



Integrity Climate of the Malaysian Public Sector

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Abstract

The public sector officers play an important role in the day-to-day government operations. The people who are the main government stakeholders require that each government organisation maintain high levels of public sector integrity. This is in order to prevent actions of fraud and corruption which is also a part of integrity violations. The study analyses integrity climate relationship towards the levels of integrity violations in government employees. The objectives of the study are to observe whether honesty, conscientiousness, and principal have any effects towards the levels corruption in the public sector. The approach of the study is through analysing 251 government employees which are equivalent to executives, managers, and directors in private sector. The questionnaire contains questions on integrity climate and perceived acts of corruption. The data on fraud and corruption was based on the perception of government employees on these acts unethical behaviours in the organisation. Data was collected through online distribution to government agencies. A total sample of 251 government employees submitted their questionnaire feedback. The findings indicated that honesty and conscientiousness of integrity climate have a role in influencing the levels of corruption in an organisation. The implications of the research provide further understanding of the organisations in the Asian region towards ethical behaviours. As a contribution to the literature, the results provide evidence and support that ethical environment of integrity are associated with the levels of corruption in the organisation. The practical applications would provide improved strategies and decision-making from managers that could be used to control the levels of integrity and corruption in their organisation.

Keywords: *Conscientiousness, corruption, government, honesty, integrity, Malaysia and principle*

1. Introduction

Integrity is one of the core values in an organisation. Integrity promotes moral ethical values as making the right choice choices of decision making even above each organisations principal (Dobel, 1990). The integrity approach is to foster values in the public sector in order to prevent fraud and corruption practices (OECD, 2017). The notion here is that through having higher levels of integrity in the organisation, the actions of fraud, corruption and integrity violations can be prevented and overall be reduced (Graaf, Huberts, & Strüwer, 2017; Huberts, 1998). Public sector integrity is an important element in public governance in order for public sector employees to achieve a more transparent and effective organisational structure (Yurniwati & Rizaldi, 2015).

Integrity violations was first presented by Huberts in 1998 which was established based on observations of public sector enforcers (Huberts, 1998) of where it relates to prior and current literatures concerning fraud and corruption (Graaf et al., 2017; Huberts, Kaptein, & Lasthuizen, 2007; Karim, Said, & Bakri, 2015; Lasthuizen, Huberts, & Heres, 2011; Morehead, 2007). Huberts had initially explained nine typologies of integrity violations made by public service officers which are fraud, corruption, receiving gifts, side activities, misuse of information, discrimination, misuse of power, abuse of resources and finally actions of crime (Huberts, 1998). Prior studies had focused on specific key parts of violations such as employee deviance (Peterson, 2002), misbehaviours and unethical conduct (Treviño, Butterfield, & McCabe, 1998), misconducts (Mayer, Kuenzi, & Greenbaum, 2010), dysfunctional behaviours (Svanberg & Öhman, 2013), misdemeanours (Adawiah, 1998; Ferrell, 1998) and misdeeds (Ashforth & Anand, 2003; Paine, 1994; Pfister, 2009) are some of the approached that are utilised in examining integrity violations.

The year 2015 had also seen some high profile cases. The case of the Majlis Amanah Rakyat (MARA) incorporated company which holds assets in Australia was the limelight of 2015. The company had bought assets in Australia overpriced above the market value. The kickbacks was then transferred to



interested parties who had dealings prior to the purchase amounting to 4.75 Australian dollars was laundered out of Australia (Nick McKenzie & Richard Baker, 2015). The case of the National Feedlot Corporation (NFC) in 2015 sparked some misuse in government facilities in terms of soft loans provided. The CEO of the NFC was accused of breaching trust of government loan facilities to the amount of RM 49.7 million ringgit and was later released as the accusation was then dropped by the high court of Malaysia (BERNAMA, 2015). The Selangor Chief Minister was found guilty of graft through receiving kickbacks in assets, this case was when the Chief Minister received purchase of a house below the market price to the differential amount of RM 3 million ringgit below market price (Nazlina, 2015).

