CORPORATE INTEGRITY AS AN ANTIDOTE TO CORRUPTION AND SUSTENANCE OF ORGANIZATIONAL DEVELOPMENT: THE RENEWED ROLE OF MANAGEMENT ACCOUNTANTS

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ABSTRACT

The United Nations Convention Against Corruption (UNCAC) singled out corruption as one of the most complex, difficult, and corrosive problems the world faces at present. Corruption undermines fair competition, distorts economic investments, and deprives governments of resources needed for sustainable growth and development. Sustainable development is an integrated approach that promotes economic, social and environmental growths and specifically involves economic sustainability. In business operation, sustainable economic development calls for the effective and efficient use of resources to ensure that a business will be sustained over a number of years while consistently returning profit. Corporations that promote sustainable economic development must initiate measures to mitigate corruption. Similar to other "moral diseases" such as fraud and deceit, corruption is best "prevented than cured." This study proposes a self-measurement tool, namely, Corporate Integrity Assessment Questionnaire (CIAQ). This tool can be used by public and private corporations to benchmark their initiatives in promoting integrity in the workplace. CIAQ helps alleviate corruption. CIAQ is premised on 12 contextual constructs and administered (collaboratively with the participating corporation) on employees of various ranks. Each contextual variable, which is represented by related descriptors, is assessed using a five-point Likert scale. A management accountant should the play the role of an "integrity officer" and embark on this initiative. Scores are further

categorized into five benchmark points of "0%" (integrity initiative has not started), "25%" (integrity is a mere compliance mindset), "50%" (the beginning of a programmatic integrity thrust), "75%" (integrity program is fairly robust), and "100%" (adoption of global best practices).A case study of a large conglomerate in Malaysia is presented to explain the usage of CIAQ. Based on the findings of this study, the company opted for a holistic approach in implementing its integrity ecosystem.

Keywords: *corporate integrity system, integrity measures, corruption, public sector, service delivery, financial performance, Malaysia*

Introduction

Transparency International (TI) considers strong corporate governance systems as a vital component of a company's effort to reinforce the right incentives and practices and address corrupt practices. Empirical evidence shows that the lack of good corporate governance systems will reduce the overall impact of anti-corruption initiatives and undermine the growth of companies and the countries where they operate (Nguyen & Dijk, 2012).

UNCAC considers corruption as one of the most complex, difficult, and corrosive problems the world faces at present. Bribery of public officials and other forms of corruption in business undermine fair competition, distort economic investments, and deprive governments of resources needed to promote growth and development. Corruption cannot be if governments or companies will act alone. Companies are a common source of corrupt funds, but they are also victims of extortion with a shared stake in reform. Small local businesses are vulnerable to extortionate demands by corrupt public officials, but larger domestic and global corporations that manage to control bribery in their own ranks must continue to worry about unfair competition from less ethical peers. Companies have a major responsibility in fighting corruption. However, government bodies, such as anti-corruption agencies, institutes of corporate governance, and institute of integrity, also recognize the need to put legal frameworks, policies, and programs in place to incentivize integrity while penalizing corruption in the private sector.

Corruption Perception Index (CPI) of Asia-Pasific Region

The Asia-Pacific region has been dubbed by many international business news agencies (e.g., Bloomberg, 2015 and EuroMonitor, 2014) as the world's fastest growing region in 2014 and 2015. The region's economy has increased by 73% during this time. More than one in every two people in the world live in Asia-Pacific, which accounts for nearly 61% of the world's population. However, the 2014 CPI scores of countries from Asia Pacific indicate deficient efforts to fight corruption. The majority of the 28 Asia Pacific countries in the index lag behind in their perceived efforts to fight corruption. Approximately 18 countries obtained a score of less than 40 out of 100, wherein 0 indicates highly corrupt and 100 indicate very clean. Table 1 summarizes the 2014 CPI scores for Asia-Pacific countries. Corruption comes in many forms. TI defines corruption as "the abuse of entrusted power for private gain." Corruption may vary from the minor usage of one's influence and power to high-level institutionalized bribery. Corruption affects a country's economic development particularly economic efficiency and growth. Such an effect results in the inequitable distribution of resources across the population and undermines the long-term sustainable development of a nation. Table 1 summarizes the 2014 CPI scores of Asia-Pacific countries.

Table 1: Corruption Perception Index of Asia-Pacific Countries (2014)

No.	Country	CPI Scores (Max 100)	Rank/175
1	New Zealand	91	2
2	Singapore	84	7
3	Australia	80	11
4	Japan	76	15
5	Hong Kong[1]	74	17
6	Bhutan	65	30
7	Taiwan	61	35
8	Brunei	60	38
9	South Korea	55	43
10	Malaysia	52	50

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[1] In this assessment, Hong Kong is treated as a separate country from China.

No.	Country	CPI Scores (Max 100)	Rank/175
11	Samoa	52	50
12	Mongolia	39	80
13	India	38	85
14	Philippines	38	85
15	Sri Lanka	38	85
16	Thailand	38	85
17	China	36	100
18	Indonesia	34	107
19	Vietnam	31	119
20	Nepal	29	126
21	Pakistan	29	126
22	Timor-Leste	28	133
23	Bangladesh	25	145
24	Laos	25	145
25	Papua New Guinea	25	145
26	Cambodia	21	156
27	Myanmar	21	156
28	Afghanistan	12	172
29	South Korea	8	174

Examining corruption from a country's perspective may be slightly extensive. This study raises the following questions. What are the roles of organizations and individual employees in mitigating corruption in the workplace? What governing role can be assumed by management accountants to reduce corruption and other financial leakages within public and private sector organizations? This study proposes the development of a corporate integrity system (CIS) as an antidote to corruption at workplaces. The next section discusses the overall concepts of corporate integrity and proposes possible dimensions that can be used to benchmark integrity practices in the workplace.

