors including private, public, and non-profit sectors for small, medium and large organization. ISO 37001 specifies organization's implementation of policies, procedure and controls that are proportionate to the bribery risks that the organizations face.

ISO issued the Anti-Bribery Management System Standard (ISO 37001) with the aim of helping organizations to prevent, detect and handle bribes towards a better ethical business culture. This standard is designed to assist organizations to establish, implement, maintain, and improve anti-bribery compliance programs (Haron, et. al, 2018). In his research on the implementation of anti-bribery management systems in Poland and internationally, Kafel (2016) concluded that the efficiency of anti-bribery efforts at the organizational level can be increased by implementing an anti-bribery management system. ABMS can be even better in supporting organizational performance with the involvement of parties at the top management level in its implementation.

In Indonesia, Indonesia Presidential Instruction No. 10 of 2016 was released concerning the Actions to Prevent and Eradicate Corruption in 2016 and 2017 (Inpres 10/2016). Then Indonesia National Standardization Body (BSN) proceed to carry out initiating anti-corruption certification efforts, so that later BSN adopted ISO 37001: 2016 into the Indonesian National Standard (SNI) ISO 37001. According to Tukiran, Susilowati, and Mahriansyah (2021) ISO 37001:2016 is an international standard that provides guidelines that need to be developed into an anti-bribery management system in organizations, so that practices that lead to bribery can be detected and dealt with effectively. Compliance with the ISO 37001: 2016 standard does not guarantee that bribery will not occur in the organization, but can help the organization to prepare the implementation of a system that can be used. The explanations of criteria in ABMS are summarized in Table 1.

Table 1. Summary of explanation of criteria in ABMS which was adopted as SNI ISO 37001:2016

	Criteria	Explanation	Elements
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1	Context of Organization	This context includes requirements to encourage the organization to carry out an assessment of the organization's strategic position, boundaries and implementation of the anti-bribery management system within a scope by taking into account the strategic position of the organization, requirements that stipulate that mapping of the organization's business processes must be carried out and the existence of an assessment of the risk of bribery regularly	<ol style="list-style-type: none"> 1. Understanding the organization and its context 2. Understanding needs and expectations of Stakeholders 3. Determining the scope of the anti-bribery management system 4. Anti-bribery Management System 5. Bribery risk assessment
2	Leadership	Leadership was originally known as management responsibility, which was later translated into the role of a steering board, top management commitment in implementing anti-bribery policies, being responsible for and overseeing the compliance function of the anti-bribery management system.	<ol style="list-style-type: none"> 1. Leadership and commitment 2. Anti-bribery related policy 3. Organizational roles, responsibilities and authorities
3	Planning	<p>This includes the design of the anti-bribery management system which provides reasonable assurance that the anti-bribery management system is achieving its intended objectives, preventing or mitigating adverse effects relevant to its policies and objectives.</p> <p>This includes actions taken that are proportionate to the likely potential impact on the organization</p>	<ol style="list-style-type: none"> 1. Actions aimed at risks and opportunities 2. Anti-bribery goals and planning to achieve them
4	Support	This context is related to the organization that needs to determine and provide the necessary resources for the establishment, implementation, maintenance, and continuous improvement of the anti-bribery management system.	<ol style="list-style-type: none"> 1. Resources 2. Competence 3. Care and training 4. Communication 5. Documented

5	Operation	<p>This is related to how organization shall plan, implement, review and control the processes needed to meet the requirements of the anti-bribery management system, and to implement actions.</p>	<ol style="list-style-type: none"> 1. Operational Planning and Control 2. Due Diligence 3. Financial Control 4. Implementation of anti-bribery controls controlled by the organization and its business partners 5. Anti-bribery commitment 6. Gifts, generosity, donations and similar benefits 7. Manage inadequate anti-bribery controls 8. Increase awareness 9. Investigation and handling of bribery
6.	Performance Evaluation	<p>It is related to the context of organization monitors, measures and evaluates the anti-bribery performance and the effectiveness and efficiency of the anti-bribery management system. The organization conducts internal audits at planned intervals to provide information on whether an anti-bribery management system is effectively implemented and maintained.</p> <p>Top management shall review the organization's anti-bribery management system, at planned intervals, to ensure its sustainability, suitability, adequacy and effectiveness.</p>	<ol style="list-style-type: none"> 1. Monitoring, measurement, analysis and evaluation 2. Internal audits 3. Management review 4. Review of the anti-bribery compliance function
7.	Improvement	<p>Related to organization that continuously improves the suitability, adequacy, and effectiveness of the anti-bribery management system.</p> <p>The organization must immediately react to the nonconformity, and take action to control and correct it; and agree on consequences: evaluating the need for action to eliminate causes</p>	<ol style="list-style-type: none"> 1. Nonconformity and action 2. Continuous improvement

