American Journal of Economics 2015, 5(2): 95-97
DOI: 10.5923/c.economics.201501.08

Exploring Malaysian Business Undergraduates' Perceptions on Managing Corporate Corruption

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Abstract Corruption is a serious problem faced by many countries, including Malaysia. Despite intensifying anti-corruption efforts, corruption in Malaysia has remained a serious problem. Although corruption has often been perceived as predominantly a public sector problem, the private sector is involved in most cases of government corruption. Ensuring good corporate governance is one of the ways to combat corruption. This study examined the perceptions of business undergraduates on two new initiatives to curb corruption and promote good corporate governance in Malaysia, namely the "No Gifts Policy" that has been adopted by several Malaysian companies and the proposed introduction of a new legislation in Malaysia which is similar to the recently enacted UK Bribery Act 2010. The new legislation plans to impose legal liability on company directors and CEOs for failure to prevent their employees from engaging in acts of corruption.

Keywords Business ethics, Corporate governance, Bribery, Corporate gifts policy

1. Introduction

Corruption is a serious problem faced by many countries in the world, including Malaysia. Despite various anti-corruption campaigns and efforts, the social corruption menace in Malaysia has remained acute, widespread and may have even deteriorated in recent years [1]. Corruption causes significant harm, especially in developing countries. The consequences of corruption includes wastage and misallocation of limited economic resources, hurts economic growth, exacerbation of poverty conditions, undermines the rule of law, creates uncertainty in the enforcement of regulations and lower confidence in public institutions [2].

Although corruption has often been perceived as predominantly a public sector problem, the private sector is not always the victim [3]. As the private sector is involved in most cases of government corruption, the Malaysian government is reported to be mulling over the possibility of introducing a new legislation that will hold company directors and chief executive officers who have not put in place reasonable amount of anti-corruption preventive measures liable should their employees be found to have committed graft. This proposed initiative is line with the latest global developments which saw the enactment of new anti-bribery laws in many countries including the UK Bribery Act in the United Kingdom.

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Published online at http://journal.sapub.org/economics

Under the recently enacted UK Bribery Act of 2010 and the long established US Foreign Corrupt Practices Act of 1977, senior business executives can be prosecuted if they fail to prevent their employees and corporations from engaging in corrupt practices. While global anti-bribery laws have generally punished top management who knew or participated in acts of corruption, recent legal developments have found senior executives liable even when they have no knowledge alleged of the pertinent bribery [4].

Another anti-corruption initiative that was introduced recently in Malaysia was the adoption of the "*No Gifts Policy" for company staff.* Malaysian companies that have implemented a "*No Gifts Policy" include* Media Prima Bhd, Petronas and Telekom Malaysia. Contemporary anti-corruption campaigns have viewed the giving and receiving of gifts with suspicion as gifts may create conflicts of interest. Receiving a gift causes the feeling of gratitude in the receiver, which in turn creates a perceived obligation to reciprocate [5]. On the other hand, giving and receiving gifts has long been a feature in the business culture in many countries, particularly in Asia. Gifts may help to foster relationships with external stakeholders and has the potential to create bonding value [6].

In view of the above, this study examined the attitudes of business undergraduates on the two new controversial initiatives to curb corruption and promote good corporate governance in Malaysia, namely on the "*No Gifts Policy" already adopted by several Malaysian companies* and the proposed imposition of legal liability on company directors and CEOs for their failure to prevent their employees from engaging in acts of corruption.

2. Methodology

This study employed a combination of quantitative and qualitative approaches in order to achieve a better understanding of the perceptions of business undergraduates on the moral dimensions of corporate corruption. The data presented in this paper is part of a larger research project. The research instrument was a self-administered survey questionnaire containing open-ended and close-ended questions. Valid responses were obtained from 156 business undergraduates enrolled in a business ethics course at a public university in Malaysia which specializes in management education. The profile of the respondents are presented in Table 1.

Table 1. Respondents' profile (*N* = 156)

	Classification	No	%
Gender	Female	117	75.0
	Male	39	25.0
Program	B.Acct. (Hons)	13	8.3
	B.Ent. (Hons)	1	.6
	B.Mktg. (Hons)	4	2.6
	BBA (Hons)	93	59.6
	BBA (Log.&Tpt.) (Hons)	2	1.3
	BHRM (Hons)	3	1.9
	BIBM (Hons)	36	23.1
	BIFB (Hons)	4	2.6
Semester No	Second	11	7.1
	Third	109	69.9
	Fifth	27	17.3
	Seventh	8	5.1
	Ninth	1	0.6

3. Results

The results of two research issues are included in this section. The data was coded and analyzed using SPSS. The Chi-square test for proportion was used as test of statistical significance. The Chi-square ($\chi 2$) test was used to test hypotheses Ho for equal proportion.

3.1. Liability for Corporate Corruption

The preliminary findings on the following research question is presented in table 2.

Should company directors and CEOs who have not put in place reasonable amount of preventive measures be held legally responsible for acts of corruption committed by their staff?

