



ICLAF 2022

06 SEPTEMBER 2022

# INTERNATIONAL CONFERENCE OF LAW, ACCOUNTING & FINANCE 2022

Conference Proceedings

## JOINTLY ORGANISED BY

The Department of Law and  
The Faculty of Accountancy,  
Universiti Teknologi MARA,  
Cawangan Negeri Sembilan,  
Malaysia

## ANALYSIS OF CORPORATE INTEGRITY PRACTICES: EVIDENCE FROM MALAYSIAN COMPANIES

Ja'izah Abdul Jabar<sup>1</sup>, Eley Suzana Kasim<sup>1,2</sup>, Norlaila Md Zin<sup>1,2</sup>, Norhidayah Ismail<sup>1</sup>  
Akma Hidayu Dol @ Abdul Wahid<sup>1</sup>, Rafizan Abdul Razak<sup>1</sup>

<sup>1</sup>Faculty of Accountancy

*Universiti Teknologi MARA (UiTM), Negeri Sembilan Branch, Seremban Campus, 70300 Seremban 3, Negeri Sembilan, Malaysia*

<sup>2</sup>Accounting Research Institute, Universiti Teknologi MARA, 40450 Shah Alam, Selangor, Malaysia

\*Corresponding author: ja'izah3615@uitm.edu.my

### Abstract

The recent rise in corruption and other integrity concerns has prompted the Malaysian government's interest in developing a good integrity evaluation instrument. Malaysian Institute of Integrity (IIM) together with a group of researchers introduced Integrity Assessment Tool (IAT) Self-Assessment Questionnaire in 2010. This tool was designed to systematically measure and evaluate the process of incorporating integrity and ethics in the workplace. Thus, using the same assessment questionnaire, this study will analyse the practice of corporate integrity in the selected Malaysian companies. This study employed content analysis to examine the prominent practices embraced by fourteen selected Malaysian companies. Based on the analysis, it was found that the top three practices are legal compliance, vision and ethical communications. This finding could help anti-corruption institutions and management to develop better strategies to incorporate and evaluate integrity and ethics.

**Keywords:** Corporate integrity practice, integrity assessment, corruption, legitimacy theory

### Introduction

Corruption in Malaysia is not a new issue, but it has worsened in recent years, as evidenced by incidents involving multinational firms and a decline in the International Transparency Index. According to the Corruption Perception Index (CPI) 2021, Malaysia is now experiencing its second consecutive year of deterioration, having dropped five points to rank 62, down from 57 in 2020. (see Table 1). This statistic explicitly prove that integrity compliance of Malaysian public and private companies is considered low. The establishment of the National Integrity Plan (NIP), Malaysia Anti-Corruption Commission (MACC) and Malaysian Institute of Integrity (IIM) are among the actions taken by the government to curb integrity issues. In an effort to become a developed nation by 2025, the Malaysian government is consistently enhancing the plans for combating integrity offences (Muhammad & Gani, 2020; Siddiquee & Zafarullah, 2020). In addition, the Prime Minister emphasised the need of upholding integrity and ethics as a central theme of the RMK-12's address.

**Table 1. Corruption Perception Index 2021**

Year	Points	Rank
2019	53	51
2020	51	57
2021	48	62

Source: International Transparency 2021

Corruption is a well-known universal issue which requires long term measures. Thus, a systematic plan with preventive measures to address poor integrity compliance and enhance fraud detection is needed (Md Som, Zainal, Mohamed & Ali, 2019). Besides, the practice of integrity within the company is also crucial to ensure individuals understand what to do to incorporate integrity and ethics in their workplace (Said & Omar, 2014). With the aim to cater for that needs, the Integrity Assessment Tool (IAT) Self-

Assessment Questionnaire has been created to systematically measure and evaluate the process of incorporating integrity and ethics in the workplace (Zainal, Som & Mohamed, 2017). Hence, current study offers an analysis of corporate integrity practices which is measured according to the response attained in the IAT survey.

This study seeks to make two important contributions. First, it enriches the burgeoning literature on corporate integrity practices and governance specifically from the Malaysian context. Second, this study increases the understanding of the dimensions of integrity assessment tool. The analysis offers anti-corruption institutions and management to develop better strategies in incorporating and evaluating integrity practices at workplace.

This paper is organised as follows. The second section provides a discussion on the dimensions of integrity assessment tools which is used as a measurement of integrity practices analysis. The third section presents the data and methodological approach used in this study. The fourth section describes result and discussions. Lastly, the fifth section concludes the paper and outlines avenues for the future research.

