

ETHICS AND EMPLOYEES ROLE FOR
EFFECTIVE CORPORATE GOVERNANCE IN
MALAYSIAN PRIVATE SECTORS

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LIST OF ABBREVIATIONS

| | |
|---|----------------------|
| 1 Malaysian Development Berhad | (1MDB) |
| Consumerism | |
| Corporate Social Responsibility | (CSR) |
| Felda Global Ventures | (FGV) |
| Kaiser-Meyer-Olkin | (KMO) |
| Khazanah Nasional Berhad | (KHAZANAH) |
| Lembaga Tabung Haji | (LTH) |
| Malaysian Codes of Corporate Governance | (MCCG) |
| Malaysian Integrity Institute | (INTEGRITY MALAYSIA) |
| Ministry of Domestic Trade, Cooperative and | (KPPNKK) |
| Multinational Corporation | (MNC) |
| Securities Commission | (SC) |
| Small and Medium Enterprise Companies | (SMEs) |
| Statistical Package for Social Science | (SPSS) |
| University Technology Malaysia | (UTM) |

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ABSTRACT

Effective corporate governance is essential for companies to operate their business activities in more efficiently, increase access to capital, prevent threat, and give priority for best interest of stakeholders. Effective governing practices will encourage employees to behave ethically in daily business operation. Presently, governance in the private sectors exposed to criticism because of the governance failure such as poor internal control, employees involvement in fraudulent activities, corruption and bribery. Thus, the purpose of this study is to determine how important ethics among employees and their role as transparency, accountability, responsibility, loyalty, consensus oriented and participation for effective corporate governance in Malaysian private sectors. For this study, the researcher has used a quantitative method and the data was collected using survey method by constructing a self-administered questionnaire. The questionnaires were distributed among the private sectors employees especially majority of the respondents working in Klang Valley and only 150 of the data were used for this analysis. The data analysis that was used for this study are descriptive analysis, reliability test, Cronbach Alpha, and regression analysis. The result of this study indicates that there is a significant exists between employees role as participation for effective corporate governance in private sectors. However, the result indicates that there is insignificant exists between employees role as transparency, accountability, responsibility, loyalty and consensus oriented for effective corporate governance in privates sectors. Furthermore, it is also found that employees behave ethically for effective corporate governance are moderate to strong level. Therefore, the government of Malaysia need to initiate proper strategies to enhance the effectiveness of corporate governance in private sectors which help to increase the growth of economy into the next level.

Keywords: ethics, employees, effective corporate governance, Malaysia.

CHAPTER 1

INTRODUCTION

1.0 Introduction

Currently, due to economic crisis and challenging business environment forced all the companies to be competitive in market. Consequently, corporate governance is essential to operating a firm in the contemporary and tough business environment. Effective governance is one the most useful strategies to be successful and development at the national level (Abdelhadi, 2016). There are two terms of corporate governance which are narrowly and broadly defined by (Millstein, 1998). The definition of corporate governance in narrow version is described about relationship between managers, directors, and shareholders which means the relationship of the corporation to stakeholders and society. Meanwhile, corporate governance in broader version is about combination of regulation, law, listing rules and voluntary private companies practices that able gain capital, a good performance, maximize the profits and meet both obligations as well achieve the expectation of society. An effective corporate governance and a good ethical behavior are essential for companies for long term success and achieve their vision and mission. (Kim et al., 2010; Robbins et al., 2010; Bolman & Deal, 2008). According to Sarbah & Xiao (2015), when a company practice a good corporate governance, they able to promote economic growth of the country

and improving their company's performance as well. According to Scherer & Voegtlin (2020), stated that the definition of corporate governance is about the rules, policies and practices that control an organization to run business in efficient way. In other definition, the corporate governance defined as giving priority by taking into consideration of interest of the stakeholder in organization (Chen et al., 2021).

Around the world, there are numbers of companies have been shut down because of the corporate governance failed in terms of poor internal control. Enron is the one the successful company previously and can be considered best example to discuss when comes to corporate governance because this company shut down due to poor corporate governance practices. Besides Enron, Parmalat who was a well-known for a successful food industry operating in Italy has been shut down in December 2003 due to poor corporate governance as well. In Malaysia, the Ministry of Finance, Bursa Malaysia, Securities Commission (SC) and Registrar of Company is directly involved in corporate governance. The Asian financial crisis which was happened in 1997 has impacted Malaysian economy and exposed that how poorly Malaysian companies were managed and administered with the downfall of technology resource industries, e.g., Transmile and Bumiputra Malaysian Finance (Hamid et al., 2021). Furthermore, 1Malaysia Development Berhad (1MDB), Lembaga Tabung Haji (LTH), Felda Global Ventures (FGV) and Khazanah Nasional Berhad (KHAZANAH) are corporate scandals that were happened recently which become major shocked to Malaysians. These crises have highlighted weaknesses in corporate governance and ethical practices in Malaysia. Thus, corporate governance has perceived enormous improvements over the current decades. Malaysia has introduced the Malaysian Codes of Corporate Governance (MCCG) in 2000 to enhance principles, guidelines, governance practices and requirements by the Malaysian Stock Exchange (Bursa Malaysia) within the market to avoid such crisis repeatedly and it prompted initiatives to improve and reform Malaysia's corporate sector (MCCG, 2007). The implementation of MCCG mainly for the board of directors and shareholders with the purpose of organizations to be

run successful in long term with considering financial, ethical, and social performance. In 2007, the MCCG was amended to strengthen the roles and responsibilities of the board of directors, audit committee and internal audit purpose. Later, the MCCG was amended in 2012 where recommended that companies should practice high standard of ethics in business activities. Meanwhile, MCCG 2017 strongly recommended to encourage sustainability practices as important part to strengthen the effectiveness in corporate governance application and the adherence for good ethical conduct while the revised MCCG in 2021 has been recommended that companies still need to adopt the appropriate practices which related to existing conditions and need to support the implementation of effective corporate governance culture (Securities Malaysia, 2021). Even though, there is a proper corporate governance and guidelines has been implemented and keep improving after some time but there are unethical practices still occurred and become an issue in Malaysia. Therefore, there is still need a strong action or proactive manner are necessary for organization to strengthen the application of corporate governance in more effective with cognizance to adopt norms and implement best practices in the industry and country they belong it.

Generally, corporate governance is related with large scale businesses and public listed companies which set by law are necessary to adopt a good policy on how the board and top management take decision and being a transparent while doing a business activity. Besides public companies, private sectors play crucial role in contributing to the Malaysian economy since 1970s when Malaysia established from an agricultural to a manufacturing and industrial nation. In Malaysia, overall 99.2 percent are private companies (Nurulhasanah, Zulnaini and Rafisah, 2016). Therefore, private sectors such as Small and Medium Enterprise Companies (SMEs), sole proprietorship, partnership, multinational corporation are easily cannot avoid from involved in issues such as unethical practices. This is because the existing corporate governance codes mainly focuses on public listed companies only and not on the private sectors in Malaysia. Apart from that, there is separation of ownership and management directors are more in public listed companies when

compared to private sectors has. But, due to the current challenging nature of business and rapid growth of private companies in Malaysia, they should focus and aware how important the implementation of corporate governance in private sectors. Besides, the implementation of corporate governance should be practiced to all business operation because private companies have more opportunities and wish to expand into big one day regardless size, ownership, and turnover (Meressa, 2017; Asimwe, 2017 and Colley, Stettinius, Doyle, and Logan, 2005). Therefore, the Board or top management of the companies should be implemented ethical and compliant standards to prevent poor corporate governance where can expose the company to the threat or risk of losing their good reputation, business relation or impact the financial of the company. Generally, the effectiveness of corporate governance is measured using few factors such as good faith of fiduciary duties of board of directors, shareholders interest, excellence of audit committee internal and external, a proper internal control system and the good board compositions in public companies.

However, corporate governance system in Malaysia is more focusing on legal aspect and structure to make sure that compliance by the Board of Directors duties and the importance of shareholders' interest in public companies but the study that related to the ethics and employees role for effective corporate governance in Malaysian private sectors are limited that conducted by previous researchers. This is because corporate governance is not only about shareholders' interests, but it also requires balancing the requirement of other stakeholder especially employees. Employees are greatest assets in any organization (Ologbo et al. 2012). According to Peter (2004), to establish the purpose of the corporate governance, the first priority should focus on employees ethical behavior instead of planning a code. It is regularly highlighted that employee behaviors in respect to ethical standards are crucial in overcome these issues. Therefore, board of directors or top management of the company should be understood about employees ethical mind-set is essential to achieve their governance program. In Malaysia, employees have limited role or function in corporate governance because of the legal constraints, administrative

controls e.g., decision making and the collective bargaining process. But employees play major role in ethics by improving the effectiveness of corporate governance in Malaysian private sectors especially in SME's companies.

Corporate governance and ethics were important connection with regards to the integrity value in Malaysian private sectors. This is because ethics has ability to make sure that long run of business operation and maintain a good corporate reputation which is built with strong ethical culture (Petersen, 2013). According to Othman, Rahman & Shamsudin (2012), the idea of ethics can be linked with corporate governance. For example, ethics associated concept such as corporate integrity, anti-corruption, compliance, and transparency, have consistently been highlighted in codes of corporate governance. By incorporating ethical practices such as code of ethics and ethics training into the private company's governance, it can be considered as effective tools for monitoring control (Merchant & White, 2017).

The implementation of ethical practices in companies can create effective corporate governance. Private sectors are a major source of employment in many developed and developing economies, as has been discussed for decades. According to Department of Statistics (2019), indicated that private sectors has been major contributor to the Malaysian economy especially in second quarter of 2019 has total positions 8,619 thousand and has been increased to 145 thousand as compared to the same quarter in 2018. The rate of positions that occupied were 97.5 per cent which means (8,401 thousand). The failure of corporate governance in private sectors is big threat to the growth of Malaysian economy because private sectors considered as major contributor of the country's GDP (Bank Negara Malaysia, 2006; NSDC, 206). So, employees' role in private sectors are crucial to achieve a firm objective, maximize the profits and economic stability through ethical approach. But the issues that overlooked here is majority of the employees has assumption that their role or their contribution are less important in governance compared to the board of directors' role and responsibilities, shareholders interest

and besides has perception that the employers or management is less focus or not aware about their behavior in organization.

Employees must give priority and adopt with their company's corporate governance systems including objective and direction because employees involvement contributes significantly to the development of the business and able create the confidence in the encouraging of corporate governance principles such as transparency, accountability, responsibility, loyalty, consensus oriented and participation in the working environment (Botha, 2011). Employees who misuse the situation or involve in the fraudulent activities when they have opportunities can be considered as weakness in the systems (Andrew, 2012). Based on the PwC (2020), indicated that 68% of employees involved in fraud activities in Malaysia. While according to the Global Economic and Crime and Fraud Survey 2018, reported that employees are involved in three types of crimes in the year of 2017 and 2018 such as business misconduct, misuse of company assets together with bribery and corruption (Price Waterhouse Coopers, 2018). Besides, the rate of bribery and corruption had increased among employees from 19 per cent in 2014 to 30 per cent in 2016 followed by 35 per cent in 2018. In this respect, private sectors are still not sure in identifying the threat or the risks of bribery and corruption due to lack of awareness about governance (PricewaterhouseCoopers, 2018). When employees involve in the corporate scandals, that will effects the company's reputation which might cause the financial disaster of the company (Norlela, 2010). Based on the discussion above, it can be believed that employees ethical norms had not progressed much and need to be improved in future even though code of ethics has been established.

Therefore, employees must adhere with work ethics in the workplace which can be benefited the company in term of bringing the desired performance of employees for effective corporate governance without tolerating unethical practices even practiced by competitors (Altham, 2002). Furthermore, entries of multinational corporation in Malaysia market caused more ethical issues among employees such

as manipulation of information, theft, and misconduct due to different culture and involvement of different type of people (Hubert, Kaptein & Lasthuizen, 2007). All these issues happened because of the lack of adoption of good corporate governance structures in private sectors. According to Othman & Abdul Rahman (2011) and Arjoon (2005), said that private sectors in Malaysia lack of moral standards that necessary for a good governance which effected society, including shareholders and stakeholders, and worsens governance systems in global level. Therefore, it is important to examine corporate governance in perspective of moral stance. Exploring into ethics and moral values is important to a business environment because it is establishing a culture of ethics that guarantee a system for effective corporate governance. Generally, to maintain market leader or if wish to become an industry champion, companies must institutionalise and focus on the role of employees and give less priority to unnecessary issues that might not effect organizational goals and considered board of directors' decision as best interest of the company.

