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Corporate Integrity Practices: An Institutional Perspective from a Malaysian Government Owned Company Case Study

Ja'izah Abdul Jabar[1], Norlaila Md Zin[2*] and Eley Suzana Kasim[3,4]

[1,2,3]Faculty of Accountancy, Universiti Teknologi MARA, Negeri Sembilan, Malaysia
[4]Accounting Research Institute, Universiti Teknologi MARA, Shah Alam, Malaysia

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ABSTRACT

Integrity is recognised as a key factor of organisational sustainability. The attention given to corporate integrity has become a contentious debate as organisational performance no longer relies on bottom line performance but increasingly integrates ethical aspects. This shift has led to the implementation of corporate integrity practices (CIPs) in government-owned companies (GOCs) as they have direct accountability to public funds and government regulations. However, unsatisfactory performance of integrity compliance requires further analysis focusing on the key issue, the motivating factor of CIPs adoption. Therefore, this study aimed to investigate factors that motivated a Malaysian GOC to adopt CIPs, through the Institutional Theory perspective. A qualitative study approach was employed, with data gathered through semi-structured interviews. Findings revealed that institutional pressures influenced the adoption of CIPs. Government enforcement has been identified as the key determinant that encouraged organisations to enhance CIPs within them. Environmental and individual led norms and imitation also played a significant role in motivating the organisation to sustain ethical culture through CIPs, reflecting the influence of normative and mimetic elements. The study significantly contributed to the regulators and management for their further integrity compliance enhancement.

[2*]Corresponding author. *E-mail address*: norlaila249@uitm.edu.my

1. INTRODUCTION

The transformation in the nature of global business requires outstanding performance in transparency and accountability and has encouraged organisations to strengthen their integrity compliance (Yahya et al., 2020; Piazolo & Foster, 2019). Integrity has been recognised as a key success factor for sustainability in many industries as it facilitates organisations to reduce moral hazards through the minimisation of conflict of interest (Fuerst et al, 2023; Yin & Zhang, 2020). From an economic perspective, integrity compliance serves as a critical factor in reducing financial risk and improving profitability (Chen & Gao., 2024). Meanwhile, from a non-economic aspect, integrity expands business opportunity, brand reputation, and governance compliance as a result of higher transparency (Previtali & Cerchiello, 2023; Abdullah et al, 2019). This shift is important in order to make sure the government agencies are prepared to face global changes and dynamic requirements from monetary to the governance and integrity-based focus (OECD, 2020). As such, government has seen integrity as strategic plan to maintain the competitive advantages and thus need to be strengthened. Various efforts and initiatives have been taken to promote integrity and ethics which currently appear as strategic advantages rather than just a regulatory requirement. The government and authoritative bodies have come up with initiatives to ensure integrity compliance is always in place. The establishment of anti-corruption agencies, enforcement of laws, and the promotion of integrity campaigns demonstrate the commitment of governments in combating integrity violations (Ayub et al., 2021). Apart from that, the internal initiatives such as the development of risk management system, whistleblowing policy and integrity core values demonstrate the efforts of organisations to ensure that the integrity culture can be embedded within organisations (Madah Marzuki et al., 2024; Tarjo et al., 2022; Fuerst et al, 2023). Despite the implementation of various initiatives aimed at higher integrity compliance, the outcomes are still subjected to criticisms (Siddiquee & Zafarullah, 2020; van Eiden Jones & Lasthuizen, 2018). This circumstance has raised the issues of the effectiveness of integrity initiatives, which may be rooted from the fundamental objective of its implementation.

This issue is particularly evident in Government-Owned Companies (GOCs), where the effectiveness of integrity initiatives remains a subject of ongoing debate. It was acknowledged that GOCs represent a critical segment of the national economy, as they play a significant role in delivering public services and contributing to economic development (Yahya et al, 2020). Due to their close association with government policies and public funds, GOCs are subjected to higher expectations of accountability and transparency compared to private sector organisations (OECD, 2020; Qasem et al., 2023). Furthermore, the introduction of corporate liability provisions, such as Section 17A of the Malaysian Anti-Corruption Commission Act 2009, has increased regulatory pressure on these entities to strengthen their integrity frameworks.

Nevertheless, the increased regulatory pressure has not necessarily translated into improved integrity outcomes within GOC. Although GOCs have become a target of various government integrity initiatives, their ethical compliance and governance performance remains unsatisfactory (Otekunrin et al., 2022). This consequence has contributed to a growing perception that GOCs are not fully committed to mitigate integrity issues, leading to low public confidence and trust. While GOCs are perceived as government administrative backbones, multiple integrity scandals involving these entities have caused massive financial and non-financial losses for the government (Lopes et al., 2025). Inadequate internal control, ineffective risk management and governance failures were among the primary factors that hindered the success of integrity compliance efforts (Siahaan et al., 2024; Rendon & Rendon, 2022). Zainal et al. (2019) also noted that CIPs implementation in the Malaysian private and public sectors remains inadequate as the main

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objective was driven by legitimacy motives rather than building a desire to build an integrity culture. This notion was supported by Di Tullio et al. (2020), who argued that many organisations engaged in integrity disclosures primarily to maintain legitimacy and ensure business sustainability, rather than to achieve meaningful ethical outcomes. Therefore, the objective of integrity initiative implementation must be clearly justified to ensure that it can be properly embraced as part of organisational culture.

