THE IMPACT OF ORGANIZATIONAL ETHICS TO THE PROJECT
PERFORMANCE

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ABSTRACT

This research aim is to determine the impact of organizational ethics to the project performance and the relationship between these two variables from the perspective of contractors. This research helps the organization to improve their ethics in order to run the project and to have good value. This research has provided a greater understanding of project performance and the importance of ethics in organization. The way of this research being conducted is by using the non-probability sampling with the number of samples of 52 respondents. Then, the quantitative approach is used as a research method. Next, to run the data, the Statistical Package for Social Science (SPSS) has been performed. For example, the demographic, correlation analysis, regression analysis and descriptive analysis. Based on the analysis, the dimension of organizational ethics such as absenteeism, cyberloafing and lateness of coming to work has a moderate positive relationship with the project performance. Besides that, using the descriptive analysis, it shows that, the lateness of coming to work has the highest dispersion compared to the other two dimensions.

Keywords: Organizational Ethics, Project Performance, Statistical Package for Social Science (SPSS)

ABSTRAK

Tujuan penyelidikan ini adalah untuk menentukan kesan etika organisasi dengan prestasi projek dan hubungan antara kedua-dua pembolehubah dari perspektif kontraktor. Penyelidikan ini membantu organisasi untuk meningkatkan etika mereka untuk menjalankan projek tersebut dan mempunyai nilai yang baik. Kajian ini telah memberikan pemahaman yang lebih baik prestasi projek dan kepentingan etika dalam organisasi. Cara kajian ini dijalankan adalah dengan menggunakan persampelan bukan kebarangkalian dengan bilangan sampel daripada 52 responden. Kemudian, pendekatan kuantitatif digunakan sebagai kaedah penyelidikan. Seterusnya, untuk mengendalikan data, Pakej Statistik Untuk Sains Sosial (SPSS) telah dijalankan. Sebagai contoh, demografi, analisis korelasi, analisis regresi dan analisis deskriptif. Berdasarkan analisis, dimensi etika organisasi seperti ketidakhadiran, cyberloafing dan kelewatan untuk datang ke kerja mempunyai hubungan positif yang sederhana dengan prestasi projek. Selain itu, dengan menggunakan analisis deskriptif, ia menunjukkan bahawa, lewat datang ke tempat kerja mempunyai penyebaran yang paling tinggi berbanding dengan yang dua dimensi yang lain.

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1.1   INTRODUCTION

This research study focuses on how organizational ethics are conducted on the project management in the construction industry. Generally, we want to observe the relationship between the organizational ethics and how it influence the performance of the project. This research helps the organization in the construction industry to practice and improve their ethics in order to have good outcomes in the project performance.

In this chapter, we discuss in more detail the elements that are significant for this research to be completed. Background of study is the first element which in this section, we discuss about the topic and the ethical issue that usually arises in project performance in the construction industry that is really important for this research. Secondly, Problem Statement focuses on the problems that involve in the organizational ethics that give impact to the project performance. Next are the Research Objective and Research Questions that are closely related and it be a guideline for this research study. Then, the research scope is to specify the study so that the research is on the right focus and right position to avoid the error from occur and affect the outcome of this study. The significance of the study is to show the advantages from this research that have benefit to the project, employee, organization, country, especially to the construction industry. Next, the operational definition is the most important component that is being defined and being conducted. Lastly, the Expected Result is the output and outcome that we predict for this research study.

1.2   BACKGROUND OF STUDY

Organizational ethic is an important issue of every industry and company. The way an organization should react to the working environment and to the project. Organizational ethics comprise several values which decide the manner individuals should behave in the workplace. The ethics and values implemented by any organization are usually being adopted throughout the organization and have been used for every task. An ethic can be defined as a system of accepted beliefs and values typically based on moral imperatives that administrate the behavior of individuals and the groups and organizations to which they belong.