1.1 Problem Statement

Previously, there are many scholars have done researched focusing on board characteristic such as board size, board composition and independence, board diversity, board meetings and committee structure to measure effectiveness of corporate governance in Malaysian public companies.

But there are limited researched have been conducted previously between ethics and employees' role for effective corporate governance in Malaysian private sectors. In 2014, University Teknologi Malaysia (UTM), Ministry of Domestic Trade, Cooperatives and Consumerism (KPDNKK) and Malaysian Integrity Institute (Integrity Malaysia) have been conducted a quantitative research study and found that lack of ethics knowledge and ethics practices in private sectors especially in SMEs and small and micro business. This is because there is significant action undertaken by public companies to embed ethics in term of compliance based and

integrity code of ethics among stakeholders especially employees compared in private companies. As discussed, every year the employment rate increasing in private sectors, in other words, the numbers of employees increasing each year in private sectors caused many unethical issues happened because of that scandal and malpractices among employees either from foreign or local companies such as corruption, disclosure of confidential information to third party and frauds that impact on corporate governance due to poor internal control (Matthew, 2013). Therefore, this is necessary to implement a proper ethical behavior within organizations to prevent possible litigations in future. Thus, this study examining the gap by analyzing about ethics and employees role for effective corporate governance in Malaysian private sectors.

1.2 Research Questions

This research is about focusing on ethics and employees role for effective corporate governance in Malaysian private sectors. The research questions are as below:

1. What is the relationship between ethics and corporate governance?
2. What is the role of employees for effective corporate governance in Malaysian private sectors?

1.3 Research Objectives

The purpose of this research is to examine ethics and employees' role for effective corporate governance in Malaysian private sectors:

1. To identify the relationship between ethics and Corporate Governance.
2. To examine the role of employees for effective corporate governance in Malaysian private sectors.

1.4 Conclusion

Through discussion of the research background, problem statement, research questions, research objectives, and significance of the study, this chapter has provided an understanding of this study. Finally, it is understood that the purpose of this study is to determine how important ethics among employees to strengthen the application of corporate governance in more effective in private sectors. The next chapter will be discussed about the literature review and key terms that build a conceptual framework.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

In Malaysia, the government take initiative to promote effective corporate governance in public listed companies after the Asian Financial Crisis 1997 as lessons learned (Abidin and Ahmad, 2007). The Asian Financial Crisis has been proved that due to poor corporate governance practices such as too much of power given to a single person in managing the company, poor internal control and ethical work of directors have resulted to a company's failure and bad performance (Rahim et al.,2017; Ahmad et al., 2016; Zakaria et al., 2016; Omar et al., 2016; Asmuni et al., 2015; Salin et al., 2015; Hamid et al., 2011). However, private sectors play crucial role in the Malaysian economy and pillar of the country's industrial development (Mohd Rushdan and Zakiah, 2010). Besides the participations of the board and shareholders, the participation of employees for the good corporate governance are essential in organization. According to the Nmai and Della (2014), employees represented as lifeblood for private sectors companies and an employee with a good ethics is able create effective corporate governance and help their company to be established among other competitors in the industry. Traditionally, employees known as "outsiders" and greatest asset to the organization because their contributions really help the growth and success of the company in the long run business operation. However, there is not much space or rarely discuss about their position and responsibilities within organization to enhance the effectiveness of governance by previous researchers.

Since, employees are one of the internal stakeholders in the organization, their role or responsibility to behave ethically contributes major success to the organization in term of provide a good governance. Besides, employees should be viewed as the primary stakeholders of the organization and should give priority to them to establish their role because they are major competitive resources in organizations.

2.1 Corporate Governance

There are number of definitions have been stated to simplify the understanding and meaning of corporate governance. Corporate governance is entirely about daily operation of an organization in a way that assurances that its owners or stockholders to receive an expected return on investment, at the same time meets other stakeholders' expectations (Nmai and Delle, 2014). Meanwhile, corporate governance is all about set of rules that initiates by the company to make favorable economic performance, gain profits and to share the wealth created among stakeholders (Kiew-Heong, 2015). According to Radebe (2017), corporate governance is not only talked about board issues, but it is also about how to conduct good business practice with ethics at all levels and that company should be transparent, accountable, and responsible despite of their ownership structure. According to Jr & Penol, (2018), Salminen & Rinna, (2010) defined that a good governance is about to manage proper administrative behaviors and prevent unethical behaviors. Best practices of corporate governance are procedures that are accepted or prescribed as being correct or most effective. The effective of corporate governance is usually by creating a healthy public image based on culture, beliefs and practices which leads to transparency, accountability, responsibility, loyalty, consensus oriented and participation among owners and stakeholders in an organization. Generally, a good corporate governance in an organization involves by diversified board of directors with a wide range of expertise and perform their roles and responsibility. According to Jan and Sangmi (2016), the role of board of directors are monitoring the activities of management, an advisory and observing the entire governance if the company by set up strategy direction to achieve

company objective and goals. Corporate governance will be success when the board or management and their committees' practices and hold a good ethics and integrity in high regards. The board or management are key player in private sectors who help shareholders and other stakeholders in executing mechanism which make sure the interest of shareholders and stakeholders are met. Therefore, board of directors should be responsible in term of improving ethical culture among employees to enhance the effectiveness of corporate governance. Based on stockholder theory, companies are accountable to shareholders and employee must take priority at maximizing shareholder value without breaking the law (Fleege and Adrian, 2004; Hasnas, 1998).

Therefore, an organization should adopt a code of ethics among employees to satisfy its stockholders. Management should create awareness and ensure that employees must compliance with code of ethic in an organization without concern about company size (Donker, Poff and Zahir, 2008). Implementation of code of ethics can create strong ethical culture and avoid unethical behavior among employees where help to enhance the effectiveness of corporate governance in business operation (Merchant & White 2017; Garegnani, Merlotti & Russo, 2015). It is essential for companies to regularly communicate their code of ethics to ensure employees have better understanding (Merchant and White, 2017; Whyatt et al.,2012).

2.2 Ethics

It is essential to emphasized ethics among employees and the definitions by the researchers from previous studies. Originally, ethics are from the Greek words or known as “ethos” which means as character or custom. According to the Hubert et al. (2007), ethics is the set of principles and guidelines that serve as benchmark or judging the fairness of human behavior. According to the Fajana (2006), ethics can be defined as human conduct whether to be right or wrong. In other words, ethical behavior defined within a perspective or determining what is acceptable or not from

human conduct. In simple terms, ethics can be described as guidelines and values that indicate how an individual or employees within organization should behave based on moral values. Generally, ethics play major role in everyone's life whether personal or professional life includes in business and academics (Gbadamosi, 2004). While according to Humberg (2014), he stated that there is a practical approach to bring discussion about the result of the organization depends on the favorable perception of its stakeholders which starting with the employees until reaching to final audience. Generally, employees who doing their tasks on time as informed by superior without delay and follow the rules and code of conducts without breach that set by their organizations are known as ethical employees. All these actions are taken to achieve the ethical culture, which is one of the elements of ethics according to the new definition of corporate governance. Furthermore, the role of ethics is an invaluable especially in decision making and help to avoid losses to all effected parties both financially and non-financially when a company facing challenging or conflicting choices that might will effect various stakeholders. This is because from the decisions made, some parties may benefit while other parties may experience harm or unhappy with the decision. So, ethics is strongly recommended and enforced among employees especially in this greedy world who seeking profits by breaching the rules and moral values. Malaysia is one of the established and emerging Islamic countries which focus on and be aware of ethics codes and guidelines that set-in organization to prevent any wrongdoing among citizens before reaching year 2050. Since 1998, the government of Malaysia and private sectors had decided to enhance the corporate law to improve the effectiveness of corporate governance in the country (Nor Azizah Zainal Abidin & Halimah @ Nasibah Ahmad, 2007). Therefore, the implementation of ethical code among employees can be considered as a first step towards ethical practices to support the growth of economic in the country. Private sectors should know their responsibilities by having early precautions steps to prevent crime and corruption through inculcating sound ethical practices among its employees. Employees who highly ethically will benefits to organization in avoid losses and crimes in the future. Malaysian have few stages of development of ethical codes and in 1983, Code of Business Practices Malaysia was formed and followed

by Company's Code of Conduct has been implemented in 1996. This code developed based on the governance principles includes transparency, integrity, accountability, and social responsibility towards the establishment of effective corporate governance among directors of companies (Ministry of Domestic Trade and Consumer Affairs of Malaysia, 2013). Later, Malaysian Business Code of Ethics was introduced in 2003 and emphasized six principles. The first principle is embracing trust in business practices, followed by responsible and loyal to the customer, society, and the environment. Next, being a good human being, be a humble person and fair when doing business.

Fraudulent activities among employees frequently reporting in large value from all the countries including Malaysia (PwC, 2016; 2018; 2020; ACFE, 2018; 2020). There are many fraudulent cases were reported where involved employees behaved unethically especially in banking industries become major talked in Malaysia. This is because from survey that conducted by ACFE indicated that banking and financial services employees found to be involved the highest number of fraud cases (ACFE, 2018; 2020). The fraudulent activities that involved by employees in banking industry are money theft form inactive accounts of customers, misuse customer overdraft facilities and failure to credit cash deposit into the customer personal account (Bernama, 2016). There is one case reported where employees of bank involved in fraudulent activities which theft RM110,600 from customers account who were victim of MH370 tragedy but get caught and now facing 12 charges (Menezes, 2014).

Meanwhile, past studies on employee behavior on ethics has recommended to use Corporate Social Responsibility (CSR) to develop a strong employee bond with the organization they attached belong to become a good employee and enhance governance. According to the Carroll (1979), CSR is combination of economic, legal, ethical, and discretionary expectations that society. There are few studies that been conducted previously mainly focused on examining the relationship between CSR and financial performance. For example, Alexander and Buchholz conducted

in 1978 followed by Cochran and Wood in 1984, then McWilliams and Siegel in 2001 and Arx and Ziegler in 2008. However, little research so far has been focused on employees perception towards CSR and its impact on their organizational commitment. Sometimes, private companies' employers are concerned about high employee turnover because it can be created a lot of unethical misconduct among employees such poor attendance and lack of motivations towards work and organization. Many scholars from previous studies have recommended that the implementation of CSR among employees can help to build a strong bonding with organization. Therefore, CSR actions will be better by institutionalizing ethical values within profession and can be used as medium to improve ethical belief among employees. According to Heslin and Achoa (2008), emphasized that there is a significant strategy for CSR for corporate success. Employees must have a greater appreciation for ethics and social responsibility because it is helping to increase individual commitment to the ethical practices' norms in the workplace. In private sector, the board or top management people should create awareness among employees about the issues of governance in term of how the organization is being governed and managed by being transparent, accountability, responsibility, and loyalty with employees. Besides, they should encourage employees to attend meeting and give opportunities to employees to give suggestion includes in governance issues within the organization. Generally, when organization give priority to ethical values are perceived to have a stronger "shared" cultures that establish ethical ideologies and a good business practice among employees (Trevino and Nelson, 2004; Jose and Thibodeaux, 1999; Trevino et al.,1998; Chen et al., 1997; Sims, 1991; Hunt et al., 1989). The purpose of the corporate governance framework was established and known as a system of structure or guidelines that implemented to achieve economic gain.

Thus, this study attempts to explore about ethics and employees role for effective corporate governance in Malaysian private sectors. Employees as primary stakeholder in the organization should aware how important is ethics among them

and how they should contribute their commitment as individual to enhance the effectiveness of corporate governance.

2.3 Corporate Governance and Ethics

There are two important factors that influence on the entire organization and operational process which are corporate governance and ethics. The application of good governance is crucial to lead the performance of the organization to be run in effective and efficient. Companies need to improving good values and ethics among employees to avoid conflict of interest and corruption. In the past, many studies were done to explore how ethics direct impact on the effectiveness of corporate governance.

According to Schwartz et.al (2005), recommended that ethics is essential commitment in business operation and should become important factor to build corporate governance. When organization adopt and practising a good corporate governance, its means they accept the rules and must be practised especially ethical rules in their daily business activities (Kesuma, 2019; Oluwafisoye and Akande, 2013). In Malaysian context, Othman and Rahman (2011), highlighted that the purpose ethics includes ethical principles and ethical structure are essential requirement to promote governance. While according to Othman, Rahman & Shamsudin (2012), emphasized that ethics play major role in corporate governance practices. In Lebanon and Egypt context highlighted that the more employees aware about ethics and practised led to a greater level of corporate governance practices (El-Kassar, Messarra & Elgammal, 2015). In simple term, a company has a good reputation among other competitors' companies when they are practicing ethics in the workplace. Despite, corporate governance guidelines must reflect societal norms, especially ethics (Nwabueze and Mileski, 2008). Furthermore, the implementation of any governance initiatives and structure must concern about the value of ethics includes accountability and integrity to guide or control the behavior of employees besides set of law, rules, and policies (Shariman et al.,2018; Khadijah et al., 2015; Tuan, 2012; Bhasin, 2005).

