ETHICAL CLIMATE, CHIEF INTEGRITY OFFICER AND LEVEL OF ETHICS AND INTEGRITY IN MALAYSIAN PUBLIC SECTOR

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ABSTRACT

This study provides an overview of the initiatives taken by the Malaysian government in mitigating a global issue of ethics and poor governance which has led to inefficiency and corruption in an organization. The government has stressed the importance of having good governance in the public sector as poor governance will lead to a loss of reputation of Malaysia and in the long run will discourage investors to the country. Studies have shown that ethical climate and existence of a Chief Integrity Officer are some of the factors that can help overcome the major challenges of achieving Vision 2020 i.e., Government Transformation Program which one of its agenda is to fight corruption. Ethical climate and Chief Integrity Officer is perceived to have a direct relationship with the level of ethics and integrity in the Malaysian public sector which consequently will increase the perception of public trust. Thus, this paper will provide some insights on the impact of these two factors on the level of ethics and integrity in the Malaysian Public Sector.

Keywords: Ethical climate, Chief integrity officer, Ethics; Integrity, Public sector

INTRODUCTION

Ethics and integrity have been demonstrated to play an important role to help propel the Malaysian's economy to a high income economy (Aziz, 1999). Many countries have reformed its public sector to meet the public demand of employee is more ethics and integrity in government. Therefore, Malaysian governments have been to implementing of various initiatives good

governance of ethics and integrity so that avoiding unethical cases and reduces bad scandal in Malaysia public sector. Ethics and integrity are two essential components of good corporate governance. Good governance refers not only to integrity, but also to efficient management of public resources and, for some commentators, to adequate public participation in decision-making. Ethics involved individual, organizations, and professional ethics. On the other hand, integrity involves individual, organizations and persons holding public office (Ismail, Haron, Ahmad, 2014). From an organizational point of view, integrity or ethical behavior refers not only to corruption or fraudulent behavior, but it lies in the quality or characteristic of an individual or how he behaves in his organization that represents the quality of acting in accordance to the moral values, standards and rules accepted by the organization's members and society (Kolthoff et al., 2010). It is also considered as a matter of coherence and consistency between organizational aims, personal values and beliefs, and individual behavior (Badaracco & Ellsworth, 1991). Therefore, it is assumed to have a direct influence on organizational actions and decisions or moral choices (Trevinyo-Rodríguez, 2007), and management has an important role in shaping the integrity of an organization (Kaptein, 2003).

There are a lot of cases of ethical scandal in Malaysia. The issue of ethics and integrity are still rampant and it is one of the important causes of organizational failure. Based on a survey conducted by KPMG Malaysia (2013), it was discovered that the highest number of fraud perpetrators came from employees, representing about 50% of fraud perpetrators which is much higher than in 2009, which was about 34%. These figures are alarming to the government and the management, as there was an increase of 16% in 2013. The second category of fraud perpetrators were customers, followed by management, each category represented about 18% respectively. Other fraud perpetrators identified were service providers (8%) and suppliers (6%). The report also highlighted that theft of outgoing funds was the highest reported category of fraud (67%) in 2013 as compared to 57% in the 2009 survey. Ranking second was theft of physical assets at 58%, followed by theft of incoming funds at 34%. On an individual basis, the most common types of fraud were theft of cash and cash receipts (26%), followed by false invoicing (16%) and theft of inventory (13%) (KPMG Malaysia, 2013). Governments and corporations as claimed by Ernst & Young (2014) agree that fraud, bribery and corruption are bad for business and society, and that decisive steps need to be taken to reduce them. Therefore, the Malaysian government has moved in a positive manner and achieved a significant economic and social progress. Sustained and rapid economic growth has transformed Malaysia from an agro-based economy into an industrialized nation. With this success story, the Malaysian government through its Economic Transformation Program (ETP) is positioning the nation to become a high-income nation by 2020 (CISM, Official Website). Thus combating corruption has been identified as one of the key challenges. Since the turn of the new millennium, The Malaysian Government has achieved some significant milestones in this long and challenging journey as shown in Table 1. To mitigate the issue of bribery, it is vital to elevate the confidence among investors by portraying a sustainable business competitive advantage yet still promote a healthy competition among businesses in Malaysia. Therefore, besides effective governance, in order to dent on corruption, corporate ethics and integrity systems should be institutionalized. Nevertheless, currently the corporate ethics and integrity framework at corporate levels are still scarce. The lack of specific and practical instrument in fighting corruption as well as controlling business misconducts will add more severity to this issue.