Ethics can describe as how the person, community, organization and global communicate with each other and interact in a specific way to determine the right manner on how suppose the ethics been practiced in the environment for it to be in the right directions and act accordingly with the flow (Petrick *et al*, 1997).

According to Begley (2006), the ethics, can be said as aware and unaware of individual action that influences on attitudes, actions, and speech. Ethics, is interpreted as a certain cultural of society that included a specific form of values, while in the scholarship researching, it is an ideology from social context or codes of conduct. In that sense they are sort of waiver form of social consensus. Most societies have the same principle of ethics that they are likely to have freedom of speech, individual rights and democracy. However, they seldom are, especially as interpreted from culture to culture. Ethics in their purest forms are likely to be expressed in a rational context-stripped form that conveys the essence of the normative behavior. Indeed, in some forms and social applications they are treated as absolute values. This preference of view ethics as some sort of absolute value is sometimes exacerbated by evidence of consensus across cultures on certain ethics like respect for human rights, honesty, and fairness. The interpretation of the meaning associated with an ethic can vary greatly from society to society.

There is a growing interest in ethics and ethical issues in organization and management. Singh et al., (2005) claim that two of the most substantial issues in the industry today are globalization and ethics. Globalization has led to increased business competition, which is one of the reasons in the increased concern over ethics in the industry.

According to Alfred (2008) ethics (eth-iks) is defined as, a structure of moral principles, by which human actions and applications may be judged good or bad, or right or wrong, the rules of conduct recognized in respect of a particular class of human actions, the moral principles, as of an individual. Simply put, ethics are a set of principles, attitudes on "what is right or wrong" and ideas that we use to control the way the profession is practiced. Ethics are the moral standards used by people in making personal and business decisions, a company is judged by its reputation which is a result of its integrity in the business world and its employees. The ethics of both the company's leaders and employees make up how that company is perceived and whether they are seen as ethical or not. The set of moral standards that we use to guide our decision making are our ethics.

From the theory aspect, when the realization of the ethical attitudes, is only based on the education and not in the real world perspective, it will increase the number of law court against the business. Organizational ethics can thus be considered as the norms defined by a market system for its successful functioning, and include various common sense moral obligations (Shaw, 2009).

1.3   PROBLEM STATEMENT

The construction industry is the industry that has a lot of competitor and challenges. They are competing for tenders and bid price for their project. However, they are lack of focus on the organizational ethics. This issue is becoming crucial and many organizations failed to focus on this matter.

Organizational ethics is how the organization behaves and performs the value to the employee. Many organizations have applied this practice and believe that ethics is

important brings a lot of advantages. According to Charles (2003), there are several influences when the organization implements good ethics in which, it can act as a remedy for any problems that arise in the organization. Besides that, it help as a preventative and be one of the ways to help fighting fraud, encourage respect to laws and rise trust between the project team. Trustworthy empirical evidence shows that, more ethical individuals and organizations, higher levels of rational, judgment, trust and performance, or lower levels of fear, and frustration.

Nowadays, ethics have emerged as one of the most critical issues facing the organizations and the people who work in them. Every organization wants to be successful, but they lack and not realize that the effective implementation of good ethics is the most important for the organization to perform their project performance efficiently. When organization do not practice and applied good ethics, the problems tend to occur. There is some employee that is not satisfied and not clear about the organizational ethics, and why they have to adapt the value.

This is because; some of the organization does not implement the ethics well. As a result, the parties that involve in the project become lack of awareness regarding this issue. According to Rahman, *et al.,* (2007), unethical behavior of the organization impacts the quality of projects. Increase in unethical behavior will see a consequent decline in the quality of project performance as evidenced by statistics from the construction sites. Though the number of industrial accidents overall has declined by 35% over an 8 year period from 2005, the construction industry recorded an increase of 5.6%. Fatalities increased a staggering 60% during the same period. One study found that poor management relating to poor inspection programs, poor safety policies and lack of safety education programs, and unsafe working methods as the main reasons behind these statistics. A lot of these companies are not even legally compliant, let alone go beyond compliance.