2.2 State Owned-Enterprises

In accordance with the Constitution Law of the Republic of Indonesia number 19 of 2003 concerning State-Owned Enterprises (SOEs) is defined as a business entity whose capital is entirely or mostly owned by the state through direct participation originating from separated state assets. SOEs are expected to contribute to the national economy and are profit oriented in running their business.

Internationally, the governments of the G20 countries, including the Indonesian government within them, recognize that State-Owned Enterprises have important financial implications for the global economy. Therefore, the G20 countries have agreed that addressing integrity issues in SOEs is one of the priorities of the G20 Anti-Corruption Working Group Implementation Plan at a conference in Argentina in 2018 (Komisi Pemberantasan Korupsi 2021).

2.3 Bribery In Indonesia SOEs

Based on data on prosecution of corruption cases from the KPK, in total there were 92 acts of corruption involving SOEs in 2004 – 2021. Saptono (2022) in his research stated that up to 2021 there were a number of corruption cases in the form of abuse of authority or bribery involving the members of the Board of Directors in SOEs, including in the form of a bribery case in the power plant case which involved the Director as a suspect in 2018, the sugar distribution bribery case involving the Main Director Company and the Marketing Director as suspects in 2019, the alleged corruption case in bribery for the procurement of aircraft and aircraft engines involving a Director a company in an aviation SOE in 2019 as a suspect and several other case.

According to Shaheer, et. al (2017) there is a difference between the potential for bribery in private companies and SOEs. Compared to private companies, SOEs have a lower focus on financial performance. The government usually gives direction to SOEs to achieve certain goals in accordance with the SOEs field compared to financial performance for profit or commercial purposes. These conditions can make managers or parties who have influence on SOEs to take other incentives for their own interests through the payment of bribes. Prevention of corruption is one advanced step towards building a good management system at the level of private organizations, State-Owned Enterprises, and agencies in general (Tukiran, Susilowati, and Mahriansyah, 2021). With the support from the government to encourage the implementation of an anti-bribery management system and good cooperation from companies or in this case especially SOEs, it is hoped that efforts to realize good corporate governance will enable companies to make better decisions based on consideration in managing risk and and increase company competitiveness as a long-term vision.

3. Methods

In the research of Almeida, Pradhan, and Muniz Jr, (2018) an assessment was carried out on the implementation of ISO 9001: 2015 in a case study of the automotive sector in Brazil. In their research, they used 10 factors to carry out an assessment on the implementation of ISO 9001:2015. By adopting the similar concept, the components in SNI ISO 37001: 2016 were evaluated in order of their relative importance using the Analytical Hierarchy Process (AHP). The AHP model was developed by Thomas L. Saaty as a measurement through comparison and relies on expert judgment to obtain a priority scale (Saaty 2008). Saaty developed organized method for generating priorities, that generate comparisons that require a numerical scale indicating how many times more important or dominant one element is over another with respect to the criteria or property being compared. Subramanian and Ramanathan (2012) in their research indicated that the use of AHP in evaluating factors in management and strategy is one of the things that can be researched in the industrial sector.

Data processing is carried out using a combination of application or software Microsoft Excel and Expert Choice version 11 which are tools or tools used for AHP evaluation.

4. Data Collection

The data collection process was carried out through a survey using research instruments in the form of questionnaires for primary data collection and open interviews related to ABMS and company profiles. The survey activity carried out in this study was to use a questionnaire instrument which was distributed to respondents by physically distributing the questionnaire documents.

As for the respondents in the survey activities, it was carried out on respondents with the criteria of employees at company X who have work experience related to Audit, Internal Control and Company Risk Management activities. As a holding company, the company can carry out auditing and monitoring activities on the affiliated companies it

carries, including when there are activities that are indicated to be related to acts of bribery. Respondents with the criteria, experience and duties attached to them are those who are considered to understand the implementation of the company's ABMS.

The object of study in this research consists of Company X which is a holding company for 13 state-owned enterprises engaged in plantations and agro-industry spread throughout Indonesia. As a holding company, X company has direct or indirect ownership of its subsidiaries as well as equity participation in 13 state-owned plantation companies affiliated with it. The plantation commodities handled by company X include palm oil, sugarcane, rubber, tobacco, tea and coffee. Overall, until 2021, the plantation areas that dominate are oil palm, rubber, tea and sugarcane plantations.