Dishonesty of employees and earning profit in unethical way can cause major risk to company and might effect the financial positions and reputation of the company (Ernawan 2016; Sabirin, 2016 and Preble & Reichel, 1998). This is because, the success of the company not only depends on management, but it depends on employees behavior as well to increase the performance of the company among competitors using ethical approach. Therefore, the implementation of new code and improvement of existing code is essential to ensure private sectors and country to remain competitive with the current economic and in upcoming days to perform better in ethically. In simple word, ethical behavior among employees can provide a good sound of corporate governance practice and avoid from involve in unethical behavior.

Thus, this present study is attempts to explore about how employees should behave ethically and contribute their role to strengthen a good governance system in Malaysia private sectors.

2.4 Corporate Governance Theories

Corporate governance theories are one of the important parts that need to be discussed about it perspective relevant to this study. This section will focus on the relationship between ethics and employees role for effective corporate governance in Malaysian private sectors. There are 6 types of corporate governance theories which are Agency Theory, Stewardship Theory, Stakeholder Theory, Resource Dependency theory, Transaction Cost Theory and Political Theory. However, Stakeholder theory is the more relevant for this study.

2.4.1 Stakeholder Theory

Stakeholder theory is one of the well-known corporate governance theories as discussed in para 2.4. Stakeholder theory was developed by Freeman in 1984 which discussed about corporate accountability to a wide range of stakeholder which means *“any group or individual who can affect or is affected by the achievement of*

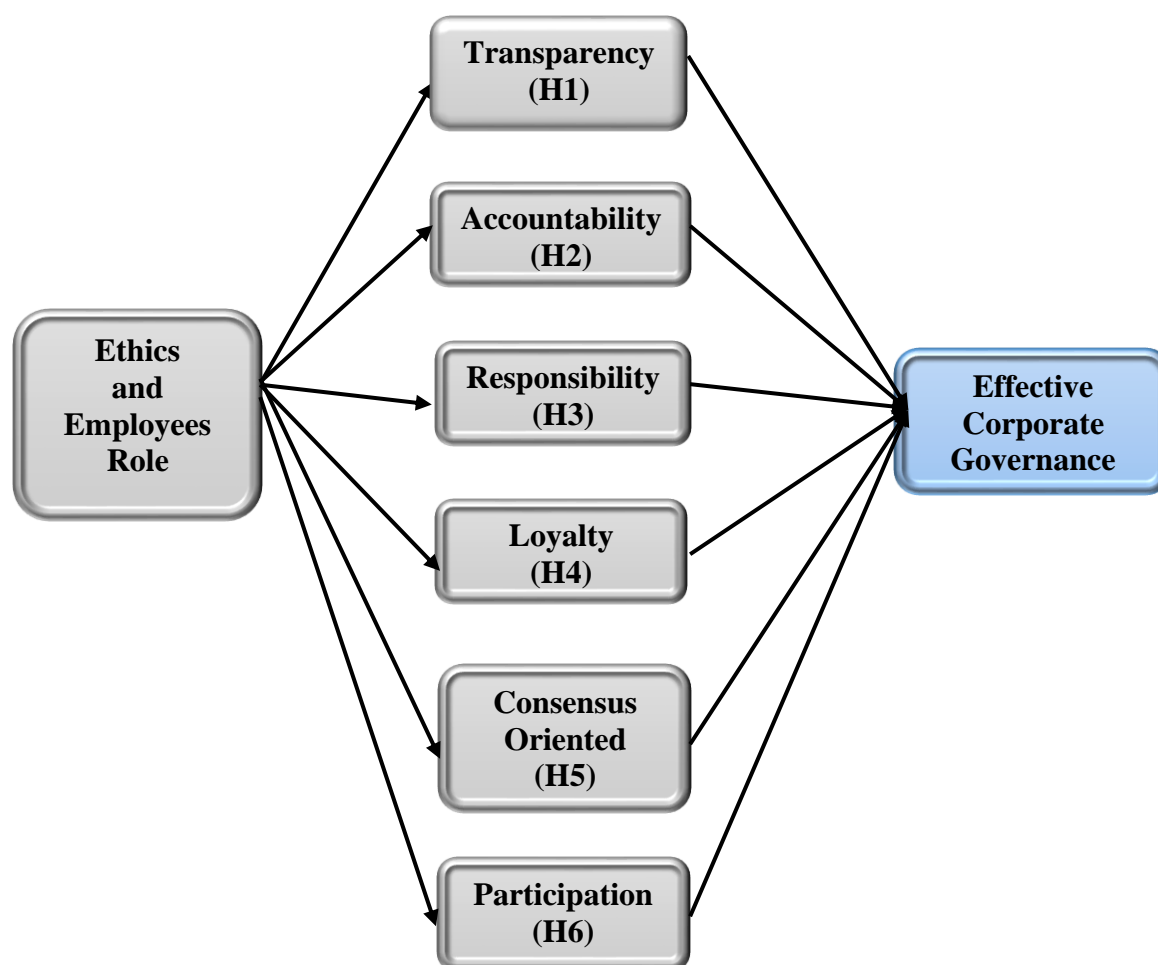
the organization's objectives". Stakeholder theory of ethics suggested that organization should solve ethical problems by evaluating stakeholder interests without violating the rights of any stakeholder. Although wide ranging, this connection between these factors is often stronger, as recent changes in current corporate governance include any individual who is affected by the organization. This will ensure that stakeholders receive fair treatment when dealing with the business and will lead employees to play their role better. According to Mizuo (1998), from the perspective of corporate governance, ethics are the so-called "buttoning up of a company's collar and the straightening of its tie", that is these are regulations about employee behaviour and conceptual thinking, rules that make it clear that "good is good, and bad is bad". Good management theory stated that corporate ethical is positively connected to the quality of corporate governance in reciprocal manner. According to Diacon & Ennew (1996), strong corporate culture improves the quality of corporate governance and more compressive corporate governance, in turn, stimulates the ethical environment in an organization. This resulting boost of market reputation and improves the chance to recruit more capable employees with good ethics (Neville et al., 2005). There is a significant relationship between ethics and effective corporate governance.

2.5 Conceptual Framework

According to Camp (2011), a conceptual framework is a structure that the researcher believes can best explain the natural development of the phenomenon to be studied. It is linked to the concepts, empirical research and significant theories used to promote and systemize the researchers' knowledge (Peshkin, 1993). The conceptual framework shows how employees' play their role for effective corporate governance that become important problem that must focus on it in private organizations in Malaysia. Based on the review of existing literature related to ethics and corporate governance, this conceptual model is developed suggesting that employees' role through ethics for effective corporate governance is measured

by several variables such as transparency, accountability, responsibility, loyal, consensus oriented and participation. This modal posits shows that ethics and employees' role for effective corporate governance.

Figure 2.1: Research Framework of Ethics and Employees' Role for Effective Corporate Governance in Private Organizations in Malaysia



2.5.1 Transparency

Transparency is one of the principles of good governance. According to Koskela (2018), transparency has become an important discussion of accountability for business conduct. It is a dynamic and relational phenomenon that has been defined in relation with important values in corporate communication such as honesty, information availability and comprehensibility, good governance, and mutual exchange (Albu & Wehmeier, 2014; Christensen & Cheney, 2015). There are unlimited researched has been done previously on discussion of transparency among directors, but very limited studies conducted on employees' role on transparency by researchers. According to Stirton & Lodge (2001), conceptualize transparent organizational communication as the way that an organization disseminates truthful, substantial, and proper information to encourage employees' active participation in information acquisition and distribution. Employees highly value transparency when it provides proper information of relevance that employees are concerned to know about their organizations' decisions and actions, and moreover, organizations are expected to motivate their employees to participate in identifying, interpreting, and disseminating information (Balkin, 1999). Organization can be truthful without disclosing all information, but they can never be transparent by providing insufficient information to employees because employees are internal stakeholders who has right to know company performance in more details. Generally, when organization keep lines of communication open and make sure their employees are listened to and consistently updated, this too allows for them to feel valued and fosters trust. Meanwhile, employee duty in ethical approach is not misuse any of confidential information by reveal to third party when comes to his/her knowledge during their employment period. Transparency is not just something do once and the then wait for the results. Transparency is a continues practice that can have ongoing outcomes. When it is promoted and maintained over a period, it will have exponential results.

Hypothesis 1: There is a positive relationship between employees' role as transparency on effective corporate governance.

2.5.2 Accountability

The relationship between “accountability” and “ethics” has long been a concern among employees in corporate governance. According to Frink & Klimoski (1998), accountability has been recognized as a key variable that helps predict and monitor behaviour in social systems. Accountability not only important to Board of Directors, but employees also play as an essential role on accountability aspect in corporate governance. According to Partners in Leadership survey, a lack of accountability among employees in the workplace will lead to low team morale, employees become less engaged, and the team or individual is not meeting the goals. The accountability atmosphere is a part of every organization, and therefore, employees must be trained to operate within their respective accountability environments. Accountability environment is categorized as either a strong/high accountability environment or a weak/low accountability environment. Usually, organizations take effort to build an environment where employees feel highly accountable such as frequent monitoring, assessments, and feedback where known as a high accountability environment, while some organizations have relaxed environments with few accountability mechanisms such as infrequent monitoring, assessments, and feedback where known as a low accountability environment. When employees have high accountability environment in organization, they able to complete given task within deadlines and improve their performance because employees spending greater amounts of time and energy to achieve organizational goals. Moreover, employees will follow code of conduct that against unethical behaviour that occur in organization.

Hypothesis 2: There is a positive relationship between employees’ role as accountability on effective corporate governance.

2.5.3 Responsibility

According to Vincent E. Barry who is known as business historian has defined responsibility in business affairs term, as “ a sphere of duty or obligation assigned to a person by the nature of that person’s position, function, or work.” Norman Bowie who is business ethicist stated that if a person is a responsible, that person can be views as moral agent. laws and regulations require minimal expectations as to conduct and corporations should be encouraged to act responsibly and ethically with special consideration for the interests of stakeholders particularly the employees. Therefore, employees’ role as being responsible helpful to organization to conduct business in ethical approach. This is because of employees’ perception of responsibility to duties support to performance (Furby, 1991; Van Dyne & Pierce, 2004; Nyborg, 2014). It involved a statement of organizational values, duties, and obligations (Cassell et al., 1997; Bricknell & Cohen, 2005) that create responsible employees, and therefore, responsible organisations (Nijhof et.al, 2003). The criteria of responsibility are intended to produce other positive traits such as efficiency, flexibility, and quality (Fischer et al., 2001). While it is not arguable that the level of responsibility to job by employees differs in terms of effort and time, a higher sense of responsibility affects how an employee performs and the amount of task carried out. Lack of responsibility infers poor or low effort and time assigned to duties by employees. To promote high sense of responsibility among employees, organizations must create positive work ethics. When employee believes personally responsible for job performance, efficiency and effectiveness is frequently the order of the day where can achieve organization goals. Moreover, by implementing a good ethics approach among employees, it helps to sets a clear benchmark for employees and creates a positive influence on employees’ behavioral patterns and decisions.

Hypothesis 3: There is a positive relationship between employees’ role as responsibility on effective corporate governance.

2.5.4 Loyalty

The main objective of a company can only be accomplished when employee loyalty can be established. It frequently occurs that the employer expects from its employees to be faithful but fails to provide a sufficient atmosphere at work, such efforts to achieve loyalty do not always succeed. The primary aim of creating the proper environment of employee loyalty is to create a situation in which the personnel will become committed, accept all the responsibilities, and pursue them. To achieve that wanted employee loyalty in the organization, managers must take effort and good care of employee by implementing various approaches which will make them feel that they have a special role in the company. A sense of belonging is associated with tenacity and acknowledging the objectives and values of the organization and it is accompanied by the employees' enthusiasm and engagement to the efforts. It is proved that employee loyalty can contribute to an improved efficiency in term of governance, better outcomes, company growth, lowered employee turnover (Meyer and Allen 1997; Antoncic and Hisrich 2004). According to Meyer and Allen (1997), loyal employees also have a significant role in the build of the image that the company promotes to customers and stakeholders. When employees loyal to organization, they are highly valued on ethics by against taking bribery from outsiders, reveal highly confidential information to third parties and so on. Furthermore, ethics role as a moral system that governs the conduct of employers and employees to help compliance with requirements for achieving goals and preventing possible misconducts and cultivating good values that are profitable such as loyalty. This value will avoid unfaithfulness of the organization, thus attracting faithful customers (Reichheld, 1993). Loyal employees are ready to strive for the best interest of the organization, go the extra mile to achieve organizational objectives and remain attached to the organization, especially during challenges times. They will also welcome any organizational changes, maintain good relations with co-worker's and managers and minimize absence from work (Ali, 1993; Ali & al-Kazemi, 2005).

