

CHAPTER 1: INTRODUCTION

1.0 Chapter Overview

This chapter will focus on the introduction and background of employee misconduct or employee unethical behavior in a general sense. Further elaborations will be made on the purpose and significance of the study follows by the research objectives and the scope of the study. It will then be concluded with organization of the study.

1.1 Background of the study

Employee misconduct or in a simpler terms, employee unethical behavior is one of the dilemmas that have long existed but still haunting the management, especially the Human Resource personnel. This misbehavior is directly related to a person or an employee conduct or acts while engaging in a job under a contract of employment. Most of the time this issue has been condoned until its reach a critical level. The board and management are often in the dark about the scale of misconduct in their organizations until it is too late (Punch, 1996). Therefore, a study on this issue is crucial and important to the organization because the outcome of this behavior might be obliging to understand the circumstances that lead to the misbehavior, in order to enable necessary corrective measures to be upheld in tackling the misbehavior dilemma.

Corruption was defined as the abuse of entrusted power for private gain (Rose Ackerman, 1999; Transparency International, 3 March, 2011). In Malaysia, corruption is one of the serious misconduct that rouse public attention as the numbers keep mounting yearly. Statistically, the number of arrest (due to corruptions) increased from 485 in year 2005 to 944 in year 2010 (MACC, 12 May, 2011); and Malaysia's Corruption Perceptions Index (CPI) scores declined from 5.1 in year 2008 to 4.5 in year 2009 (The Star Online, 26 October, 2010). Siddiquee (2010) stressed that the corruption activities in Malaysia have remained acute, widespread and even worsened despite governmental campaigns and initiatives in recent years.

These corruption issues have prompted previous Prime Minister Tun Abdullah Ahmad Badawi to reform Anti-Corruption Agency (ACA) into a special task force unit called Malaysian Anti Corruption Commission (MACC), to tackle the corruption activity appropriately (Siddiquee, 2010). According to Siddiquee (2010) the MACC bill was approved by Malaysia Parliament in December 2008. It was established under Malaysian Anti-Corruption Commission Act 2009 (Act 694) and the commencement of this commission began in January 1, 2009 replacing ACA (MACC, 12 May, 2011). According to Bardhan (1997), corruption undermines good governance, distorts public policy, leads to misallocation of resources and hurts economic growth. The statistics of corruptions as reported by MACC from year 2005 to date are as Table 1.

Table 1: The Arrest Statistics (2005 to 2011)

Year/ Sector	Government Servant	Top Management	Professional Management	Support Groups	Civil	Private	Public	Politician	Total
2005	239	0	51	188	246	106	138	2	485
	49.3%				50.7%				100%
2006	277	1	52	224	269	148	118	3	546
	50.7%				49.3%				100%
2007	303	2	54	247	288	159	129	0	591
	51.3%				48.7%				100%
2008	282	5	60	217	323	169	148	6	605
	46.6%				53.4%				100%
2009	190	2	29	159	310	107	180	23	500
	38%				62%				100%
2010	293	8	37	248	651	102	545	4	944
	31%				69%				100%
2011	137	3	43	91	168	34	132	2	*305
	45%				55%				100%

Source: MACC (12 May, 2011)

*Note: Statistic as at April 2011

The Corruption Perceptions Index 2010 Results (retrieved via <http://www.transparency.org/>) revealed that Malaysia was ranked 56 over 178 countries worldwide with a CPI score of 4.4 (Transparency International, 3 March, 2011). The CPI index ranges from 0 being highly corrupt to 10 being highly clean. The most 'clean' country is Denmark with a CPI score of 9.3 and the most corrupted country is Somalia with a CPI score of 1.1 (Transparency International, 3 March, 2011). The Corruption Perceptions Index 2010 Results is as per Appendix 1. The information released by Transparency International (TI) shows that Malaysia's position deteriorated from 36 in 2000 to 44 in 2006. The

country further slipped to number 47 in 2008; and the worst position ever is 56 in 2010. Table 2 highlights the CPI patterns in Malaysia from 2000 to 2010.

