

**A BETTER UNDERSTANDING OF GOOD ETHICAL PRACTICES IN  
CONTRACTOR COMPANIES**



**RESEARCH MANAGEMENT INSTITUTE  
UNIVERSITI TEKNOLOGI MARA  
40450 SHAH ALAM, SELANGOR  
MALAYSIA**

**BY:**

**NORFASHIHA HASHIM  
ASSOCIATE PROFESSOR Sr. DR. HJH HAMIMAH ADNAN  
NORAZIAN MOHD YUSUWAN**

**AUGUST 2011**

## **ABSTRACT**

Ethics affects corporate credibility and economic sustainability as well as personal security. There is a growing consensus within and outside the construction industry that corruption and other unethical practices are endemic in the construction industry. In achieving professional excellence, it is important that construction practitioners not only concentrate on technological advances but also put ethics in action. It is important to reflect on ethical issues and unethical practices prevalent in the construction industry in order to overcome the problems prevailing in the industry.

This research is aims to identify the perceptions of contractors towards the ethical practices in construction industry and to make recommendations of good ethical practice among contractors in Malaysia. This research is mainly a quantitative research which involved questionnaires survey to Grade G7 Contractor registered under Construction Industry Development Board, Malaysia in Klang Valley area. The survey found that level of unethical behaviors in construction industry perceived by contractors are generally serious and the industry is very susceptible with the unethical conduct. These are cover pricing, bid cutting, poor documentation, late payments and short payment, subcontractor (no safety ethics), unfair treatment of contractors in tender/final account negotiations, competitors overstating their capacity and qualifications to secure work, competitors falsifications of experience, capabilities and qualifications and bureaucratic

## PENGHARGAAN

Setinggi-tinggi penghargaan dan ribuan terima kasih diucapkan kepada semua pihak yang terlibat secara langsung dan tidak langsung bagi membolehkan penyelidikan ini dapat disiapkan dengan sempurna.

Diantaranya

Professor Madya Dr Masran Saruwono

Dekan FSPU

Professor Dr Abdul Hadi Nawawi

Timbalan Dekan ( Penyelidikan dan Jaringan Industri)

Para kontraktor yang terlibat secara langsung dan rakan-rakan yang telah memberi sokongan dan dorongan didalam penyelidikan ini.

**LIST OF TABLES**

|            |   |  |    |
|------------|---|--|----|
| Table 3.1  | : | Summary and Recommendation                                 | 39 |
| Table 3.2  | : | Registration Fees for Each Class for Civil Work Contractor | 48 |
| Table 3.3  | : | Financial Limit (Project Cost) for Civil Work Contractor   | 50 |
| Table 3.4  | : | Heading and Sub-Heading for Civil Work Contractor          | 52 |
| Table 5.1  | : | Gender Profile   | 66 |
| Table 5.2  | : | Position Distribution                                      | 68 |
| Table 5.3  | : | Age Group  | 68 |
| Table 5.4  | : | Experience   | 69 |
| Table 5.5  | : | Professions  | 71 |
| Table 5.6  | : | Education Level  | 72 |
| Table 5.7  | : | Collusive Tendering  | 75 |
| Table 5.8  | : | Bribery  | 76 |
| Table 5.9  | : | Professional Negligence                                    | 77 |
| Table 5.10 | : | Fraud  | 79 |
| Table 5.11 | : | Dishonesty and Unfairness                                  | 81 |
| Table 5.12 | : | View of Overall Ethical Behaviour in The Industry          | 86 |

# **CHAPTER 1**

## **INTRODUCTION**

### **1.0 INTRODUCTION**

In the face of its size and universality, construction industry is often cited as plagued with graft and malpractices. Common issues highlighted were tendering practice, substandard quality of construction work, safety culture, payment woes, corruption and most importantly, public accountability for money spent on public buildings and infrastructure. The scenario in the construction industry in Malaysia is no exception, where graft and malpractices are numerously reported in the media and accepted as synonym amongst construction players. Revelation of research carried in construction industries in other countries, USA (FMI/CMAA 2004 and Jackson 2004/2005), Australia (Vee and Skitmore 2003), South Africa (Pearl, Bowen and Makanjee 2005) and Hong Kong (Fan and Fox 2005) and problems from practice in Malaysia shows evidence that the construction industry is plagued with ethical issues.

The growing demand for good ethical practice in all forms of business has been highlighted numerously (Sharpe 1994, Rasberry 2000, Petrick and Quinn 2001 and Weymes 2005). In achieving professional excellence, it is important that construction practitioners not only concentrate on technological advances but also put ethics in action. It is important to reflect on ethical issues and unethical practices prevalent in the