In order to prevent this issue, several strategies can be done to improve the organizational ethics. Firstly, the company or organization itself should provide the training for upper management first. This is crucial to give the realization of the importance of good ethics. This is because, usually they have the right to monitor the employee activity and behavior. When the management understands the inputs, so they

can strategies and plan of how the ethics can be implemented to the organization. What kind of ethics is suitable and appropriate to be adapted to the organizational environment. After implementing it, get the feedback from the employees or team project regarding the changes. It is important to accept the comment and feedback, so the organization can know whether the organizational ethics that being practices is effective or not. Next, the other strategy is, the organization should do the campaign and advertises the most important of ethics to the organization in which it needs the involvement of all the employees. It can increase the awareness of the organization about the significance of ethics. At the same time, it will build better relationship between the employees and upper management in the organization.

1.4   RESEARCH OBJECTIVES

From the topic, there are two research objectives that can be gained from this study:

1. To identify the relationship between organizational ethics and project performance
2. To categorise the dimension of organizational ethic based on the level of importance

1.5   RESEARCH HYPOTHESIS

II.   There is a positive relationship between the absenteeism and project performance

III.   There is a positive relationship between the cyberloafing and project performance

IV.   There is a positive relationship between the lateness of coming to work and project performance

1.6   THEORETICAL FRAMEWORK

Table 1.1: Theoretical Framework

Independent variable   Dependent variable

| Organizational Ethics | → | Project Performance |

Absenteeism		
Cyberloafing		Scope
Lateness of coming to work		Time
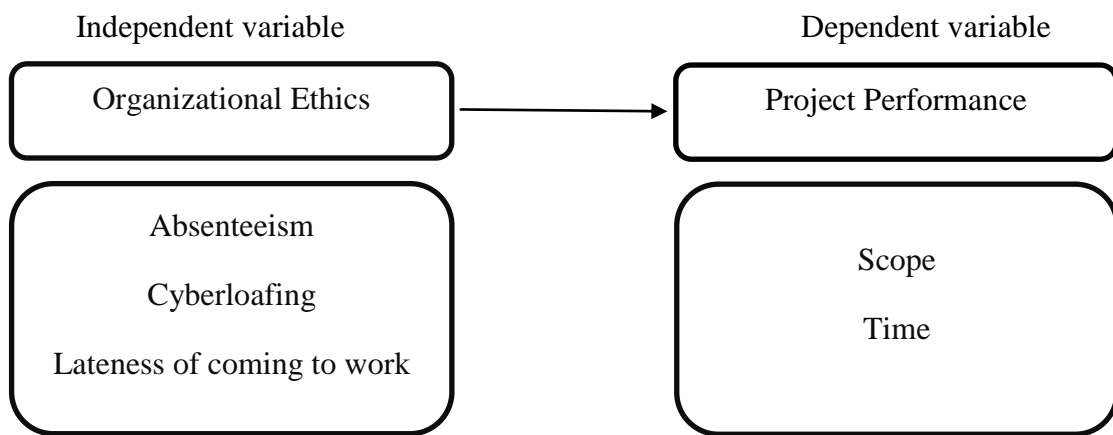
1.7   RESEARCH SCOPE

The area of this research study will be focusing on the construction industry in Seremban, Negeri Sembilan. This is because, it is easier to collect the data in this selected area. Seremban is the strategic place in which it is the location most of the construction company. This study involves the understanding and practice of ethics in organizations perspective. The scope is based on the relationship between organizational ethics and project performance. It's also involving the level of importance of organizational ethics dimension. The population of this study is the companies or organization from construction industry. The participants and sample for this research is 52 of the contractors in Seremban that registered under Contractor Development Board (CIDB).