Table 2: Malaysia's Corruption Perceptions Index (2000 to 2010)

Year	CPI score (0 -10)	Total Rank	Total Countries Assessed
2000	4.8	36	90
2001	5.0	36	91
2002	4.9	33	102
2003	5.2	37	133
2004	5.0	39	146
2005	5.1	39	159
2006	5.0	44	163
2007	5.1	43	180
2008	5.1	47	180
2009	4.5	56	180
2010	4.4	56	178

Source: Transparency International (3 March, 2011)

Generally, there are numerous types of misbehaviors or misconducts observed other than corruption. According to Kaptein and Avelino (2005), there are 22 types of unethical conducts observed by peers at workplace in United State. Typically, most of these unethical acts were also observed worldwide, including Malaysia. The 22 types of misconduct reported by them are as per Table 3.

Table 3: US Workplace Unethical Conduct.

Unethical Conduct	Rate of Observance (%)
False/misleading promises to customers	39
Violation of workplace health/safety rules	37
Employment discrimination	36
Violation of employee rights to privacy	36
Sexual harassment or hostile work environment	34
Carelessness with confidential/proprietary information	31
Activities posing a conflict of interest	21
False/misleading information to public or media	19
Unfair competition/antitrust	18
Substance abuse	19
Environmental breaches	17
Falsifying product quality/safety test results	14
Offering improper gifts, favors or entertainment to influence others	14
Shipping product that does not meet quality/safety standards	13
Dishonesty/unfair treatment of suppliers	13
Falsification/improper manipulation of financial data	11
Embezzling funds or stealing from the organization	10
Making false/misleading statements to government regulators	9
False/misleading information to investors or creditors	9
Trading company shares based on insider information	5
Improper political contribution to domestic officials	4
Offering or paying bribes to foreign officials	3

Source: Kaptein and Avelino (2005)

On the other hand, serious misconduct also contributes to social problem as those who were caught may be terminated from work. Therefore, a person will lost his job and source of income and eventually affect employment statistic and a country Gross Domestic Product (GDP) as whole. The Statistics and Key Indicators Report (2007) by Industrial Relations Department, Ministry of Human Resource, Malaysia, shows that misconduct is one of the reasons for employee dismissal (Table 4).

Table 4: Statistic of Dismissal Due to Misconduct

Nature of Dismissal		Misconduct				
Year	2003	2004	2005	2006	2007	
Number of cases	1,691	1,468	2,212	1,707	1,535	

Source: The Statistics and Key Indicators Report (2007)

1.2 Purpose and Significance of the Study

The purpose of this study is to examine the reasons behind employee misconduct or misbehavior, by emphasizing on the functions of Human Resources Management (HRM) Practices as to determine whether these fundamentals has any relationship or influence on employee misbehavior. Therefore, this study seeks to examine the relationship between Recruitment and Selection, Training and Development, Performance Management and Promotion and Compensation and Incentives (HRM Practices) in predicting factors contributing to misconduct or misbehavior among employees in Malaysia.

The study also seeks to explore the mediating role of Procedural Justice and the moderating role of Ethical Behavior (of Self and Co-Worker) on the relationship between HRM Practices and Employee Misconduct. This is because, only few of past researches linked HRM Practices and organization processes and procedures to employee unethical behavior i.e Ermongkonchai (2010) and Werbel & Balkin (2010). Most of previous researches seek respondent feedback on their colleague's misconduct rather than examining the respondent ethicality

(themselves), i.e Kaptein and Avelino (2005) study misconduct by engaging respondent to observe the frequency of their colleague misbehavior.

The significance of the study are it may contributes to the existing literature as well as making knowledge contribution by studying on various aspects of HRM Practices, Procedural Justice and Ethical Behavior in predicting whether any of these factors might influence Employee Misconduct in Malaysia context. Further exploration on the deficiencies that lead or allow misbehavior activity to occur in the workplace must be examined because this issue is quite crucial in Malaysia's public and private sector, as the number of cases is increasing. Even worse, serious misconduct may contribute to increasing social problem such as dismissal of employment, loss of income, shrink employment statistics and lessen country's Gross Domestic Product (GDP).