Hypothesis 4: There is a positive relationship between employees' role as loyalty on effective corporate governance.

2.5.5 Consensus Oriented

Consensus orientation practices are involved with the commitments and duties of an organization's top managerial employees to effectively govern organization, and the connection they have with the shareholders and all groups of stakeholders. Generally, consensus orientation practices are said to own critical ramifications for the development goals of every organization on the grounds that proper corporate governance to enhance performance of organizations. According to Salkind (2015), studied that consensus orientation practices in corporate governance as a critical corporate governance element, which would bring about enhanced performance. When employees having the proper skills and being competent supports those entrusted with enhancing the organization performance to be able to operate the resources in a reasonable way without misusing or mishandling so that the company can realize its goals. Consensus orientation systems which are a key pillar that demand the organization to implement agreements that ensure all resources can be accounted for (Klapper and Love, 2014).

Hypothesis 5: There is a positive relationship between employees' role as consensus oriented on effective corporate governance.

2.5.6 Participation

There are various parties in organization that has been a growing interest in corporate governance in recent years. Even though, corporate governance is broadly viewed as being primarily about the relationship between shareholders and managers, it is also highly important to employees and their representatives. There is reason for greater involvement of employees in governance have come to the fore

in recent years which is by investing their human capital in their employing organization, they bear opportunity costs by foregoing alternative employment possibilities. Companies could be motivated to involve employees' involvement participation at some level in their decision making or at least provide an avenue in which their collective voices can be heard. Moreover, employees must accept the mission, vision, principles, and the company's core values to support the growth of company. Communication between managers and employees creates a major element of an organization's internal communication system (Whitworth, 2011). With the goal of creating an enduring relationship with their followers, authentic leaders focus on open communication, value self-disclosure of one's strengths, weaknesses, true and genuine thoughts, and feelings, constantly motivate employees' participation to gather their response, and hold themselves accountable by acting in accordance with what they stand for (Walumbwa et al., 2008, 2010). When perceiving openness, consistency, truthfulness, and accountability, employees are more likely to trust that their organizations encourage them to clarify, obtain, and distribute information that they are interested to know (Tapscott & Ticoll, 2003) and stay accountable for their words, practices, and policies (Rawlins, 2009). Employees usually feel more connected with their work and organizations when their managers focus on participative information sharing and ethical decision-making (Saks, 2006).

Hypothesis 6: There is a positive relationship between employees' role as participation on effective corporate governance.

2.6 Conclusions

This chapter 2 discussed about the independent variables and dependent variable of the proposed conceptual framework, where reviewed the literatures that relevant to this study to depict the hypothesis. Next chapter will be discussed about research methodology.

CHAPTER 3

METHODOLOGY

3.0 Introduction

This chapter provides an overview of the research methodologies that will be adopted to answer the research questions and fulfill the objectives of the study. The methodologies comprise of research design, time horizon of the research, data collection method, sampling design, research instrument, construct measurement, and data analyses which will be discussed in this chapter.

3.1 Research Design

The purpose of research design is to give solutions to research question logically, objectively, accurately, and economically as well as provide as a control platform, maximize systemic variance, control extraneous variance, and decrease error. The research design will also contain a conceptual framework that helps simplify the questions, problems, and purposes the study with the study, discuss the known about the issues, and helps to understand how particular concepts and aspects of theory might be helpful in the inquiry. This study aimed at collecting information about ethics and employees role for effective corporate governance in Malaysian private sectors. This paper had conducted descriptive approach and used quantitative research method only. According to Creswell (2013), he highlighted that there is necessary to use quantitative method in survey to get numerical data which give an accurate result.

Besides, quantitative method included many factors such as design, techniques and a clear measurement that help to produce a quantifiable data. Thereby, it is convenient to collect the feedback of respondents by using research questionnaires. The survey for this study was conducted by distributing the questionnaire through online survey or known as Google Form to the respective population with considering their demographic profile such as gender, age, location, working experience, location, and the type of company within specified period to get maximum level of convenience from the respondents from different background. Therefore, convenience sampling which known as one of the non-probability samplings will be used for this study.

3.2 Data Collection Methods

The purpose of the data collection method is for the study material. From this study, the primary data has been collected to support this study. The discussion on this method will be discussed on para 3.2.1

3.2.1 Primary Data

Generally, primary data are the first information that receive directly from the respondents by using distribution of questionnaires or interviews. But this study has used the questionnaire by distributing to respondents and considered as important method to collect primary data. Since, the nature of this research is to obtain about ethics and employees role for effective corporate governance in private sectors, therefore, primary data collection method is the most suitable data collection method where up-to-date information can be obtained because the implementation of corporate governance is something not common in private sectors. Moreover, primary data are new and connected to this study, thus, the results attain from the survey are more reliable and appropriate (Shodhganga, 2011). Thereby, the questionnaires were designed specifically and distributed to 150 employees from the private sectors through Google Form and required to fill based on their agreement level.

3.3 Population of the Study

According to Vonk (2015), the group of people who the researchers aim to study is the target population of the research. The research population for this study will focus on private sectors from small to medium enterprise (SME), partnership and multinational corporations (MNC) to find ethics and employees role for effective corporate governance in Malaysian private sectors. The target population of this study are 150 respondents from private sectors employees within Malaysia which from management and non-management level and from different positions. I will use Quantitative method for this study. Prior to the actual data collection participants were informed about the purpose of the study and their role as a participant. The questionnaire will distribute via online (Google Form) for their convenient. Later, the data that collect from the respondents' questionnaires will be coded, enter, and analyze using a computer through SPSS programs, that finding of this study can be uncovered. The result of the research questionnaire carefully analyses to come up with proper report.

3.4 Sampling Elements

Sampling elements are the objects or information is desired such as person, group, company etc to (Tobergte and Curtis 2013). Meanwhile in this research, the respondents involve is the sampling element in this study. Employees from private sectors in Malaysia are being targeted as the respondents of this research. This is because the contribution of private sector to country economic is plays major part as public listed companies. Therefore, employees should be aware about how important ethics among them and play their role effectively to enhance corporate governance in private sectors like public listed companies. Employees mostly from senior level into lower level such as Senior Managers, Senior Executive, Accountant, And Clerical staff from different industries. Employees are primary stakeholder and play crucial role in company to achieve effective corporate governance, without them a company couldn't perform well and failed to achieve sustainability.

3.5 Sampling Techniques

For this study, non-probability sampling will be used as technique to get the respondents responses. In this respect, not all population will have opportunity to participate, only selective members of population will have opportunity to participate on this study. This convenience sampling is categorized as one of the methods in the non-probability sampling technique. This method is helpful and easy to contact or reach the respondents to get their responses because this method basically relying on respondents' accessibility for the research. The approach for convenience sampling is, the researcher randomly picks selective individual or group of people who are easy to reach and available for the study. To simplify, the approach is easy and convenient. Thereby, it is taken short timeframe for distribution of questionnaires to respondents through colleagues, friends, and social media users.

3.6 Research Instrument for Data Collection

The researcher has designed the questionnaire related to this topic with purpose to collect data instruments for the study. Also, using questionnaire for conduct research is convenient in reaching many people. Thus, the questions in the questionnaire are designed and formulated according with objectives to ensure the objective of the study can be fulfilled upon completion of the study.

In the questionnaire, most of the questions are closed ended questions where the respondents must choose their answer from the pre-assigned options. Besides that, English language is used in designing the questionnaire. Furthermore, the questionnaire prepared is divided into three (3) sections with 33 questions. Eventually, the questionnaires are expected to be distributed through the online survey tool, Google Forms. The questionnaire is explained as below:

-
- Section A- Explained about respondents' demographic profile such as gender, age, job position, working experience, locations, and type of company. It has 6 questionnaires.
 - Section B – employees role consists of transparency, accountability, responsibility, loyalty, consensus oriented and participation as an independent variable. It has 28 questions
 - Section C – Effective corporate governance is the dependable variable. It has 5 questions.

3.7 Structured Questionnaire

This structured of the questionnaire were designed and used for the available population. The structured of the questions developed according to the objective of the study and used the right instrument for a sample. In this study, five (5) point Likert Scale will be used to measure the questionnaire with ranging order 1 (strongly disagree), 2 (disagree), 3 (Neutral), 4 (Agree) and 5 (strongly agree) for respondents shows their level of agreements on the questions in the section B and C.

3.8 SPSS Analysis

Once the data collection is complete, the raw data will be cleaned to avoid error and entered in the (SPSS) software in version of 29 by using data entry form that option provided in the software. Furthermore, it will be helped the data to be organized and analysed using five-point Likert Scale that set up according to the completed questions. Thereby, SPSS was adopted to identify and analyse the information that attained from the distribution of the questionnaire to help determine ethics and employees role for effective corporate governance in Malaysian private sectors. The aim of the data analysis is to establish and support the respondents view that how important corporate governance in private sectors among employees to increase the business and organizational performance.

3.9 Scale measurement

There are two types of scale measurement which are nominal scale and ordinal scale used in this study and these will be discussed as follows:

3.9.1 Nominal Scale

A nominal scale is a classification system that categories the variable of interest into mutually exclusive categories (Lehman & O'Rourke, 2005). In this study has section A which described about demographic profile of respondents. In section A consists of few questions about respondents' gender and locations.

3.9.2 Ordinal Scale

An ordinal scale is mainly designed to rank in order the value of represent questions with variables that being assessed (Lehman & O'Rourke, 2005). During the preparation of questionnaires in section A for demographic profile, ordinal scale has been used to rank in order age from 21 years to 60 years, job position from lower position to higher positions and type of company from SMEs to Multinational Corporation (MNC). For section B and C of the questionnaires, still used ordinal scale but rating and Likert scale has been used for respondents choose degree of their agreement toward the criteria of the questions.

3.10 Data Analysis

The data analyses will be discussed about descriptive analysis, pilot test, factor analysis and inferential analysis which considered important part to analysis the finding of this study.

3.10.1 Descriptive Analysis

The descriptive analysis is known as process that will be used to transform the raw data that researchers obtained from survey into the form which interpret the information in accurate and easy to understand. The information will be generated

accordingly, by rearranging, ordering, and manipulating the data. Besides, it is easy for researchers to calculate the data that they obtained from the survey (e.g., frequency distribution and percentages distribution). In this study, I used descriptive analysis for section A questionnaires which is demographic profile.

3.10.2 Reliability Test

The purpose of reliability test is to identify the consistency and stability of measurement over different possibilities (Drost, 2011). To simplify, reliability test known as repeatability of the measurement. For example, researchers use this test to verify whether the previous findings and current similar or different. If the findings are similar, it can be considered reliable measure. This study, Cronbach's Alpha will be appropriate tool to analyse the correlation of the variables. Besides, Cronbach's Alpha is useful to identify the degree of internal consistency and generally it will be showed in a number range from 0 to 1. The value of Cronbach's Alpha coefficient if close to 1.0 means there is greater internal consistency (Gliem & Gliem, 2003; Tavakol & Dennick, 2011). While, if the results shown 0.7 or more, it can be considered as internal consistency accuracy is acceptable (Gliem & Gliem, 2003). However, if the value is 0.8, it can be considered as reasonable.

Table 3.1: Internal Consistency (Cronbach's Alpha)

| Internal Consistency of Cronbach'alpha Coefficient α | Level of Reliability |
|---|----------------------|
| 0.80-0.95 | Excellent |
| 0.70-0.80 | Good |
| 0.60-0.70 | Fair |
| <0.60 | Poor |

Note. From Sekaran and Bougie (2010). *Research methods for business: A skill building approach* (5th Ed.). Chichester, West Sussex: John Wiley & Sons, Inc. (page 325).

3.10.4 Validity Test

The purpose of the validity test is to determine the meaningfulness of the research components. Besides, this test will help researchers to verify whether they are measuring what they need to be measured. Furthermore, validity is considered as strength to build research conclusions and propositions (Drost, 2011). To simplify, validity test will help for researcher to determine whether they are right or not, and each type of validity will be emphasized different aspect of relationship between the treatment and outcome.