This study applied the Institutional Theory to gain a deeper insight into the motivating factors of adoption of corporate integrity practices (CIPs). Previous studies have adopted the Institutional Theory in determining the motivating factors of practices, processes, and standards (e.g. Kharbhari et al. 2020; Mesopoulos et al., 2018; Altayar, 2018). The principle of isomorphism was used as institutional factors in the investigation of the role of external pressures to answer why and how the adoption decisions took place within an organisation. Latif et al. (2020) and Parada et al. (2019) used this theory to highlight how shifts in regulations and societal expectations could drive the adoption of practices such as Environmental Management Accounting and governance mechanisms. These studies demonstrate that organisations often adapt not merely for operational improvement, but to align with prevailing norms and gain legitimacy. From an ethics and integrity perspective, institutional pressures similarly encourage organisations to enhance ethical value disclosures (Joseph et al., 2023). In this regard, coercive, normative, and mimetic isomorphisms represent key external forces pushing organisations to comply with anti-corruption initiatives and reporting practices (Faisal et al., 2022; Issa et al., 2018).

The Institutional Theory has been explored in studies related to ethics, governance and integrity disclosure, indicating the functions of institutional factors in shaping organizational behaviours. In Malaysia, institutional pressures, which developed from the Institutional Theory have been proven as an influential mechanism in influencing organizational compliance towards standard and regulations. This theory was used to investigate the development of ethical value disclosure indices and the adoption of CSR reporting (Tan et al., 2020; Darus et al., 2013), waqf reporting within Islamic Religious Councils (Abu Talib et al., 2018) and shariah governance compliance (Alam et al., 2024). While these studies demonstrated the role of institutional forces in shaping transparency and compliance practices, limited attention has been paid to their role in the adoption of integrity practices, particularly within the context of GOCs. Existing research has largely focused on general compliance outcomes and quantitative assessments, offering limited insights into how coercive, normative, and mimetic pressures influence CIP adoption in practice. Given that GOCs operate within a unique institutional environment characterised by strong regulatory oversight and public accountability (Qasem et al., 2023), there remains a lack of in-depth, context-specific evidence on how these pressures drive organisational behaviour. Therefore, this study addressed this gap by providing a detailed case study of a Malaysian GOC to examine the motivating factors influencing CIP adoption from an Institutional Theory perspective.

The next section presents the theoretical framework and research background of CIPs. Subsequently, section 3 presents the research methodology employed for data collection and analysis. Section 4 explains the findings and analysis from the respondents' feedback. Section 5 provides the research conclusion and recommendation for future research.

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2. LITERATURE REVIEW

2.1 Corporate Integrity Practices

Integrity is a state where individuals or organisations uphold moral and ethics values entirely (Primec et al., 2018; Maak, 2008). On the other hand, corporate integrity refers to legal entities' commitment to uphold ethical and moral values including honesty, transparency and accountability (Vu et al., 2025). Therefore, corporate integrity practices (CIPs) is a set of activities carried out by organisations with the purpose of enhancing integrity and ethical compliance. As an extension of social responsibility, corporate integrity has emerged as one of the key indicators of sustainability. The capability of a business in maintaining integrity and ethical operation leads to better performance by reducing moral hazard, conflict of interest, and malpractices (Bayo & Red-well, 2021; Primec et al., 2018; Edhard & Jenhson, 2017). Siddiquee and Zafarullah (2020) further emphasised that corporate integrity is a valuable resource that enhances organisation's sustainability, reputation and ethical standings. This is supported by Elaigwu et al. (2022) and Yin and Zhang (2020) who found that integrity is a foundation for long-term business success.

Previous literature has highlighted specific CIPs that contribute to accountability and corruption prevention. Practices such as risk management, internal control, whistleblowing and high internal audit intensity are proven to enhance monitoring and transparency (Rendon & Rendon, 2022; Johari et al., 2020; Azim et al., 2017). In the context of real estate industry, Piazolo and Foster (2019) identified whistleblowing, code of conduct, integrity pact, and integrity education as the feasible practices that could mitigate corruption. Effective integrity practices should include both external and internal components such as audit, disciplinary action and risk assessment, as well as core value and ethical culture. Smit (2021) highlights that having the same ethical belief helps organisations to shape high integrity environment as integrity is not merely understood as compliance but also embedded as organisational culture. To achieve this, a combination of rule-based mechanisms (e.g., policies and sanctions) and value-based principles (e.g., ethical awareness and leadership) must be integrated into a holistic ethics framework (Andersson & Ekalun, 2022). While rules guide action, values ensure sustainability and genuine commitment to ethical conduct.