Strengthening Corporate Integrity Through Corporate Integrity Assessment Questionnaire

Anti-corruption policies are based on experiences of success and common sense. One of the most common anti-corruption approaches is the establishment of an anti-corruption agency (Doig, 1995; Quah, 2010; Pope & Vogl, 2000; Schütte, 2012; Passas, 2010; Said & Omar, 2014). Efforts to provide a systematic evaluation of the effectiveness of anti-corruption policies has been observed globally in recent years (e.g., Rose-Ackerman, 2013; Johnsøn, Hechler, Sousa, & Mathisen, 2011; Robinson, 2011; Kwon, 2012). Corporations and institutions in the public and private sectors have been encouraged to establish their own corporate integrity infrastructure (Doig, 2013; Jones & Thompson, 2012; Doig & Norris, 2012). Literature in this area is still in its infancy. The adoption of an anti-corruption program is necessary to enable an organization to prove that it has adequate procedures in place to prevent persons associated with the organization from bribery.

CIAQ is a self-assessment questionnaire that was introduced and made available by the Malaysian Institute of Integrity (IIM) in the late 2010s to help organizations assess and measure their progress in making a formal and transparent commitment to ethics and integrity in the workplace. This instrument can be used by countries in the Asia-Pacific region as a means of improving their CPI scores in the future. Public and private corporations in Malaysia undertake the "corporate integrity pledge" by participating in the CIS survey.

This self-assessment tool has been adapted from the Global Ethics and Integrity Benchmarks, which was developed by Dubinsky and Richter from the United States of America in 2008[2]. The instrument was originally established as a consulting tool that helps corporations and organizations set up their CIS. Through the initiative of IIM and a group of Malaysian academics, the scale of the original tool was refined. An improved measure was included in this tool to assess current practices of ethics and integrity.

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[2] The Malaysian Institute of Integrity thanks Messrs, Dubinsky, Richter, and QED Consulting for granting us the permission to use and adapt the tool.

The self-assessment tool comprises 12 global CIS categories. These "global" benchmarks are universally applicable, which means they are not specific to a country or culture. Each category has further descriptors that comprise a total of 214 items, as depicted in Figure 1. The descriptors pertain to both processes and outcomes.

Figure 1: Overall Framework for Corporate Ethics and Integrity System

The 12 categories that comprise the benchmarks reflect emerging successful organizational practices. Detailed descriptions of each of the 12 CIS categories are presented in Appendix 1. The progress of each CIS category is measured by the benchmark points shown in Figure 2. The benchmarks for each category are divided into five levels. A 0% level pertains to an organization that has not started to focus on this specific ethics consideration. The 25% through 100% levels show the progress of an organization as it improves in that category. The 100% level shows that an organization attained the best-practice level. For example, an organization with a 50% level in a category has attained the 50% level of best practices in that category.
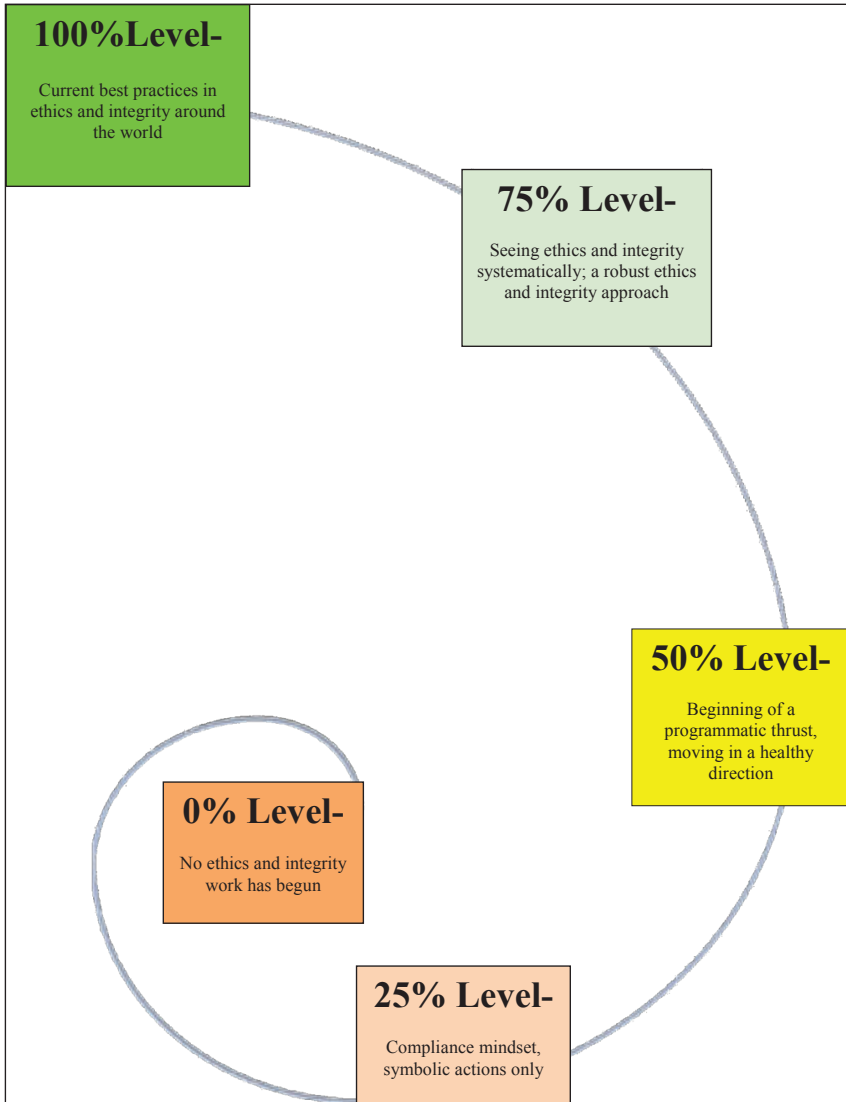
100%Level-