Concern with this alarming result, Prime Minister Directive No. 1 was issued in 2009. This directive has taken an important step to promote ethics and integrity within Malaysian public sector with the aims of combating corruption. This directive mandates an implementation of Certified Integrity Officer (CeIO) program (PM Department, 2014).

Table 1: Milestones of anti-corruption strategy

Year	Milestone
2004	Launching of the National Integrity Plan (NIP) and Establishment of Institute of Integrity Malaysia (IIM)
2008	Setting up of Malaysian Anti-Corruption Commission (MACC)
2009	Prime Minister Directive No. 1 2009 – Implementation of Certified Integrity Officer in ministries, departments and public agencies.
2010	Launching of the Government Transformation Program (National Key Results Areas – Fighting Corruption) and Economic Transformation Program. Signing of Integrity Pledge by Chamber of Commerce with Malaysian Anti-Corruption Commission (MACC), Formulation of Corporate Integrity System Malaysia (CISM) Roundtable
2011	Creation of Corporate Integrity Pledge (CIP)
2012	Publication of Best Business Practice Circular (3/2012)
2013	Appointment of Minister of Governance and Integrity
2014	Prime Minister Directive No. 1 2014 - Establishment of Integrity and Governance Committee (replacing the Prime Minister Directive No.1 2009). Publication of Corporate Integrity System Malaysia (CISM) Toolkit: From Pledge to Practice

INTEGRITY AND GOVERNANCE UNIT

On 18 August 2008, a special meeting chaired by the Malaysian Chief Secretary decided that Anti-Corruption Agency should stationed one of the senior officer as Chief Integrity Officer in ministries, departments and certain agencies that may have high possibilities in conducting corruption. In the following meeting chaired by Prime Minister on 22 September 2008, a new directive was given stating that the Anti-Corruption Agency may provide consultation for the agencies that intent to establish their own Chief Integrity Officer. Knowing the importance of the requirement for CIO, Malaysian Anti-Corruption Academy (MACA) through its Corporate Integrity Development Center (CIDC) has planned a special program to produce certified integrity officer (CeIO) which will be fully monitor by CIDC. CeIO is defined as an officer certified by the Lembaga Pengiktirafan Pegawai Integriti Bertauliah (LPPIB) when one fulfils seven (7) appointment requirements that are as follows (PM Department, 2014):

1. Appoint by the organization;
2. Possess high ethics and integrity;
3. Pass the filtering process by MACC / Malaysian Royal Police Department / Security Commission / Malaysian Public Administrative Department / Insolvency;
4. Officer of Management and Professional Group or equivalent;
5. More than five years working experiences and shows excellent work performance;
6. Acknowledgement or endorsement from relevant agencies (if any);
7. Successfully attended the CeIO program and being certified by LPPIB

It should be noted that an individual / officer may be appointed as a Chief Integrity Officer by LPPIB without attending the program as required; if he/she has fulfilled the requirements from (1) to (7) above and is highly acknowledged in the community due to the contribution and efforts of conducting integrity awareness-related activities, events or functions which may include the publication, community services, social status, and equivalent others as recognized by LPPIB. There are ten (10) roles of CeIO as follows (PM Department, 2014):

1. Coordinate and monitor programmed of integrity
2. Reporting about any breach of integrity
3. Coordinate the action on breaches of integrity
4. Implement a recovery program of integrity
5. Production of articles related with integrity
6. Help and support secretariat of JKTU (Jawatankuasa Tadbir Urus)
7. Advising management in term of integrity
8. Monitor of services delivery system
9. Act as a liaison officer organization to CIDC (Corporate Integrity Department Malaysia)
10. Ensuring compliance to directives/regulations of organization

The CeIO program is conducted within a period of six (6) months and is done on a part time basis. The program consists of five modules i.e. lectures, examinations, conference/workshop, field visit/case study and paperwork. These contents are revised occasionally by LPPIB for improvement. Table 2 below shows some of the modules of CeIO (MACA, 2016).