1.8   SIGNIFICANT OF STUDY

The study has given benefit to the construction industry. Every project has their own problems and issues, regardless it is finished on time or not. This research helps the organization to improve their ethics in order to run the project and to have good performance. Ethics is very important because without it, the project might be completed but do not have the value. Then, this study gives motivation and increase employee satisfaction. Before his, they might unsatisfied with the existing organizational ethics, but they do not have right to voice and change it. Besides that, this research helps the manager to analyze and improves overall project performance that have related to the ethics aspect.

The benefits to the country, it will attract the new investor from the other country to invest in the Malaysian construction industry. This is because, when the organization of the project shows the high value of ethics, it will develop and increase investor believes to cooperate with the project. Then, it will attract the other investor and this give a good impression about the Malaysian construction industry. Then, with the highest level of organizational ethics, it will develop the trust among the stakeholder. The ethics itself reflect the projected image. This research also helps the organization to overcome any challenges and issue due from organizational ethical problems that can damage the project performance.

1.9   OPERATIONAL DEFINITION

According to Delbridge (2000), ethics is constituted of a system of moral principles, by which human action and proposals may judge good or bad, right or wrong, the rules of conduct recognized in respect of a particular class of human actions and moral principle as of an individual.

According to Christabel Man-Fong Ho (2011), the organizational ethic must be met by every organization if they are concerned about survival and competitiveness. The organizations should ensure their employees know how to deal with ethical issues

in their everyday work lives and are thus able to make ethical decisions, if they want to survive in today's turbulent construction market.

"The construction industry is classified as the most fraudulent industry worldwide, providing the perfect environment for ethical dilemmas, with its low-price mentality, fierce competition and paper-thin margins. This industry is considered to be one of the most susceptible to unethical practices because it involves substantial capital investments, providing large scale opportunities for rent extraction as well as investments that usually cannot be redeployed after implementation" (Transparency International, 2005).

Müller and Turner (2007), the criteria for measuring project performance vary from project to project because projects differ in size, uniqueness and complexity.

1.10   EXPECTED RESULT

The expected result of this research is to reach the objectives that have been stated. Then, it can give clearer information about the importance of organizational ethics to the project performance. Furthermore, this research also can be a guideline to the manager and project team to improve and practice the good ethics in order to have excellent project performance. Lastly, this research also expected to help the other researcher that in interested in the organizational ethics impact on project performance topic in Malaysia to use this research as the references. This is because, there are lack of past researcher that do the research about organizational ethics on project performance. Most of them focus on organizational performance.

Chapter 2

LITERATURE REVIEW

2.1 INTRODUCTION

The literature review is a critical look at the present research that is significant and related to the work that is being carried out. "The review of relevant literature is practically always a standard chapter of a thesis or dissertation. The review forms an important chapter in a thesis where its purpose is to provide the background to and explanation for the research undertaken" (Bruce 1994). According to Bourner (1996), before embarking on a research project, there are good reasons for spending time and struggle on a review of the literature.

2.2 PROJECT PERFORMANCE

Projects are the principal means by which we change our world (Pinto, 2010). According to the Construction Industry Board (CIDB, 1997), measure project performance in the agreed areas and at the agreed intervals, is important to give feedback and the results to the project team. The performance should be measured on a regular basis throughout the project, which helps the team to review progress and

identify opportunities for further improvement (Thomas and Thomas, 2005). To compare its own performance with others, the benchmarking allows a project team to learn from best practice (Kelly *et al*., 2002). According to Cain, (2004), it is difficult for any teams to determine how well they have done and what improvement they need to do without clear measurement of performance against benchmarks.