Current best practices in ethics and integrity around the world

75% Level-

Seeing ethics and integrity systematically; a robust ethics and integrity approach

50% Level-

Beginning of a programmatic thrust, moving in a healthy direction

0% Level-

No ethics and integrity work has begun

25% Level-

Compliance mindset, symbolic actions only

Figure 2: Benchmark Levels for Each Category

One of the uses of the CIS Self-Assessment Questionnaire is to allow organizations to set and stretch organizational standards. Standards on ethics and integrity are helpful to employees, managers, executives, and

board members because they help define excellence. Subsequent sections explain each of the 12 CIS Malaysia (CISM) categories. The illustration is based on the survey findings of one participating conglomerate with 76 employees who volunteered to participate in the survey. Table 2 shows the detailed profiles.

Table 2: Demographic Profile of Respondents (N=76)

No	Profiles	Description
1	Gender	75% male; 25% female
2	Age groups	57% aged 36–45 years; 32% 46–55; 10% 26–35
3	Main participating departments	30% network; 21% sales; 13% group IT ; 36% from eight other departments
4	Main participating states	84% from Kuala Lumpur and Selangor; 16% elsewhere
5	Length of service range	70.9% with more than 10 years service with the company
6	Management group	79% management; 21% senior management

Category 1: Vision and Goals

This first category covers an organization's overall concept and approach to ethics and integrity. The concept and approach include the formal articulation of an organization's underlying philosophy about ethical and moral conduct and how these expectations are embedded in the organization. This benchmark includes how an organization identifies and defines the core ethical values or principles and their integration into everyday business conduct. Figure 3 illustrates an arbitrary situation where a public sector organization can compare its actual practices (blue line) with the benchmark points.
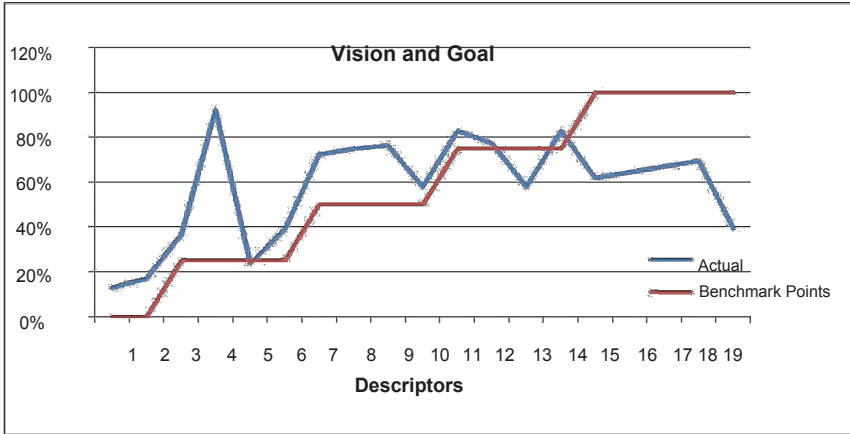
Figure 3: Vision and Goals - Overall

Category 2: Leadership

Leadership covers the responsibilities of the organization's leadership in shaping, guiding, and supporting the organization's ethics and integrity initiatives. Leadership examines how leaders and managers are held accountable for promoting ethics and integrity. This category includes an assessment of the organization's "tone from the top" at the senior executive and governance levels.

Figure 4 illustrates the overall perceptions of respondents on the institution's leadership initiatives toward ethics and integrity system. The actual scores are then benchmarked with global practice.
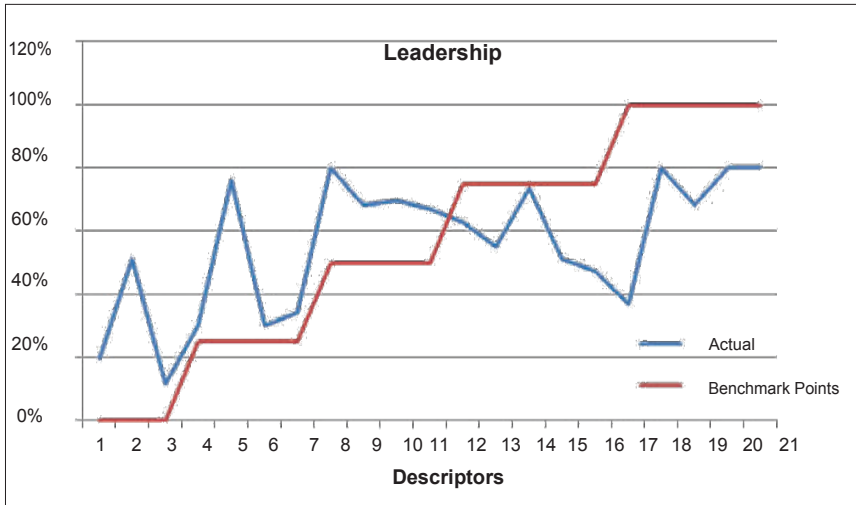
Figure 4: Leadership Overall Scores

