

Being a responsible business



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1. 0Introduction

Nowadays responsible business is becoming increasingly more important to every organization in order to have a better image. Responsible business can be also known as corporate social responsibility. According to Richard Watts, corporate social responsibility is the commitment of the business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as of the local community and society at large continuously orbuk. org. uk (2009).

Sime Darby is a major Malaysia-based multinational conglomerate that involve in 5 main industries such as property, plantations, energy and utilities, industrial and motors that operates in more than 20 countries sime-darby. com (2014). This organization was formed in 2007 with the merging of 3 organizations, Kumpulan Sime Darby Berhad, Kumpulan Guthrie Berhad and Golden Hope Plantations Berhad securities. com (2014). Sime Darby was listed as the main market in Bursa Malaysia.

2. 0The current business practices for Sime Darby

2. 1Student scholarship by (YSD)

Sime Darby is a company that focuses much on education for people in the society. The company is always trying to offer expertise and knowledge at all levels of education for students who cannot afford to pay and underprivileged. There are 2 foundations that provide scholarships and bursaries for local students. The 2 companies are Yayasan Sime Darby (YSD) and Sime Bardy Foundation. According to Sime Darby, YSD supports

initiatives that reduce gaps in access to quality education between urban and rural societies, and those that improve access to basic education for the marginalized yayasansimedarby. com (2014).

Both foundations are to provide for people who have the ability of leadership for vocational, certificate, diploma and undergraduate courses in local and also foreign universities. They have provided scholarships to more than 2200 students over the last 30 years. And in 2013 itself, YSD have offered 395 scholarships to Malaysians and other countries like Indonesia and Liberia where Sime Darby operates yayasansimedarby. com (2014).

In 2014, YSD foundation had offered scholarships and bursaries for 247 students in order for them to fulfill their dreams. This article came out in The Star newspaper at 13 August 2014 yayasansimedarby. com (2014).

2. 2SAFE Project

Sime Darby is an organization that focuses on protecting the environment by reducing the operational carbon in over 20 countries. They always guide on how to consume the energy and water properly, how to manage the wastes and how to use the raw materials wisely.

Sime Darby Property, for example, was awarded the 2010 Frost & Sullivan Malaysian Green Builder of the Year. The Sime Darby Idea House also received the Cityscape Best Developer award in the Green Development (Future) Category from Cityscape Singapore in the same year (Sharon Yam) (2013). There are a few contributions done by Sime Darby in recycling and awareness such as collecting 41392. 7 kilograms of recyclable wastes,

collecting 200 litres of used cooking oil, distributing 32000 energy saving light bulbs and 4000 recipients of energy saving light bulbs, classifying 14 workplaces and buildings' garbage and having 150 young sustainability ambassadors. The organization has also planted more than 6658 trees.

2. 3Protecting wildlife habitat

Besides that, this organization also invested in species rehabilitation and conservation, biodiversity management and also researches and studies to reduce environmental impact in order to sustain the natural resources and protect the environment. Sime Darby gives full support to protect 5000 orang utan in the ULU SEGAMA Forest Management Area in Sabah. The area covers about 250000 hectares and 60% of the land need special care due to logging activities suffering. With the contributions, Sime Darby was awarded notable achievement in Environmentl Performance, Prime Minister's Hibiscus Award (rizalstarz) scribd. com (2009). Moreover, there are a few projects done by Sime Darby to sustain the environment. One of the projects is the stability for Altered Forest Ecosystems (SAFE) Project. This project is the world largest ecological experiment as measured by the size and breadth of the ecological process. The main reason of this is to find out more ways to have a better management of oil palm plantations and maintaining the ecological biodiversity.

Another project is to protect Borneo rhinoceros sanctuary (BRS) in Sabah. The species of Bornean Sumatran Rhinoceros are facing the danger of extinction. Therefore, this project can be a symbol of Sime Darby. Sime Darby is determined in supporting this project although it may be hard. But,

the hard works done by them shows great effective and give new hope in the past few years after saving a wild female Bornean Sumatran Rhinoceros named Puntung. Puntung was rescued from the Tabin Wildlife Reserve and airlifted to the BRS on December 25, 2011. BRS is located in the Tabin Wildlife Reserve to give a natural and safe environment in order to protect the rhinoceros from poaching, illegal hunting. The core funding of the BRS about RM11. 4 million are from Yayasan Sime Darby (YSD) for 6 years from 2009 to 2015.

2. 4Community services

They take part of many charity events, massive projects and support large-scale and long-term environmental conservation programs to enhance bio- and eco-diversity [sime-darby. com](http://sime-darby.com) (2014). According to the Sime Darby website, the organization has investments by bringing together with communities where they have direct impact and stakeholders will have influence on operations. The investment may include building more facilities and give positive effect to community. The investment will promote the Millennium Development Goals, to address the universal basic needs and upholding and respecting human rights [sime-darby. com](http://sime-darby.com) (2014).