Nevertheless, integrity violations such as corruption, fraud, bribery, embezzlement and other integrity non-compliance remain as threats for business transparency and accountability. The treats do not only affect legal cost and investors' confidence but also tarnish organisational reputation and stakeholders' trust which eventually cause to complete institutional failures (Yang et al., 2025; Yahya et al., 2020; Goyal & Damija, 2018). Therefore, the adoption of CIPs is an important and strategic element for organisations to strengthen ethical governance and build a strong reputation. For GOCs, the adoption of CIPs is highly needed due to their responsibility over public funds and their role as the government representatives. Integrity in GOCs validates the resource utilisation by ensuring economy, efficiency, and effectiveness of public fund management (Illori et al., 2024; Shu et al., 2018). Furthermore, CIPs strengthen governance assurance and enhance the legitimacy of GOCs in the eyes of stakeholders, increasing their access to financial and moral support (Chizema & Porrebna, 2019). However, successful implementation of CIPs requires clear frameworks, leadership engagement, and consistent management support to ensure practices are well understood and internalised (Hasin et al., 2021). A critical step toward the success of CIPs is to accurately understand the factors that drive CIPs adoption.

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2.2 Government Owned Company

Government-owned companies (GOCs) are corporations established under a general statute or a companies act, in which the government holds a controlling interest through share ownership (Sun, 2021; Su et al., 2015). Different countries use different terminology that refers to the concept of GOC. For instance, studies have used state-owned enterprise, government-interest companies as well as government linked companies in referring to GOC. However, despite the difference in terminology, the core aspect remains the same, which refers to government control and influence. The classification of GOCs, either fully or partially owned by government is determined by the proportion of company's shares held by the government (Barreiro-Gen et al., 2023). If government owns substantial ownership of shares, it grants strong decision-making authority and influence over the company's operational and strategic management. Consequently, GOCs are expected to engage in commercial activities that also benefits public interest, in order to align their operation with government objectives.

From the Malaysian perspective, GOCs are defined as corporations incorporated under the Companies Act 2016 (which replaced the Companies Act 1965) and are under the scrutiny of the Ministry of Finance. Unlike private enterprise which mainly focuses on profit maximisations, the objective of GOCs must include some contributions to public welfare and national development (Barreiro-Gen et al., 202; Yahya et al., 2020). In addition, all GOCs are subject to the government legal framework, guidelines and policies. The notion that GOCs operate under continuous government oversight and accountability is further supported by the fact that decisions made by GOCs must consider public policies and approved by the parliament.

2.3 Institutional Theory

The Institutional Theory is a prevalent framework in modern organisational research, extensively utilised to analyse the fundamental elements influencing organisational behaviour (Aksom & Tymchenko, 2020; David et al., 2019; Mesopoulos et al., 2018; Singh, 2015). This theory asserts that institutional forces such as educational system, professional standards, social expectations and legal framework could influence an organisation's decision, along with resource dependencies and technical requirements (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). These institutional forces lead to the manifestation or reactions to regulations, belief and societal expectation within the institutional milieu. Consequently, factors such as religion, politics, regulations, laws, and workplace standards constitute institutional framework which permeate society and perpetually affect many sectors through a constant process of institutional reinforcement (Scott, 2008). The fundamental idea of the Institutional Theory has been widely used in the adoption and implementation of practices, as this Theory concerns with organisation decision making (Sahin & Mert, 2021; Scott, 2008).

The Institutional Theory has been extensively employed to explain the institutional influences across different areas, including system adoption (Fauzi et al., 2022; Arshad et al., 2020), reporting disclosure (Joseph et al., 2023; Abidin et al., 2019), standards compliance (Kilic et al., 202), and standards adoption (Ben Salem & Damak Ayadi, 2023). These studies employed three institutional isomorphism: coercive, normative, and mimetic, to explain the motivations of the adoption or implementation of specific standards or systems. These isomorphisms encourage organisations towards uniformity and homogenisation, suggesting that similar institutional process facilitates acquisition of legitimacy (DiMaggio and Powell, 1983).

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Coercive isomorphism signifies the pressures imposed by influential external stakeholders such as government, industries and professional bodies (Scott, 2008; Latif et al., 2020). The pressures might cause financial and non-financial constraints as well as limitation of moral and psychological support. Meanwhile, normative isomorphism associates to the role of professionalism which refers to the collective efforts of companies to establish rules and mechanism to govern their operations (Parada et al., 2020). On the other hand, mimetic isomorphism occurs through imitation of practices, strategies or structures of other organisations within the same industry, especially those regarded as more successful or legitimate (DiMaggio & Powell, 1983). Overall, this theory clarifies how institutional pressures compel organisations to progressively utilise similar practices over time (Palthe, 2014).

In the context of integrity, previous studies have supported that organisations are institutionally affected by isomorphic pressures to constantly improve ethical disclosure and anti-corruption measures (Joseph et al., 2023; Sari et al., 2021). This study utilised Institutional Theory as a relevant framework to understand the factors influencing the adoption of Corporate Integrity Practices (CIPs) in government-owned corporations (GOCs). In this study, coercive pressures such as regulatory enforcement, legal mandates, severe sanctions, and strict penalties serve as external mechanism to ensure compliance with integrity-related regulation (Latif et al., 2020). Normative pressure arises from synergy with professional bodies and expectation from key stakeholders, which facilitate in maintaining high-integrity compliance operations. Meanwhile, mimetic pressure drive organisations to imitate what their successful competitors do, particularly as a strategy to reduce uncertainty and secure legitimacy. All these institutional pressures were used to identify the motivating factors that influence management's decisions to adopt, modify, or strengthen CIPs of a Malaysian GOC.