Category 3: Infrastructure

Infrastructure explores the way an organization structures or organizes its function of ethics and integrity to perform its goals effectively. This category covers the structuring, staffing, and resourcing of ethics function and formal and informal reporting relationships. This category also includes the roles and responsibilities of individuals who are assigned to implement the functions of ethics and integrity. A total of 17 descriptors are assigned to the infrastructure category.

Figure 5 summarizes the overall scores for the infrastructure category. Only three out of 17 descriptors surpass the benchmark points.
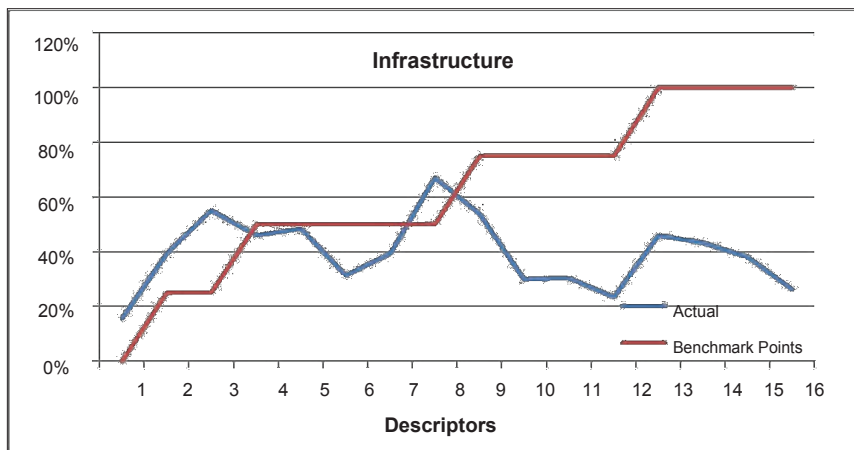
Figure 5: Infrastructure - Overall Scores

Category 4: Legal Compliance, Policies, and Rules

Legal compliance, policies, and rules category include core laws, policies, rules, and guidance that comprise the legal framework of an organization's ethics and integrity systems. This category assesses the internal framework that provides the floor for ethical behavior. This category includes compliance with the external legal framework, which is established by the multiple jurisdictions and legal frameworks within which the organization operates. This category includes the systems and controls used to ensure and demonstrate that employees and the organization are legally compliant. Translating the organization's legal commitments into concrete enforceable guidance is essential. A total of 17 descriptors are grouped under this category.

Figure 6 summarizes the overall scores on this category and benchmarks the descriptors against overall best practices. Legal compliance, policies, and rules in the public sector are moving in the right direction.
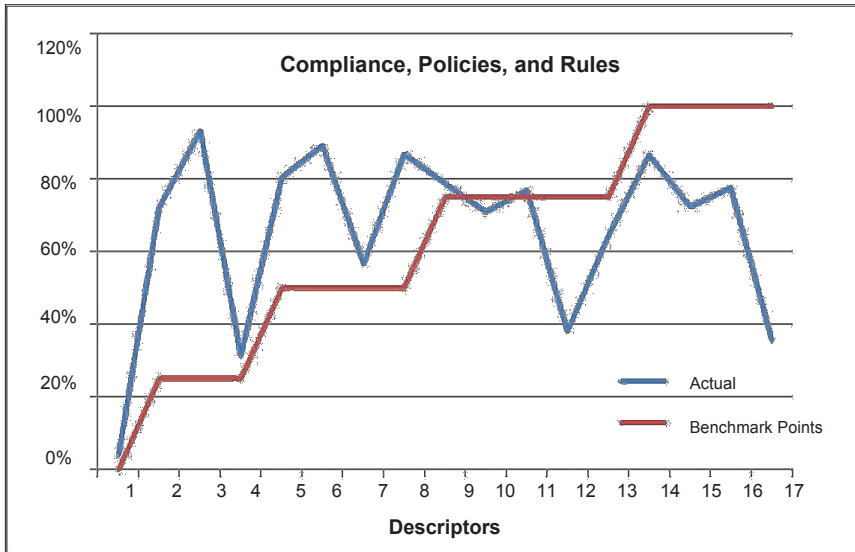
Figure 6: Compliance, Policies, and Rules - Summary of Results

Category 5: Organizational Culture

This fifth category addresses the overall organizational culture and how it promotes ethical conduct in the context of the organization's mission, vision, structure, and strategy. This category explores the degree to which an organization focuses on shaping its organizational culture (both the written and unwritten rules that dictate how work is performed and goals reached) and whether that culture actively promotes ethical conduct. This category addresses how culture is defined (the history and traditions of the organization), who "owns" and shapes culture, how culture is measured, and the degree to which employees find the culture supportive of ethics and integrity. This category contains 20 descriptors.