Therefore, comprehensive circumstances that surrounding employee themselves such the fundamental of management (HRM practices), organizational processes and procedures (Procedural Justice) and the ethicality of the employee and their co-workers were examined as to get preliminary result on whether all of this factors influence or contributes to employee unethical behavior. This study hopes to provide some useful insights on employee misconduct dilemma by exploring the potential (root) causes or reasons that lead to this unethical conduct by examining the circumstances that have been discussed earlier. Consequently, the findings will be useful to provide some guidance and insights to relevant

managers or policy makers to better manage or guide their employees either by managing them externally via organization policies (HRM practices) or by guiding them internally concerning the behavior and attitudes that might work in order to reduce employee misconduct activities.

Thus, the ultimate result from this research is crucial and important to the organization because the outcome of this behavior might be obliging to understand the circumstances that lead to the misbehavior, in order to enable necessary corrective measures to be upheld in tackling the misbehavior dilemma.

1.3 Research Questions / Objectives of the Study

The following questions were proposed as part of this research:

1. What is the relationship between Human Resource Management (HRM) Practices and Procedural Justice?
2. What is the relationship between Human Resource Management (HRM) Practices and Employee Misconduct?
3. How does Procedural Justice mediate the relationship between Human Resource Management (HRM) practices and Employee Misconduct?
4. How does Unethical Behavior of Self moderate the relationship between Procedural Justice and Employee Misconduct?
5. How does Unethical Behavior of Co-Workers moderate the relationship between Procedural Justice and Employee Misconduct?

The ultimate objective of this study is to examine the factors that may contribute to employee misconduct by linking it first to the workplace circumstances. Specifically, the focus is whether HRM practices and organization processes are being upheld appropriately. The study also intends to determine whether other factors such as ethicality of the employees themselves or their co-workers contribute to the problem. Therefore, the study will help to develop a better understanding of employee misconduct phenomenon in Malaysia.

As such, the study hopes to accomplish the following objectives:

1. To determine the relationship between HRM Practices and Procedural Justice.
2. To examine the relationship between HRM Practices and Employee Misconduct.
3. To determine whether Procedural Justice mediates the relationship between HRM Practices and Employee Misconduct.
4. To study whether Unethical Behavior of Self moderate the relationship between Procedural Justice and Employee Misconduct.
5. To examine whether Unethical Behavior of Co-Workers moderate the relationship between Procedural Justice and Employee Misconduct.

1.4 Scope of the Study

This study was conducted in both public and private sector organizations that have Human Resources Department, within Klang Valley. The targeted

respondents are employees working with organizations that practice Human Resources fundamentals such as recruitment, training, performance appraisal, and compensation management. The key variable to be examined is the influence of Human Resource department towards Employee Misconduct. Therefore, only employee who works with organization that have Human Resources Department will be allowed to participate in this survey. A total of 300 hardcopies of questionnaires (that was developed to collect the primary data) were distributed and 300 online surveys were sent to targeted respondent.

1.5 Organization of the study

This research was structured into five chapters. Chapter 1 highlights the introduction and background, purpose and significant, objectives and research questions, and scope and organization of this study. Chapter 2 reviews the relevant literature to define the terminologies that was adopted in this research such as HRM Practices, Employee Misconduct, Procedural Justice, Ethical Behavior and others. Chapter 3 explains the methodologies used in this study, comprising of theoretical framework, research instruments, sampling design, data collection method and analysis techniques. Chapter 4 stressed on overall data analysis and its result especially the hypotheses (supported or not) that were obtained from the study. Chapter 5 concludes the research by summarizing the key findings, discussions and its impact and implications on individual and relevant group of people such the researcher, managers or organization.