Table 2: Modules of certified integrity officer program

Component	Description
The Concept Integrity	The participants will learn the concept of integrity which emphasis on the issue of integrity and corruption, ethics good governance and corporate social responsibility. The participant will have a better understanding of Corporation Integrity Services Malaysia (CISM), National Integrity System and National Integrity Plan.
The Practice of Integrity (Enforcement of Laws, Circulars, Regulations and Directives)	This section covers laws, policies, rules and guidance that comprise the legal framework of organizations ethics and integrity system. It also includes International Law (UK Bribery Act, FCPA, etc.), International Regulation (UNCAC, etc.) and MACC Act 2009. The participants will be able to act and discover any irregularities to minimize chance of ambiguity of corruption, fraud, embezzlement and misuse of power within organization.
Ethical Compliance & Monitoring	The participants will be exposed to the auditing procedures in public and private sectors which cover the aspects of domestics' trials and private sectors, human rights and internal control. Also gain knowledge and skills in relation to the audit technique, internal investigation and the implementation of internal controls particularly in financial matters of the organizations.
Formation of Integrity Plan	This section focuses on the latest method introduced by MACC known as Corruption Risk Management (CRM) to minimize ambiguities of corruption and abuse of power in an organization. The end program, the participants are expected to complete their Organizational Integrity Plan.

However, on 3 June 2014, a new Prime Minister Directive was released replacing the Directive No. 1 2009. This new directive gives mandate of establishment of Integrity and Governance Committee in ministries and state departments. At the ministries level, Minister and Federal Chief Secretary are required to establish two committees i.e. Integrity and Governance Committee (JITU) of Ministry level and Working Committee for JITU of Ministry level. At state level, Chief Minister and State Secretary are required to establish three committees i.e. Integrity and Governance Committee (JITU) of State level, Working Committee for JITU of State level as well as Integrity and Governance Committee of Residential / District level (MACA, 2016). Prior to that, in year 2013, Circular No. 6 which requires the establishment of Integrity Unit in all government agencies was released. The unit is intended to ensure that civil servants adopt an integrity and ethical culture. This initiative will be able to restrain misconduct and violations of the code of conduct and ethics in the civil service organization. As stated in JPA (BPO)(S)215/65 jld 13 (8), the unit will act as a focal point to all matters related to integrity management based on six (6) core functions as below:

Table 3: Core function of integrity unit

Core functions	Implementation
Governance	Ensuring the best of governance implemented
Strengthening of integrity	Ensure that the acculturation, institutional and implementation of integrity within the Organization
Detection and confirmation	i) Detecting and verify the complaint criminal misconduct and violations of the code of conduct and ethics of the organization and ensure that appropriate actions are taken. ii) Reported criminal misconduct enforcement agencies responsible.
Management of Complaints	Receive and take action on all complaints / information on criminal misconduct and violations of the code of conduct and ethics organizations.
Compliance	Ensure compliance with the laws and regulations in force.
Disciplinary	Perform the functions of the secretariat Disciplinary Board

MACC is held responsible for conducting agencies' risk-rating to determine the appropriate model of Integrity Unit. The risk level is classified as high, medium or low. The re-rating of agencies' risk will be carried out every three (3) years or as required. All Chief Integrity Officer (CIO) in agencies are required to be a certified integrity officer (CeIO) or others requirement as recognized by LPPIB chaired by MACC (MACC, 2016). Agency Integrity Management Division (BPIA) plays the role to conduct research, along with planning, drafting and developing internal control policy and integrity institutionalization initiative for Integrity Units under ministries, state governments, departments and government agencies. This Division also coordinates and steer integrity institutionalization programs, provides advisory service and assistance in relation to integrity management to government agencies. This initiative will be able to curb criminal misconduct and violations of the code of conduct and ethics in the civil service organization (MACC, 2016). To ensure the effectiveness of the implementation of integrity unit, Chief Integrity Officer is required to submit a report to the General Secretary / Head of Department and BPIA every four months i.e. before the 15th May, September and January (MACC, 2016). To current, there are 887 integrity units existed in Malaysia.