Figure 7 summarizes the overall results under this category. In a nutshell, the public sector is in the right track of developing a conducive ethics and integrity organizational culture within the next few years.
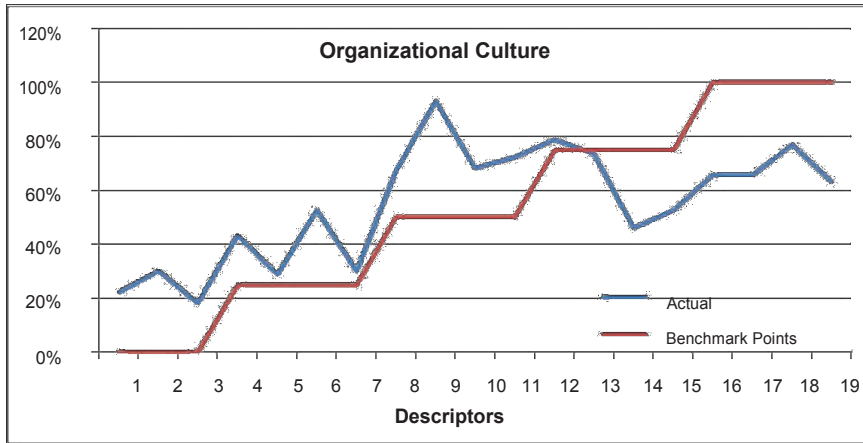
Figure 7: Organizational Culture - Overall Summary

Category 6: Disciplinary and Reward Measures

This category describes how an organization sets and enforces its standards for ethical conduct and integrous behavior. This category addresses rewards and punishments, incentives that promote ethical behavior and disciplinary actions to limit or punish unethical work conduct. This category includes how the organization promotes ethical conduct through its performance appraisal process and whether ethical conduct is linked to compensation and/or other types of non-monetary benefits. This category comprises 17 descriptors.

Figure 8 presents the overall scores for this category. Except for four descriptors (i.e., Descriptors 6, 7, 8, and 9), the scores for the remaining items under disciplinary and reward measures have fallen below the 50% mark. This result suggests the need for the public sector to focus on this category.

Figure 8: Disciplinary and Rewards – Overall Summary

Category 7: Measurement and Research

Measurement and research evaluates how ethics and integrity are measured. The category establishes whether the organization undertakes research to support ethics strategies that create a culture of ethics and integrity. This category also assess organization processes on ethics, integrity, and organizational culture. Figure 9 summarizes the overall scores on measurement and research related to ethics and integrity and benchmarks the scores against global practices. This category is one of the weakest links in the ethics and integrity system. Only five descriptors exceeded the recommended benchmark points.
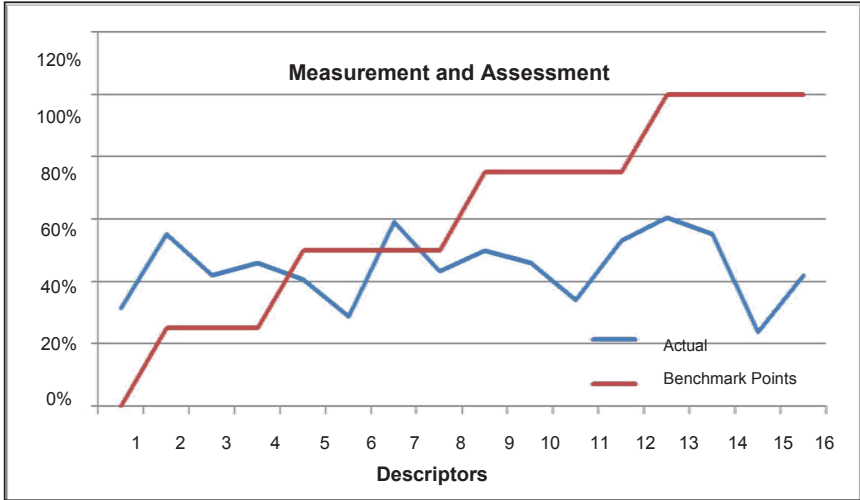
Figure 9: Measurement and Research – Overall Summary

Category 8: Confidential Advice and Support

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. Figure 10 benchmarks the organization's overall scores for the category of confidential advice and support with those global practices.
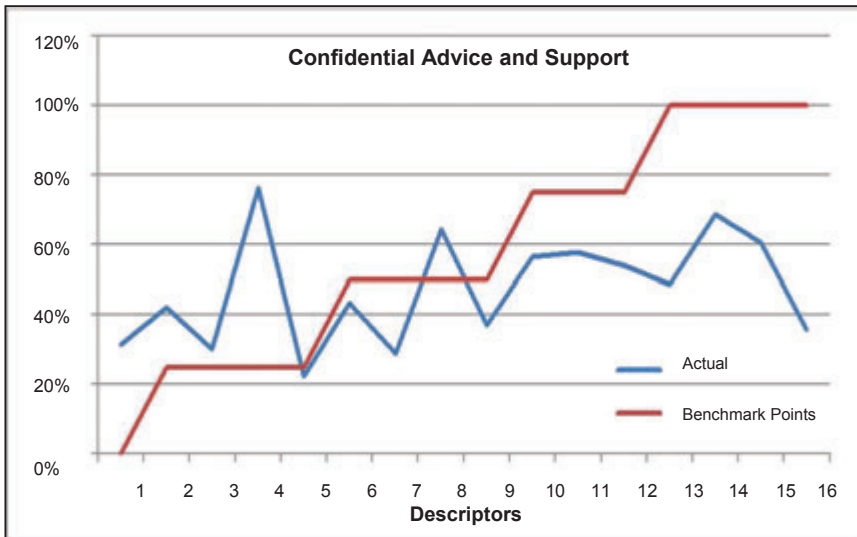
Figure 10: Confidential Advice and Support - Overall Summary