2.3   MEASUREMENT OF PROJECT PERFORMANCE

The iron triangle is a former definition of project success as compliance with time, cost and scope requirements (Atkinson, 1999). While evaluating the performance of public or private construction projects, the majority of the researchers associated with construction project management have talked about the significance of time, cost and scope (Zuo *et al*., 2007). In the mission for widening the project performance evaluation criteria some researchers have argued that it is important to incorporate safety aspects of the project in performance evaluation because the construction industry is the most unsafe industry because of its high rate of fatalities and to the inherent shortcomings of the "iron triangle" criterion (Billy *et al*., 2006). According to Zuo, (2011), the construction industry is mainly labor intensive and the majority of the workforce working on construction sites is unskilled. The workers are, thus, exposed to risk and health hazards inherent in construction projects that need adequate safety provisions.

According to Lee & Rojas (2014), the earned value management (EVM) concept is one of the most operative ways of monitoring project performance, which integrates considerations for scope, schedule, and cost performance. By tracking and analyzing performance variance in monetary values, EVM provides early warning signs for deviations in actual project performance. Moreover, EVM efficiently forecasts the total project cost or the total activity cost at completion. When measuring schedule performance at the project level, EVM must be implemented carefully because it has the potential of providing misleading information as it does not take schedule criticality into

consideration. Nonetheless, EVM does accurately evaluate schedule performance at the activity level.

Toor and Ogunlana (2009), note that by establishing KPIs which offer objective criteria to measure the success of a project performance measurement can be carried out. Atkinson (1999) state that performance measurement in construction project has been dominated by the conventional measures of time, cost, and scope as termed these three measures together as the 'iron triangle'.

Other researchers suggest that in order to measures of iron triangle, customer satisfaction (Pinto and Slevin, 1988) and overall satisfaction of stakeholders (Bryde and Brown, 2005) should also be measured in performance evaluation criteria. Some have also given the notion of project team's ability to manage project risks and resolve problems to evaluate the project success (Belout and Gauvreau, 2004).

According to KPI Working Group (2000), the purpose of the KPIs is to allow measurement of project and organizational performance throughout the construction industry.

Figure 2.1: Iron Triangle

2.3.1   PROJECT SCOPE

The required work to create the project deliverables is deal with a project scope. The scope of the project is specific to the work required to complete the project objectives. It is essential for each project to clearly define and document its scope so that the project can move forward in a coordinated manner and requirements can be written. People may start to lose sight of what they are trying to develop and the objectives of information system development can be vague without a well-defined scope (Clarke, 1999). According to (Mirza, 2013), the recent researches have realized that the lack of a clear definition for project and product scope as well as improper control are the factors why project do not achieve much success. Scope, as a measurable concept, has been considered as either a criterion or cause. In fact, a clearly defined goals and objectives of the project scope has been verified as a dimension for project success by some researchers. In order to meet the owner's needs, the rigorous scope is considered to be a factor which is necessary for and thus achieving success (Collins & Baccarini, 2004). Ward (1995), said that all the participants, or stakeholders, who have to make decisions throughout the project must be understood the scope of a project.

2.3.2   PROJECT TIME

The duration for completing the project is refers to time. Hatush and Skitmore (1997), said that, it is scheduled to allow the building to be used by a date determined by the client's future plans .Related to time is the concept of effectiveness. Alarcon and Ashley (1996), defined effectiveness as a measure of how well the project was implemented or the degree to which targets of time and cost were met from the start-up phase to full production. The time is including as a criterion proposed for project success. According to (Chan, 1997), under the time category, there are three formulae namely construction time, speed of construction and time variation.

2.4   CONSTRUCTION INDUSTRY IN MALAYSIA

According to Negara (2011), Malaysia had realized the importance of the construction sector in the early days of its independence so it began to develop this sector. Today, although its contribution is relatively small as compared to other sectors of economy like services, manufacturing, and agriculture, it has become one of the major sectors of the Malaysian economy. For example, the average contribution of services, manufacturing and agriculture sector in gross domestic product (GDP) during the last 20 years from 1990 to 2010 is 48.3, 28.2, and 9.3 percent respectively, while the average contribution of construction sector in the same period was 4.1 percent only. Its involvement to GDP is 12 times smaller than services sector, 7 times smaller than manufacturing sector and 2.2 times smaller than agriculture sector of Malaysia. However, the importance of the sector cannot be ignored. To aggregate economy, it provides great support by backward and forward linkages with other sectors of the economy.