ETHICAL CLIMATE

Victor and Cullen (1987) define ethical climate as "the shared perception of what is correct behavior, and how ethical situations should be handled in an organization". According to Cohen (1995) ethical climate lies beneath value system. Moreover, according to Weeks and Nantel (1992), when codes are effectively communicated and understood it is likely to result in greater ethical behavior. Implementing ethical climate or ethical culture can help to resolve the issues related to unethical behavioral practices in the organization. Ethical climate or ethical culture of an organization is the shared understanding about what is correct behavior (Victor & Cullen, 1987). Similarly, Hunt et al., (1989) rephrased the ethical climate as corporate ethical value. Corporate ethical value is defined as "a composite of the individual ethical values of managers and both the formal and informal policies on ethics of the organization" (Hunt et al., 1989). Trevino's (1986) integrationist model has proposed that organizational culture can contribute to an individual's moral development by allowing organizational members decision-making responsibility and by encouraging role-taking opportunities. Victor and Cullen (1987) have suggested that ethical climate in organizations influences the moral conduct of their membership especially that of their boards of directors. Moore and Moore (2014) found that a good ethical climate in an organization will lead to greater employee commitment, increase productivity and higher level employee turnover. Ethical climate was found also to influence both decision making as well as behaviors in an organization (Martin & Cullen, 2006).

Meanwhile, the management professors Bart Victor and John Cullen argue that ethical climates can be classified according to the criteria members use to make moral choices and the group members refer to when making ethical determinations. Victor and Cullen identify five primary climate types which are:

1. Instrumental climate, which follow the principle of ethical egotism. Ethical egotists make decisions based on selfish interests that serve the individual and his or her immediate group and organization
2. Caring climates emphasize concern or care for others
3. Law and order climates are driven by external criteria such as professional codes of conduct
4. Rules climates are governed by the policies, rules, and procedures developed in the organization, and
5. Independence climates give members wide latitude to make their own decisions.

Prior researches suggest that one important factor that influences ethical behavior of employee is the ethical climate of the organization (Sinclair, 1993; Wimbush et al., 1997). A good ethical climate can be translated into an integrity leader with good moral values and are able to influence the employees under their supervision. Leaders act as ethics officers for their organizations, influencing the process of social learning and building positive ethical culture/climate. Healthy ethical climates are marked by zero tolerance for destructive behaviors, integrity (ethical soundness, wholeness, and consistency), concern for process as well as product, structural reinforcement, and social responsibility. Important tools for building an ethical climate include shared values, codes of ethics, and continuous ethical improvement. Moral leaders make sure that

ethics messages aren't drowned out by other messages about tasks and profits. They focus attention on ethics through frequent communication about values, mission, corporate standards, and the importance of ethical behavior. They reinforce follower learning by using rewards and punishments to regulate behavior, which makes it clear which actions are acceptable and which are not (Johnson, 2008).

CORPORATE INTEGRITY SYSTEM MODEL (CISM)

Institute of Integrity of Malaysia (IIM) has developed the measurement tool for level of corporate integrity by using Corporate Integrity Assessment Questionnaire (CIAQ). It is a tool to facilitate organizations to assess and measure their progress in making a formal and transparent commitment to ethics and integrity in the workplace. It is adapted from Dubinsky and Richter (2008-2009), Global Ethics and Integrity Benchmarks. These benchmarks reflect emerging successful organizational practices. CISM comprises of twelve (12) global Corporate Integrity System (CIS) dimensions with 214 descriptors as shown in Table 4. The following Figure 1 shows 5 levels of benchmarks to measure the level of ethics of an organization that are: (i) 100%; (ii) 75%; (iii) 25 to 75% and (iv) 0%.