The data provided statistical support for the alternative hypothesis, i.e Not all options are equally preferred. Observed frequency is highest for the 'yes' option. The observed frequency distribution indicates that most business students support the view that company directors and CEOs who have not put in place reasonable amount of preventive measures should be held legally responsible for acts of corruption committed by their staff. Out of the 156 responses, slightly more than half or 57.1 % of students support the introduction of a legislation to impose legal liability on company directors and CEOs who fail to put in place reasonable measures within their organizations to prevent their staff from committing corruption.

Table 2. Student's view on top management's liability for corporate corruption

Should company directors and CEOs be held legally liable for employees' acts of corruption?		
	Observed frequency	Expected frequency
Yes	89 (57.1%)	52.0
No	55 (35.3 %)	52.0
Not sure	12 (7.7%)	52.0
	Ho: All three options are equally preferred	
Chi-square Test of proportion	Chi-Square	57.269
	df	2
	Asymp. Sig.	.000
	Reject Ho (p < 0.5)	

An analysis of the respondents' responses to the open ended question on this item provide further insights on their views on this issue. Those who supported the view that company directors and CEOs who have not put in place reasonable amount of preventive measures should be held legally responsible for acts of corruption committed by their staff cited a number of reasons including the perception of worsening corporate corruption, accountability and leadership. As pointed out by one student, " … *responsibility for company wrongdoing ultimately fall on company directors and CEOs as leaders of the organizations…Corruption can cause serious consequences…Even if the corruption allegations are not ultimately substantiated, the mere fact that the company has come under criminal investigation can hurt the company's reputation and bottom line…*".

On the other hand, respondents who opposed the view that company directors and CEOs should be held legally responsible for acts of corruption committed by their staff mentioned the difficulty, if not impossibility, in overseeing huge number of employees, the need for additional conditions such as knowledge of acts of corruption and failure to act on complaints of bribery. As pointed out by one student, "*…company director and CEOs cannot be liable for acts of bribery and corruption committed by their staff unless the CEO is collaborating with the perpetrators of corruption… Although management can set ethical policies and standards but if the employee is the type of employee* *who does not like to follow the rules, do not care about the company business and take it easy in everything, the offense should be borne by the workers themselves...*".

3.2. Corporate "No Gifts Policy"

The preliminary findings on the following research question is presented in table 3.

Should employees be allowed to accept gifts from outside agents?

Table 3. Table 2: Student's view on Corporate "No Gifts Policy"

Should employees be allowed to accept gifts from outside agents?		
	Observed frequency	Expected frequency
Not at all	57 (36.5%)	52.0
Yes with conditions	97 (62.2%)	52.0
Not sure	2 (1.3%)	52.0
	Ho: All three options are equally preferred	
Chi-square Test of proportion	Chi-Square	87.500
	df	2
	Asymp. Sig.	.000
	Reject Ho ($p < 0.5$)	

The data provide statistical support for the alternative hypothesis, i.e Not all options are equally preferred. Observed frequency is highest for 'yes with conditions' option. The observed frequency distribution indicates that most business students support the view that employees be allowed to accept gifts from outside agents subject to certain conditions. Out of the 156 responses, 62.2 % of students support the view that that employees be allowed to accept gifts from outside agents subject to certain conditions.

An analysis of the respondents' responses to the open ended question on this item provide further insights on their views on this issue. Those who supported the view that employees be allowed to accept gifts from outside agents subject to certain conditions. As pointed out by one student, " *… In our culture, gifts are often used to maintain business relationships. Employees should be allowed to give and accept gifts from others with certain conditions…we need to understand the value* (*of the gift*)*, purpose, circumstance of gift, the job of recipient, accepted local practices, the company policies and legal prohibition on gifts. ..Recipient can accept so long there is no conflict of interest …*".

On the other hand, most respondents who supported the view that employees not be allowed to accept gifts were concerned that gifts could lead to increase in corporate corruption. An interesting point made by a student is that gifts can lead to unhealthy office politics. As pointed out by the student, "*…it would ruin the system of management in the company where the employee is working. It would send employees a wrong message about expecting gifts for tasks they ought to do because it is actually their responsibility and they are already being paid to do so... It also not be fair for other employees in the company who are assigned to less generous clients… For the next assignment, every employee would be fighting to service this client and ignore other clients. To avoid bad office politics, it's best not to allow gifts from outside agents. Also, outside agents would find this company more professional…"*.

4. Conclusions

It is heartening to note that most business undergraduates in Malaysia are supportive of the introduction of an anti-bribery legislation similar to the UK Bribery Act and the long established US Foreign Corrupt Practices Act. This move would encourage top management to establish organizational processes and policies and ensure good corporate governance which is key in all efforts to curb corporate corruption. On the other hand, most business undergraduates are of the view that employees should be allowed to accept gifts from outside agents under certain conditions.

Corruption and acceptance of corporate gifts which causes conflict of interests to arise are morally wrong from the business ethics perspectives. Further analyses will be conducted on the respondents' open ended responses to gain insights on the dominant ethical orientations, i.e whether based on religious ethics, utilitarianism, ethics of care, virtue ethics, principles of justice or moral rights considerations.

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