3. METHODOLOGY

To achieve the research objective, this study investigated "why do Malaysian government-owned companies (GOCs) adopt corporate integrity practices (CIPs)"? Therefore, this study applied qualitative research to explore the answer as it could provide a higher understanding on how and why things occur (Yin, 2018). In addition, a qualitative study is more interpretive in nature, which makes it more suitable for complex social phenomena within their real-world context (Yin, 2018). In understanding the reasons for CIPs adoption amongst GOCs in Malaysia, a single case study approach was selected. A case study approach is relevant because there is no clear evidence within the bounded system (Merriam et al., 2009). Another reason for a case study is that researchers cannot deploy real behavioral responses (Yin, 2018).

The semi-structured interview was selected for data collection since this instrument has a broader understanding of the practical aspect of the subject matter. Besides, interviews have high flexibility, allowing researchers to deeply explore respondents' perspectives, potentially leading to richer and more comprehensive insights across the full range of responses (Yin, 2018). In this study, the data was gathered through face-to-face interviews. This approach was selected as it comforted the process of achieving a clear understanding of the research topic. Besides, face-to-face interviews help respondents understand the questions more clearly (Sekaran & Bougie, 2010).

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3.1 Selected Case Company

The selection of the case organisation, SSB was purposeful rather than random. SSB was acknowledged as one of the first GOCs to sign the Corporate Integrity Pledge (CIP) and complete the Corporate Integrity System (CIS) as reported on the Malaysian Anti-Corruption Commission (MACC)'s website. The firm's commitment to promote good practices in terms of governance and integrity is demonstrated by such recognition. As an organisation operating in a highly regulated and environmentally sensitive industry, it is subject to strong institutional pressures, particularly coercive forces arising from regulatory requirements. This makes it a suitable context for examining the adoption of CIPs from an Institutional Theory perspective. Furthermore, the active collaboration with the Malaysian Anti-Corruption Commission (MACC), Integrity Institute of Malaysian (IIM) and Yayasan Anti-Rasuah Malaysia (YARM) significantly demonstrates the long-term objective of SSB to maintain its excellence integrity performance. The organisation has also demonstrated proficiency in optimising its current integrity compliance initiatives, as exemplified by its acquisition of the Anti-Bribery Management System certification. SSB is a well-justified selection to serve as the case company in the investigation of the motivating factors in the adoption of Corporate Integrity Practices (CIPs) in the context of Malaysian GOCs, as it has been at the pioneering of integrity efforts.

3.2 Semi-structured In-depth Interview

The interviews were undertaken with all members of the Integrity and Governance Unit (IGU) and several heads of department involved in the development of corporate integrity practices (CIPs) such as whistleblowing, core values, internal control and disciplinary. The selection of the interviewees was made according to their capacity to capture the wholistic view of the adoption of CIPs in SSB. Prior to the interviews, participants were informed about the confidentiality of their personal information and assured that it would be protected. The interviews were conducted following a structured protocol to ensure consistency and reliability. Open-ended questions are given as guidance for the discussion with respondents, but they are encouraged to speak freely. Table 1 provides a summary of the interviews.

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Table 1. List of Interviewees

Participant	Position	Duration of interview (hr/minutes)
HD1	Head of Integrity and Governance	57 minutes
HD2	Head of Human Capital and Development	40 minutes
HD3	Head of Corporate Planning Department	1 hr 5 minutes
HD4	Head of Internal Audit and Risk	50 minutes
HD5	Head of Operation	50 minutes
HD6	Head of Procurement	40 minutes
SM1	Procurement senior manager	50 minutes
SM2	Business service manager	40 minutes
OF1	Integrity officer (governance)	45 minutes
OF2	Integrity officer (investigation)	35 minutes
OF3	Integrity officer (complaint)	50 minutes

Source: Author (2026)

All the interviews were recorded. After the interviews' sessions ended, the recorded interviews were transcribed to transform the date from audio to text as text data is convenient for the purpose of quotation. The transcribed data was analysed using thematic analysis, with the assistance of a qualitative software, Atlas.ti version 23. This software assists the users to link themes to specific documents including transcribed interviews, memo, picture, video or audio. The analysis involved several stages, including data familiarisation, initial coding, categorisation of similar concepts, and theme development. A set of themes was developed based on the research questions and key issues, ensuring comprehensive responses to each question. Finally, the data obtained from the interviews will be linked to the identified themes.

4. FINDINGS

Based on analysis, there were four (3) themes that were identified as the motivating factors of corporate integrity practices (CIPs) adoption in a Malaysian GOC. They are (1) government enforcement, (2) environmental and individual-led norms and (3) imitation of competitors. From the Institutional Theory perspective, these themes represented the isomorphism of coercive, normative and mimetic respectively.