Category 9: Ethics Training and Education

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 skills building throughout the life cycle of staff members. This category also includes the degree to which these initiatives are integrated into other organization-wide training commitments. Figure 11 shows how the organization fares in its ethics training and education program compared with global best practices.
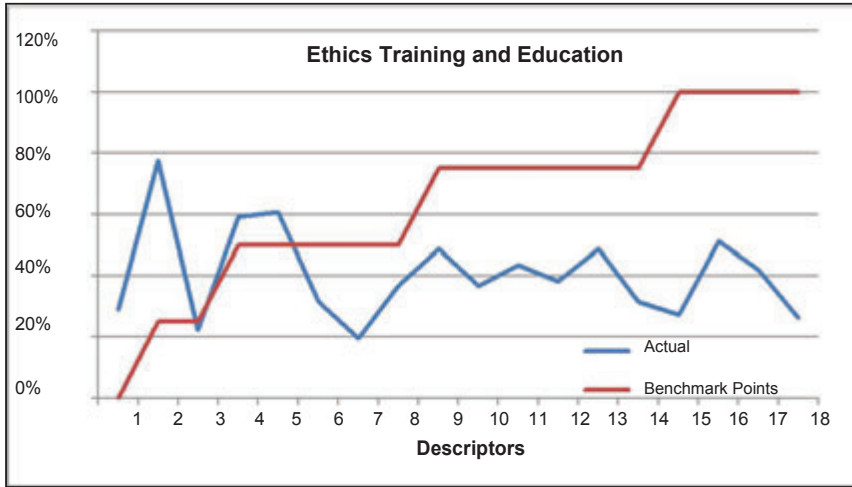
Figure 11: Ethics Training and Education - Overall Summary

Category 10: Ethics Communication

Ethics communication describes how ethics and integrity initiative is articulated and promoted internally and externally. This category covers how the organization defines its stakeholders and gears its key messages to distinct audiences. A "good" ethics and integrity system may not be effectively implemented if the details are not communicated properly. A total of 18 descriptors belong to this category. Figure 12 shows the organization's overall scores in this category. Some descriptors show progress, but others require continuous improvements.
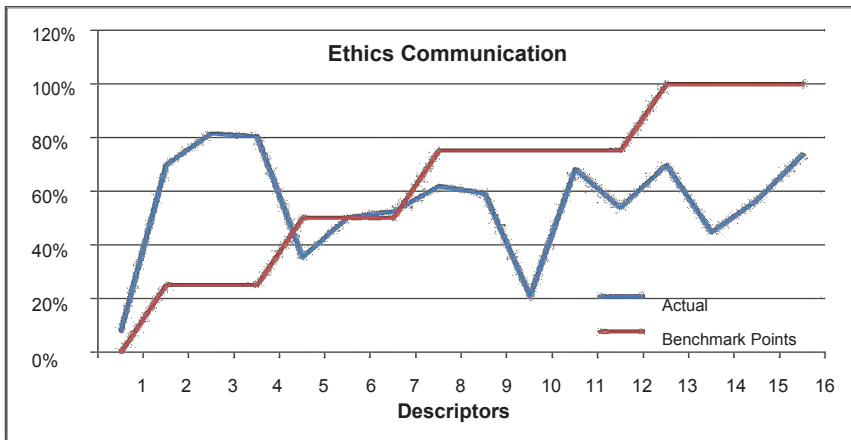
Figure 12: Ethics Communication - Overall Summary

Category 11: Whistleblowing

Whistleblowing explores how the organization encourages individuals who are internal and external to the entity to speak up and report questionable conduct. This category explores the methods and protections offered to individuals who wish to inform the organization of possible unethical behavior, misconduct, or illegal actions. This category includes making confidential and anonymous reports and the systems used by the organization to protect whistleblowers from retaliation or retribution. Figure 13 shows the overall summary for this category on whistleblowing. At least nine descriptors attain scores of above benchmark points. Most descriptors at the 75% to 100% levels failed to attain benchmark points. Thus, the public sector institution should focus on implementing these practices.
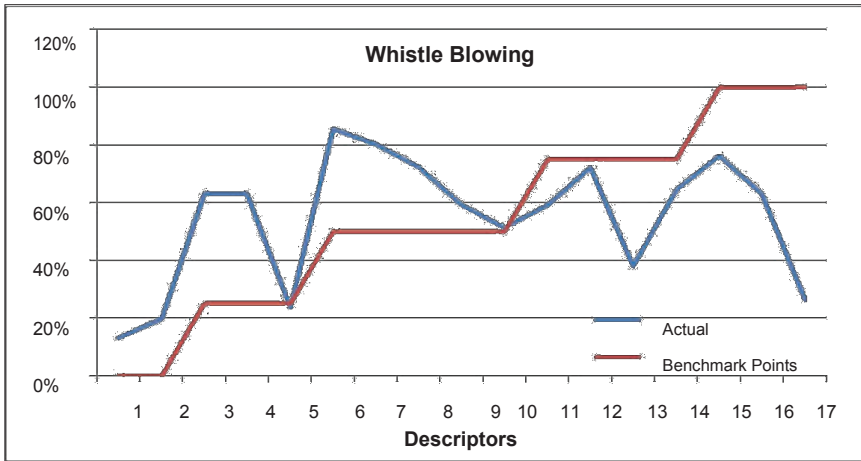
Figure 13: Whistleblowing Overall Summary