The core areas of development of Sime Darby will include the alleviation of poverty, to increase job creation, delivery of basic healthcare, the provision of shelter, access to public infrastructure and amenities, supporting and promoting human rights, disaster relief aid and the engagement to charitable contributions [sime-darby. com](http://sime-darby.com) (2014).

2. 5Sime Darby's transparency of financial statement

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Sime Darby is one of the companies that have corporate scandal. The corporate scandals include falsification of financial statements and not environment friendly act that may harm the society. These acts will cause many problems to the organization, customers and community. When Sime Darby is facing scandals, it will cost vast amount of money that may involve hundreds of millions. The falsification of financial statements will include inflating organization's profit by creating fake invoices. The boards of directors are playing an important role of a trustee or a fiduciary role in order to make sure to have a reliable financial reports credit and investment decisions. This is an important component of ethical behavior because it is an obligation to report the financial status of the organization to the shareholders (Zalailah Salleh, Hafiza Aishah Hashim, Shamsul Nahar Abdullah) (2012).

Sime Darby is the second largest company by the market value in Malaysia, the chief executive officer, Ahmad Zubir Murshid, was fired due to taking the responsible of cost overruns on projects in Qatar and the Bakun hydro-electric dam. The main reason of removing Ahmad Zubir was because he made great losses on many engineering and construction projects (Prashanth Beleya, Gopalan Raman, Charles Ramendren, Suresh Nodeson) (2012).

As Sime Darby were facing many problems, but the investors are helpless demand to have a thorough investigation for the transparency and the public accountability. In order to be an ethical and responsible company, it is essential for everything to be transparent but Sime Darby failed to do to guide effective decision making. Sime Darby tried to cover things that may

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bring bad impression to the image of the company. Not only have that, the minority shareholders were hoping the board of directors to given them a clearer understanding.

As for being a successful organization, it is important to satisfy stakeholders and also shareholders. The 4 principle of corporate governance are accountability, transparency, responsibility and fiduciary. This article shows that Sime Darby did not a good system of corporate governance principles because for accountability, Sime Darby refuse to admit the losses even it is confirmed by the external auditors. Secondly, for transparency, they fail to reveal overrun cost. Next for responsibility, they have made poor business decisions. Lastly, for fiduciary, they have possible bribery and abuse of the boards' power and position. Indeed, as Sime Darby is one of the largest organizations in Malaysia, the company must provide accountability and transparency to satisfy shareholders, customers and society.

2. 6Bonus issue

In November 23, 2012, Sime Darby Bhd's plantation was sued by plantation workers' union on alleged bonus payoff discrepancies. The union filed an industrial court case based on the dispute to the lower management and operation staffs who received low bonuses. The All Malayan Estate Staff Union (Amesu) believes it has five strong cases involving staff at the Sime Darby Plantation Sdn Bhd, but has decided to proceed with one case concerning bonus payouts for its financial year 2010/2011. Moreover, Jey Kumar, the secretary- general of AMESU stated that they had sent a letter to Sime Darby to state the unjust treatment of bonuses among lower

management and operation staffs (John Gilbert) freemalaysiatoday. com (2012).

2. 7 Ineffective appraisal system

Sime Darby has later received even more complaints regarding the dissatisfaction of bonuses by the lower management. They stated that senior or higher management get to have better bonuses and even have some junior staffs that did not received bonuses at all. The unfairness of bonuses issues have causes the organization's appraisal system to be ineffective. Therefore, this may demotivate the employees. The union also stated that other plantation organizations such as Kuala Lumpur Kepong Bhd and IOI Corp Bhd have a better and more structured way for bonus payout and giving a more effective appraisal system for the employees (John Gilbert) freemalaysiatoday. com (2012).

2. 8 The low job satisfaction

Auto Bavaria is one of the well-known brands under Sime Darby Motor Division Sdn Bhd. It is the biggest retail service organization of BMW, MINI Cooper and Motorrad in Malaysia. This organization is founded in 1988 where it consists of many professional and well trained technicians and employees. The main purpose of this organization is to make customer satisfaction as their first priority. But this organization is facing problems with the employees (Akmal Syalwani Binti Idris) A Study on the Impact of Psychological Empowerment in Employee Performance in Sime Darby Motors Division, Auto Bavaria, Glenmarie, Shah Alam (n. d).

