ETHICAL PRACTICES IN MALAYSIAN ORGANIZATION

الجامعة الإسلامية العالمية ماليزيا
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
يونيرسيتي إسلام انتارابغسا ملايسيا

ETHICAL PRACTICES IN MALAYSIAN ORGANIZATIONS

BY

ONG ENG WAI

A PROJECT PAPER SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTER OF MANAGEMENT

MANAGEMENT CENTER
INTERNATIONAL ISLAMIC UNIVERSITY
MALAYSIA

JANUARY 2000

ABSTRACT

The main aim of this study is to examine the existence of ethical practices within Malaysian organization. The study has several objectives. The first objective relates to the existence of ethical management practices within the organization. The second objective is to investigate whether those holding senior positions possess some ethical values. Finally, the study also focused on whether the individual employee is ethical or not. Overall, the results suggest that the majority of organizations in Malaysia are ethical. At the same time, the results also show that the majority of managers are also ethical. This study will be of value to those who want to have the knowledge and understanding of the extent to which ethical values are practiced at the workplace, both at the organizational level as well as at the level of the individual employee.

APPROVAL PAGE

TITLE OF PROJECT PAPER: ETHICAL PRACTICES IN MALAYSIAN ORGANIZATIONS

NAME OF AUTHOR : ONG ENG WAI

The undersigned certify that the above candidate has fulfilled the conditions of project paper prepared in partial fulfillment for the degree of Master of Management.

SUPERVISOR

Signature : _____

Name : Dr. Nik Nazli Nik Ahmad

ENDORSED BY:

_____

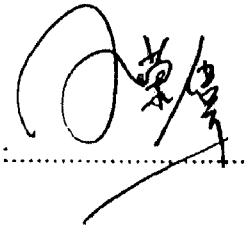
Dr. Nik Nazli Nik Ahmad
Head,
Master of Management Program

_____

Dr. Obiyathulla Ismath Bacha
Director,
IIUM Management Center

DECLARATION

I hereby declare that this thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by reference notes and a bibliography is appended.



Signature:.....

Name : ONG ENC WAI

© Copyright by Ong Eng Wai
and
International Islamic University, Malaysia.

DEDICATION

This project paper is specially dedicated to my parents, my brothers and my sisters.

ACKNOWLEDGEMENTS

I would like to take this opportunity to convey my heartfelt appreciation and sincere thanks to my supervisor, Dr Nik Nazli Nik Ahmad, for her kindness, encouragement, assistance and scholarly guidance in making this project paper to fruition.

My profound gratitude to all the lecturers of the MoM program for sharing generously their invaluable knowledge and expertise. I am grateful to all the respondents who have participated in this study.

Last but not least, I am most indebted to my family, especially my parent for their guidance and up bringing, my brothers and sisters for their care, patience and support in facing the hardship and challenge during the course. Special thanks to Mr. Saw Hong Seng and my coursemates at Management Center, IIUM.