3.11 Inferential Analysis

Inferential analysis is important analysis to determine Pearson's correlations and Multiple Regression Analysis and will be discussed as follow:

3.11.1 Pearson's Correlation Analysis

Pearson Correlation is a connection between two variables. The purpose of the Pearson correlation is to measure the strength of the linear relationship and determine whether the two variables are associated or not. This can be called as "*Pearson Correlation Coefficient*". Generally, correlation coefficient or the value of (r) will help to measure the strength level of linear relationship between independent and dependent variables of the study whether it is correlated or not. To simplify, this analysis will test whether there is association between independent and dependent variables. If the value is closer to positive or negative 1, it indicates that the relationship of variables is stronger.

Table 3.2: Strength of the Correlation for the Absolute Value of r

| Strength and Absolute Value of r (Coefficient Range) | Level of Strength |
|---|-------------------|
| 0.00-0.19 | Very Weak |
| 0.20-0.39 | Weak |
| 0.40-0.59 | Moderate |
| 0.60-0.79 | Strong |
| 0.80-1.00 | Very Strong |

Note. From Evans, J. D. (1996). Pearson's correlation. Retrieved August 30, 2016, from <http://www.statstutor.ac.uk/resources/uploaded/pearsons.pdf>.

3.11.2 Multiple Regression Analysis

According to Higgins (2005), multiple regression analysis is a statistical technique where it allows researchers to examine the relationship between several independent variables and a single dependent variable. Moreover, researchers can use the information about these independent variables to make prediction. Nevertheless, predictions can be more powerful and accurate on why things are the way they are, when the multiple variables which relate to the dependent variable have been identified. For this research, a multiple regression analysis will be done on the effective corporate governance in Malaysian Private Sectors. The multiple regression equation is as follow:

$$\hat{Y} = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + e_t$$

X1 = Transparency

X2 = Accountability

X3 = Responsibility

X4 = Loyal

X5 = Consensus Oriented

X6 = Participation

\hat{Y} = Effective Corporate Governance

b0 = The intercept of \hat{Y}

b1-6 = Slope of coefficient

e_t = Random error

3.12 CONCLUSIONS

This chapter covered the research methodology that would be used in this study, making it possible for the study to be carried out more successfully and efficiently. The findings of the statistical analyses will be analysed, interpreted, and discussed together in the following chapter.

CHAPTER 4

RESEARCH RESULT

4.0 Introduction

The chapter of 4 is provides an overview of the research results obtained from the survey conducted via Google Forms. The data was collected based on the objective of the study which is about ethics and employees role for effective corporate governance in Malaysian private sectors. Thereafter, SPSS (i.e., statistical software) was used to analyze the data collected. The descriptive analysis will be presented along with appropriate frequency tables and figures. Eventually, reliability analysis, factor analysis and inferential analysis will be explained based on the outputs from SPSS.

4.1 Response Rate

Table 4.1: Rate of Return of Questionnaires

| | |
|-----------------------------------|------------|
| Questionnaires Distributed | 160 |
| Total Response | 150 |
| Total Response Rate (%) | 94% |

Source: Develop for the research

In this research study, a total number of 160 sets of questionnaires were distributed via Google Forms, an online survey tool, to the private sectors employees in Malaysia especially in Klang Valley. Meanwhile, 150 sets of questionnaires were obtained from the 160 distributed sets and indicating a response rate of 94%.

4.2 Descriptive Analysis

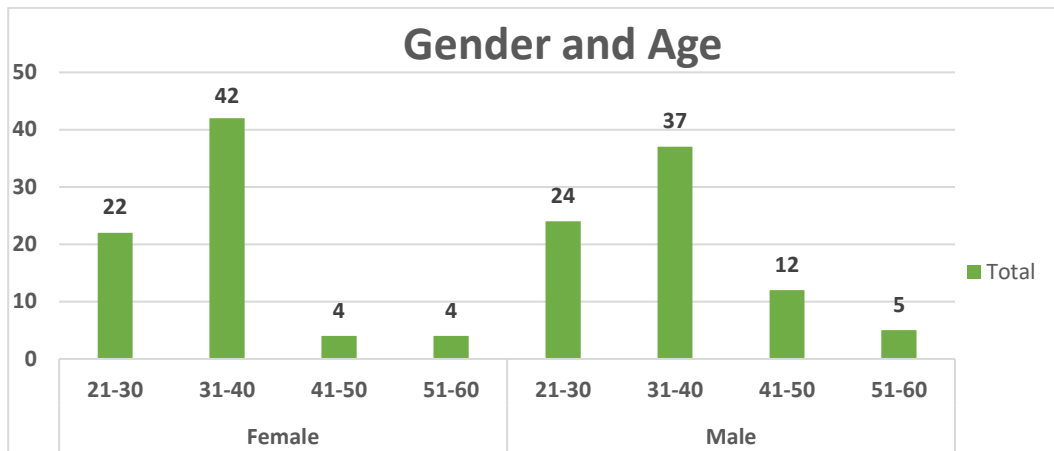
In this subsection, the frequency and percentage described about respondents' demographic profile such as gender and age, job position, working experience, location, and type of company will be interpreted using descriptive analysis to make clearer and easier to understand. For this study, the data is collected from 150 respondents will be discussed based on frequency tables, pie, and bar chart for this section.

Table 4.2: Gender and Age for Respondents

| | | | | |
|--------------------|---------------|------------------------|------------|------------------------|
| | Female | Percentages (%) | Age | Percentages (%) |
| | 22 | 14.7 | 21-30 | 14.7 |
| | 42 | 28.0 | 31-40 | 28 |
| | 4 | 2.7 | 41-50 | 2.7 |
| | 4 | 2.7 | 51-60 | 2.7 |
| Total | 72 | 48.0 | | 48 |
| | | | | |
| | Male | Percentages (%) | Age | Percentages (%) |
| | 24 | 16.0 | 21-30 | 16 |
| | 37 | 24.7 | 31-40 | 24.7 |
| | 12 | 8.0 | 41-50 | 8 |
| | 5 | 3.3 | 51-60 | 3 |
| Total | 78 | 52.0 | | 52 |
| Grand Total | 150 | 100 | | 100 |

Source: Develop for the research

Figure 4.1: Bar Chart on Gender and Age for Respondents



Source: Develop for the research

As shown in both Table 4.2 and Figure 4.1, the participation of male respondents in the survey accounted the larger portion which is 52% (78 respondents). Meanwhile, the participation of female respondents is 48% (72 respondents). Besides, the majority of the male respondents participated in this survey from age group between 31 to 40 years which is 37 male respondents (24.7%) and followed by 24 male respondents (16%) participated under category age between 21 to 30 years. Eventually, only 12 male respondents (8%) represented age group from 41 to 50 years old. The least age category for male is from 51 to 60 years old which represented 5 male (3.3%).

Meanwhile, the highest age group among female is between 31 to 40 years old too which is 42 female respondents (28%) and followed by age group between 21 to 30 years old which is 22 females (14.7%). The least age groups are between 41 to 50 and 51 to 60 years old where both age groups shared by 4 female respondents (2.7%).

Table 4.3: Frequency Table of Job Position for Respondents

| | | Job Position | | | |
|-------|--------------------------|---------------------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Lower - Level Management | 15 | 10.0 | 10.0 | 10.0 |
| | Middle Level Management | 37 | 24.7 | 24.7 | 34.7 |
| | Senior Level Management | 31 | 20.7 | 20.7 | 55.3 |
| | Executive Level | 45 | 30.0 | 30.0 | 85.3 |
| | Others | 22 | 14.7 | 14.7 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source: Develop for the research

Figure 4.2: Pie Chart of Job Position for Respondents



Source: Develop for the research

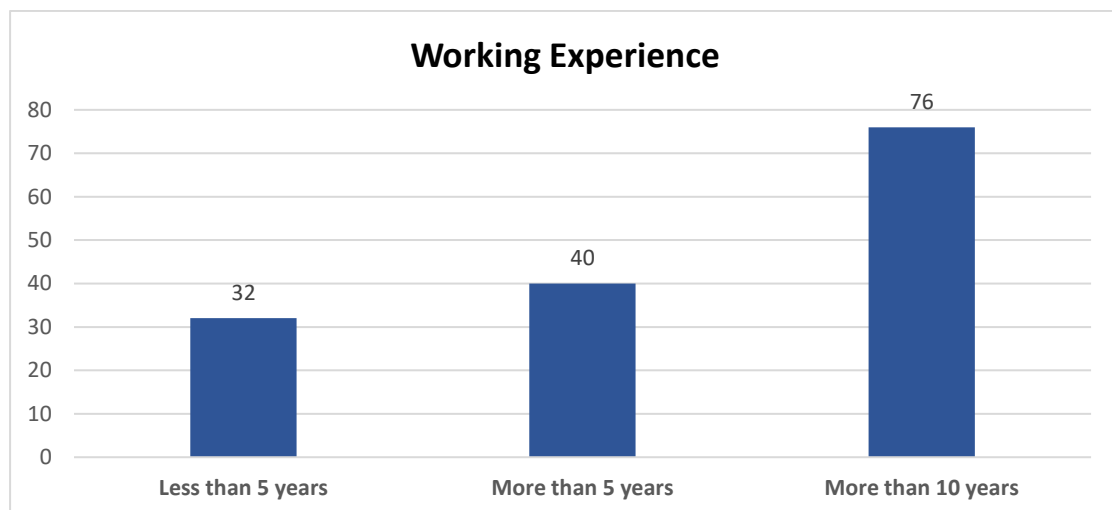
Based on the table figure 4.2 as above illustrated, the highest of the respondents are from the Executive level position which is represented of 45 respondents (45%) from the private sectors employees followed by Middle level Management comprised 37 respondents (24.7%) participated. Meanwhile, 31 respondents (20.7%) were from Senior level Management. Eventually, only 22 respondents and 15 respondents from other positions and lower-level management participated in this survey.

Table 4.4: Frequency Table of Working Experience of Respondents

| | | Working Experience | | | |
|-------|--------------------|---------------------------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | .00 | 2 | 1.3 | 1.3 | 1.3 |
| | Less than 5 years | 32 | 21.3 | 21.3 | 22.7 |
| | More than 5 years | 40 | 26.7 | 26.7 | 49.3 |
| | More than 10 years | 76 | 50.7 | 50.7 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source: Develop for the research

Figure 4.3: Bar Chart of Working Experience for Respondents



Source: Develop for the research

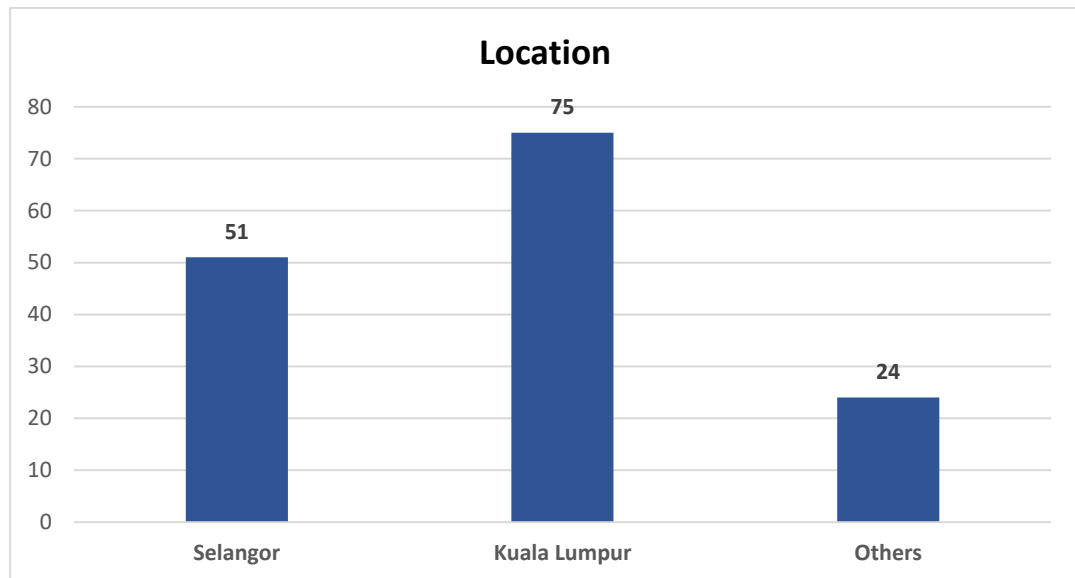
According to figure 4.3 as illustrated above, most of the respondents that obtained from the survey are working more than 10 years which comprised 76 respondents (50.7%) followed by 40 respondents (26.7%) participated in this survey are working more than 5 years. 32 respondents (21.3%) are the least category of participants who working less than 5 years.