Category 12: Corporate Social Responsibility (CSR)

CSR covers the organization's efforts to establish links with and invest in the communities and stakeholders it interacts. This category also covers government relations, environmental consciousness, sustainability, and community impact. Figure 14 compares the institution's CSR initiatives with global best practices. Descriptors 1 to 6 and 10 are above their stipulated benchmark points. The remaining descriptors, especially those within the 75% to 100% levels, are lower than global best practices.
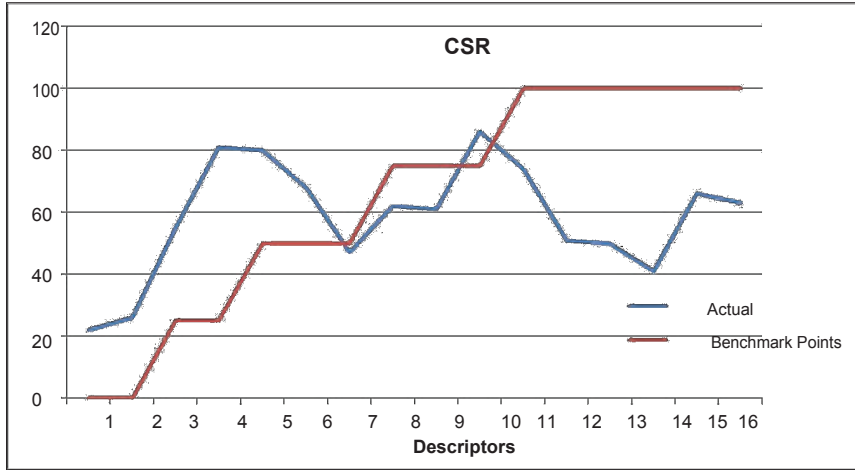
Figure 14: CSR - Overall Summary

Overall Observations

Table 2 provides an overall progress summary of ethics and integrity system in the public sector. This summary is based on the overall results for items in Categories 1–12. Five CISM categories fall below the 50% benchmark points. These categories are infrastructure at 45%; disciplinary and reward measures at 42.2%; measurement, research, and assessment at 46.4%; confidential advice and support at 49.7%, and ethics training and education at 43%.

Corporate Integrity Scores
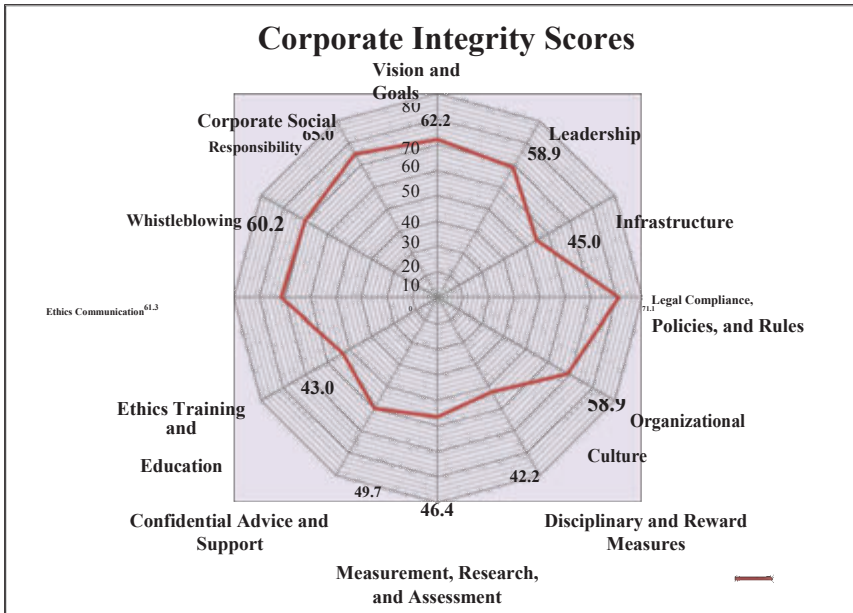
Series 1

Table 2: Overall Progress Summary of Ethics and Integrity System
at Case Study Organization

No.	Category of Ethics and Integrity System	Level of Progress
1	Vision and Goals (62.2)	Between 50% and 75%
2	Leadership (58.9)	Between 50% and 75%
3	Infrastructure (45)	Between 25% and 50%
4	Legal Compliance, Policies, and Rules (71.1)	Between 50% and 75%
5	Organizational Culture (58.9)	Between 50% and 75%
6	Disciplinary and Reward Measures (42.2)	Between 25% and 50%
7	Measurement, Research, and Assessment (46.4)	Between 25% and 50%
8	Confidential Advice and Support (49.7)	Between 25% and 50%
9	Ethics Training and Education (43)	Between 25% and 50%
10	Ethics Communication (61.3)	Between 50% and 75%
11	Whistleblowing (60.2)	Between 50% and 75%
12	Corporate Social Responsibility (65)	Between 50% and 75%

The case study organization should continue this self-assessment in the coming years as it drives ethics and integrity initiative. The results of future self-assessments will not only allow comparisons with past findings, but will also enable the company to benchmark its practices and assess the effectiveness of its various improvement programs in the future.