TABLE OF CONTENTS

Abstract 2

Approval Page 3

Declaration 4

Copyright Page 5

Dedication 6

Acknowledgements 7

Table of Content 8

List of Tables 11

List of Figures 13

CHAPTER 1 : INTRODUCTION 14

1.1 Background of Study 16

1.2 Statement of Problem 17

1.3 Purpose of the Study 19

1.4 Preview of Remaining Chapters 20

CHAPTER 2 : LITERATURE REVIEW

2.1 Types of Ethical Issues in the Working Plaoe 22

2.1.1 Whistle Blowing 24

2.1.2 Unfairness 27

2.1.3 Privacy 30

2.1.4 Welfare of Employees 33

2.1.5 Dishonesty 36

2.1.6 Sexual Harassment 39

2.1.7 Downsizing 42

2.2 Reasons for Unethical Behavior: Pressure of Work 43

2.3 Importance of Being Ethical 46

2.4 The Effective Manager versus the Ethical Manager 48

2.5 Human Resource and Ethics 51

2.6 Summary 53

CHAPTER 3 : RESEARCH METHODOLOGY 54

3.1 Sample Selection 55

3.2 Design of Questionnaire 57

3.3 Pilot Testing 58

3.4 Summary 59

CHAPTER 4 : ANALYSIS AND RESULTS

4.1 Demographic Statistics : Age Group 60

4.1.1 Gender Distribution 62

4.2 Objective 1 62

4.2.1 Mean Test for Objective 1 63

4.2.2 ANOVA Test for Objective 1 65

4.3 Objective 2 66

4.3.1 Mean Test for Objective 2 66

4.3.2 ANOVA Test for Objective 2 67

4.4 Objective 3 69

4.4.1 Mean Test for Objective 3 69

4.4.2 ANOVA Test for Objective 3 70

4.5 Objective 4 72

4.5.1 Mean Test for Objective 2 72

4.5.2 ANOVA Test for Objective 2 73

4.6 Objective 5 74

4.6.1 Test for Fairness 76

4.6.2 Test of Integrity 78

4.6.3 Test of Responsibility 79

4.6.4 Test for Respect 81

4.6.5 Test of Overall Ethical Behavior 82

4.7 Summary of Analysis 84

CHAPTER 5 : CONCLUSION AND RECOMMENDATION

5.1 Objectives Restated 91

5.2 Limitations of the Study 94

5.3 Implications of Study 95

5.4 Recommendations for Future Research 96

BIBLIOGRAPHY 97

APPENDIX

LIST OF TABLES

2.1	Types of Bias	27
2.2	Types of Dishonesty	37
2.3	Types of Sexual Harassment	40
2.4	Unethical Behavior Caused by Pressure of Work	44
2.5	Causes of Pressure	45
2.6	Behavior and Attributes of Effective Managers	49
2.7	Ethical Attributes of Managers	50
2.8	Ethical Human Resources Management	52
4.1	Frequency Test : Age of Respondents	61
4.1.1	Frequency Test : Gender of Respondents	62
4.2.1	Mean Test : Objective 1	63
4.2.2	ANOVA Test Between Ethical Working Environment and Gender	65
4.3.1	Mean Test : Objective 2	66
4.3.2	ANOVA Test for Age	67
4.3.3	ANOVA Test for Gender	68
4.4.1	Mean Test : Objective 3	69
4.4.2	ANOVA Test for Age	70
4.4.3	ANOVA Test for Gender	71
4.5.1	Mean Test : Objective 4	72
4.5.2	ANOVA Test for Age	73
4.5.3	ANOVA Test for Gender	73
4.6A	Mean of Characteristics that Managers should Have	74
4.6B	Ranking of Characteristics That Manager should Have	75

4.6.1a Mean Test of Fairness 76

4.6.1b Rank of Fairness 77

4.6.2a Mean Test of Integrity 78

4.6.2b Rank of Integrity 78

4.6.3a Mean Test of Responsibility 79

4.6.3b Rank of Responsibility 80

4.6.4a Mean Test of Respect 81

4.6.4b Rank of Respect 81

4.6.5a Mean of Four Ethical Behavior 82

4.6.5b Ethical Behavior 83

4.7 Summary of Survey Results 84

TABLE OF FIGURE

1 Age of Respondents 61

CHAPTER 1

INTRODUCTION

Ethical issues are crucial issues which pervade human life, be it in our personal lives or in our working lives. Everyday we face ethical issues, be it through our own experience or the mass media. According to the Oxford dictionary (p399), ethics is defined as a branch of philosophy dealing with values relating to human conduct with respect to rightness.

John B. Sullivan (1997) defines ethics as a principal of right or good conduct. Character traits that support ethical conduct include integrity, a sense of value, honesty, conscience, reliability, good judgement, fairness and unselfishness. They are very much the traits that most, if not every employer seeks for when recruiting a new employee.

Another point of view is that ethics involve learning what is right or wrong and then doing the right thing. In the business ethics literature, "the right thing" is not nearly as straightforward as conveyed. At the workplace, employees may be subjected to unethical practices such as sexual harassment, discrimination, and unfairness. Ethical dilemmas in the workplace are not simply a matter of "Should the boss steal from Jack" or "Should Jack lie to the boss" (Carter, 1998)

Ever since the time of Socrates and Plato, more than 2500 years ago, philosophers have been discussing ethics. Many consider ethics to be the "Science of Conduct". On the other hand, ethicists consider emerging ethical beliefs to be "State

of the art" legal matters. This is because ethical guidelines are often translated to laws, future regulations or rules. Besides, ethics has become a channel for companies to promote themselves and increase their reputation.

American Express is feeding the hungry (Nation's Restaurant News, 1995). A leading alarm company, ADT is giving away personal-security systems to battered women (Time, 1992). Avon Products is helping to fund the fight against breast cancer (Brian, 1999). Kimberly-Clark is building playgrounds in poor neighborhoods (Sarah, 1998). Barnes & Noble promote literacy (Linda, 1998). Coca-Cola is sponsoring local Boys' and Girls' Clubs (Greg, 1997). The examples serve to illustrate that different companies and organizations view social responsibility as well as ethical practices as being of prime importance. However these examples are examples of ethical practices to the general public and the society as a whole. The question then is, are these organizations behaving ethically to their own employees?