Table 4.5: Frequency Table of Location for Respondents

| | | Location | | | |
|-------|--------------|-----------------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Selangor | 51 | 34.0 | 34.0 | 34.0 |
| | Kuala Lumpur | 75 | 50.0 | 50.0 | 84.0 |
| | Others | 24 | 16.0 | 16.0 | 100.0 |
| Total | | 150 | 100.0 | 100.0 | |

Source: Develop for the research

Figure 4.4: Bar Chart on Location for Respondents



Source: Develop for the research

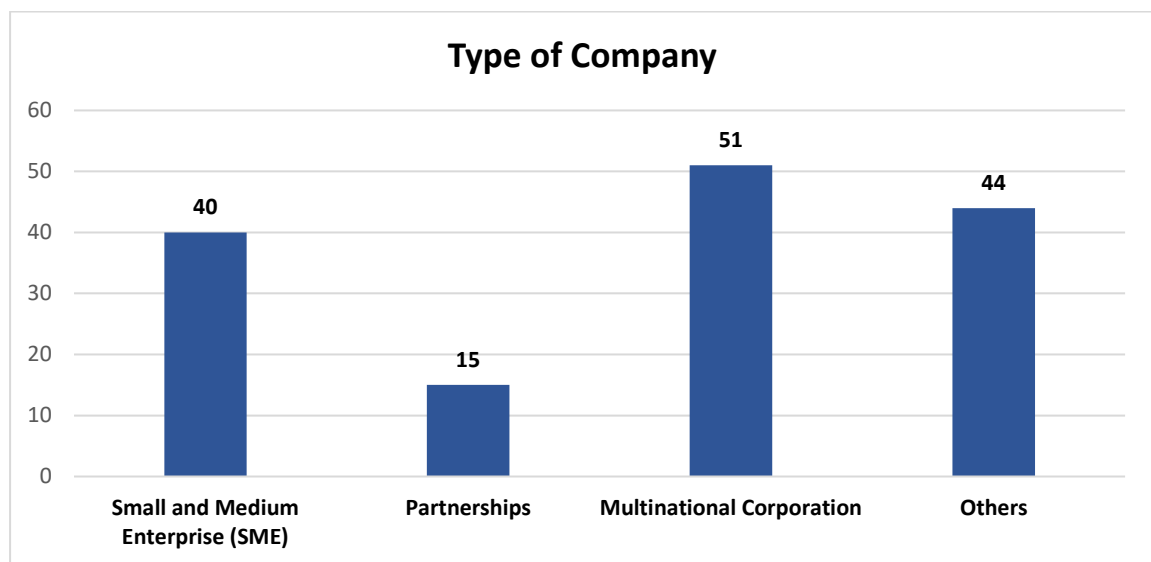
Based on figure 4.4 indicates that respondents in the survey majority from Klang Valley which from Kuala Lumpur and Selangor. 75 respondents (50%) from Kuala Lumpur and 51 respondents (34%) are from Selangor state. Meanwhile, 24 respondents (16%) are from other states within Malaysia.

Table 4.6: Frequency Table of Type of Company for Respondents

| | | Type of Company | | | |
|-------|-----------------------------------|------------------------|---------|---------------|--------------------|
| | | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Small and Medium Enterprise (SME) | 40 | 26.7 | 26.7 | 26.7 |
| | Partnerships | 15 | 10.0 | 10.0 | 36.7 |
| | Multinational Corporation | 51 | 34.0 | 34.0 | 70.7 |
| | Others | 44 | 29.3 | 29.3 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Source: Develop for the research

Figure 4.5: Bar Chart of Type of Company for Respondents



Source: Develop for the research

According to table 4.6 and figure 4.5, since this study mainly for Malaysian private sectors employees, 51 respondents (34%) currently working in Multinational Corporation (MNC) followed by 44 respondents (29.3%) are working in others type of companies. Meanwhile, 40 respondents (26.7%) are currently working in Small and Medium Enterprise (SME) which considered third largest of respondents current working. Eventually, only 15 respondents (10%) are working under partnerships.

4.3 Reliability Test

In this research study, reliability test will be conducted for the final data obtained from the 150 respondents from the survey. Therefore, the reliability test findings will be interpreted and discussed as below.

4.3.1 Findings from the Survey

Table 4.7: Reliability Test for Final Data Obtain from the Survey

| Variables | | Items | Cronbach's Alpha |
|------------------------------|--------------------------------|-------|------------------|
| Independent Variables | Transparency | 4 | .885 |
| | Accountability | 5 | .718 |
| | Responsibility | 5 | .900 |
| | Loyalty | 5 | .783 |
| | Consensus Oriented | 4 | .826 |
| | Participation | 5 | .759 |
| Dependent Variable | Effective Corporate Governance | 5 | .795 |

Source: Develop for the research

Transparency

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .885 | .890 | 4 |

Accountability

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .718 | .726 | 5 |

Responsibility

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .900 | .902 | 5 |

Loyalty

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .783 | .786 | 5 |

Consensus oriented

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .826 | .829 | 4 |

Participation

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .759 | .755 | 5 |

Effective Corporate Governance

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .795 | .792 | 5 |

Summarize

Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .951 | .953 | 33 |

According to table 4.7, from the data collected from 150 responses from the survey, the reliability test has been done to measure reliability of the variable's items. Based on the Alpha result, 7 variables show good to excellent reliability factors according to table 3.1. From this finding found that all the variables more than 0.7 which means acceptable internal consistency accuracy. The Cronbach's Alpha of transparency, responsibility, and consensus oriented are excellent with the range of the 0.80 to 0.90

meanwhile accountability, loyalty, participation, and dependable variable which is effective corporate governance are good with the range of 0.70 to 0.80. The overall Cronbach's Alpha value is excellent with 0.951 including independent and dependent variables with the 33 no of items.

4.4 Factor Analysis

Factor analysis will be explained about analysis that involved such as Kaiser-Meyer-Olkin (KMO) and Barlett's, Test of Sphericity, Communalities together with the Total Variance will be illustrated in the table form and discussed as following.

4.4.1 Kaiser-Meyer-Olkin (KMO) and Barlett's

Table 4.8: Kaiser-Meyer-Olkin (KMO) and Barlett's Test of Sphericity

| KMO and Bartlett's Test | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .899 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 3219.466 |
| | df | 528 |
| | Sig. | <.001 |

Source: Develop for the research

The purpose of the KMO for this study is to measure the sampling acceptability to identify whether there are adequate items are predicted by each factor. As illustrated in the table of 4.8, the KMO value is 0.899 which means greater than the recommended value of 0.60. When KMO value is greater than recommended value, it is indicating that the items are adequately predicted by each other. While Barlett's Test of Sphericity value is 0.001 which is less than recommended value of 0.05 and achieved statistical significance result (i.e., $0.001 < 0.05$) which mean the variables are strongly correlated.

4.4.2 Communalities

Table 4.9: Communalities

| Communalities | | |
|--|---------|------------|
| | Initial | Extraction |
| My organization provides information that is relevant to its employees | 1.000 | .749 |
| My organization provide accurate information to its employees | 1.000 | .822 |
| My organization provides information that is easy for its employees to understand | 1.000 | .709 |
| My organization make it easy to find information its employees need | 1.000 | .740 |
| My organization is open to criticism by its employee | 1.000 | .561 |
| I am directly accountable to my organization for my behavior | 1.000 | .602 |
| I am clear with my duties and responsibilities in organization | 1.000 | .521 |
| My organization is forth coming with information that might be damaging to the organization | 1.000 | .614 |
| My superior is guided in his/her action by internal moral standards | 1.000 | .664 |
| I always take responsibility if I did something wrong | 1.000 | .753 |
| I constantly work hard to meet responsibilities and adhere code of conduct that set by my organization | 1.000 | .809 |
| I won't misuse of organization asset or engage in financial fraud? | 1.000 | .651 |
| I always try to adhere to ethics values to enhance governance in my organization | 1.000 | .758 |
| Responsibility toward organization and the community is encouraged in my organization | 1.000 | .672 |
| I value loyalty, respect for authority and hierarchy in my organization. | 1.000 | .652 |
| I always do my best at work | 1.000 | .580 |
| Employees are pushed to be truthful in their reporting and practices in my organization | 1.000 | .586 |

| | | |
|--|-------|------|
| My organization ensures the justice/equality and non-discriminatory treatment among the employees of my firm. | 1.000 | .729 |
| My organization maintains the high level of moral, justice, and honesty in business and other affairs of life | 1.000 | .765 |
| My organization maintains the balance between the interest of different stakeholders and rights of employees of the firm | 1.000 | .769 |
| The organization's members share a common set of beliefs, values, and practices | 1.000 | .653 |
| Managers and employees are encouraged to be compassionate in their decision. | 1.000 | .635 |
| The interests of all stakeholders are considered in decision making | 1.000 | .639 |
| My organization ask the opinion of its employees before decision making | 1.000 | .637 |
| I believe that employee representative should have seats on the Board | 1.000 | .591 |
| Employees can freely communicate their concern about illegal or unethical practice to the management | 1.000 | .577 |
| My superior encourage employee to voice opposing point of view | 1.000 | .534 |

| | | |
|--|-------|------|
| Employees are rewarded for their high level of performance and involvement | 1.000 | .723 |
| My organization formalize ethical standards through a Code of Ethics and Conduct and ensure its compliance | 1.000 | .680 |
| Employees in my organization are aware about corporate governance and their role in implementing | 1.000 | .764 |
| To prevent misconduct within my organization, there are ethical training program among employees to improve corporate governance | 1.000 | .795 |
| My organization have training programs that effectively communicate ethical standards and policies to create awareness among employees | 1.000 | .829 |
| There should be a specific corporate governance code (CGC) which meets the needs of private sectors in Malaysia | 1.000 | .669 |

Extraction Method: Principal Component Analysis

Source: Develop for the research

The communality table demonstrates how the extracted components from the variables have adjusted for the variance values, and typically the variables are only used in future analysis if the communality value is more than 0.50. According to table 4.9, it is identified that all the variables communality values are higher than the recommended value of 0.50. However, there are 5 items among 33 items of variables slightly lower even though within proposed value between 0.50 to 0.60 which is 0.521,0.534, 0.561,0.577 and 0.591.

4.4.3 Total Variance Explained

Table 4.10: Total Variance Explained

| Component | Total Variance Explained | | | | | |
|-----------|--------------------------|---------------------|--------------|-------------------------------------|---------------|--------------|
| | Total | Initial Eigenvalues | | Extraction Sums of Squared Loadings | | |
| | | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 13.445 | 40.742 | 40.742 | 13.445 | 40.742 | 40.742 |
| 2 | 2.935 | 8.894 | 49.636 | 2.935 | 8.894 | 49.636 |
| 3 | 1.416 | 4.291 | 53.927 | 1.416 | 4.291 | 53.927 |
| 4 | 1.255 | 3.804 | 57.731 | 1.255 | 3.804 | 57.731 |
| 5 | 1.236 | 3.746 | 61.477 | 1.236 | 3.746 | 61.477 |
| 6 | 1.134 | 3.436 | 64.913 | 1.134 | 3.436 | 64.913 |
| 7 | 1.012 | 3.066 | 67.979 | 1.012 | 3.066 | 67.979 |
| 8 | .898 | 2.721 | 70.699 | | | |
| 9 | .797 | 2.415 | 73.115 | | | |
| 10 | .759 | 2.301 | 75.416 | | | |
| 11 | .736 | 2.230 | 77.646 | | | |
| 12 | .677 | 2.051 | 79.697 | | | |
| 13 | .634 | 1.920 | 81.617 | | | |
| 14 | .529 | 1.604 | 83.221 | | | |
| 15 | .516 | 1.563 | 84.784 | | | |
| 16 | .491 | 1.489 | 86.273 | | | |
| 17 | .471 | 1.428 | 87.701 | | | |
| 18 | .430 | 1.304 | 89.005 | | | |
| 19 | .408 | 1.236 | 90.241 | | | |
| 20 | .383 | 1.159 | 91.401 | | | |
| 21 | .371 | 1.126 | 92.526 | | | |
| 22 | .340 | 1.030 | 93.556 | | | |
| 23 | .298 | .904 | 94.460 | | | |
| 24 | .274 | .831 | 95.291 | | | |
| 25 | .263 | .797 | 96.088 | | | |
| 26 | .217 | .658 | 96.747 | | | |
| 27 | .205 | .621 | 97.368 | | | |
| 28 | .191 | .579 | 97.946 | | | |
| 29 | .182 | .553 | 98.499 | | | |
| 30 | .162 | .491 | 98.990 | | | |
| 31 | .137 | .415 | 99.405 | | | |
| 32 | .111 | .337 | 99.743 | | | |
| 33 | .085 | .257 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

According to the table 4.10, the variation is distributed among the 33 potential components, according to the total variance explained. Additionally, there are two factors that meet the standard requirement for a useful factor, which is an eigenvalue

greater than 1.0. From the result, an approximate 67.979% of the variance of extraction sums of squared loadings has accounted by the first 5 factors.