## **Literature Review**

### **Definition of integrity**

The word integrity originates from the Latin word 'integer' which literally means the state of being untouched, fresh, unimpaired, virgin, whole and complete (Bauman, 2013). Armstrong (2005) describes integrity as honesty and trustworthiness during the discharge of official duties, serving without practising corruption or abusing office facilities. Huberts (2018) clarifies integrity as a manifestation that must be in accordance or harmony with moral values, norms and rules. Moving to the global complex business environment, integrity is not emphasised on an individual but also on the whole institute of business. Such situations led to the emergence of the corporate integrity concept. Md.Som et.al (2019) associate the 'untouched' definition of integrity to a willingness of a company to be consistent and maintain ethics when the actual result is not favourable to what has been expected.

### **Integrity Initiatives by The Malaysian Government**

Due to the increase in corporate integrity issues which are mainly related to fraud such as asset misappropriation, corruption and bribery (PWC Report, 2021), the Malaysian government has enhanced its efforts to promote integrity. The promotion is not only covering the enforcement plan but also the comprehensive assessment and evaluation. From the corporate business perspective, this is a crucial step to make sure the whole company members know how to embrace and integrate those assessments into integrity practices. Therefore, after several discussions with a group of Malaysian academics, the Integrity Institute of Malaysia (IIM) subsequently refined the scale of the original tool to reflect the local context with the development of the Corporate Integrity Assessment Questionnaire (CIAQ), which was later known as the Integrity Assessment Tool (IAT) Self-assessment Questionnaire.

Integrity Assessment Tool (IAT) has been developed from the adaptation of the Global Ethics and Integrity Benchmark introduced by Joan Elise Dubinsky and Alan Richter from the United States of America in 2008. This tool consists of twelve dimensions which have been emphasised for aiding organisations in evaluating and measuring formal and transparent commitment to ethics and integrity in the workplace. Despite the difference in conditions and attitudes, this tool has been identified as having high applicability (Dubinsky & Richter, 2008). To date, this tool has been widely used to describe corporate integrity systems, practices or for comparison purposes from the Malaysian perspective (Johari, Alam & Said, 2020; Zainal et al., 2017; Rosli, Aziz, Mohd & Said, 2015). The IAT dimension of IAT can be referred to the Figure 1 below.



Figure 1: Dimension of Integrity Assessment Tool (IAT)  
Source: Dubensky and Richter (2008)

The descriptions of each dimension are as follows;

1. Vision and goals - this dimension focuses on identifying whether the company properly defines and integrates core values and principles in its operations. This is important to show the commitment to carry out ethical and moral conduct in their daily activities.
2. Leadership – this dimension covers the responsibilities of the company's leaders to ensure the promotion of ethics and integrity is conducted immensely. Such responsibility is used to evaluate leadership's commitment to supporting ethics and integrity initiatives as it holds "Tone from The Top" principle.
3. Infrastructure – this dimension explores the structure of companies that facilitate the process of achieving good integrity compliance.
4. Legal compliance, policies and rules – this dimension addresses how the company establishes a framework that includes the laws, policies and guidance with the purpose of ensuring the enhancement of integrity and ethics compliance.
5. Organisational culture – this dimension emphasises the overall company's culture that promotes integrity and ethical conduct in its mission, vision, strategies and structures. The culture must demonstrate trust, respect and goodwill within the company.
6. Disciplinary and reward measures – this dimension explains the incentive and punishment which will be an enforcement tool to promote integrity and at the same time, deter any integrity violation.
7. Measurement, research and assessment – this dimension evaluates whether the research is conducted before the integrity evaluation and assessment.
8. Confidential advice and support – this dimension elaborate the provision of any confidential, neutral, professional and independent ethical advice and support to all involved parties such as employees, managers, executives and other stakeholders.
9. Ethics training and education - this dimension assess the level of awareness, training and education provided by a company to ensure the employees are provided with sufficient development to increase their understanding of integrity enhancement.
10. Ethics communication – this dimension explains how ethics and integrity will be communicated to express and promote ethics internally and externally.
11. Whistleblowing – this dimension explores the effort of a company to encourage its employees to speak up and make reports for any unethical behaviour initiated by internal or external parties to the entity. It also assesses the provision of protection for the whistleblower.
12. Accountability – this dimension is considered a mechanism to ensure the company and its employees faithfully perform their duties to all the stakeholders.