The construction sector is positively being indisputably true that related to the success of any economy. It can be defined as some sort of an economic engine for rising and developed economies. The construction sector, providing a better quality of life to the nation that is essential for development of the nation as it plays a significant role in producing wealth. Additionally, it contributes in generate of huge employment in the economy. In developing of socio-economic infrastructures and buildings, the Malaysian construction Industry also plays an important role (Khan R.A.,*et al* ,2014).

According to Sambasivan M.,*et al* (2007), the construction sector in Malaysia can be separated into four broad classifications: office, retail, residential and infrastructure. This sector has started to improve in which it suffered a temporary crisis between 1997 and 2000 (ASEAN crisis) .The Malaysian construction industry is still labor-intensive, its growth and performance influence the attitudes and behaviors of individuals involved in this industry (Begum et al., 2009).

To motivate local employment and improve economic efficiency, the industry can activate and successfully consume locally produced material and manpower in the construction and maintenance of buildings and infrastructures (Anaman, 2007). Construction sector consequently has a great influence on socio-economic development of a country.

Cha and Kim (2011) states that it is very difficult to measure an overall performance level of a constructed project in a rational manner, because in the construction industry, which is characterized as project specific, a clear explanation of scope of performance is absent, and the standard procedure and processes are not fully developed.

According to Adnan H., *et al* (2012), through a number of redemptive measures, the Malaysian government is taking bold steps to address these ethical issues. The modifications include the establishment of the Anti-Corruption Agency, followed by the establishment of the Anti-Corruption Commission Act, 2009. At the same time, the Construction Industry Development Board (CIDB) launched the Construction Industry Master Plan (CIMP) in 2004. This code acquire honesty and integrity in performing responsibilities, compliance to laws and regulations, respect for individuals and society and the realization of the significance of quality, skills, health, safety and environmental preservation.

2.5   ETHICS

Ethics are result from human nature which constitutes the essential frame of laws in facts; human laws follow the ethics and not simply created by humankind. The word "ethics" symbolize the standards and ideals which embrace a group or a community of people. In Webster dictionary, ethics are defined as disciplined dealing with what is good and bad or with ethical duties and commitments. Ethics refers to worthy and bad attributes, conducts, and intentions in which case it is accompanied with adjectives such as good and bad or nouns such as goodness and badness. Ethics it can be

distinctively distinguished from mainstream sciences like mathematics, or natural sciences like chemistry and physics and from this aspect, it is a branch of philosophy analyzed as a norm-based science since it pertains to guiding norms of human behavior (Holden, 2000).

Arnoudov (2012), even though it seems awkward, the ethics is associated with process of work implementation. When the employee in presents to the way of work manners, he is alerted of the ethics. Working manual make the employee's work beginning easier because they contain ethical directions, rules, norms and value systems that are approved and used in the organizations he works for. Usually the working manuals for the new employees instead of full description of the value system and ethical norms, give one sentence explaining the ethics in the working process.

"The rules or philosophies that define right and wrong conduct" are referring to ethics (Davis and Frederick, 1984). Acar (2012), from the several decades, the significance of ethical values and the commitment of employees are a preoccupation of old and recent studies.

According to (Victor and Cullen, 1957), the changes can be achieved if the ethics start from the management to employees on all the levels. While ethical climate, defined by as a socio-cultural environment, the shared perceptions of what is ethically correct behavior and how ethical issues should be handled. Ethical decisions in the business arena are important because they can have significant implications for business as well as society. (Hartman, 2008), ethic has been a topic of philosophical thought since the dawn of recorded history; certainly the classical Greek philosophers such as Socrates, Plato and Aristotle remain influential in this area of study even today as our society continues to grapple with the same elemental philosophical questions regarding morality and ethics.