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4.1 Government Enforcement

From the coercive aspect, SSB's intention to adopt corporate integrity practices (CIPs) was motivated by the instruction and regulation issued by the Malaysian government through law enforcement. The introduction of Section 17A Malaysian Anti-Corruption Act 2009 (amended 2018) put some pressure on the operation of organisations, no exception for SSB to strengthen their integrity compliance. Section 17A of the MACC Act emphasises corporate liability, holding top management accountable for any integrity violations committed by their employees or associates. Hence, the external pressures caused by the introduction of this law aligned with coercive isomorphism. This can be explained by the statements below:

> *"Actually, it looks as if it's being driven by external pressure because our government just announced S17A of MACC Act 2009, so people get scared of all those punishments and of course nobody wants to be liable for others' decisions".*
>
> (HD1)

> *"As government entities, companies such as ours, including Government-Owned Companies (GOCs) and Government-Linked Companies (GLCs), are required to comply with the law. We must adhere to the existing legal provisions enforced under the Malaysian Anti-Corruption Commission (MACC) Act 2009, specifically Section 17 A on corporate liability".*
>
> (OF2)

Based on the statements given by the interviewees, the willingness of SSB to adopt CIP was significantly influenced by the enforcement elements. Through the enforcement of Section 17A MACC Act, organisations must prove that the necessary procedures were in place to prevent any possibility of integrity violation related to their employees and associations. The adoption of CIPs such as the whistleblowing system, internal control, disciplinary and reward system, and core value enhancement could mitigate the probability of unethical behaviours (Johari et el., 2020)

Furthermore, as the sole fund provider, the government can leverage its coercive authority to ensure that government-related agencies adopt integrity practices within their organisations, following directives from relevant ministries. In the case of SSB, compliance to all government policies and standards was part of the company's obligations since it operates under the direct control and regulation of the Ministry of Finance. The motivation to strengthen its integrity efforts is driven by the instruction to support the government initiatives in promoting integrity compliance within both public and corporate entities. SSB was required to adhere to all government regulations, standards, and policies, which are typically conveyed through the ministries. This was interpreted from the statement given below:

> *"We are GOC, so we are obligated to all the government initiatives which usually given through Ministry of Finance. Any instructions must be closely followed, because the ministry oversees what we do, including the implementation of integrity practice".*
>
> (HD4)

Apart from that, SSB recognised that its activities and operations were under the close scrutiny of the National Water Services Commission (SPAN) and the Ministry of Energy Transition and Water Transformation (PETRA). These two government agencies possessed the power to ensure the integrity compliance of SSB as they were involved directly in the company's environmental standards evaluation. For any non-compliant activities, SPAN held the authority to revoke SSB's operating license. Meanwhile, PETRA oversaw the company's adherence to environmental and regulatory standards. The renewal of SSB's license, which was required every two years, was contingent upon full compliance with all applicable regulations and standards. As a result, adherence to integrity initiatives is a key strategy for maintaining licensing eligibility. Oversight and monitoring by these agencies served as an indirect enforcement mechanism, compelling SSB to continuously enhance its integrity practices. This notion was shared by one of the respondents, as indicated below:

> *"Among our engagements, we actively collaborate with stakeholders, now they are called PETRA, previously known as NRECC. These stakeholder requirements are still the same, necessitating our compliance. So, it is imperative that we uphold the principles of integrity in our dealings. They are regulating us in terms of giving us license to operate."*
>
> (HD3).

According to DeMaggio and Powell (1983), coercion used to happen in a situation where there is a party that is more dominant and powerful compared to the other one. In the case of SSB, the reliance of SSB to several ministries and authorities spark the coercive isomorphism when these organisations impose rules and regulations that SSB must follow to maintain its license and legitimacy. Therefore, the introduction of section 17A of MACC Act, funds from government, close scrutiny and reliance on government agencies including SPAN and PETRA are considered as the interplay of coercive isomorphic pressures that become the potent forces in motivating SSB to adopt CIPs.

This finding supports Parada et al. (2019) when the initiative to strengthen governance structure is influenced by the coercive forces as the government orders the family business to build a board of directors. In contrast, Faisal et al. (2022) demonstrated that the coercive mechanism such as the government role does not contribute to encouraging organisations to promote the practice of anti-corruption disclosure. The contradiction is supported by Peng et la. (2022) that confirmed regulation has a weak influence towards the multi-national companies' decision to effectively promote environmental performance. The differences in the findings are acceptable after considering the types of organisations, as GOCs have higher dependency to the government.

4.2 Environmental and Individual-led Norm

The normative isomorphic pressure also seemed a pertinent factor related to the decision of SSB to adopt CIPs. Normative isomorphism, which was mainly rooted from professionalism, industry standards, and networks (DeMaggio & Powell, 1983) had influenced the company to build a good reputation through adoption of CIPs. For instance, organisations often sought to present their operations as being aligned with societal expectations by adhering to established rules and regulatory frameworks (Mesopoulos et al., 2018). Relevant to the context of this study, the adoption of CIPs was perceived as a key normative driver. The normative factor reinforced organisations to uphold integrity in accordance with social obligations. Thus, it depicts that environmental-led norm, which come from societal and stakeholders' expectation contribute to shape the organisations' practices.

As a national sewerage company, SSB's management recognised that the credibility in meeting social expectation, particularly from customers and other external stakeholders is impactful factor towards company's sustainability. A key expectation from its partners, such as Air Selangor and Syarikat Air Melaka Bhd motivated SSB to uphold strong governance and maintain a high level of integrity in its operations. To fulfil these expectations, SSB must ensure that the quality of its treated wastewater complies with the standards set by these regulatory bodies. The adoption of CIPs is perceived as one of the alternatives to maintain high-quality performance. The opinion from the respondent below reflect the situation.