### **Methodology**

This study utilised quantitative method to analyse corporate integrity practices in Malaysian companies. The content analysis was used to identify the most practised and implemented dimensions within the selected companies.

### **Sampling and data collection**

The data for this study was collected based on the reports of Malaysian companies' Integrity Assessment Tool (IAT) Self-Assessment which were prepared by a research institute in Malaysia. The reports consist of the response of fourteen companies which were voluntarily involved in the assessment. The result from the survey was presented in the form of a percentage which indicates the level of the dimensions evaluation.

### **Data analysis**

The data was analysed based on descriptive analysis. The total percentage of each dimension will be divided by fourteen to get the mean values. For this study, the mean values of the dimensions are used to get the basis for the corporate integrity practices analysis.

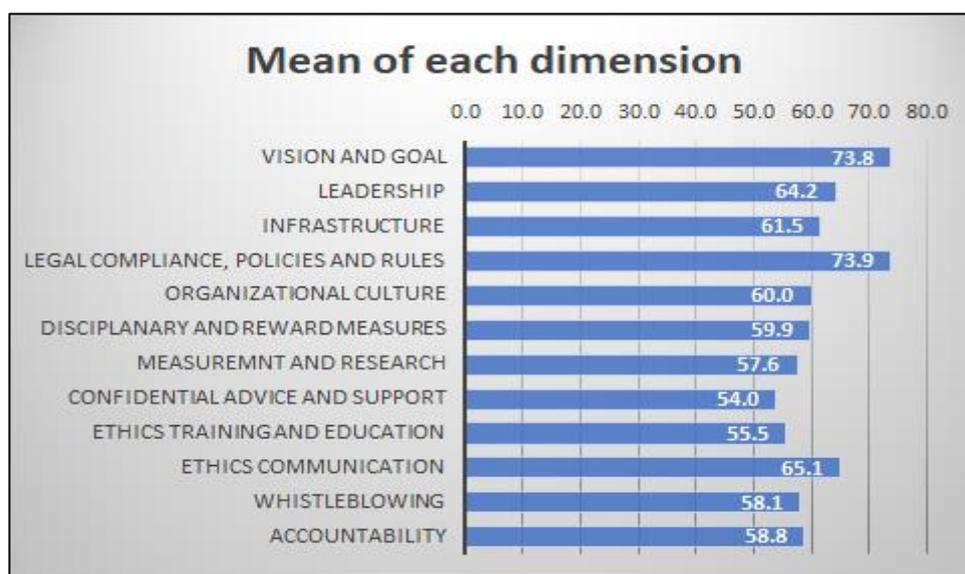
### **Findings and discussion**

Fourteen companies involved were categorised under four types of company, which are government-link company (GLC), government agency, state agency and private company. The classification of all companies was described in Table 2.

**Table 2. Classification of the companies**

Types of company	Quantity
Government-link company	5
Government agency	5
State agency	3
Private company	1

Table 2 showed that GLCs and government agencies were actively involved in the assessment compared to state agencies and private companies. The main reason for this finding was the enforcement imposed on all the companies associated with the government. Latif et al. (2020) highlighted the role of government as the enforcement mechanism for any adoption of a new system or principle. The reliance on government financial support can also justify the higher involvement of GLCs, government agencies and state agencies in evaluating the corporate integrity system.



**Figure 2: Mean score of dimensions**

Figure 2 showed that legal compliance, policies and rules (73.9%), vision and goal (73.8%) and ethics communication (65.1%) were the top three scores of the corporate integrity dimension. This finding presented that the companies have established a framework that provides clear guidelines for ethical behaviour which also deals with external legal frameworks. The high score of vision and goal showed that the companies have properly defined their core values to integrate into daily business operations. Besides that, all the companies have satisfactory communication and expression of ethical and integrity plans. The companies were perceived as capable of promoting integrity internally and externally. The highest score of legal compliance, policies and rules depicts the priority given to that dimension is to avoid any potential lawsuit and financial liability (Ali, Lodhia & Narayan, 2020). Apart from that, integrity compliance is a good indicator of reputation that sustain survival in the business.