Enron was the pinnacle of fraud in organisations. The company's fraudulent behaviour had led to the development of the Sarbanes Oxley Act (2002). Enron had suffered losses up to 50 billion dollars (Free, Macintosh, & Stein, 2007; Junior & Sorking, 2001; Olagbemi, 2010). Case studies had reflected on the organisation concerning organisational behaviour and control. The CEO Jeffrey Skilling and founder Kenneth Lay had perpetrated the fraud by hiding the company losses, they were found guilty of conspiracy and fraud. Their auditor Arthur Anderson was found guilty of illegally destroying documents relevant to the fraud investigation which led to the dissolution of one of the biggest audit firm (Brown & Dugan, 2002; Edelman & Nicholson, 2005). Michael M. Lowther was the partner in charge in Arthur Andersen energy audit division. The partner had ignored the risks involved with Enron financial transactions of whereby he was charged of violation of legal practices.

1.1 Literature Review

The public sector's mission, vision and values are the most common structure in most government organisations. They are intended to give goals to the public workers and targets to achieve in their department or organisation. The goals and achievements of the specific department can be a sign of effectiveness (Ahmad, Othman, Othman, & Jusoff, 2012; Othman, 2007). Through having an objective towards fulfilling their mission, the organisation will be perceived to perform more effectively once achieving the mission. These objectives are deterred when there are actions of integrity violations in the organisation. The action of unethical behaviour prevents the employee from conducting their tasks effectively. Such behaviours promote inefficiency and would only incur more costs to the organisation (Button, 2016).

The fraud triangle theory reflects the individual reasons of why they would want to conduct any acts of corruption (Cressey, 1953). There are three components that are highlighted in the fraud theory which is pressure, rationalisation and opportunity. Each of these components provides perspectives on the reason of why a person would conduct corruption. Such behaviours in Enron had shown us that a control system does not matter when the leaders are the ones initiating the acts of corruption (Junior & Sorking, 2001). The organisational climate in the organisation had allowed for such behaviours to occur (Ashforth & Anand, 2003). The corruption activities were seen as normal and allowed, although it was wrong at the side of the law.

The integrity climate consists of honesty, conscientiousness and principle. These components come from defining integrity through the approach of ethical climate (Cullen, Victor, & Bronson, 1993). The meaning of integrity is honesty, the foundation of integrity comes from conscientiousness, and the moral norm comes from principle (Huberts, 2018). The actions of honesty is being truthful with other people in a given society (Becker, 1998). A person with good levels of ethical behaviour can also have low levels of honesty; for instance the person could just give a dishonest opinion about another person's shirt while still having high levels of ethicalness. Conscientiousness is being able to do a task willingly or with full capacity without prior judgement (Sackett & Wanek, 1996). The person when being given a task would not do it half-heartedly and finish it to the best of their capacity. This is what is meant with having conscientiousness. Principle is conforming to the rules, law and procedures of the social norm (Paine, 1994).