> *"We aim to maintain a positive image, a good reputation. So, incorporating integrity practices is important to achieve that goal. That is why, we disclose some of our policies on the website, such as whistleblowing and gift policies, so people understand we are transparent in handling our operations".*
>
> (OF1)

In addition, the engagement in corporate integrity practices (CIPs) is driven by the perception that a high integrity company poses a lower risk of integrity non-compliance. As such, stakeholders prefer to collaborate with companies that uphold strong moral values, which is reflected through the adoption of CIPs. SSB believes that embedding integrity practices into its operations improves transparency, ensuring smooth relationships with vendors, contractors, and other third parties. A synergy with a company that adheres to ethical principles minimises the risk of fraud, thereby enhancing trust and confidence among business partners (Yahya et al., 2020). Trust strengthens long-term business relationships and thus guarantees networking sustainability.

Besides professional networks and industry standards, some respondents believed that the awareness of risks associated with corruption such as reputational damage, financial losses, and legal repercussions serves as a key motivator for SSB's management to continuously enhance its integrity compliance. For this case, normative isomorphism also contributed in building the base for legitimacy (Palthe, 2014). SSB promoted and practiced CIPs as a signal that the company upholds integrity and any ethical non-compliance must be initially prevented and avoided. As stated by one of the respondents:

> *"We do not want any party dealing with us, either our staff or external parties, to be involved in corrupt practices. That's why we implement these integrity practices to avoid the risks of corruption."*
>
> (HD5)

Being acknowledged as a government representative, SSB was accountable to create a perception that any business activities and operations carried out by the company are legitimate. Moreover, the perception of the legitimacy of SSB's operations may improve when voluntary integrity practices are established, thus reducing the scepticism that SSB only focuses on mandatory initiatives. This finding indicated that external pressures from stakeholders that expect high quality of compliance, standards alignment and consistency in trust and reputation influence organisations decisions in strengthening governance and integrity practices (Sarhan et al., 2018; Parada et al. 2019).

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The same result was seen in Faisal et al., (2022) that claimed organisations with a huge number of associates and operating under a sensitive environmental industry will be more aggressive in strengthening ethical compliance. Similarly, Sharma et al. (2024) also agreed that normative isomorphism, which represented by regulatory institutional distance, influences governance adherence. As many studies align with this finding, a contradiction was found by Alam et al. (2021) that confirmed the practice of Shariah governance system is not conducted based on the institutional perception, thus concluding that normative mechanism is not a significant influence in the development of the system.

Apart from stakeholders and societal expectation, individual understanding about the importance of moral and ethics also leads to the CIPs adoption by SSB. Based on the findings, an individual's commitment to integrity influences their intention to uphold CIPs. This paper proposed the possibility of the existence of moral logic, which may shape the intention of organisational members to adopt standardised integrity frameworks and compliance mechanisms. This is evident from participants who expressed their strong commitment to ethical conduct and transparency, emphasising their responsibility to support any integrity initiatives introduced by the company. The statements below were interpreted as moral logic that motivated SSB to adopt CIPs within the organisation:

> *"It is a responsibility of everybody. They know what they should do from the first day they come to work. What do they feel when they receive the offer letter? It is actually on you. Regardless how many programs or activities we organised, if the mentally does not change, those activities are just meaningless."*
>
> (HD1)

The SSB's intention to adopt CIPs are significantly influenced from their belief that ethical behaviour and integrity were the responsibility they must uphold. The strong belief that integrity will shape a good working environment, effective and strong communication, and ethical behaviour become a pertinent factor that motivate them to support CIPs adoption.

4.3 Imitation of Competitors

Meanwhile, the third component of isomorphism, which is mimetic, appeared to be another motivating factor of CIPs adoption by SSB. Despite being renowned as the only national sewerage company, SSB realised that its operations and functions must be continuously improved to be relevant in the industry. From the mimetic perspective, DeMaggio and Powell (1983) explained that organisations tended to imitate what their competitors do when facing uncertainty or ambiguity in their operational environment. When organisations were unsure about the most effective strategies or best practices to achieve success, they often look to industry leaders or competitors for guidance. This imitation occurred as a way to reduce risks, enhance legitimacy, and align with prevailing industry norms (Latif et al., 2020). As SSB believes that integrity offered legitimacy value, CIPs were seen as an alternative to improve its performance and competitive advantage. Such belief also motivated the company to adopt practices implemented by other companies that are excel in integrity promotion as it may yield benefits for the organisation. Apart from that, the intense competition also motivated the management of SSB to periodically revise the existing policies to meet current integrity practices. The statement below depicts such situation:

“Our industry evolves. It is dynamic in nature, so we have to updates our operations, so it meets current business demands. Our assets, especially sewerage treatment plants increase year by year. It goes the same to our vendors and contractors. Such dynamic nature exposes us to higher potential misconducts. So, we have to observe our environment including what other companies do, so we can make sure we are in line with the current situation, including all this integrity alternatives”.