A lack of involvement by leaders and managers in the field of ethics has created a great deal of confusion and misunderstanding about business ethics. McDonald and Zepp (1993), in their article "What Should Be Done? A Practical Approach to Business Ethics" noted that "when someone brings up the topic of 'ethics' it tends to bring up the issues of distrust, righteousness, paranoia, and laughter." (Zepp, 1993, p12). Ethical values depend on the beliefs of a person. Many leaders and managers believe it to be excessive because it seems to merely assure the obvious: "do good!"

In Europe and America, ethics in the workplace is managed through the use of codes of ethics, codes of conduct, roles of ethicists and ethics committees, policies and procedures, procedures to resolve ethical dilemmas and ethics training. The purpose of the present study is to investigate whether organizations in Malaysia use such codes and how closely the employers adhere to such codes.

1.1 BACKGROUND OF STUDY

The issue of ethics has been debated since the 1960s. The socioeconomic environment of the late 1980s and early 1990s has created numerous issues within organizations and industries. Managers encounter ethical issues in every functional area of their organizations. The issues range from production to marketing, from finance to personnel. Hence, this has created terms like "product liability," "glass ceiling," "whistle-blowing," "price fixing," "insider trading," and "mandatory drug testing" which have become part of common corporate vocabulary. As a result, managers and the organization as a whole should be clear as to the importance to which they should attach to ethical behavior (Snow, 1996).

Ethical problems in the workplace often reflect differences among corporate or societal values and individual values. What the larger society views as good and correct corporate behavior may very well conflict with the actions required for efficient and effective organizational functioning. Likewise, individual criteria for determining right and wrong can be at odds with an organization's policies and practices. Hence, a clear guideline and understanding of ethics is needed as it can

create an awareness of ethical issues to members in an organization. To start this, a code of conduct that lays out exactly what employees can and cannot do is needed (Friedman, 1997).

The increased awareness of ethical issues in the workplace has been accompanied by a renewed emphasis on teaching (Gandz & Hayes, 1988) and training (Feinberg & Serlen, 1988) in this area; with lectures and case studies providing the primary instructional formats (Mathison, 1988). Lectures will present an overview of ethical issues, whereas case studies offer practice in problem solving and decision making. Both of these approaches are consistent with the overall objectives of management education within business schools or corporate settings. They seek to develop practical skills. In the survey done by Bloom (1996), students usually are trained to be ethical but often do not apply what they have learnt. So the effectiveness of education and training to the manager is questionable.

In view of the questionable value of training, ethical values may not only depend on the person but also on the situation. This is also confirmed by the findings of a study where it was found that ethics are really about individuals' reactions to a situation, which can differ markedly (Cross, 1999). This study will focus on the practice of ethical conduct in the workplace, where different people or employees will be involved in the survey and different people will face different kinds of ethical situations. Specifically, the paper aims to examine the existence of ethical conduct between employer and employee or manager and subordinate.

1.2 STATEMENT OF PROBLEM

It's hard for supervisors, managers and other leaders to be ethical in the 90s. There are too many pressures to survive and to win at any cost. (Remsey, 1996) Findings from numerous research studies in the United States attest to this. The present study is therefore undertaken to investigate whether a similar situation exists in Malaysian organizations.

It is assumed that, in today's world, being unethical could help one to succeed in one's venture. People will always like to use "short cuts" in order to be successful in their careers but these "short cuts" often involve ethical issues. Fortunately, not everyone uses such "short cuts", as they know there would be some negative effect. One particular case illustrates the negative effect of unethical behavior. A doctor was awarded millions by BMW because his new car had been repainted without his knowledge. In this case BMW was dishonest (Hense, 1996). The company was dishonest to the consumer and had to pay the "price" for being dishonest in millions of dollars.

It is not always easy for leaders to be ethical in the workplace; however it is possible and it is worth the effort. There are still many people who are willing to be ethical and they are successful in their career.

The following quotation serves to highlight the crucialness of behaving ethically.