4.5 Inferential Analysis

In this research study, a five per cent significance level (i.e., $-1.96 \geq t\text{-statistic} \geq 1.96$) will be used for the model. Meanwhile, Pearson's Correlation analysis and multiple regression analysis are part of the inferential analyses that conducted for this study. Eventually, these analyses will be presented and discussed as following.

4.5.1 Pearson's Correlation Analysis

Table 4.11: Pearson's Correlation

| | | Correlations | | | | | | |
|--------------------------------|---------------------|--------------|----------------|----------------|---------|-------------|---------------|--------------------------------|
| | | Transparency | Accountability | Responsibility | Loyalty | Consensus_O | Participation | Effective_Corporate_Governance |
| Transparency | Pearson Correlation | 1 | .684** | .487** | .650** | .640** | .631** | .623** |
| | Sig. (2-tailed) | | <.001 | <.001 | <.001 | <.001 | <.001 | <.001 |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Accountability | Pearson Correlation | .684** | 1 | .520** | .646** | .629** | .654** | .627** |
| | Sig. (2-tailed) | <.001 | | <.001 | <.001 | <.001 | <.001 | <.001 |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Responsibility | Pearson Correlation | .487** | .520** | 1 | .694** | .541** | .525** | .521** |
| | Sig. (2-tailed) | <.001 | <.001 | | <.001 | <.001 | <.001 | <.001 |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Loyalty | Pearson Correlation | .650** | .646** | .694** | 1 | .746** | .678** | .648** |
| | Sig. (2-tailed) | <.001 | <.001 | <.001 | | <.001 | <.001 | <.001 |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Consensus_O | Pearson Correlation | .640** | .629** | .541** | .746** | 1 | .704** | .613** |
| | Sig. (2-tailed) | <.001 | <.001 | <.001 | <.001 | | <.001 | <.001 |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Participation | Pearson Correlation | .631** | .654** | .525** | .678** | .704** | 1 | .675** |
| | Sig. (2-tailed) | <.001 | <.001 | <.001 | <.001 | <.001 | | <.001 |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Effective_Corporate_Governance | Pearson Correlation | .623** | .627** | .521** | .648** | .613** | .675** | 1 |
| | Sig. (2-tailed) | <.001 | <.001 | <.001 | <.001 | <.001 | <.001 | |
| | N | 150 | 150 | 150 | 150 | 150 | 150 | 150 |

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4.11 is illustrated about Pearson's Correlation Analysis which summarize about the level of strongest or the strength of relationship between independent variables (i.e., transparency, accountability, responsibility, loyalty, consensus oriented and participation) on the effective corporate governance as dependent variable used for this study. According to the Guildford's (1973), Pearson's Correlation Coefficient (r) findings are generally interpreted based on Rule of Thumb. According to the Pearson's Correlation Coefficient presented in the table of 4.11, it is found that all the variables are greater than 0.50. Meanwhile, the result also showed that transparency (0.623), accountability (0.627), loyalty (0.648), consensus oriented (0.613), and participation (0.675) have a strong positive relationship with effective corporate governance within range of 0.60 to 0.79. Whereas responsibility (0.521) has a moderate positive relationship with effective corporate governance. From the above result, it concludes that employees are aware about their role and implementing ethics by being transparency, accountability, responsibility, loyalty, consensus oriented and their participation to strengthen the effectiveness of corporate governance practices in Malaysian private sectors. From the findings, it is found that the p-value for the all variables is significant because p-value is 0.001 which is smaller than proposed value of α 0.01 level. To simplify, the H_0 for all the variables is rejected while H_A for the variables is accepted. Based on table 4.11, found that the relationship between the independent variables and effective corporate governance are significant at the level of α 0.01 based on the table provided. To summarize, the hypothesis from above findings shows that transparency, accountability, responsibility, loyalty, consensus oriented and participations of employees significantly influences the effectiveness of corporate governance in Malaysian private sectors.

Table 4.12: Pearson Correlation Coefficient Analysis

| Ethics and Employees Role | Pearson Correlation Coefficient | Findings |
|--|--|-----------------|
| H1A: There is a relationship between transparency and effective corporate governance. | 0.623 | Supported |
| H2A: There is a relationship between accountability and effective corporate governance. | 0.627 | Supported |
| H3A: There is a relationship between responsibility and effective corporate governance. | 0.521 | Supported |
| H4A: There is a relationship between loyalty and effective corporate governance. | 0.648 | Supported |
| H5A: There is a relationship between consensus oriented and effective corporate governance. | 0.613 | Supported |
| H6A: There is a relationship between participation and effective corporate governance. | 0.657 | Supported |
| There is a relationship between ethics and employees role for effective corporate in Malaysian Private Sectors. | | |

Source: Develop for the research

Table 4.12 above illustrated about the Pearson's Correlation Coefficient Analysis. From the above findings found that H1A to H6A are supported. To summarize, the dependent variable which is effective corporate governance has positively associated with the independent variables according to the findings that obtained

from the study. Furthermore, responses from the respondents that participated in the study provided positive answers to the questionnaires on the relationship between the independent variables on effective corporate governance in Malaysian private sectors. To simplify, the model that used for this study is valid and can be accepted.

4.6 Multi Regression Analysis

Table 4.13: Multiple Regression Analysis

| Model Summary ^b | | | | | | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|-----------------|-------------------|-----|-----|---------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | Change Statistics | | | | Durbin-Watson |
| | | | | | | F Change | df1 | df2 | Sig. F Change | |
| 1 | .752 ^a | .565 | .547 | .45325 | .565 | 31.015 | 6 | 143 | <.001 | 1.719 |

a. Predictors: (Constant), Participation, Responsibility, Transparency, Accountability, Consensus_O, Loyalty

b. Dependent Variable: Effective_Corporate_Governance

Source: Develop for the research

According to the table 4.13 represented Multiple Regression Analysis. From the model summary of Multiple Regression Analysis summarize that the relationship between independent variables (i.e., transparency, accountability, responsibility, loyalty, consensus oriented and participation) and the effective corporate governance as dependent variable is used for study. Table 4.13 which described about the model summary of Multi Regression Analysis can be determined that R square value is 0.565 and the explanatory variables accounted for this study about is 56.50%. While the Durbin-Watson statistic is 1.719 which means positive autocorrelation.

Table 4.14: Coefficients

| | | Coefficients^a | | | | |
|-------|----------------|---------------------------------|------------|---------------------------|-------|------|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .476 | .287 | | 1.658 | .100 |
| | Transparency | .157 | .080 | .165 | 1.966 | .051 |
| | Accountability | .156 | .087 | .153 | 1.803 | .074 |
| | Responsibility | .080 | .086 | .072 | .933 | .352 |
| | Loyalty | .163 | .107 | .157 | 1.531 | .128 |
| | Consensus_O | .048 | .090 | .049 | .533 | .595 |
| | Participation | .271 | .081 | .291 | 3.338 | .001 |

a. Dependent Variable: Effective_Corporate_Governance

Source: Develop for the research

Based on the table 4.14, the equation of the model as below:

$$\text{Effective Corporate Governance} = 0.476 + 0.157x_1 + 0.156x_2 + 0.080x_3 + 0.163x_4 + 0.048x_5 + 0.271x_6 + 0.287e$$

X₁ = Transparency

X₂ = Accountability

X₃ = Responsibility

X₄ = Loyalty

X₅ = Consensus Oriented

X₆ = Participation

e = Standard deviation

Based on the table 4.14, the relationship between participation of employees and effective corporate governance has a t-statistic value of 3.338 which is greater than 1.96 and p-value is 0.001 which is less than of proposed value 0.05.

From the finding, can be summarizing that H6 is significant and supported for this study, thus, do not reject. However, transparency (H1), accountability (H2), responsibility (H3), loyalty (H4), and consensus oriented (H5) are insignificant due to not achieved the proposed value. This is because the value of t-statistic for transparency is 1.966 but p-value is 0.51 which is slightly higher than (> 0.05) meanwhile, accountability t-statistic value is 1.803 which is less than proposed value of 1.96 ($1.803 < 1.96$) and p-value is 0.74 which is greater than proposed value of 0.05 ($0.74 > 0.05$). Besides, the value of t-statistic for responsibility is 0.933 which is less than proposed value ($0.933 < 1.96$) and p-value is 0.352 which is greater than proposed value ($0.352 > 0.05$) and loyalty is 1.531 which is less than proposed value ($1.531 < 1.96$) and p-value is 0.128 ($0.128 > 0.05$). Then, the t-statistic value for consensus oriented is 0.533 which is less than as recommended value ($0.533 < 1.96$) and p-value is 0.595 ($0.595 > 0.05$). To simplify, do not reject H1, H2, H3, H4, and H5 for this study.

According to table 4.14, the unstandardized coefficient β values indicated positive relationship between the variables. Participation has an unstandardized coefficient β value of 0.271 and this meant that every single unit increase in participation of employees will be resulted to 0.271 increases the effectiveness of corporate governance in private sectors.

Nevertheless, participation is identified as predictor variable because it is contributing the highest changes to the effective corporate governance because its standardized coefficient β value is 0.291, which is the highest among other variables. To simplify, when other variables in the model hold constant, participation of employees makes the strongest and higher contribution to determine the effectiveness of corporate governance in private sectors. Subsequently, this is followed by transparency, loyalty, accountability, responsibility, and consensus oriented with the standardised coefficient β values of 0.165, 0.157, 0.153, 0.72 and consensus oriented 0.49 respectively.

4.7 Discussion on Findings

In this research, hypotheses were established to identify how employees in private sectors behave ethically and promote the effectiveness of corporate governance. Referring to the table 4.15, the result posited that participation of employees have a significant relationship for effective corporate governance, while transparency, accountability, responsibility, loyalty, and consensus oriented have an insignificant relationship for effective corporate governance among employees in Malaysian private sectors. Therefore, all the hypotheses for (i.e., H1, H2, H3, H4, H5 and H6) were supported in this study. Moreover, H6 has the highest unstandardized coefficient β value of 0.271 and this indicated that participation variable is play a major role and important to determine the effectiveness of corporate governance among employees in Malaysian private sectors.

Table 4.15: Findings of the Hypotheses Testing

| Hypothesis | Values | Decision |
|---|---------------------------------------|-----------|
| H1: There is an insignificant relationship between ethics and employees role as transparency for effective corporate governance in Malaysian private sectors. | $\beta = 0.157$ $p = 0.051 > 0.05$ | Supported |
| H2: There is an insignificant relationship between ethics and employees role as accountability for effective corporate governance in Malaysian private sectors. | $\beta = 0.156$ $p = 0.074 > 0.05$ | Supported |
| H3: There is an insignificant relationship between ethics and employees role as responsibility for effective corporate governance in Malaysian private sectors. | $\beta = 0.080$ $p = 0.352 > 0.05$ | Supported |
| H4: There is an insignificant relationship between ethics and employees role as loyalty for effective corporate governance in Malaysian private sectors. | $\beta = 0.163$ $p = 0.128 > 0.05$ | Supported |

| | | |
|---|---------------------------------------|-----------|
| H5: There is an insignificant relationship between ethics and employees role as consensus oriented for effective corporate governance in Malaysian private sectors. | $\beta = 0.048$ $P = 0.595 > 0.05$ | Supported |
| H6: There is a significant relationship between ethics and employees role as participation for effective corporate governance in Malaysian private sectors. | $\beta = 0.271$ $p = 0.001 < 0.05$ | Supported |

Source: Develop for the research

Findings of this research revealed that effective of corporate governance in Malaysian private sectors has a positive relationship with the participation of employees. A change in the effectiveness of corporate governance will be impacted and influence by the employees participation. Furthermore, this research supported by the findings that obtained after analyzed the correlation analysis and multi regression analysis. Thereby, participation (H6) of employees in private sectors are considered as the significant determined to identify the relationship for effective corporate governance.

Besides, transparency, accountability, loyalty, responsibility, and consensus oriented have positive correlation for effective corporate governance. However, these 5 variables have insignificant result where can be concluded that ethics and employees role is not influence or determine the relationship for the effective corporate governance in private sectors.