On the other hand, confidential advice and support (54%), ethics training and education (55.5%) and measurement and research (57.6%) scored the lowest score. Low confidential, neutral and lack of professional support provided to the eligible stakeholders leads to this problem. In addition, the provisions of integrity training and education seem insufficient due to the minimum establishment of ethics-related training and skill-building throughout the employees' life cycle. The companies did not properly conduct research prior to the establishment of integrity strategies as well as not fully support the creation of ethics and integrity culture. The low score of these three dimensions can be justified due to the high establishment cost. Training delivery and research are usually extremely expensive and time-consuming processes. Most businesses are reluctant to engage in such endeavours for this reason.

### **Conclusion and Recommendations**

Integrity is a prominent factor of sustainability. Therefore, encouraging integrity compliance has become companies' core objective. By establishing the integrity assessment tool (IAT), the process of integrated ethics into the workplace can be appropriately evaluated. The assessment is also useful for identifying any dimensions' loopholes that require further improvement. Result obtained from the IAT report has agreed that most Malaysian companies prioritised legal compliance, vision and mission and ethics communication to incorporate integrity and ethics into practices. Nevertheless, the inevitable obstacles such as limited financial resources, expertise and time constraints deter the achievement of sufficient training and education, research as well as confidential support.

Further study could extend the analysis of the integrity dimension based on industries such as automotive, services, banking, and property. Heterogeneity of those industries may lead to the different level of dimension assessment.

### **Acknowledgment/Funding**

The authors received no financial support for the research.

### **Author Contribution**

J Abdul Jabar - conceptualization, investigation, writing-original draft, final editing; ES Kasim – data collection, writing review and editing; N Md Zin- data collection, writing review and editing; N Ismail- writing-original draft, editing graphic, AH Dol- writing-original draft, R Abdul Razak- writing-original draft

### **Conflict of Interest**

Authors declares no conflict of interest.

## References

- Ali, I., Lodhia, S., & Narayan, A. K. (2020). Value creation attempts via photographs in sustainability reporting: a legitimacy theory perspective. *Meditari Accountancy Research*, 29(2), 247–263. <https://doi.org/10.1108/MEDAR-02-2020-0722>
- Armstrong E., (2005). Integrity, Transparency and Accountability in Public Administration : *Recent Trends , Regional and International Developments and Emerging Issues August*.
- Bauman, D. C. (2013). Leadership and the three faces of integrity. *Leadership Quarterly*, 24(3), 414–426. <https://doi.org/10.1016/j.leaqua.2013.01.005>
- Dubinsky, J. E., & Richter, A. (2008). *Global Ethics and Integrity Benchmarks*.
- Huberts, L. W. J. C. (2018). Integrity: What it is and Why it is Important. *Public Integrity*, 9922. <https://doi.org/10.1080/10999922.2018.1477404>
- Johari, R. J., Alam, M. M., & Said, J. (2020). Empirical assessment on factors contributing to integrity practices of Malaysian public sector officers. *Business Process Management Journal*. <https://doi.org/10.1108/BPMJ-06-2020-0297>
- Md Som, A., Zainal, R., & Mohamed, N. (2019). *A comparative study on the implementation stage of corporate integrity in the Malaysian public sectors*. July.
- Muhamad, N., & A. Gani, N. (2020). A decade of corruption studies in Malaysia. In *Journal of Financial Crime* (Vol. 27, Issue 2, pp. 423–436). <https://doi.org/10.1108/JFC-07-2019-0099>
- PWC Report, 2021. Retrieved from <https://www.pwc.com/my/en/aboutus/transparency-report/2021-pwc-malaysia-transparency-report.html>
- Rosli, M. H., Aziz, M. A. bin A., Mohd, F., & Said, J. (2015). Integrity Systems in Malaysian Public Sector: An Empirical Finding. *Procedia Economics and Finance*, 28(April), 260–265. [https://doi.org/10.1016/s2212-5671\(15\)01109-0](https://doi.org/10.1016/s2212-5671(15)01109-0)
- Said, J., & Omar, N. (2014). Corporate Integrity System: Comparative Analysis of Two Giant Government Linked Companies. *Procedia - Social and Behavioral Sciences*, 145(Iim), 12–17
- Siddiquee, N. A., & Zafarullah, H. (2020). *Absolute Power , Absolute Venality : The Politics of Corruption and Anti-corruption in Malaysia* Absolute Power Public Integrity, 0(0), 1–17. <https://doi.org/10.1080/10999922.2020.1830541>
- Zainal, R., Som, A., & Mohamed, N. (2017). *A Comparative Study on the Implementation of Corporate Integrity between Malaysian Public and Private Sectors Organisation*. 2016, 4–8.