(HD5)

In addition to the internal evolution occurring within the company, SSB has strategically adopted CIPs as a proactive measure to enhance operational effectiveness in mitigating opportunities for corruption. The commitment to reinforce integrity compliance was evident through the implementation of the Anti-Bribery Management System (ABMS), which serves as a structured approach to preventing unethical practices and promoting transparency across the organisation. As ABMS installation requires periodical audit and review, SSB believes that the instalment of the system is an approach to ensure the company complies with the ethical standard and procedures.

“Because we follow and support the government’s initiative to develop the OACP and sign all these pledges, we also adopted the Anti-Bribery ISO, the ABMS. We took the ABMS and integrated it to ensure that we uphold the best practices in integrity. I think whatever comes, integrity must be in place because of this commitment.”

(HD6)

Several respondents believed that CIPs could help SSB to improve and grow better when they make comparisons with few companies in the same industry. They expressed the feeling of confidence that they should follow what higher-integrity reputation companies have done such as Sime Darby, Petronas, and Khazanah Nasional. The promising performance shown by these companies triggered SSB to continuously improve their operations by enhancing integrity compliance through the adoption of CIPs.

"We can agree that integrity is the foundation of any business's success, right? So, why don’t we learn more about it? That’s why, here at SSB, we even benchmark top-tier companies to ensure that our understanding and implementation of integrity align with best practices. I believe there is no doubt that integrity must be inculcated."

(SM2)

Based on the statements given, it can be interpreted that the external influence derived from the achievements of other organisations in implementing integrity initiative served as a strong foundation for the adoption of CIPs within SSB. These organisations were acknowledged as role models to guide how integrity frameworks can be effectively institutionalised. The decision to benchmark top-tier companies reflects an adaptive strategy aimed at improving corporate governance and ethical compliance. By observing and replicating the integrity measures adopted by well-established organisations, SSB believed that they can mitigate risks associated with corruption, unethical practices, and governance failures.

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Empirically, the role played by mimetic pressures can call upon organisations to embrace sustainability agenda including integrity compliance and corporate strategies (Shamil et al., 2022; Pasamar et al., 2023). In addition, this study supports the findings of Faisal et al. (2022) when companies in an environmental sensitive industry have a high tendency to improve integrity enhancement initiatives by imitating what their competitors do. In contrast, Okeke (2025) found mimetic is no longer a relevant determinant of sustainability and management practices when the regulatory requirements are already established. In this study, imitation is acceptable as one of the key drivers of CIPs adoption since these practices have not yet been mandated as a regulatory requirement.

5. DISCUSSION

Based on the analysis of the findings, coercive isomorphism was recognised as the most dominant institutional pressure that influenced the adoption of Corporate Integrity Practices (CIPs) in SSB. The respondents emphasised their concern towards corporate liability, demonstrating strong influence of government enforcement as a motivating factor of CIPs adoption. The initiative taken by the Malaysian government to introduce Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 had created a strong pressure for compliance (Jabar et al., 2023). The significant implication arising from the violation of the act encourage SSB to take proactive measures, particularly the enhancement of integrity compliance through CIPs implementation. The provisions of the act also encouraged organisations to develop more comprehensive adequate procedures (Malaysian Anti-Corruption Commission, 2018). The CIPs components such as whistleblowing, internal control, core value, disciplinary action, and integrity training have been adopted as part of the adequate procedures. More importantly, this finding indicated that the decision of SSB to adopt CIPs was primarily driven by the compliance enforcement rather than voluntary ethical considerations.

These findings aligned with the studies of Munir Manini (2019) and Alvarez et al. (2023), which found that coercive isomorphism was the most dominant factor in influencing organisational decisions related to standards compliance. In the context of this study, SSB had proven that external enforcement mechanism has direct impact on the level of adherence towards integrity regulations. The level of integrity compliance is the reflection of government enforcement effectiveness. Nevertheless, this finding contradicted with Peng et al. (2022) who revealed that the coercive-related institutional factor is insignificant to serve as a promoting tool to enhance company performance. The difference in findings could be influenced by the context of the research.

The relevance of these findings is particularly significant given the institutional context in which SSB operated. SSB, which represents as a government-owned company is operated under strong public and government scrutiny, in which subject to direct instructions from the government, which can influence their strategic and operational decisions (Yahya et al., 2020). The affiliation binds the company to the necessity for strict compliance with integrity regulations, as failure of compliance could lead to reputational risks, operational disruptions, or even limitations in financial support from the government (Sibanda et al., 2020). Apart from that, SSB also operated under the direct oversight of government authorities such as Suruhanjaya Perkhidmatan Air Negara (SPAN) and Ministry of Energy Transition and Water Transformation (PETRA), in which these bodies will closely monitor the company's adherence standards compliance. Initiatives to adopt CIPs lower the consequences of integrity non-compliance such as financial penalties, reputational damage, or legal repercussions (Chen & Gao, 2024; Edhard & Jenhson, 2017). From the circumstances, the top-down approach created coercive pressures for SSB to comply with standards. By adopting CIPs, SSB can maintain its legitimacy and avoid any possible sanctions.