Corporate Integrity and Management Accountants

The Malaysian Institute of Integrity and the Chartered Institute of Management Accountants (CIMA) held a roundtable discussion in 2013 to discuss the issues of embedding ethics and integrity values into the corporate culture of an organization. A global research of CIMA showed increased pressure among its members to compromise standards of ethical business conduct despite an increase in the codes of ethics and related initiatives in setting ethical tone. CIMA's recent report entitled "Acting Under Pressure" affirmed that a transparent operating culture, support from management, and compliance with both local and international regulations and norms are necessary for effective business reputation. Given the potential for unethical business practices, the reputational and operational costs of "being caught out" can increase depending on how ethics are played out and supported within organizations. Growing research in this area shows that ethical practice makes a difference in supporting the long-term success of companies, particularly those related to risk. Political and social perspectives suggest that events that play out globally in the last few years are supported by the rise of influence in society via social media and web channels.

Accountability and transparency are key issues of companies because they recognize the need to risk their reputation to prevent potential crises from turning into catastrophes. Therefore, these are renewed roles that must be undertaken by management accountants globally. The potential negative consequences, such as declining share price and loss of customers, should not be underestimated. Several companies have paid the price for ethical failure in the public domain. Risk assessment should include areas such as ethos, culture, and behaviors within an organization.

Conclusion

As stipulated in the CIMA report, the leadership team should set the tone for ethical values, behaviors, and practices throughout the company to embed ethics and integrity into the corporate culture. Companies should ensure that sufficient interaction and communication is initiated between the management and employees on best ethical practice, safeguards, and consequences of ethical malpractice. All employees should be encouraged to speak up on ethical issues fin the workplace, and the management should ease this process by providing grievance platforms or helplines for employees. Companies should reflect ethics in their day-to-day dealings with suppliers and stakeholders and should assume responsibility for third parties that act on their behalf. These approaches help build positive reputation by setting standards and good example as a company that practices good business ethics.

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Appendix 1: Category Descriptions

1. **Vision and Goals** cover the organization's overall concept of and approach to ethics and integrity, which include formal articulation of the organization's underlying philosophy about ethical and moral conduct and how these expectations are embedded in the fabric of the organization. This benchmark includes how organizations identify and define their core ethical values or principles and integrate those values into everyday business conduct.

2. **Leadership** covers the responsibilities of the organization's leadership in shaping, guiding, and supporting the organization's ethics and integrity initiatives. This benchmark examines how leaders and managers are held accountable for promoting ethics and integrity. This category includes an assessment of the organization's "tone from the top" at the senior executive and governance levels.

3. **Infrastructure** explores the way the organization structures or organizes its ethics and integrity function in that it can carry out its goals effectively. This category covers the structuring, staffing, and resourcing of ethics function and its formal and informal reporting relationships. This category also includes the roles and responsibilities of those individuals who are assigned to implement the ethics and integrity function.

4. **Legal Compliance, Policies, and Rules** include the core laws, policies, rules, and guidance that comprise the legal framework for the organization's ethics and integrity systems. This category assesses the internal framework that provides the foundation for ethical behavior. This category includes compliance with the external legal framework, which is established by the multiple jurisdictions and legal frameworks within which the organization operates. This category includes the systems and controls used to ensure and demonstrate that the employees and the organization are legally compliant. Translating the organization's legal commitments into concrete enforceable guidance is essential.

5. **Organizational Culture** addresses the overall organizational culture and its promotion of ethical conduct in the context of the organization's mission, vision, structure, and strategy. This category explores the degree to which an organization focuses on shaping its organizational culture (both the written and unwritten rules that dictate how work is performed and goals reached) and whether that culture actively promotes ethical conduct. This category addresses how culture is defined (the history and traditions of the organization), who "owns" and shapes culture, how culture is measured, and the degree to which employees find the culture supportive of ethics and integrity.

6. **Disciplinary and Reward Measures** describes how the organization sets and enforces its standards for ethical conduct and integrous behavior. This category addresses rewards and punishments, incentives that promote ethical behavior, and disciplinary action to limit or punish unethical work conduct. This category includes how the organization promotes ethical conduct through its performance appraisal process and whether ethical conduct is linked to compensation and/or other types of non-monetary benefits.

7. **Whistleblowing** explores how the organization encourages individuals who are internal and external to the entity to speak up and make reports of questionable conduct. This category explores the methods and protections offered to individuals who wish to make the organization aware of possible unethical behavior, misconduct, or illegal actions. This category includes the process of making confidential and anonymous reports and the systems used by the organization to protect whistleblowers from retaliation or retribution.

8. **Measurement, Research, and Assessment** evaluate how ethics and integrity are measured whether the organization undertakes research to support ethics strategies that create a culture of ethics and integrity and the organization's assessment processes around ethics, integrity, and organizational culture. This category include the organization's commitment to continuous improvement based on benchmarking and other evaluation methodologies.

9. **Confidential Advice and Support** describe how the organization provides confidential, neutral, professional, and independent ethics advice to employees, supervisors, managers, executives, members of governing bodies, and other stakeholders.

10. **Ethics Training and Education** explore 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.

11. **Ethics Communications** describes how the ethics and integrity initiative is articulated and promoted internally and externally. This category covers how the organization defines its stakeholders and gears its key messages to distinct audiences.

12. **Corporate Social Responsibility** covers the organization's efforts to establish links with and invest in the communities and stakeholders with which it interacts. This category also covers government relations, environmental consciousness, sustainability, and community impact.