The company has received an ISO 37001: 2016 Anti-Bribery Management System Certificate issued by TUV NORD with an initial validity date of 13 August 2020 to August 2023, which is one of 10 ABMS certification bodies that have been accredited by the National Accreditation Committee. Before the SNI ISO 37001:2016 was implemented, at least there were 4 (four) different major bribery related cases that involves directors or influential positions in subsidiaries and the company that has been processed by the authorities in the period of 2015 to 2019. Those cases occurred in the year before the SNI ISO 37001:2016 was implemented in the company and its subsidiaries.

5. Results and Discussion

Data processing is carried out using a combination of software (software) Microsoft Excel and Expert Choice version 11 which are tools or tools used for AHP evaluation. Based on the data obtained from the questionnaire spread to of respondents at company X who have work experience related to Audit, Internal Control and Company Risk Management activities that are experienced in their field that basically includes a scope of work in evaluating the bribery related risk in the company and all its subsidiaries (Figure 1).



Figure 1. Numerical weighing result combined.

From combining the data from the questionnaire, the resulted numerical weighing obtained are 0.166 for Context of Organization, 0.128 for Leadership, 0.124 for Planning, 0.114 for Support, 0.197 for Operation, 0.145 for Evaluation and 0.127 for improvement. The result shows that the most important criteria in ABMS SNI ISO 37001: 2016 according to the respondents, indicating that Operational criteria shows the greatest weight, namely 0.197, then followed by Organizational Context, namely with a weight of 0.166 and Evaluation with 0.145, with overall showing an overall inconsistency ratio with a value of 0.02. The results of calculations considered acceptable are values with a consistency ratio (CR) of $\leq 10\%$ or 0.1. This ratio is then in the software Expert Choice is also known as the inconsistency ratio because the greater the value, the more inconsistent the judgment.

The Operation criteria, based on the explanation of ISO 37001:2016 that has been adopted into SNI ISO 37001:2016, is related to the contexts in which organizations must apply both financial and non-financial controls to manage the risk of bribery associated with areas such as procurement, operations, sales, commercial, human resources, legal and regulatory activities. This is closely related to supervising the implementation of business processes as well as the creation and implementation of Work Plans in accordance with the Standard Operational Procedures (SOP) applicable to the company. Based on the weighing value resulted, it can be seen that this criteria is one that is considered as most of importance in the implementation of ABMS in the company. The Context of Organization or Organizational Context criteria is considered as second most of importance based on the value resulted. This criteria is related to the understanding the organization and its context, understanding the needs and expectations of stakeholders, determining the scope of the anti-bribery management system, anti-bribery management system and assessing the risk of bribery.

6. Conclusion

The result from the data obtained shows that the Operation criteria is one that is considered as most of importance in the implementation of ABMS SNI ISO 37001:2016 in the company. Based on the understanding of operation criteria in the ISO 37001:2016, it implies it is important for the organization to apply both financial and non-financial controls to manage the risk of bribery associated with areas such as procurement, operations, sales, commercial, human resources, legal and regulatory activities. It is also important to supervise the implementation of business processes as well as the creation and implementation of work plans in accordance with the Standard Operational Procedures. The ABMS has been just in recent few years if we consider all subsidiaries and the company itself. Hopefully the future research can be done by deepening the research exploration so that the research can contribute into consideration in recommendations for system improvements related to the implementation of the anti-bribery movement

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Biographies

Kartika Trisna Putri is currently taking her Master's degree in Industrial Engineering Department, with Industrial Management as specialization at Universitas Indonesia. Previously she completed her Bachelor's degree in Faculty of Earth Science and Technology in Institut Teknologi Bandung. Her area of interest includes industrial management, industry 4.0 and quality improvement.

Novandra Rhezza Pratama is a Lecturer at Industrial Engineering Dept. Universitas Indonesia. He completed his Doctoral degree from Department of Industrial Engineering and Economics, Tokyo Institute of Technology. His research focused on Industrial Management, Information System, Business Modeling, and Business Process Reengineering.

M. Dachyar is a Professor and the Head of MISDS Laboratory in Department of Industrial Engineering at Universitas Indonesia. His research is focused around the management of information system, the decision support system, business intelligence, business process reengineering, and operations management.