The supervisors and managers always have heavy workloads and have many problems to solve by themselves. They often stay back in offices and need to work overtime to finish their works or they will need to take their time on weekends to meet the work deadlines. This problem is caused by not empowering the workers properly to the employees well. The middle management has a lack of trust and confidence towards the employees because they think that the employees cannot help them to solve the problems or are not able to make decisions. Moreover, the middle management will think that the employees are lacking knowledge and skill when making decisions.

Not only in the Auto Bavaria Organization, according to the Glassdoor website, there is a review about employees who work in the Sime Darby organization. Although there are pros but there are also many cons for working in the organization. The pros reviews of working in Sime Darby are having benefits that cover many areas such as family, healthcare, housing and car, have a stable working life and are able to expose in many industries. As for the cons, most of the reviews stated that there is low job satisfaction. The employees' potential is hardly being realized by the middle management. Moreover, the employees can hardly get job promotions and have limited growth opportunities (Anon) glassdoor. com (2014).

3. 0 Ranking with ethical theories

3. 1 Environment

There are many evidences that show Sime Darby is an organization that put in a lot of efforts in protecting our mother nature. The organization focuses

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on conserving the forests, protecting the habitat of endangered species animals, conserving the raw materials and sustaining natural resources. Sime Darby is the leading organization that is involved in CSR practices. According to St Francis of Assisi, he understood that God communicates to us through the natural world – through animals, birds and trees – and that it is a sin to destroy them. The world is actually good and it is a sign of God's goodness, so it is the responsible of human being to inspire our love and care for the nature <http://cw.routledge.com/>(2008). As refer to ' the father of CSR', Bowen (1953), one of the obligations that businesses need to pursue organizational policies and able to make decisions that are good for both social objectives and values is CSR (Sharon Yam) (2012).

3. 2Community

Sime Darby is an organization that gives in in many activities in community services. Sime Darby gives in return to the society for supporting them. Manley II 1991 stated that many organizations nowadays focus more on the importance of good corporate citizenship and the responsible towards the society under the code of conduct of the business (Loh Leong Hua & Ragayah Haji Mat Zin, 2007). Moreover, according to Elkington (1997) stated that social responsibility can be divided into 3 fold which are economic value, ecological value and social value. Economic value is mainly on making profit, whereas ecological value is engaging activities that will benefit to environment and lastly social value will be engaging activities that will benefit to community and also to life (Samuel O. Idowu, Walter Leal Filho) (2009).

3. 3Shareholders

The shareholders of Sime Darby had a feeling of unfair due to the falsification of financial statement of the organization. According to Milgrom and Roberts 1992, they stated that when the boards of directors do not have activities that will give benefit or value added to shareholders, the issue of moral hazard will come into the play (Loh Leong Hua & Ragayah Haji Mat Zin, 2007). On the other hand, Thillainathan (1999) and Ang et al. (2000) stressed out that corporate transparency practices are necessary to make sure shareholder have effective control and protection (Loh Leong Hua & Ragayah Haji Mat Zin, 2007).

3. 4Employee

The bonuses issues between the lower management and Sime Darby have caused the ineffective appraisal system of the employees whereas the middle and top management have better bonuses than the low management of Sime Darby. The employees are demotivated due to the unfairness. According to Archie B. Carroll, 1979, he argued that ‘ the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.’ Moreover under a motor company of Sime Darby, employees are facing job dissatisfaction. The employees are facing heavy workloads and didn’t get trust from the middle management of the organization. In the argument of Gergen (1991), it stated that people do not possess knowledge in their heads, but people who work together are more important.

4. 0Recommendations

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As for my opinion, I think that Sime Darby should treat all employees fairly as they are all working together in the same organization. Extrinsic rewards like bonus is important to motivate the employees after working hard for the whole year. All employees are needed to be viewed equally in order to motivate them to enjoy working in the organization. Demotivation will lead to the inefficiency of works by the employees.

Moreover, the middle management should give more trust and confidence towards the employees to make decisions. If the middle management is worried that the employees couldn't handle the job, they can give employees more training or guide employees but not to have everything in their control. By giving the employees more trust, they will feel that they have a value in the organization. They will tend to be more hardworking and more serious towards their job.

5. Conclusion

As for conclusion, business ethics are important for every organization to practice. An organization that has their business practices ethically will benefit the stakeholders and shareholders. Sime Darby is one of the best organizations that have great concern on protecting the environment. Sime Darby put in a lot of efforts to sustain the environment. Not only that, Sime Darby has many community services to help the society.

An organization, of course they will have a few unethical business practices because nothing is perfect in this world. One of the unethical issues was the falsification of financial statements in 2012. They did not provide a transparent report to show the shareholders. Another issue was the bonus

issue of the lower management of Sime Darby employees. The bonus issue had caused the low satisfaction of employees.

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