Additionally, the Pearson's Correlation Coefficient analysis (r) indicated that the findings are more than 0.40 and within range of 0.60 to 0.70 which has the positive value, and this can be indicated that all the independent variables towards dependent variable has moderate to strongest correlations. While the findings indicated that the transparency, accountability, responsibility, loyalty, consensus oriented and participation for 56.50% of the changes for effective corporate governance among employees in Malaysian private sectors.

4.8 CONCLUSIONS

In this chapter, SPSS was used to analyze the data that was gathered from the respondents. Additionally, the findings revealed the nature and strength of the connections between the independent variables and dependent variable to support the hypotheses testing. The collected data will then be further addressed in the final chapter along with the study's implications, constraints, and a few recommendations.

CHAPTER 5

RECOMMENDATION AND CONCLUSION

5.1 Introduction

This chapter of 5 is to summarize about this study from chapter 1 until chapter 4 in term of respondents' demographic profile, data presentation, suggestion and recommendation that need to be considered for the future studies. The study findings indicate about ethics and employees role as transparency, accountability, responsibility, loyalty, consensus oriented and participation are positively related for effective corporate in Malaysian private sectors.

5.2 Summary from the Result

This research is about to analyze how important employees in private sectors should behave ethically in the workplace to strengthen the effectiveness of governance in private sectors. Generally, employees play minor role when comes to corporate governance compared to shareholders and board of directors especially in private sectors, there is no specific corporate governance code been implemented as public listed companies do have. Therefore, this study will help to identify how important ethics and employees contribution to enhance the governance in their respective firms. For this study, the primary data has been collected.

I used non-probability sampling technique which also including convenience sampling to approach population. The independent variables such as transparency, accountability, responsibility, loyalty, consensus oriented and participation used to measure dependent variable which is effective corporate governance by develop a series of questionnaires measure by used Likert Scale method (i.e., .5 points) as the study data gathering tool. Statistical Package for Social Sciences (SPSS) Version 29 was used to evaluate the data, which were obtained by a self-administered questionnaire. The findings of the descriptive analysis, frequency analysis, Pearson Correlation, and Multiple Regression Analysis were reported by the SPSS in table form.

For this study, the total number of 150 respondents were participated out of 160 were initially selected for the sample to testing hypothesis which representing 94%. Most of the respondents are male. According to the result indicated that the respondents working in Kuala Lumpur more responsive compared to other locations, most of the respondents are from Executive level with working experience more than 10 years.

From the findings, found that independent variable such as transparency, accountability, responsibility, loyalty, consensus oriented and participation were positive and strong correlated for effective corporate governance. However, in term of multiple regression analysis found that participation variable is the only variable that significant to measure effective of corporate governance among employees. Eventually, other variables are showed insignificant result to measure effective of corporate governance.

5.3 Contribution of the Study

Based on the result that found from the study there is a correlation between independent variables (i.e., transparency, accountability, responsibility, loyalty, consensus oriented and participation) on the dependent variable (effective corporate governance) revealed that employees in private sector should play their role to

enhance corporate governance in their firm in terms of good behavior. Furthermore, employer from the private sectors should practicing the said variables to enhance the effectiveness of corporate governance in daily business operations to increase the performance of the company. Moreover, by practicing a good ethics especially among employees in daily business operation, its help to bring a good awareness and a proper knowledge for the essential to strengthen an effective corporate governance and help to increase the reputation of the company for better future.

Based on the findings above, it can be assumed that the important of ethics and employees play major role on corporate governance effectiveness. Thus, private sectors necessary to focus on improvement of corporate governance to succeed the firm goal and objective to maximize the profits in ethical approach. There are few recommendations can be implemented to improve ethics and employees role to improve corporate governance in private sectors:

1. The management need to focus on ethics by providing ethical training to employees on how they should behave and to not involve in any fraudulent activities internal and external of the organization.
2. Management must set up a clear Code of Ethics and Code of Conduct includes company's rules and regulation, policy and value for employees follow in the workplace especially such as discrimination and harassment, fraudulent activities and violating company policies. By implementing these both Codes, able to control any unnecessary incidents happened in the workplace.
3. Management and employees should practice transparency in the workplace because being transparent able to detect any misconduct within organization. In other words, employees may become whistle blowers on their peers which inform to the management anything that effect the reputation of the company. Besides, they should form a team to investigate any complaints or must take disciplinary action.

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4. Furthermore, management can give rewards for ethical behaviour to employees whoever follow the Codes that set up for the employees, therefore it can be encourage other employees to follow as well. For example, management can provide certificate of excellence behaviour to employees where they can be more responsible and more participate in the process of company growth.
 5. Finally, the management should conduct staff meeting every quarter in a year where employees got chances to voice our or express their opinion and management can find solution. When management able to solve employees problems, employees loyalty will be increased where encourage them to behave ethically and support the growth of the business. Moreover, it can help to decrease the unethical behaviour among employees where can improve the company governance.

5.4 Limitation and Recommendation

The limitations of the study are limited studies that been conducted previously related to this topic. This is because corporate governance mainly practices on public listed companies. So, when doing this research for private sector employees, couldn't get proper resource and information. Due to this limitation, the findings from this study not fully discussed about Malaysia private sectors background

Besides, the costs and the time frame are limited to distribute the questionnaire to selective population. The questionnaires distributed to 160 respondents but received the response from 150 respondents only. Therefore, it is better to make an enlargement on the sampling of respondents to get accurate, clear, and precise of feedback and finding. Generally, when increase the sample size of population, we can see the effect which means the greater the sample size, we will get the "*statistically significant*" result from the study. However, the result obtained will be useful to future researchers if they would like to conduct on this scope of area because this topic is important to private sectors employees because private sectors

and their employees plays major role in economic growth, therefore they should behave ethically and give priority to enhance the effectiveness corporate governance in private sectors as public listed companies.

The suggestions for the future research on this area are describe in this paragraph. There are still have more areas or topics that can be discussed in future research related to the governance in private sectors. First and foremost, researchers should focus on the employees role because when comes to corporate governance, priority goes to shareholders and board of directors, so researchers must explorer more on this part. Besides, the researcher can be considered to measure the effectiveness of corporate governance in private sector using different types of independents variables and dependent variable or use different instruments to measure. Thirdly, the future research also can be focused on by comparing public listed companies and private companies and the effectiveness of corporate governance in both types of companies. In a nutshell, future researchers can choose other methods to analysis the data to help their research give a clear and accurate results.

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APPENDICES

Appendix A - Questionnaire



UNIVERSITI TUNKU ABDUL RAHMAN

**Research Topic: Ethics and Employees Role for Effective Corporate Governance
in Malaysian Private Sectors**

Dear respondents,

I am a final year student pursuing Master of Business Administration(Corporate Governance) from Universiti Tunku Abdul Rahman (UTAR). The questionnaire below is conducted as part of the course requirements of Master of Business Administration (Corporate Governance) programme in Universiti Tunku Abdul Rahman (UTAR). The main purpose of this primary research being conducted is to gain better understanding in conjunction to complete my dissertation. Thus, it would be much appreciated if you could spare a few minutes of your time to help filling up the questionnaire.

At this point, I am conducting research on the “*ethics and employees role for effective corporate governance in Malaysian private sectors*”. The primary objective of this study will help employees in Malaysian private sectors to know their role in corporate governance and how they should behave ethically towards organization success.

The questionnaire consists of **three (3) Sections A, B and C** with 8 pages excluding cover page of this form.

There is no right or wrong answer. You will not be required to reveal your identity in this research. Your answers are extremely valuable and certainly make an important contribution to this study. Thank you for taking the time to assist me in my educational endeavour. All the information and the statement provided will only for education purposes and will be strictly formatted in confidential.

I can be reach at any time to answer your questions or concerns about your rights as research

subject as below email:

Email: kanageswary1209@1utar.my

Section A: Demographic Profile

1) Gender

| | |
|--------------------------|--------|
| <input type="checkbox"/> | Male |
| <input type="checkbox"/> | Female |

2) Age

| | |
|--------------------------|---------|
| <input type="checkbox"/> | 21 – 30 |
| <input type="checkbox"/> | 31 – 40 |
| <input type="checkbox"/> | 41 – 50 |
| <input type="checkbox"/> | 51 – 60 |

3) Job Position

| | |
|--------------------------|-------------------------|
| <input type="checkbox"/> | Lower-Level Management |
| <input type="checkbox"/> | Middle Level Management |
| <input type="checkbox"/> | Senior Level Management |
| <input type="checkbox"/> | Executive Level |
| <input type="checkbox"/> | Others |

4) Working Experience

| | |
|--------------------------|--------------------|
| <input type="checkbox"/> | Less than 5 years |
| <input type="checkbox"/> | More than 5 years |
| <input type="checkbox"/> | More than 10 years |

5) Location

| | |
|--------------------------|--------------|
| <input type="checkbox"/> | Selangor |
| <input type="checkbox"/> | Kuala Lumpur |
| <input type="checkbox"/> | Others |

6) Type of Company

| | |
|--------------------------|------------------------------------|
| <input type="checkbox"/> | Small and Medium Enterprise (SMEs) |
| <input type="checkbox"/> | Partnerships |
| <input type="checkbox"/> | Multinational Corporation (MNC) |
| <input type="checkbox"/> | Others |

Please indicate your answer by a tick (✓) in the relevant column according to your preference for the level of agreement or disagreement on the following statements based on the scale as below:-

Section B

| Transparency | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--|-------------------|----------|---------|-------|----------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) My organization provides information that is relevant to its employees | | | | | |
| b) My organization provide accurate information to its employees | | | | | |
| c) My organization provides information that is easy for its employees to understand | | | | | |
| d) My organization make it easy to find information its employees need | | | | | |

| Accountability | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|--------------------------|-----------------|----------------|--------------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) My organization is open to criticism by its employee | | | | | |
| b) I am directly accountable to my organization for my behavior | | | | | |
| c) I am clear with my duties and responsibilities in organization | | | | | |
| d) My organization is forth coming with information that might be damaging to the organization. | | | | | |
| e) My superior is guided in his/her action by internal moral standards | | | | | |

| Responsibility | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--|--------------------------|-----------------|----------------|--------------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) I always take responsibility if I did something wrong | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| b) I constantly work hard to meet responsibilities and adhere code of conduct that set by my organization | | | | | |
| c) I won't misuse of organization asset or engage in financial fraud | | | | | |
| d) I always try to adhere to ethics values to enhance governance in my organization | | | | | |
| e) Responsibility toward organization and the community is encouraged in my organization | | | | | |

| Loyalty | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|--------------------------|-----------------|----------------|--------------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) I value loyalty, respect for authority and hierarchy in my organization. | | | | | |
| b) I always do my best at work | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| c) Employees are pushed to be truthful in their reporting and practices in my organization | | | | | |
| d) My organization ensures the justice/equality and non-discriminatory treatment among the employees of my firm. | | | | | |
| e) My organization maintains the high level of moral, justice, and honesty in business and other affairs of life | | | | | |

| Consensus Oriented | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|-------------------|----------|---------|-------|----------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) My organization maintains the balance between the interest of different stakeholders and rights of employees of the firm | | | | | |
| b) The organization's members share a common set of beliefs, values, and practices. | | | | | |
| c) Managers and employees are encouraged to be compassionate in their decision. | | | | | |

| | | | | | |
|---|--|--|--|--|--|
| d) The interests of all stakeholders are considered in decision making. | | | | | |
|---|--|--|--|--|--|

| Participation | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|---|--------------------------|-----------------|----------------|--------------|-----------------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) My organization ask the opinion of its employees before decision making | | | | | |
| b) I believe that employee representative should have seats on the Board | | | | | |
| c) Employees can freely communicate their concern about illegal or unethical practice to the management | | | | | |
| d) My superior encourage employee to voice opposing point of view | | | | | |
| e) Employees are rewarded for their high level of performance and involvement | | | | | |

Section C

| Effective Corporate Governance | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree |
|--|-------------------|----------|---------|-------|----------------|
| | 1 | 2 | 3 | 4 | 5 |
| a) My organization formalize ethical standards through a Code of Ethics and Conduct and ensure its compliance. | | | | | |
| b) Employees in my organization are aware about corporate governance and their role in implementing. | | | | | |
| c) To prevent misconduct within my organization, there are ethical training program among employees to improve corporate governance. | | | | | |
| d) My organization have training programs that effectively communicate ethical standards and policies to create awareness among employees. | | | | | |
| e) There should be a specific corporate governance code (CGC) which meets the needs of private sectors in Malaysia. | | | | | |