

**UNIVERSITI TEKNOLOGI MARA**

**THE RELATIONSHIP BETWEEN  
CODE OF ETHICS AND  
EMPLOYEES' ETHICAL  
BEHAVIOR: A STUDY AMONG  
EMPLOYEES OF PUBLIC LISTED  
COMPANIES (PLCS) IN KLANG  
VALLEY**

**NOR AKILA BINTI MUHAMMAD YUKI**

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## **ABSTRACT**

The interest towards Code of Ethics has climbed tremendously due to increase in ethical issue among employees in Malaysia. This study examines the relationship between Code of Ethics and employees' ethical behavior among employees of Public Listed Companies (PLCs) in Klang Valley. The study also aims to determine whether the gender of the respondents moderates the relationship between the variables. Data were collected in a form of questionnaires containing several questionable Code of Ethics related issue and were distributed among employees who works in Public Listed Companies. The findings show that the implementation of the Code of ethics alone does not help in increasing the employees' ethical behavior without active engagement on its compliance in the company. Plus, the employees' gender either male or female does not influence the relationship between the Code of Ethics and employees' ethical behavior. The most dominant factor that influences the relationship is the common practices of Code of Ethics in the company where the practices include conduct training program, ethical performance appraisal, and penalties. The research suggested that successful Code of Ethics in influencing employees' ethical behavior are influence by employees' awareness on the Code of Ethics, employer engagement and common practices of Code of Ethics in the company. It is hope that the finding of this research can contribute to a new and bigger discovery on the enforcement of the Code of Ethics in the companies.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 PREAMBLE**

This chapter will discuss on the research background and the problem that lead to the urgency to conduct this research. Besides, the research questions and research objectives also be highlighted together with scope of study and the significance of the study. In addition, this chapter also included a definition of the terms used in the research.

### **1.2 RESEARCH BACKGROUND**

Employees are the most valuable asset in a company. The employees' behavior in the workplace and how they deal with the customers have been a great concern to the management of the company. In general, ethical workers contribute to high productivity and good company reputation among the society. However, recently, the number of ethical problems among employees in Public Listed Companies in Malaysia has been increasing. The problems include bribery, the usage of company assets for personal use and other unacceptable practices.

All public listed company in Malaysia have seen to have their own Code of Ethics. This practice is inline with Malaysian Code of Corporate Governance (MCCG) 2012 that requires public listed companies to formalize ethical standards in a code and ensure its compliance (Ahmad & Zubaidah, 2016). This Code of Ethics aims to reach all members of the company especially employees. Employees ought to act in the interest of the company and not using corporate assets for their own benefit. The company's profitability and sustainability in the market can be accomplished if the employees responsibly manage the company, accountable for their action and uphold moral conduct to the highest value.

The interest towards Code of Ethics has climbed tremendously due to increase in ethical issue among employees in Malaysia. The companies' reputation and good image are tarnished because of the unethical conduct of employees. However, the