"Trust and respect are critical attributes of a successful property manager, which can only be achieved and maintained through daily ethical performance."

by Michael Butler 1997

(Watkins-Miller, 1997, p73)

Trust and respect are two important attributes which managers who want to be successful must have. However, both attributes do not come easily. They can only be achieved and maintained through everyday performance. Trust and respect comes from people around us after they have had an insight into our personalities through our daily actions. Only when managers gain trust and respect, can they achieve successful ventures in business.

To be successful in one's career is not easy. It is even harder to be ethical. However, these are what the best leaders and managers in organizations have to do everyday. It starts with understanding ones' own values and the values of the organization one works for.

1.3 PURPOSE OF THE STUDY

The present study is designed to investigate the types of ethical issues which exist in organizations and it will also determine whether Malaysian organizations are ethical or not. The present study was initiated with five major research objectives which are to examine:

a) Whether employees in Malaysian organizations are treated ethically or not.

b) Whether employees perceive an ethical working environment as being important and necessary.

c) Whether employees holding superior positions behave ethically or otherwise. Additionally, the present study also seeks to investigate the qualities and characteristics possessed by those superiors perceived to have ethical values.

d) Whether employees are ethical or not.

e) The characteristics that employees prefer in a manager.

1.4 Preview of Remaining Chapters

This section describes the organization of the project paper by providing a brief summary of the content of the remaining four chapters.

Chapter two: Review of Literature describes the various ethical values highlighted in the existing literature to provide an insight on views on ethics today. The chapter then proceeds to discuss the issue of the effective leader versus the ethical leader. Finally, the chapter offers a review of literature on the relationship between the functions of a good human resources department and an organization wthich reflects ethical values.

Chapter three: Research Methodology outlines the research methodology used in the present study. The chapter begins with an explanation of the sample selection. This is followed by a discussion of the questionnaire design and pilot testing. The chapter ends with a brief overview of the statistical tests that are used for data analysis.

Chapter four: Results and Analysis examines the findings of the questionnaire survey. The chapter provides the results as well as all analyses of the statistical tests performed. The subsequent sections then present a detailed discussion of the possible interpretations of the major findings of the study.

Chapter five: Conclusions and Recommendations discuss upon the conclusions from the study and offers some suggestions for future research. The chapter also discusses some inherent limitations of the study which may preclude broad generalizations.

CHAPTER 2

LITERATURE REVIEW

The review of literature in this chapter is organized into five major sections. The first section will present a review of literature on the types of ethical issues which pervade current day working life. These include whistle blowing, discrimination at the workplace, employee privacy, welfare of employees, dishonest practices, downsizing, and sexual harassment. This will then be followed by the next section which reviews recent studies done on pressure of work, often cited as the main reason for unethical behavior. Then, the third section will review on the importance of being ethical.

Following this, section 2.4 presents a literature review on the issue of the ethical manager versus the effective manager. Finally, section 2.5 discusses the overlap between the functions of an effective human resources department and an ethical organization.

2.1 Types of Ethical Issues in the Working Place

If all the members in an organization have integrity, a sense of values, courage of convictions, honesty, conscience, reliability, good judgment, fairness, and unselfishness; employers will not need to strive to seek new employees and would not have to worry about anyone stealing company assets or damaging the company's reputation. Furthermore, employers would be able to recruit highly motivated and

productive employees. According to McGregor (1960) employee productivity increases when employers treat their employees with more respect. He also emphasized the importance of employers treating their employees in a humane manner. According to McGregor, employers will be more successful if they were to treat their employees with compassion. Adams (1965) concurs with McGregor. He claims that performance of employees would be better when employees perceive they were fairly compensated for their efforts (Adams, 1963).

Unfortunately not everyone behaves ethically or for that matter, perceives ethical values to be important. For example, a survey conducted by the Ethics Resources Center (ERC) revealed that almost one-third of the respondents were engaged in misconduct at work. The report also stated that one third of the respondents felt pressured to engage in unethical practices to enable them to achieve business objectives (Watkins-Miller, 1997).

The news media report almost daily-acts of misconduct and employee violence by members of business, political, law enforcement, religious and social organizations across the United States (Sullivan, 1997). Ethical values are crucial at every level of organizational hierarchy, from the chief executive officer to the lowest paid employee. The media highlights numerous acts of misconduct, fraud, theft, misrepresentation of information or products, embezzlement, sexual harassment, discrimination, lying to cover up acts of misconduct, abuse of authority, forgery, unscrupulous business practices and cover ups of unethical decisions (Watkins-Miller, 1997). This clearly indicates that unethical practices pervade many modern day organizations. Hence, the