Table 4: Dimensions of CISM

Dimension	Description
Vision and Goals	This dimension covers the organization's overall concept of and approach to ethics and integrity, including its formal articulation of the organization's underlying philosophy about ethical and moral conduct, and how these expectations are embedded in the organization
Leadership	Covers the responsibilities of the organization's leadership in shaping, guiding, and supporting the organization's ethics and integrity initiatives.
Infrastructure	Explores the way the organization structures or organizes its ethics and integrity function so that it can carry out its goals effectively.
Legal Compliance, Policies and Rules	This category assesses the internal framework that provides the floor for ethical behavior. It also includes compliance with the external legal framework, established by the multiple jurisdictions and legal frameworks within which the organization operates.
Organizational Culture	This dimension covers the organization's overall concept of and approach to ethics and integrity, including its formal articulation of the organization's underlying philosophy about ethical and moral conduct, and how these expectations are embedded in the organization.
Disciplinary	Assess how the organization sets and enforces its standards for ethical conduct and behaving with integrity. This category addresses rewards and punishments, incentives that promote ethical behavior, and disciplinary action taken to limit or punish unethical work conduct.
Measurement, Research and Assessment	Evaluates how ethics and integrity are measured, whether the organization undertakes research to support ethics strategies that create a culture of ethics and integrity.
Confidential Advice and Support	Describes how the organization provides confidential, neutral, professional, and independent ethics advice to employees, supervisors, managers, executives, members of governing bodies, and other stakeholders.

Table 4: Dimensions of CISM (continued)

| Dimension	Description
Ethics Training and Education	Explores ethics and integrity awareness, skill-building training and education, and the integration of such training into the overall development of all employees. This category includes the provision of ethics-related training and skill building throughout the life cycle of staff members, and the degree to which these initiatives are integrated into other organization-wide training commitments.
Ethics Commination	Describes how the ethics and integrity initiative is articulated and promoted, both internally and externally. This category covers how the organization defines its stakeholders and how it gears its key messages to distinct audiences
Whistleblowing	Explores how the organization encourages individuals (both internal and external to the entity) to speak up and make reports of questionable conduct
Accountability	Mechanisms intended to ensure that governing institutions and personnel faithfully perform the duties they owe to citizens, businesses, and other stakeholders. Accountability operates by specifying the relationships between public officials' behavior and performance on one hand, and rewards and punishments on the other. It can be thought of in three layers: between voters and politicians, between politicians and bureaucrats, and between superior and subordinate public officials (Lanyi & Azfar, 2005).
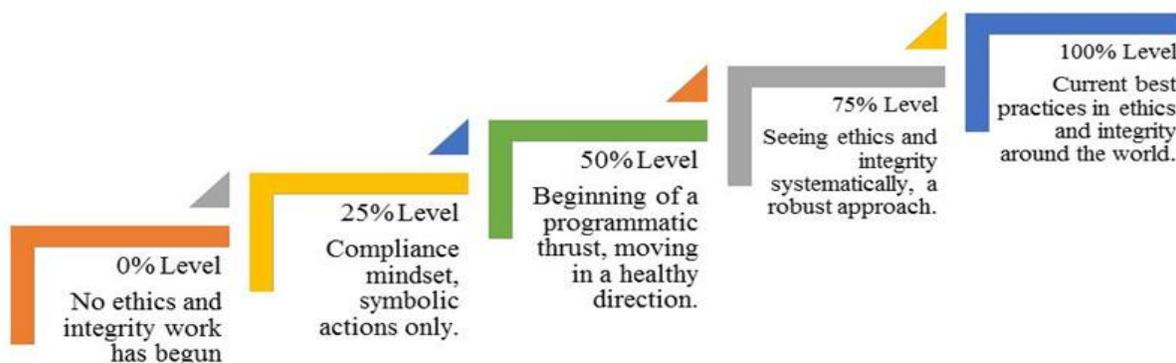
Figure 1: Five Benchmark level of CISM

CONCLUSION

This paper has highlighted the importance of CIO and ethical climate to help curb issue of corruption and fraud. It has also highlighted Malaysian government initiatives in this effort. It also highlights the tool that can be used to assess the level of ethics and integrity in the public sector. A good and healthy ethical climate should be fostered by the leaders or top management of the public sector. One of the way is to have a code of conduct in the public sector. The code of conduct should set clear guidelines on what can and cannot be done and that there is proper penalty and reward depending on the ethical behavior or conduct of an employee. Corporate ethics and integrity systems should also be institutionalized. Establishment of an Integrity Unit may overcome this issue. Lead by a Certified Chief Integrity Officer (CIO), this unit should aim to improve the level of ethics and integrity of the public sector organizations as well as incorporating the high level of governance. Since its establishment in 2009, it is about time now that the impact of CIO on the level of ethics in the public sector be examined.

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