Since CIP is part of national anti-corruption strategies introduced by the Malaysian government (Johari et al., 2020), SSB perceived that the initiative to adopt CIP was part of their responsibility and strategic necessity as a Government Owned Company (GOC). This finding demonstrated the inclusive of normative factors in the decision of SSB to adopt CIPs. The influence of self-led norm as a normative factor of CIPs adoption depicts that individual awareness is also significant element in strengthening the foundation of standards compliance (Tran et al, 2025). While moral logic justified to be the reason for CIPs adoption, the pressures from professionals' bodies and stakeholders was also identified as strong normative influences related to the decision.

Meanwhile, mimetic isomorphism has been identified as the least influential of the CIPs adoption in SSB. This finding was also influenced by the organisational context. As a national sewerage company operating under a government mandate, SSB functioned in a monopolistic environment where competition was limited. Unlike private-sector firms that adopt best practices to gain a market advantage, GOCs did not face direct competitors that would necessitate significant imitation (Zainal et al., 2019). Furthermore, as a GOC, the organisation did not solely emphasise market forces, but placed greater priority on public welfare (Buthelezi, 2025). This reduced the need for benchmarking against industry peers, as corporate governance expectations are already dictated by national policies and legal mandates (Brody et al., 2020). Additionally, public utilities like SSB operated was under different stakeholder expectations than private firms. Thus, their legitimacy is assessed based on regulatory compliance rather than competitive differentiation, further weakening the role of mimetic influences.

Another normative determinant was pressures from stakeholders. This pressure relates to environmental and individual led norms. SSB had taken the initiative to promote integrity through CIPs to fulfil its responsibilities to the numerous stakeholders of the company. CIPs improved the performance of SSB by enhancing transparency and accountability in their operations, expecting better professional networking and collaboration. Meanwhile, when members of organisations realised that integrity was not only about compliance but also doing what is morally correct, it shaped the integrity culture that led to the ethical working environment (Smit, 2021). Such intrinsic motivation that aligned with the understanding of moral values become a pushing factor for the members of SSB to promote integrity through CIPs adoption.

6. CONCLUSIONS, LIMITATIONS AND FUTURE RECOMMENDATIONS

In a nutshell, the adoption of CIPs in SSB was influenced by several factors which mainly came from institutional pressures. The findings showed that the decision of organisations to involve in integrity practices was significantly influenced by institutional pressures, which were represented by government enforcement (coercive isomorphism), environmental and individual led norms (normative isomorphism), and competition (mimetic isomorphism). These three mechanisms drove SSB to align their integrity frameworks with external expectations and industry norms. Coercive isomorphism arises from regulatory enforcement and legal mandates, compelling the company to adopt integrity measures to comply with government regulations and avoid penalties. Normative isomorphism was driven by professional standards

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and industry best practices, where companies integrate integrity practices to align with expectations set by professional bodies and governance frameworks. Interestingly, moral logic was identified as another normative element, which shows the importance of employees' awareness in the promotion of moral values within organisations. Meanwhile, mimetic isomorphism occurred when the organisation adopts integrity initiatives by imitating industry leaders or competitors to maintain legitimacy and enhance corporate reputation. The finding also identified that coercive isomorphism emerged as the most dominant factor, primarily due to the enforcement of Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009, which imposes corporate liability for corruption-related offenses. This legal provision has significantly shaped SSB's decision to implement CIPs, reinforcing the notion that regulatory pressures play a crucial role in integrity adoption.

The findings of this study offer important contributions to both regulators and corporate management. For policymakers, the study provides insights into how regulatory enforcement mechanisms can drive integrity adoption, facilitating them to refine existing legal frameworks and enforcement strategies to strengthen corporate integrity. For corporate leaders, the study suggests the need for a more comprehensive integrity framework that integrates legal compliance with organisational culture-building efforts. By understanding the institutional pressures that influence integrity adoption, organisations can design more effective integrity initiatives that go beyond compliance and actively cultivate integrity as an embedded corporate culture rather than a regulatory obligation.

Despite these contributions, the study also encountered few limitations. This study applied to a single case study, focusing only on one government-owned company from the utility industry. As such, the diversity of internal and external factors that influenced CIPs adoption might not be fully captured due to limited industries and structures. Future research should adopt multiple case studies, examining organisations across various industries, ownership structures, and regulatory environments to develop a broader theoretical understanding of institutional pressures in different organisational contexts, as well as to assess the dominance of coercive isomorphism that occurs across different business settings. In addition, future research may extend this study by adopting a longitudinal approach to assess how institutional pressures evolve over time.

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8. CONFLICT OF INTEREST STATEMENT

The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declare the absence of conflicting interests with the funders.

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9. AUTHORS' CONTRIBUTIONS

Ja'izah Abdul Jabar: Conceptualisation, methodology, formal analysis, investigation and writing-original draft; **Norlaila Md Zin**: writing-review, editing, and validation; **Eley Suzana Kasim**: supervision, editing, and validation.

10. DATA AVAILABILITY/SUPPLEMENTARY MATERIALS

The datasets used and/or analysed during the current study are available from the corresponding author on reasonable request.

11. ETHICS STATEMENT

All procedures involving human participants/animal subjects complied with the ethical standards of the 1964 Helsinki Declaration. Informed consent was obtained from all participants, and data anonymity was strictly maintained throughout the study.

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