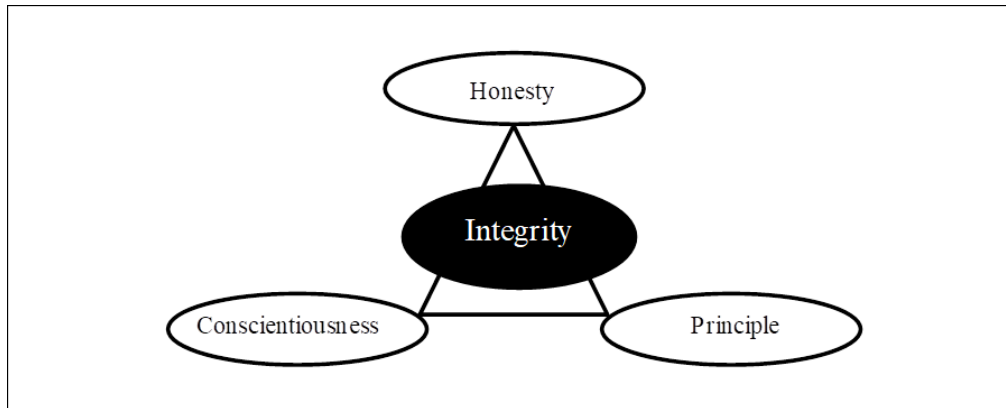


Figure 1 Integrity climate construct

Corruption is the act of conducting a dishonest action while being in power for the person's own benefit (ACFE, 2016). The act of corruption involves illicit activities and behaviours such as bribery and embezzlement. Corruption can also mean the misuse of entrusted power for personal benefits (Transparency International, 2018). These acts of bribery, embezzlement effects the organisation negatively. The company's or business reputation and business conditions can be adversely affected when such things occur. Scandals involving companies had shown that they will affect the investors which leads to the fall of market value (World-Finance, 2011). Actions such as these in government organisations also incurs high levels of costs for the country (Gee, Button, & Brooks, 2011). The costs such as in the United Kingdom had cost them billions due to these actions of corruption (Button, 2016)

2. Objectives

The integrity climate construct specific core values of honesty, conscientiousness and principle are components which could influence corruption. The study objectives is to observe and investigate whether each of these values will have an affect towards corruption.

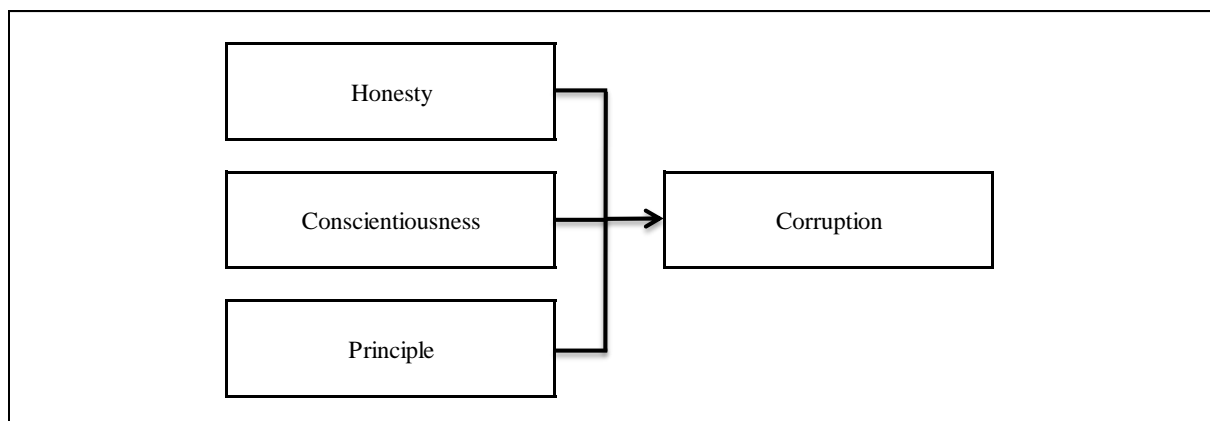


Figure 2 Conceptual Framework

3. Research Methodology

3.1 Research development

The level of honesty influences a number of organisational characteristics. The concept of going beyond honesty is what cultivates the characteristics of having integrity (Becker, 1998). The importance of having honesty in the workplace is important to generate good levels of trust amongst co-workers (Murphy,



1993). Studies indicates that when the organisation is more honest to their customers, the risks are managed more efficiently (Kraman & Hamm, 1999). This brings us to the proposed hypotheses:

H1: The level of honesty is negatively related to the level of corruption

Conscientiousness is related with giving the best with the assigned task with high levels of integrity. The value is associated with one of the Big Five Taxonomy of personality traits; Extraversion, Agreeableness, Conscientiousness, Emotional Stability, and Openness (Roberts, Jackson, Fayard, Edmonds, & Meints, 2009). The concept here is that the person will follow the practised social norms for actions, these actions is dependent on what is considered good in the society. Hence it is posited that:

H2: The level of conscientiousness is negatively related to the level of corruption

Principle is having the stand of following the rules, standard and law of the society. These actions are important as following rules and regulation would help negate the corruptive behaviours. Having principle in the organisations based on personal beliefs with integrity would reduce unethical behaviours (Zald, 1986). The study suggests that following rules improves efficiency. The person's tendency to follow the law based on the society's social norms are usually dependent on themselves (Posner, 1997). Having rules and laws would depend on the persons own level of ethical values. Hence, it is suggested a null hypothesis that:

H3: The levels of principle will have no impact on the levels of corruption

3.2 Survey development

The components of integrity climate are based on the three components and corruption is based on the acts of corruptive behaviour in the organisation. The acts of corruption are presented by the perceived actions of abuse of power and acts of bribery in the organisation. The following table presents the measurements used in the study.

Table 1 Measurement of variables

Component	Items
Honesty	People in the organisation report incidents of dishonest behaviour to management The organisation does not allow dishonest behaviour amongst the workforce There are sufficient reasons when a worker steals something from the organisation There are possibility that good people will not commit dishonest behaviour which violates their integrity People in the organisation views that honest behaviour as important People who does not have integrity will act on dishonest behaviours
Conscientiousness	The organisation has strong integrity values The level of integrity is high in my organisation, that is why negative behaviours does not regularly occur Every personnel in my organisation has a sense of duty towards performing with integrity Every personnel has strong responsibilities in ensuring integrity is practiced The people in my organisation will not risk actions which violates integrity
Principle	Everyone is expected to stick by company rules and procedures Successful people in this company go by the book People are expected to comply with the law and professional standards over and above other considerations In this organisation, people are expected to strictly follow legal or professional Standards In this company, the law or ethical code of theft profession is the major consideration
Corruption	Accepting bribes (money or favours) to do or neglect something while on duty is common in the organisation Offering of bribes (money or favours) to do or neglect something while on duty is common in the organisation Accepting bribes (money or favours) for delivering better service is common in the organisation Using organizational resources for personal benefit is common in my organisation



The measurement variable of corruption is based on the interpretation and experience by the employees. The knowledge and understanding are based on the employee's perceived awareness. This relates to the amount of corruption that they have saw or seen within the organisation. The knowledge of whether there have been actions of bribery or abuse of power is to present corruption.

3.3 Sample and data collection

The information is gathered through distributing questionnaires to the Malaysian government office's representatives. The sample's is from the managerial level of government workers. These government employees that have positions as directors that has the duty of deciding, direct and enforcing the laws of government (Malaysian Ministry of Human Resource, 2013). The supervisors in government divisions are workers that are qualified experts and have administrative obligations (Public Service Department of Malaysia, 2002).

The total sample collected is from 251 government employees ranging from various departments in the government. The following table presents the profile summary of the respondents of the survey:

Table 2 Demographic profile

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	109	43.4	43.4	43.4
Female	141	56.2	56.2	100.0
Total	251	100.0	100.0	
Age				
	Frequency	Percent	Valid Percent	Cumulative Percent
20-30 Years	46	18.3	18.3	18.3
31-40 Years	137	54.6	54.6	72.9
41-50 Years	50	19.9	19.9	92.8
51 and above	18	7.2	7.2	100.0
Total	251	100.0	100.0	
Education				
	Frequency	Percent	Valid Percent	Cumulative Percent
Not specified	9	3.6	3.6	3.6
SPM	19	7.6	7.6	11.2
STPM	7	2.8	2.8	14.0
Diploma	79	31.5	31.5	45.5
Degree	100	39.8	39.8	85.3
Masters	32	12.7	12.7	98.0
PhD	5	2.0	2.0	100.0
Total	251	100.0	100.0	

The total male respondents are less than half of the total sample. The majority of the respondents are aged between 31 to 40 years old. The lowest quantum age group is 51 years old and above. The majority of the respondents are degree holders and lowest are the philosophical degree holders at 5 people. SPM and STPM is the Malaysian examinations for high school and higher school learnings.

4. Analysis and results

4.1 Reliability test

Data was analysed using the Statistical Package for Social Science (SPSS). The process summary had excluded three cases as some of the values were missing. A reliability test based on the Cronbach Alpha statistic was used to test whether the data is reliable. The data was tested for internal consistency of the items from internal control systems and procrastination using Cronbach's coefficient alpha. The reliability coefficient for the scale was 0.657 that represents a moderate level of reliability (Creswell, 2003).



4.2 Kaiser-Meyer-Olkin and Barlett test

The Kaiser-Meyer-Olkin (KMO) test was done in order to determine if the data was appropriate for factor analysis. The values for KMO sample of adequacy was 0.762 and that data analysed through factor analysis will be quite informative (Hair, Anderson, Tatham, & Black, 2010). The Bartlett's test of sphericity shows that there is statistical significance of the data ($p < 0.001$).

4.3 Correlation matrix

The correlation matrix of the variables in the regression model is given in Table 2. The measures of all the variables are negatively correlated with corruption. This coincides with the assumption that the values integrity deters corruption. The integrity climate dimension of conscientiousness and principle are the only ones that have significant correlation with corruption ($p < 0.001$).

Table 3 Correlation matrix

Variables	Corruption	Honesty	Conscientiousness	Principle
Corruption	1	-0.107703822	-.206**	-.172**
Honesty		1	.815**	.797**
Conscientiousness			1	.828**
Principle				1

** Correlation is significant at the 0.01 level

4.4 Hypothesis testing

The following table shows the multiple regression analysis for the study with a total sample of 251 government employees. The results indicate that honesty and conscientiousness shows significant results. The other measures of integrity climate such as principle do not have a significant relationship towards corruption.

Table 4 Multiple regression analysis

	Standardized Coefficients		
	Beta	t-value	p-value
(Constant)		7.893	0.000
Honesty	0.230	1.993	0.047
Conscientiousness	-0.284	-2.275	0.024
Principle	-0.134	-1.116	0.265

- a. Dependent Variable: Corruption
 b. *Significant at the 0.05 level

5. Discussion and Conclusion

Through the regression analysis indicated that only honesty and conscientiousness has significant values towards corruption. The third null hypothesis was proven true as principle has not effect towards corruption. This however differs from correlations, as honesty is the only variable not significantly correlated towards corruption. The correlations indicate that when there is more honesty, conscientiousness and principle reduces the rate of corruption. Only conscientiousness and principle has significant correlations.

These two major differences may be explained through knowing that the actions of corruption could be conducted by an honest person. The circumstances may be such as the level of integrity climate in



the organisation condone and support corruptive behaviours. The normalisation of corruption is one of the explanations when such behaviour is allowed in the society (Ashforth & Anand, 2003).

Being more honest and conscientiousness improves the overall integrity climate in the organisations. The knowledge practicality here is that encouraging employees especially in the public sector may help deter the rates of corruption. In terms of conscientiousness having the right rewards, goals and motivations would improve the employees tendency from behaving unethically (Alonso & Lewis, 2001). The right motivations would encourage the worker to be more conscience on their work.

The rules, standard and regulations which govern the principle of the person have their limitations. The person may retaliate when there is too much control in the organisation (Sanusi, Mohamed, Omar, & Mohd Nassir, 2015). The employees initiative to follow the rules law and regulation may be dependent on their own characteristics (Posner, 1997). The incentive of wages or penalties of not following such rules serves as a motivation on how they should behave (Grund & Fries, 2018).

5.1 Limitations and suggestions

The study was limited to public sector employees. The acts of corruption could be influenced by other factors such as mentioned in the earlier theory of fraud triangle. The motivations and pressure differs from each individual. This study only provides the overview of how such behaviours of being honest and conscientiousness can be implemented to influence organisational behaviours. Organisations that face problems with such issues should emphasise on these values in order to deter the acts of corruption.

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